

# HOMBURG INVEST INC.

This prospectus ("**Prospectus**") concerns the issue ("**Issue**") a maximum of 6,667 Homburg Bond 10 bonds, with a par value of EUR 15,000, and has been drafted in order to comply with article 3 of directive 2003/71/EC (the "**Prospectus Directive**").

This Prospectus does not constitute an offer by, or an invitation by or on behalf of, Homburg Invest, Inc. ("**Homburg Invest**") or any affiliate or representative thereof to purchase any securities or an offer to sell, or the solicitation to buy, securities by any person.

Investing in the Homburg Bond 10 bonds involves risk. See "Risk Factors", beginning on page 12, for a discussion of risks that should be carefully considered by prospective investors prior to an investment in the Homburg Bond 10 bonds.

This Prospectus will be published in the English language only.

Prospectus dated 14 February, 2007

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## **1. SUMMARY**

The Issue of a maximum of 6,667 Homburg Bond 10 bonds for a total amount of EUR 100,005,000 by Homburg Invest.

This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

### **1.1 Homburg Invest**

Homburg Invest is the issuer of the Homburg Bond 10 bonds, and is a real estate investment company which is publicly traded on the Toronto Stock Exchange with a secondary listing on Euronext Amsterdam, and which was incorporated on September 8, 1999 as Basic Realty Investment Corporation under the “Business Corporations Act” of the Province of Alberta, Canada.

Homburg Invest has its head office in Halifax, Nova Scotia. Homburg Invest and its Subsidiaries own a diverse portfolio of quality real estate including office, retail, warehouse and residential apartment and townhouse properties throughout Canada, the United States (Texas and Colorado) and Europe (Germany and the Netherlands).

Homburg Invest's business is management, divestment, development and acquisitions of real estate. In addition, Homburg Invest also has strategic investments in other real estate companies. The focus is primarily on income producing, commercial properties.

All assets of Homburg Invest and its Subsidiaries are managed under property operating agreements and asset management agreements with Homburg Canada Incorporated.

Virtually all real estate of the Corporation is held by its Subsidiaries, whereby, for the most part, one Subsidiary only holds one property. Therefore a poor performing property will only affect the Subsidiary which owns this asset; the maximum exposure of the Corporation to each of the properties is the amount of equity invested in the relevant Subsidiary.

Homburg Invest has its principal place of business at  
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1741 Brunswick Street  
Halifax  
Nova Scotia, B3J 3X8  
Canada  
Tel: 001 902 468 3395  
Fax: 001 902 468 2457  
E-mail [info@homburginvest.com](mailto:info@homburginvest.com)  
Internet: [www.homburginvest.com](http://www.homburginvest.com)

And its registered office is  
MacLeod Dixon LLP  
3700, 400 Third Avenue SW  
Calgary, Alberta, T2P 4H2  
Canada

Homburg Invest is registered at the Alberta Registrar of Corporations with registration number 2010010615.

## 1.2 Financial statement highlights

### FINANCIAL HIGHLIGHTS (International Financial Reporting Standards) (in CAD thousands except per share amounts)

	Nine months Period ended September 30 2006 Unaudited	Year ended December 31 2005 Audited (As restated)	Year ended December 31 2004 Audited (As restated)	Year ended December 31 2003 Audited (As restated)
<b>OPERATIONS</b>				
Property Revenue	\$ 79,820	\$ 56,743	\$ 37,414	\$ 30,855
Realized Valuation Changes	8,654	4,693	150	991
Unrealized Valuation Changes	19,632	50,387	22,951	7,121
Sale of condominiums*	9,153			
Net Earnings	\$ 42,569	\$ 54,861	22,994	9,464
Earnings Per Share - Basic	\$ 0.43	\$ 0.73	\$ 0.47	\$ 0.22
<b>BALANCE SHEET</b>				
Total Assets	\$ 2,046,835	\$ 1,080,487	\$ 387,929	\$ 279,445
Investment and Development Properties	1,966,581	960,791	333,037	270,570
Mortgages and Bonds Payable	1,321,748	678,951	253,742	179,087
Shareholders' Equity	\$ 414,888	\$ 259,466	\$ 103,659	\$ 70,195

\* There is no comparative amount for 2005, 2004 or 2003

More detailed financial information can be found in section 6 of this Prospectus.

#### Restatement

The financial highlights for 2005, 2004 and 2003 have been restated to reflect a change in accounting policy related to deferred financing costs. The policy change was made in June 2006 and was applied retroactively. The impact of the change is explained in the notes to the 2005 and 2004 financial statements included in this Prospectus.

### **1.3 Homburg Invest Board of Directors and Officers**

#### **BOARD OF DIRECTORS:**

**RICHARD HOMBURG**, *Dr. Comm., Chairman of the Board of Directors*

Chairman of the executive board  
Homburg N.V., Soest, The Netherlands  
Chairman, board of management  
Homburg Canada Incorporated  
Halifax, Nova Scotia, Canada  
Member of board of directors  
Cedar Shopping Centers Inc.  
Port Washington, New York, USA  
Former chief executive officer of Uni-Invest N.V.

**MICHAEL H. ARNOLD**, *CA, vice chairman of the Board of Directors*

President, Dyne Holdings Limited  
Charlottetown, Prince Edward Island, Canada  
Member of board of directors  
SpellRead PAT Learning Systems Inc.  
Diagnostic Chemicals Ltd.  
Former chief executive officer and chairman of SpellRead PAT Learning Systems Inc.

**RUDOLF D. BAKHUIZEN**, *Director*

Chief executive officer, Huis en Haard Beheer B.V.  
Soest, The Netherlands  
Former chief executive officer of Hooge Raedt Groep B.V.

**DR. TREVOR CARMICHAEL**, *Director*

Principal, Chancery Chambers Barrister & Solicitors  
Bridgetown, Barbados  
Vice president of the International Institute of Association and Foundation Lawyers

**WALTER R. FITZGERALD**, *Director*

Retired Mayor – City of Halifax  
Former Member Legislative Assembly (MLA) – Province of Nova Scotia  
Halifax, Nova Scotia, Canada

**EDWARD P. OVSENNY**, *Director*

Principal, Ovsenny Advisors Real Estate Consultants  
Toronto, Ontario, Canada  
Member of board of directors of  
The Canada Life Insurance Company of Canada  
Former vice president, North America Mortgage Investments of Canada Life Assurance Company

#### **OFFICERS:**

**RICHARD HOMBURG**, *Dr. Comm, Chief Executive Officer*

Chairman of the executive board  
Homburg N.V., Soest, The Netherlands  
Chairman, board of management  
Homburg Canada Incorporated  
Halifax, Nova Scotia, Canada  
Member of board of directors  
Cedar Shopping Centers Inc.  
Port Washington, New York, USA  
Former chief executive officer of Uni-Invest N.V.

**Drs. J. Richard STOLLE**, *President and Chief Operating Officer*

Chief executive officer Stollburgh Capital B.V.

Former chief executive officer Uni-Invest N.V.

**JAMES F. MILES, CA**, *Vice President Finance and Chief Financial Officer*  
Vice president finance & administration, Homburg Canada Incorporated  
Halifax, Nova Scotia, Canada

**ASHLEY L. PHILLIPS**, *President Canadian Operations*

**J. JEFFERY COATES**, *Secretary*  
Vice president, Homburg Canada Incorporated  
Halifax, Nova Scotia, Canada

#### **1.4 Homburg Bond 10 bonds**

The Homburg Bond 10 bonds are to be 7-year unsecured corporate bonds with a fixed interest rate of 7.25% per year (the effective yield will amount to 6.62% per annum based on a term to maturity of seven years and taking into account an issue fee of 3%).

The Homburg Bond 10 bonds represent a maximum amount of EUR 100,005,000 and are issued by Homburg Invest. Bondholders participate by investing in Homburg Bond 10 bonds at EUR 15,000 each (excluding an issue fee of 3%). The number of Homburg Bond 10 bonds issued will be a maximum of 6,667. The proceeds of the Issue will be used by Homburg Invest for general business purposes.

The Homburg Bond 10 bonds shall be redeemable at any time on or after 16 February, 2012 and prior to maturity, in whole at any time or in part from time to time, at the option of Homburg Invest at a redemption price equal to 100% of the principal amount thereof, together in each case with accrued and unpaid interest to the date fixed for redemption.

#### **Parties involved**

##### **Homburg Invest**

Homburg Invest is the issuer of the Homburg Bond 10 bonds. Homburg Invest will pay interest on the Homburg Bond 10 bonds, and will repay the principal (subject to presentation and surrender of such Bonds to the Trustee) of the Homburg Bond 10 bonds through the Trustee to the Bondholders.

##### **Trustee**

The Trustee is the Stichting Homburg Bonds. The Trustee will act as paying agent for Homburg Invest with respect to the Homburg Bond 10 bonds, and as such will receive the interest and principal amounts from Homburg Invest and will distribute it amongst the Bondholders. Further duties of the Trustee are:

- keep a register in which shall be entered the names and addresses of the Bondholders, together with the number of Homburg Bond 10 bonds held by each Bondholder
- execute any transfer of Homburg Bond 10 bonds if so requested by a Bondholder
- convene a meeting of Bondholders at the request of Homburg Invest, or at the request of Bondholders representing at least 10% of the principal amount of Homburg Bond 10 bonds outstanding. Subject to the quorum requirements, the Bondholders have the power to replace the Trustee and to make other decisions as described in article 15.11 of the Trust Indenture.

##### **Bondholder**

A Bondholder is any holder of a Homburg Bond 10 bond. Bondholders have the right to receive interest payments on their Homburg Bond 10 bonds. These payments will be made by Homburg Invest to the Trustee; the Trustee will distribute the interest to the Bondholders. At maturity of the Homburg Bond 10 bonds (or in the case of an early redemption) Homburg Invest will pay through the Trustee the principal of the Homburg Bond 10 bonds subject to presentation and surrender of such Bonds to the Trustee.

##### **Co-ordinator**

Homburg Participaties is the co-ordinator of this Issue, and is responsible for the sale and marketing of the Homburg Bond 10 bonds. Homburg Participaties will place the maximum amount of EUR 100,005,000 on a best effort basis. The Homburg Bond 10 bonds can only be purchased through Homburg Participaties.

#### **1.5 Major shareholders**

Homburg Invest is directly and indirectly controlled by Mr. Richard. Homburg. Mr. Richard Homburg controls 43.95% of the aggregate issued and outstanding Homburg Invest Class A Shares and Homburg Invest Class B Shares, representing 72.4% of all votes as per September 30, 2006.

Any single transaction of Homburg Invest has to be approved by at least two members of senior management (Chairman, President and Chief financial officer) or, to the extent required, by four members (a quorum) of the Board of Directors. All significant banking transactions of Homburg Invest require two authorizations and all real estate transactions over a certain amount are subject to the approval of the Board of Directors of Homburg Invest.



## 1.6 Related party transactions

*Related party transactions with companies controlled by Homburg Invests' Chairman and Chief Executive Officer*

Homburg Invest is directly and indirectly controlled by Mr. Richard Homburg, the Chairman and Chief Executive Officer. Homburg Invest entered into various agreements with companies directly or indirectly controlled by Mr. Richard Homburg.

A summary of the various revenues and expenses between related parties is as follows:  
(In CAD thousands)

	<b>September 30 2006 (Unaudited)</b>	September 30 2005 (Unaudited)
Rental revenue earned	\$ <u>(553)</u>	\$ <u>(203)</u>
Asset and construction management fees incurred	\$ <u>6,030</u>	\$ <u>3,644</u>
Property management fees incurred	\$ <u>1,141</u>	\$ <u>1,065</u>
Insurance incurred	\$ <u>468</u>	\$ <u>417</u>
Service fees incurred	\$ <u>390</u>	\$ <u>228</u>
Property acquisition/disposal fees incurred	\$ <u>23,556</u>	\$ <u>15,835</u>
Mortgage bond guarantee fees incurred	\$ <u>2,588</u>	\$ <u>2,255</u>
Bond issue costs incurred	\$ <u>2,329</u>	\$ <u>3,697</u>
Share issue costs incurred	\$ <u>3,536</u>	\$ <u>NIL</u>
Construction financing interest and fees accrued	\$ <u>255</u>	\$ <u>NIL</u>

The transactions are recorded at exchange amounts.

The total amount paid to related parties for services rendered amounted to CAD 40.3 million for the first nine months ended on 30 September 2006 and CAD 27.1 million for the first nine months ended on 30 September 2005.

## 1.7 Personnel

Homburg Invest is an off balance sheet managed real estate company, and therefore has no employees. All of the management services provided to Homburg Invest and its Subsidiaries (property management, asset management and administrative management) are contracted out to Homburg Canada Incorporated; a company specialized in the development, acquisition, disposition and management of real estate on behalf of its clients.

Homburg Canada Incorporated  
11 Akerley Blvd., Suite 200  
Dartmouth, Nova Scotia, Canada  
B3B 1V7  
Ph: 902-468-2850  
Fx: 902-469-6776

Homburg Canada Incorporated is a company indirectly controlled by Mr. Richard Homburg.

## **1.8 Risk factors**

### **General**

Before purchasing Homburg Bond 10 bonds, prospective Bondholders should consider carefully the following material risks and uncertainties. If any of the following material risks actually occurs, Homburg Invests' business, results of operations or financial condition could be materially adversely affected. In that event the Bondholder might lose part or all of his investment. Additional risks and uncertainties not presently known to Homburg Invest or that are currently deemed immaterial may also have a material adverse effect on the business of Homburg Invest, its results of operations or its financial condition.

### **Risks relating to the business**

- Homburg Invest is strongly connected with Mr. Richard Homburg and Homburg Invests' operations are influenced by the strategic course he envisages.
- Homburg Invest and its Subsidiaries operate in a competitive industry. If Homburg Invest and its Subsidiaries are unable to compete effectively with its existing or any new competitors, Homburg Invests' and its Subsidiaries' business, operating results or financial condition could be materially adversely affected.
- In Canada Homburg Invests' and its Subsidiaries' revenues are sensitive to changes in local inflation as not all the lease contracts are indexed for inflation.
- Homburg Invests' and its Subsidiaries' revenues might be more volatile than other real estate companies given the relatively short terms for lease contracts in the Canadian operations.
- Homburg Invests' and its Subsidiaries' businesses operates in several different countries and Homburg Invest and its Subsidiaries may be unable to manage risks associated with its international operations.
- Homburg Invest and its Subsidiaries could decide to concentrate their real estate investments, which would limit the diversification of the asset portfolio.
- There can be no assurance that the growth recently experienced by Homburg Invest and its Subsidiaries will continue.
- A substantial part of Homburg Invests' and its Subsidiaries' costs are relatively fixed and as a result any shortfall in revenues could have an adverse effect on Homburg Invests' or its Subsidiaries' profit.
- Homburg Invests' success depends to a significant extent upon its ability to continue the management services of Homburg Canada Incorporated.
- Homburg Invest and its Subsidiaries might not be able to attract tenants for their real estate at economically favourable terms.
- Homburg Invests' and its Subsidiaries' tenants might not be able to pay rent and Homburg Invest and its Subsidiaries might not be able to collect rent on time.
- Homburg Invest and its Subsidiaries derive a significant amount of revenues from a limited number of key tenants.
- Homburg Invest and its Subsidiaries might have to sell real estate at unfavourable prices.
- Environmental issues regarding Homburg Invests' and its Subsidiaries' real estate and changes to governing environmental laws and regulations might have a negative impact on Homburg Invests' and its Subsidiaries' business.
- Homburg Invest and its Subsidiaries could face development and construction risks on its projects.
- Homburg Invest may require additional capital in the future, which may not be available.
- Homburg Invest and its Subsidiaries are sensitive to changes in interest rates.
- Homburg Invest and its Subsidiaries are exposed to risks associated with operations in multiple currencies.
- Homburg Invest and its Subsidiaries are exposed to currency risks due to the fact that there is no 100% match between revenues and expenses in the various currencies (currently Canadian dollar, US dollar and the euro).
- Homburg Invest has adopted reporting standards which requires presenting Homburg Invests' investment properties on a fair value basis. Homburg Invest regularly reviews the value of the investment properties to assess the validity of the independent appraisals.
- Homburg Invest as limited partner in the Homcos cannot direct Homburg LP Management Incorporated as the general partner.

- Calculation of Homburg Invests' tax liabilities involves the interpretation and implementation of tax laws and treaties of various jurisdictions.

### **Risks relating to the offer**

Although Homburg Bond 10 bonds are treated as capital in the form of a savings account or securities for tax purposes for residents of the Netherlands, the personal situation of a Bondholder is determined by many factors and may therefore differ from what is stated in this Prospectus. For this reason it is recommended that the Bondholder obtains specific advice (from his own tax consultant) about the effect which purchasing the Homburg Bond 10 bonds could have on his tax situation. Bondholders are referred to Appendix 1 for more information concerning tax-related aspects.

Homburg Invest will pay an interest rate of 7.25% (the effective yield for the Bondholders will amount to 6.62% per annum based on a term to maturity of seven years and taking into account an issue fee of 3%). In addition, Homburg Invest will repay the principal of the Homburg Bond 10 bonds in full. The financial situation of Homburg Invest could have an impact on the interest payments and repayment of the principal amount of the Homburg Bond 10 bonds.

Homburg Invest reserves the right to redeem the Homburg Bond 10 bonds partially (on a pro rata basis) or in full at any time after the fifth year.

Neither Homburg Participaties nor Homburg Invest will be operating a market for the Homburg Bond 10 bonds.

## 2. RISK FACTORS

### General

Before purchasing Homburg Bond 10 bonds, prospective Bondholders should consider carefully the following material risks and uncertainties. If any of the following material risks actually occurs, Homburg Invest's business, results of operations or financial condition could be materially adversely affected. In that event the Bondholder might lose part or all of his investment. Additional risks and uncertainties not presently known to Homburg Invest or that are currently deemed immaterial may also have a material adverse effect on the business of Homburg Invest, its results of operations or its financial condition.

### Risks relating to the business

With respect to the following risks it is important to note that Homburg Invest holds the vast majority of its real estate assets through special purpose limited partnerships. This structure is used for several reasons. Primarily, it permits Homburg Invest to obtain financing without providing collateral security or general corporate guarantees as each limited partnership is treated as a stand-alone entity. As a result, a poor performing real property will in principle only affect the limited partnership which owns this asset. The maximum exposure of Homburg Invest in respect of a limited partnership is in principle limited to the amount of equity Homburg Invest has invested in such a limited partnership.

#### **Homburg Invest is strongly connected with Mr. Richard Homburg and Homburg Invest's operations are influenced by the strategic course he envisages.**

Mr. Richard Homburg is Homburg Invest's Chairman and Chief Executive Officer, chairman of the executive board of Homburg N.V. and chairman and board member of Homburg Canada Incorporated. Furthermore he is Homburg Invest's founder and a major shareholder in Homburg Invest. As such Homburg Invest and Mr. Richard Homburg have strong links and Homburg Invest's operations are influenced by the strategic course he envisages. Deterioration of this strong connection could have a significant impact on Homburg Invest's operations and strategic course. It is possible that Mr. Richard Homburg might pursue business opportunities, including but not limited to real estate and development business opportunities outside Homburg Invest.

#### **Homburg Invest and its Subsidiaries operate in a competitive industry. If Homburg Invest and its Subsidiaries are unable to compete effectively with its existing or any new competitors, Homburg Invest's and its Subsidiaries' business, operating results or financial condition could be materially adversely affected.**

The real estate market in Canada, the United States, Germany and the Netherlands is highly competitive. Many domestic and international real estate companies are active in Homburg Invest's and its Subsidiaries' main markets. These companies constantly seek new investments to add to their current portfolio. Due to competitive pressure, Homburg Invest and its Subsidiaries might be unable to make new investments or Homburg Invest and its Subsidiaries might make investments at inflated prices. Consequently, revenues and profitability could be adversely affected.

#### **In Canada Homburg Invest's and its Subsidiaries' revenues are sensitive to changes in local inflation as not all the lease contracts are indexed for inflation.**

The fixed rents in Homburg Invest's and its Subsidiaries' lease contracts in Canada and the United States do not normally provide for adjustments following a general change in prices. As a result, Homburg Invest's and its Subsidiaries' revenues adjusted for inflation could be materially adversely affected from an unexpected rise in inflation. Lease contracts in Canada and the United States are normally signed for a relatively short period of time (typically five years with a prolongation option at the sole discretion of the tenant for another two to three periods of typically five years) and price may be adjusted as contracts expire. In principle, lease contracts in Germany and the Netherlands allow for adjustment for inflation.

#### **Homburg Invest's and its Subsidiaries' revenues might be more volatile than other real estate companies given the relatively short terms for lease contracts in the Canadian operations.**

Canadian lease contracts typically have a duration up to five years (with a prolongation option at the sole discretion of the tenant for another two to three periods of typically five years), which is shorter than contracts in Homburg Invest's and its Subsidiaries' other markets and Homburg Invest's and its Subsidiaries' revenues might be less stable as a result of contracts that are not promptly renewed. If contracts are not renewed and if Homburg

Invest and its Subsidiaries are unable to find new tenants, this could have a materially adverse effect on Homburg Invests' and its Subsidiaries' business, operating results or financial condition.

**Homburg Invests' and its Subsidiaries' business operates in several different countries and Homburg Invest and its Subsidiaries may be unable to manage risks associated with its international operations.**

Homburg Invest (through its Subsidiaries) does have operations in the Netherlands, Germany, the United States and Canada. Accordingly, Homburg Invest and its Subsidiaries face economic, market, regulatory, legal and political risks inherent in having relationships, operations and revenues in multiple jurisdictions, including:

- fluctuations in currency exchange rates, in particular between the US dollar, the euro and the Canadian dollar;
- unanticipated changes in laws or regulatory requirements, including barriers to trade;
- restrictions on the movement of capital;
- general economic conditions, particularly as they influence, amongst others, interest rates, and the level of business activity;
- (foreign) tax consequences;
- potential for longer collection periods and for difficulty in collecting accounts receivable and enforcing contractual obligations;
- protectionist laws and business practices that favour local businesses in certain countries;
- potential for political, legal and economic instability;
- the availability of funds, such as long-term mortgages;
- oversupply of real estate or a reduction in demand for real estate in certain areas;
- inflation; and
- challenges caused by distance and linguistic and cultural differences.

Any of these or other factors could have a materially adverse effect on Homburg Invests' business, on the cost of Homburg Invests' and its Subsidiaries' operations, and on Homburg Invests' and its Subsidiaries' ability to compete within the relevant markets, each of which could have an adverse effect on Homburg Invests' and its Subsidiaries' operating results.

Homburg Invest expects to continue to develop its international operations, a strategy which could expose Homburg Invest and its Subsidiaries to new or additional risks and uncertainties, including differing laws and business dynamics. Further international expansion may place significant additional burdens on Homburg Invests' Directors and Officers. If Homburg Invest fails to properly manage these risks, Homburg Invest and its Subsidiaries may incur higher expenses and lower revenues, and any geographic expansion that Homburg Invest has undertaken or may undertake could have a materially adverse effect on Homburg Invests' and its Subsidiaries' business, operating results or financial condition.

There is no certainty that financing will be available upon the maturity of any existing debt instrument or to finance new projects at interest rates equal to or lower than the interest rate payable under the expiring debt instrument, or at all. As a result Homburg Invest and its Subsidiaries' may not be able to refinance their existing or future business.

**Homburg Invest and its Subsidiaries could decide to concentrate their real estate investments, which would limit the diversification of the asset portfolio.**

Homburg Invest spreads its risk by having a geographically diverse portfolio of properties (through its Subsidiaries) in order to limit Homburg Invests' exposure to a single location. Homburg Invest could decide that it is in its best interest to invest in a single property in excess of 20% of gross assets. Homburg Invest acquired in the first half year of 2006 the headquarters of Infineon Technologies AG, located in Munich, Germany. Per September 30, 2006 this property represents approximately 31% of the gross assets of Homburg Invest. Homburg Invest has no restrictions to the investment undertakings that Homburg Invest may make. If Homburg Invest decides to make an investment in excess of 40% of Homburg Invests' gross assets in another company, Homburg Invest would disclose the following:

- (a) information relating to each underlying collective investment undertaking as if it were an issuer under minimum disclosure requirements for the registration document schedule for securities issued by collective investment undertaking of the closed-end type or;
- (b) if securities issued by an underlying collective investment undertaking have already been admitted to trading on a regulated or equivalent market or the obligations are guaranteed by an entity admitted to trading on a regulated or equivalent market, the name, address, country of incorporation, nature of business and name of the market in which its securities are admitted.

**There can be no assurance that the growth recently experienced by Homburg Invest will continue.**

Homburg Invest has achieved rapid growth in a relatively short period of time. Homburg Invests' revenues, including unrealized valuation changes, increased from CAD 40.3 million in the year ended 31 December 2003 to CAD 112.9 million in the year ended 31 December 2005. Furthermore Homburg Invests' revenues, including unrealized valuation changes, increased from CAD 46.8 million for the nine months period ended September 30, 2005 to CAD 122.9 million for the nine months period ended September 30, 2006.

Homburg Invest cannot give any assurances that Homburg Invests' revenues will continue to increase or that they will not decline due to various factors, including:

- increased competition from existing competitors or new market entrants;
- disruption or termination of Homburg Invests' relationships with key tenants;
- any legal or regulatory proceeding; and
- changes in Homburg Invests' Directors and Officers.

**A substantial part of Homburg Invests' and its Subsidiaries' costs are relatively fixed and as a result any shortfall in revenues could have an adverse effect on Homburg Invests' and its Subsidiaries' profit.**

A relatively large proportion of Homburg Invests' and its Subsidiaries' costs are fixed, such as property taxes, maintenance costs, mortgage payments, insurance costs and related charges. A high level of fixed costs implies a high degree of operating leverage. The higher the degree of operating leverage, the greater the potential risk from a decrease in revenues. Thus, if Homburg Invests' and its Subsidiaries' revenues decrease, profits will decrease disproportionately.

**Homburg Invests' success depends to a significant extent upon its ability to continue the management services of Homburg Canada Incorporated.**

Homburg Invest and its Subsidiaries have signed asset management and property management agreements with Homburg Canada Incorporated, a company controlled by Mr. Richard Homburg. In the Netherlands and Germany Homburg Vastgoed Management B.V. is a subcontractor of Homburg Canada Incorporated. Homburg Canada Incorporated provides complete management services, directly or through sub contracts, for the management of Homburg Invests' and its Subsidiaries' real estate properties. In principle, these contracts are concluded on a property by property basis for ten years.

Homburg Invests' success and business prospects depend to a significant extent on the continued delivery of services by Homburg Canada Incorporated. If Homburg Canada Incorporated were to cancel or change the level of management services to Homburg Invest and its Subsidiaries, Homburg Invests' and its Subsidiaries' business could be adversely affected.

**Homburg Invest and its Subsidiaries might not be able to attract tenants for their real estate at economically favourable terms.**

Homburg Invest and its Subsidiaries have in general long-term contracts with its tenants. Those contracts might be terminated and Homburg Invest and its Subsidiaries might not be able to find new tenants at favourable terms or Homburg Invest and its Subsidiaries might not be able to find new tenants at all. Regardless of whether Homburg Invests' and its Subsidiaries' real estate is producing any income, certain significant expenditure, including real estate taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of Homburg Invests' and its Subsidiaries' ownership of real estate. To attract new tenants or keep existing tenants, Homburg Invest and its Subsidiaries may also incur costs through making improvements or repairs to a property. As a result, terminated contracts and Homburg Invests' and its Subsidiaries' inability to find tenants for their properties could have a materially adverse effect on their business, operating results or financial condition.

**Homburg Invests' and its Subsidiaries' tenants might not be able to pay rent and Homburg Invest and its Subsidiaries might not be able to collect rent on time.**

The value of real estate and any improvements may depend on the credit and financial stability of Homburg Invests' and its Subsidiaries' tenants. If a significant number of Homburg Invests' and its Subsidiaries' tenants became unable to meet their obligations or if Homburg Invest and its Subsidiaries are unable to collect rent from tenants, Homburg Invests' income and funds available for interest payments would be adversely affected. In the event of default by a tenant, Homburg Invest and its Subsidiaries may experience delays in enforcing their rights as the lessor and Homburg Invest and its Subsidiaries may incur substantial costs in protecting its investment.

**Homburg Invest and its Subsidiaries derive a significant amount of revenues from a limited number of key tenants.**

Combined Homburg Invest and its Subsidiaries derive 43% of their annual property revenues from their top two tenants, 54% from their top five tenants and 66% from their top ten tenants. Homburg Invests' and its Subsidiaries' revenues are sensitive to the ability of Homburg Invests' and its Subsidiaries' key tenants to meet their rent obligations and Homburg Invests' and its Subsidiaries' ability to collect rent from these tenants. If for any reason Homburg Invest and its Subsidiaries could not collect rents from these key tenants, this would have a materially adverse effect on revenues and could limit Homburg Invests' ability to pay interest to the Bondholders.

**Homburg Invest and its Subsidiaries might have to sell real estate at unfavourable prices.**

If Homburg Invest and its Subsidiaries are unable to meet mortgage payments on any property, the mortgagees may exercise their rights of foreclosure or of sale. Such a sale could mean that Homburg Invest and its Subsidiaries are forced to sell real estate at economically unfavourable terms. As a result of such a sale, Homburg Invests' and its Subsidiaries' operating results would be adversely affected.

**Environmental issues regarding Homburg Invests' and its Subsidiaries' real estate and changes to governing environmental laws and regulations might have a negative impact on Homburg Invests' and its Subsidiaries' business.**

As an owner of real estate, Homburg Invest and its Subsidiaries are subject to various national, federal, provincial, state and municipal laws relating to environmental matters in the countries where Homburg Invest and its Subsidiaries are active. Under these laws, Homburg Invest and its Subsidiaries could be held liable for the costs of, or removal and remediation of certain hazardous substances or wastes released or deposited on or in Homburg Invests' and its Subsidiaries' properties or disposed of at other locations. The failure to remove or remediate such substances, could adversely affect Homburg Invests' and its Subsidiaries' ability to sell its real estate or to attract debt financing with this real estate as collateral, and could potentially also result in claims or other proceedings against Homburg Invest and its Subsidiaries.

Environmental laws and regulations can change rapidly and Homburg Invest and its Subsidiaries could become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on Homburg Invests' and its Subsidiaries' business, financial condition or operating results. Furthermore, as an owner of real estate, Homburg Invest and its Subsidiaries are exposed to natural disasters, although each of the properties is insured. Such natural disasters could have an adverse effect on Homburg Invests' and its Subsidiaries' business, financial condition or operating results.

**Homburg Invest and its Subsidiaries could face development and construction risks on its projects.**

It is likely that Homburg Invest and its Subsidiaries will continue to be involved in various development projects. Obligations with respect to properties under construction, or to be constructed, are subject to risks including:

- (a) potential insolvency of a developer;
- (b) construction or other unanticipated delays;
- (c) construction costs before ensuring rental revenues will be earned from the project;
- (d) cost over-runs on one or more projects;
- (e) failure of tenants to occupy and pay rent in accordance with lease arrangements.

Any of these risks could have an adverse effect on Homburg Invests' financial condition or operating results.

**Homburg Invest may require additional capital in the future, which may not be available.**

Homburg Invest may raise capital in the future through public or private debt or equity financing. Homburg Invest may need to raise this additional capital in order to:

take advantage of opportunities to expand Homburg Invests' and its Subsidiaries' business and Homburg Invests' geographic coverage;  
acquire or form joint ventures with or make investments in complementary businesses; and  
respond to competitive pressures.

Any additional financing Homburg Invest and its Subsidiaries might require may not be available on terms favourable to Homburg Invest and its Subsidiaries or at all, which could adversely affect Homburg Invests' future plans.

**Homburg Invest and its Subsidiaries are sensitive to changes in interest rates.**

Homburg Invests' and its Subsidiaries' liabilities have fixed and floating interest rate components resulting in an exposure to interest rate movements. These interest rate movements will have an impact on Homburg Invests' and its Subsidiaries' earnings. Some of Homburg Invests' and its Subsidiaries' borrowings are at variable rates of interest which exposes Homburg Invest and its Subsidiaries to the risk of increased interest rates. Homburg Invest

and its Subsidiaries have used derivatives in connection with risk management activities in the past and currently holds an interest rate swap, maturing in October 2014, in order to manage the impact of fluctuating interest rates on EUR € 35,000,000 of its long term debt. Homburg Invest and its Subsidiaries do not hold or issue derivative financial instruments for trading purposes. As a result, Homburg Invest's and its Subsidiaries' financial results and condition or operating results could be materially adversely affected.

**Homburg Invest and its Subsidiaries are exposed to risks associated with operations in multiple currencies.**

Homburg Invest and its Subsidiaries conduct business in multiple currencies, principally the euro, the US dollar and the Canadian dollar. Currently, the majority of Homburg Invest's and its Subsidiaries' revenues are in euros. This may change over time as Homburg Invest and its Subsidiaries continue to expand their operations. Homburg Invest's principal currency translation risk arises from the fact that the financial records of Homburg Invest's Canadian operations are maintained in Canadian dollars, Homburg Invest's US revenues are in US dollars and Homburg Invest's European revenues are in euros. Upon preparing consolidated financial statements, Homburg Invest's Canadian dollar-denominated consolidated reported financial results can be affected by changes in the relative value of the US dollar and the euro against the Canadian dollar. Fluctuations in currency values also distort period-to-period comparisons of financial performance. Also given the high volatility of currency exchange rates, there can be no assurance that Homburg Invest and its Subsidiaries will be able to effectively manage their currency risk to minimise the impact of currency exchange rate fluctuations on their business. Homburg Invest mitigates the currency risk on its currently outstanding mortgage bond debt denominated in euros through a guarantee agreement. Currency risk for other amounts denominated in US Dollars and euros is substantially mitigated by US dollar and euro revenue flows from property rentals. Homburg Invest's and its Subsidiaries' exposure to currency transaction risk and currency translation risk could have a materially adverse effect on Homburg Invest's and its Subsidiaries' business, operating results or financial condition. At 30 September 2006, Homburg Invest and its Subsidiaries did not engage in any hedging activities to limit their exposure to exchange rate fluctuations.

**Homburg Invest and its Subsidiaries are exposed to currency risks due to the fact that there is no 100% match between revenues and expenses in the various currencies (currently Canadian dollar, US dollar and the euro).**

Homburg Invest and a Subsidiary have issued more than EUR 192.2 million in bonds at September 30, 2006 and guaranteed the principal and interest payments in euros on those bonds, where Homburg Invest on the other hand invested some of the funds in Canadian real estate through Subsidiaries. Homburg Invest has entered into a guarantee agreement to protect itself against currency losses on EUR 142.4 million of those particular bonds, subject to the continuing solvency of the counter party. Homburg Invest's counter party is a company under the control of Mr. Richard Homburg. Insolvency of Homburg Invest's counter party may have an adverse effect on Homburg Invest's financial condition.

Currency losses (and gains) deriving from non-guaranteed currency exposures may also have an adverse effect on Homburg Invest's financial condition. The Company is protecting itself from significant exposure by entering into guarantee agreements and by establishing hedging relationships to the extent possible. Subsequent to 30 September 2006, the Company established a hedging relationship whereby fluctuations in the exchange rate on EUR 75,000,000 of debt will be offset against the fluctuation of a similar amount of net foreign investment.

**Homburg Invest has adopted reporting standards which requires it to present its investment properties on a fair value basis. Homburg Invest regularly reviews the value of the investment properties to assess the validity of the independent appraisals.**

Homburg Invest has adopted application of the endorsed IAS-40 Investment Property, and chosen the fair value method of presenting its investment properties in the financial statements. The fair value of investment properties is based on valuations by a combination of independent appraisers and estimates of Homburg Invest's Directors and Officers, plus any capital additions since the date of the most recent appraisal. Appraisals are performed on a three year rotating basis unless market conditions warrant more frequent appraisals. Homburg Invest's Directors and Officers regularly undertake a review of their investment property revaluation between appraisal dates to assess the continuing validity of the underlying value assumptions such as cash flow and capitalisation rates. These assumptions are tested against market information obtained from independent industry experts. Included in the values at 31 December 2005 are unrealised fair value increases totalling CAD 50,387,000 (2004 – CAD 22,951,000) in excess of values determined by independent appraisals. The effective date of the revaluation is 31 December 2005 and 87% (2004 - 64.2%) of the portfolio value has been subject to independent appraisal or arms length acquisition within the last three years.



**Homburg Invest and its Subsidiaries are sensitive to changes in interest rates**

Homburg Invest and its Subsidiaries are not bound by leverage requirements or limitations under real estate investment trust (REIT) regulations. Since there is no legal or regulatory limitation on the leverage of Homburg Invest and its Subsidiaries, they can strive for a higher debt to equity ratio than competitors. A higher leverage implies a higher sensitivity to changes in interest rates.

**Homburg Invest as limited partner in the Homco's cannot direct Homburg LP Management Incorporated as the general partner.**

As limited partner in the Homco's, Homburg Invest cannot direct Homburg LP Management Incorporated as the general partner, and can only remove Homburg LP Management Incorporated as the general partner of a Homco upon bankruptcy of Homburg LP Management Incorporated or default under the applicable limited partnership agreement. Homburg LP Management Incorporated determines when any capital contributions may be returned to Homburg Invest.

**Calculation of Homburg Invests' tax liabilities involves the interpretation and implementation of tax laws and treaties of various jurisdictions.**

Homburg Invest is conducting business in various countries. Accordingly its operations are subject to taxation in various countries. The calculation of Homburg Invests' tax liabilities involves the interpretation and implementation of tax laws and treaties of various jurisdictions, as well as their interplay in cross border transactions. Homburg Invest has calculated its tax liabilities based on its understanding of the applicable laws and treaties. However, different interpretation or application of the relevant laws and treaties by any tax authority could result in significant additional tax liabilities.

**Risks relating to the offer**

Although Homburg Bond 10 bonds are treated as capital in the form of a savings account or securities for tax purposes for residents of the Netherlands, the personal situation of a Bondholder is determined by many factors and may therefore differ from what is stated in this Prospectus. For this reason it is recommended that the Bondholder obtains specific advice (from his own tax consultant) about the effect which purchasing the Homburg Bond 10 bonds could have on his tax situation. Bondholders are referred to Appendix 1 for more information concerning tax-related aspects.

Homburg Invest will pay an interest rate of 7.25% (the effective yield for the Bondholders will amount to 6.62% per annum based on a term to maturity of seven years and taking into account an issue fee of 3%). In addition, Homburg Invest will repay the principal of the Homburg Bond 10 bonds in full. The financial situation of Homburg Invest could have an impact on the interest payments and repayment of the principal amount of the Homburg Bond 10 bonds.

Homburg Invest reserves the right to redeem the Homburg Bond 10 bonds partially (on a pro rata basis) or in full as of the fifth year.

Neither Homburg Participaties nor Homburg Invest will be operating a market for the Homburg Bond 10 bonds.

**Homburg Invest has adopted reporting standards which requires it to present its development properties on a fair value basis to the extent that fair value can be reliably measured.**

Homburg Invest has adopted application of IAS 16 – Property, Plant and Equipment and has chosen the Revaluation Model for presenting the value of its development properties in the financial statements. Under this model, all development properties are carried at fair value except to the extent that fair value cannot be measured reliably, in which case they are carried at cost, which includes pre-development expenditures. Revaluations are made on a regular basis using methods consistent with those for investment properties. Included in the development property values at 30 September 2006 and 31 December 2005 is a revaluation surplus of CAD 39,953,000 (31 December 2004 – Nil). The effective date of the revaluation is 30 September 2006.

**The ability of Homburg Invest to pay interest or to repay the principal amount to the Bondholders could be affected by a number of factors, including, but not limited to:**

- disruption or termination of Homburg Invest's relationships with key tenants;
- fluctuations in Homburg Invest's quarterly or yearly operating results;

- fluctuations in currency exchange rates, in particular between the US dollar, the euro and the Canadian dollar;
- changes in the financial performance, conditions or market valuation of Homburg Invest's customers or competitors;
- a significant increase in Homburg Invest's debt obligations;
- general economic conditions, particularly as they impact consumer spending patterns; and war, acts of terrorism and other man-made or natural disasters.

### 3. IMPORTANT INFORMATION AND RESTRICTIONS

#### 3.1 Important Information

The information included in this Prospectus has been provided by Homburg Invest only. Grant Thornton LLP issued a compilation report on pro forma financial statements for this Prospectus. The auditors' statements in 6.10.1, 6.10.2 and 6.10.3 are extracted from Homburg Invest's annual financial statements.

Homburg Invest is responsible for this Prospectus. Homburg Invest has taken all reasonable care to ensure that the information contained in this Prospectus, to the best of its knowledge, is in accordance with the facts and contains no omission likely to affect its import.

The information included in this Prospectus reflects the position at the date of this document and under no circumstances should the issue and distribution of this Prospectus after the date of its publication be interpreted as implying that the information included herein will continue to be correct and complete at any later date.

With the exception of Homburg Invest and Homburg Participaties and without prejudice to the auditors' reports issued by Grant Thornton LLP, no person is entitled or authorised to provide any information or make any representations in connection with this Prospectus. If any such information or representation is provided or made by parties other than Homburg Invest, such information or representation should not be relied upon as having been provided by or on behalf of Homburg Invest.

This Prospectus includes forward-looking statements that involve risks and uncertainty. Although Homburg Invest believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such projections will be fulfilled. Any forward-looking statement must be considered together with the fact that actual events or results may vary materially from such predictions due to, among other things, political, economic or legal changes in the markets and environments in which Homburg Invest does business, and competitive developments or risks inherent to Homburg Invest's business plans.

Homburg Invest undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations or by any appropriate regulatory authority.

This Prospectus is governed by and construed in accordance with the laws of the Netherlands. The District Court of Amsterdam (*Rechtbank Amsterdam*) and its appellate courts are to have exclusive jurisdiction to settle any disputes which might arise out of or in connection with this Prospectus. Accordingly, any legal action or proceedings arising out of or in connection with the Prospectus, must be brought exclusively in such courts.

Homburg Invest has retained Homburg Participaties as co-ordinator of this issue.

## **3.2 Restrictions**

### **General**

The Issue, the distribution of this Prospectus, any related materials and the making of an offer may in certain jurisdictions other than the Netherlands, including, but not limited to, the United States, Canada, Australia and Japan, be restricted by law. This Prospectus does not constitute an offer in countries in which such offer would be illegal. Therefore, persons into whose possession this Prospectus or any related materials comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Homburg Invest does not accept or assume any responsibility or liability for any violation by any person of any such restrictions.

### **United States, Canada, Australia and Japan**

No offer is being made, directly or indirectly, in or into the United States, Canada, Australia or Japan or to any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended), or by use of the mails, or by any means or instrumentality of interstate or foreign commerce, or any facilities of a national securities exchange, of the United States, Canada, Australia or Japan. This includes, but is not limited to, post, facsimile transmission, telex or any other electronic form of transmission and telephone. Accordingly, copies of this Prospectus and any related other documents are not being sent and must not be mailed or otherwise distributed or sent in, into or from the United States, Canada, Australia or Japan. Persons receiving this Prospectus and/or such other documents must not distribute or send them in, into or from the United States, Canada, Australia or Japan, or use such mails or any such means, instrumentality or facilities for any purpose directly or indirectly in connection with the Issue. As used in this section, the 'United States' means the United States of America, its territories and possessions, any states of the United States of America and the District of Columbia.

### **European Union**

No offer of Homburg Bond 10 bonds is being made in a Member State which has not implemented the Prospectus Directive. In the event a Member State has implemented the Prospectus Directive, no offer of Homburg Bond 10 bonds will be made to the public, other than in the Netherlands, until prior notification to the competent authority in such Member State has been made in accordance with the Prospectus Directive. However, Homburg Invest may, with effect from and including the implementation date of the Prospectus Directive, make an offer of Homburg Bond 10 bonds in such Member State at any time:

- a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- b) to any legal entity which complies with two or more of the following criteria: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- c) under any circumstances which do not require the publication by Homburg Invest of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that Homburg Invest does not require additional licenses or approvals in such Member State in relation to its activities as an investment company, similar to the Wft or any other governmental approvals in any way, shape or form.

For the purposes of this provision, an "offer of Homburg Bond 10 bonds in any Member State" means the communication in any form and by any means of sufficient information on the terms of the Issue so as to enable an investor to decide to purchase Homburg Bond 10 bonds as outlined by the Issue, as the same may be varied in that Member State by any measure implementing the Prospectus Directive.

#### 4. DEFINITIONS

The following terms used in this Prospectus have the following meanings:

AFM	The Netherlands Authority for the Financial Markets (de Autoriteit Financiële Markten).
Articles	The articles of incorporation and historical amendments and restatements thereto of Homburg Invest Inc.
Board of Directors	The Board of Directors of Homburg Invest Inc.
Bondholder	A holder of Homburg Bond 10 bonds
Bonds	Bonds of the Corporation issued or to be issued under the Trust Indenture for the time being outstanding
CAD	Canadian Dollar, the EUR/CAD exchange rate as of January 9, 2007 is 1.5320. All references to \$ in this Prospectus are CAD.
Chairman and Chief Executive Officer	The Chairman and Chief Executive Officer of Homburg Invest Inc.
Company	Homburg Invest Inc.
Corporation	Homburg Invest Inc.
Director	A member of the Board of Directors
EUR	Euro
Euronext	Euronext Amsterdam N.V., or Eurolist by Euronext Amsterdam N.V., as the context requires.
Homburg Bond 10 bonds	The Homburg Bond 10 bonds at 7.25% per annum (the effective yield will amount to 6.62% per annum based on a term to maturity of seven years and taking into account an issue fee of 3%)
Homco	Homco Realty Fund Limited Partnership
Homburg Invest	Homburg Invest Inc.
Homburg Invest Common Shares	The class of shares which were converted into Homburg Invest Class A and Homburg Invest Class B shares.
Homburg Invest Class A Shares	The Class A Subordinate Voting Shares have attributes substantially the same as the former Common Shares. The Class A Subordinate Voting Shares have one vote per share and are convertible into Class B Multiple Voting Shares, but only in certain limited circumstances involving offers made to all or substantially all holders of Class B Multiple Voting Shares. The Class A shares are listed on the Toronto Stock Exchange and Euronext Amsterdam and have the ISIN code CA4368712069. The share code for the Class A shares on the Toronto Stock Exchange is HII.A. The share code for the Class A shares on Euronext Amsterdam is HII.
Homburg Invest Class B Shares	The Class B Multiple Voting Shares have attributes substantially the same as the former Common Shares except that the Class B Multiple Voting Shares have 25 votes per share. The Class B shares are listed on the Toronto Stock Exchange and have the share code HII.B.
Homburg Participaties	Homburg Participaties B.V., co-ordinator of this Issue
Issue	The Issue of Homburg Bond 10 bonds
Member States	All countries who are part of the European Economic Area
President	The president of Homburg Invest Inc.
Prospectus	This document
Prospectus Directive	Means Directive 2003/71/EC and includes any relevant implementing measure in each relevant Member State
Subsidiary	The subsidiaries of Homburg Invest Inc, including the limited partnerships in which Homburg Invest is (one of the) limited partners
Trading Day	A trading day on Euronext.
Trustee	Stichting Homburg Bonds
Trust Indenture	The agreement, consisting of the Trust Indenture for Bond 8 dated as of June 1, 2006, a Second Supplemental Indenture dated as of December 21, 2006 and a Third Supplemental Indenture dated as of February 15, 2007, (both being supplemental to the Trust Indenture for Bond 8), each made between the Corporation and Stichting Homburg Bonds
USD	United States Dollar

Wft

Financial Supervision Act (Dutch legislation)

The singular form of these definitions includes the plural form and vice versa.

## **5. INFORMATION ABOUT THE HOMBURG BOND 10 BONDS**

### **5.1 Structure**

#### **Parties involved**

##### **Homburg Invest**

Homburg Invest is the issuer of the Homburg Bond 10 bonds. Homburg Invest will pay interest on the Homburg Bond 10 bonds, and will repay the principal (subject to presentation and surrender of such Bonds to the Trustee) of the Homburg Bond 10 bonds through the Trustee to the Bondholders.

##### **Trustee**

The Trustee is the Stichting Homburg Bonds. This Trustee will act as paying agent for Homburg Invest with respect to the Homburg Bond 10 bonds, and as such will receive the interest and principal amounts from Homburg Invest and will distribute it amongst the Bondholders. Further duties of the Trustee are:

- keep a register in which shall be entered the names and addresses of the Bondholders, together with the number of Homburg Bond 10 bonds held by each Bondholder
- execute any transfer of Homburg Bond 10 bonds if so requested by a Bondholder
- convene a meeting of Bondholders at the request of the Homburg Invest, or at the request of Bondholders representing at least 10% of the principal amount of Homburg Bond 10 bonds outstanding. Subject to the quorum requirements, the Bondholders have the power to replace the Trustee and to make other decisions as described in article 15.11 of the Trust Indenture.

##### **Bondholder**

Bondholders have the right to receive interest payments on their Homburg Bond 10 bonds. These payments will be made by Homburg Invest to the Trustee, the Trustee will distribute the interest to the Bondholders. At maturity of the Homburg Bond 10 bonds (or in the case of an early redemption) Homburg Invest will pay through the Trustee the principal of the Homburg Bond 10 bonds subject to presentation and surrender of such Bonds to the Trustee.

All of the Bondholders rights with respect to the Homburg Bond 10 bonds are described in the Trust Indenture (see chapter 7). By signing the enrolment form (see chapter 5.5) a Bondholder agrees with the content of the Trust Indenture and acknowledges that he is bound by this Trust Indenture.

##### **Co-ordinator**

Homburg Participaties is the co-ordinator of this Issue, and is responsible for the sale and marketing of the Homburg Bond 10 bonds. Homburg Participaties will place the maximum amount of EUR 100,005,000 on a best effort basis. Homburg Participaties will focus its marketing efforts primarily to Dutch investors (either private individuals and corporations).

The Homburg Bond 10 bonds can only be purchased through Homburg Participaties.

Homburg Participaties has been granted a license as meant in article 2.96 of the Financial Supervision Act.

The Homburg Bond 10 bonds represent a total maximum amount of EUR 100,005,000 and are issued by Homburg Invest. Bondholders participate by purchasing Homburg Bond 10 bonds at EUR 15,000 each (excluding an issue fee of 3%). The number of Homburg Bond 10 bonds issued will be a maximum of 6,667. The proceeds of the Issue will be used by Homburg Invest for general business purposes. The total cost of the Corporation for this Issue will amount to EUR 4,000,200 (for a EUR 100,005,000 issue) payable to Homburg Participaties, a company controlled by the Mr. Richard Homburg. Furthermore Homburg Invest, Inc. will pay an annual fee to Homburg Participaties amounting to 0.1% of the maximum amount of Homburg Bond 10 bonds outstanding at any time during that year.

The Trustee and Homburg Invest will enter into the Trust Indenture setting out the terms and conditions governing the Homburg Bond 10 bonds. This Trust Indenture can be found in chapter 7 of this Prospectus.

The Homburg Bond 10 bonds are to be 7-year unsecured corporate bonds with a fixed interest rate. Homburg Invest will be paying fixed interest on the funds raised by the issue of Homburg Bond 10 bonds, to the Bondholders in two instalments per year. This interest will amount to 7.25% per annum and will be disbursed in

Euros. The effective yield for Bondholders will amount to 6.62% per annum based on a term to maturity of seven years and taking into account an issue fee of 3%.

The third Supplemental Indenture will come into effect on February 15, 2007. After at least five years plus one day but no more than seven years – hence by no earlier than February 16, 2012 and no later than February 14, 2014 – the principal including any outstanding interest to the date of redemption, will be returned to the Bondholders (See article 4 of the Trust Indenture for more detailed information).<sup>1</sup> This redemption will be affected in Euros and the Trust Indenture will expire upon redemption.

The Homburg Bond 10 bonds shall be redeemable at any time on or after February 16, 2012 and prior to maturity, in whole at any time or in part from time to time, at the option of Homburg Invest at a redemption price equal to 100% of the principal amount thereof, together in each case with accrued and unpaid interest to the date fixed for redemption.

If less than all of the Homburg Bond 10 bonds are to be redeemed (which partial redemption shall only occur on or after February 16, 2012 and prior to maturity), Homburg Invest shall in each such case notify the Trustee in writing of its intention to redeem Homburg Bond 10 bonds and of the aggregate principal amount of Homburg Bond 10 bonds to be redeemed. The Trustee shall thereupon select the Homburg Bond 10 bonds to be redeemed on a *pro rata* basis to the nearest multiple of Euro €1,000 in accordance with the principal amount of Homburg Bond 10 bonds registered in the name of each holder, but in no case shall a Homburg Bond 10 bond be redeemed in part unless the principal amount redeemed is Euro €1,000 or a multiple thereof. For this purpose the Trustee may make regulations with regard to the manner in which such Homburg Bond 10 bonds may be so selected and regulations so made shall be valid and binding upon all Bondholders.

If, as a result of any such redemption, one or more Homburg Bond 10 bonds of denominations in excess of Euro €1,000 shall become subject to redemption in part only (such part being Euro €1,000 or a multiple thereof), the holder of any such Homburg Bond 10 bond shall be entitled to receive, without expense to the Bondholder, one or more Homburg Bond 10 bonds for the unredeemed part of the principal amount of such Homburg Bond 10 bond so surrendered.

Homburg Bond 10 bonds will be transferable and marketable throughout the term to their maturity. Neither Homburg Participaties nor Homburg Invest will be operating a market for the Homburg Bond 10 bonds.

The flow of funds for the Homburg Bond 10 bonds will be routed through the Trustee. In addition, the Trustee will distribute the interest and principal amounts received over the Homburg Bond 10 bonds on a *pro rata* basis.

Apart from a one-off issue fee of 3% and the costs that might be charged by the Bondholders' bank with respect to the principal and interest payments, no other charges will be levied against the Bondholders.

Homburg Invest intends to use the net proceeds from this Issue primarily for general corporate purposes, including the acquisition of real estate and the development of real estate.

The Board of Directors of Homburg Invest has approved this issue of Homburg Bond 10 bonds.

## **5.2 Naming conventions**

Series of bonds issued by Homburg Invest or its Subsidiaries are numbered in ascending order beginning at 1. The current series is numbered 10. This series is therefore constantly referred to as Homburg Bond 10 bonds.

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<sup>1</sup> The minimum term to maturity is five years in order to secure an exemption from tax in Canada (see Appendix 1 for more information).



## 5.3 Interest

*The structure of the investment and the interest payable on it are explained in the section below.*

A Bondholder will receive interest totalling EUR 1,087.50 per annum for each purchased non-redeemed Homburg Bond 10 bond. The interest will be paid in the Bondholders bank account in two semi-annual instalments, on June 30 and December 31 of the year concerned. The interest will start to apply on February 15, 2007. If the Bondholders payment for the Homburg Bond 10 bonds occurs after February 11, 2007, the interest will start to apply four working days after the Trustee has received the payment concerned. The first interest payment on the Homburg Bond 10 bonds is scheduled for June 30, 2007.

The principle will be repaid in Euros after no more than seven years. The Trust Indenture will automatically expire following redemption.

<b>Investment in 1 Homburg Bond 10 bond</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>
Investment	EUR 15,000.00						
Payout (7.25% of investment)	EUR 1,087.50	EUR 1,087.50	EUR 1,087.50	EUR 1,087.50	EUR 1,087.50	EUR 1,087.50	EUR 1,087.50
Refund of nominal amount of loan							EUR 15,000.00
Total return	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%

A Bondholder will receive interest at a fixed annual rate of 7.25%.

The effective yield will amount to 6.62% per annum based on a term to maturity of seven years and taking into account an issue fee of 3%.

## 5.4 Legal aspects

The Homburg Bond 10 bonds offer a fixed interest to private individuals and businesses.

The Prospectus has been approved by the regulatory authority, the AFM,<sup>2</sup> and a copy may be requested from the office of Homburg Invest or Homburg Participaties, Beckeringhstraat 36, 3762 EX Soest.

### 5.4.1 Stichting Homburg Bonds

The Trustee (Stichting Homburg Bonds) is keeping the records with respect to the outstanding Homburg Bond 10 bonds, furthermore the Trustee acts as paying agent for Homburg Invest with respect to the Homburg Bond 10 bonds. The Trustee was established on November 11, 2002 and is registered with the Chamber of Commerce and Industry for Gooiland and Eemland under number 32093977. The Trustee is managed by: N.V. Nederlandsch Administratie- en Trustkantoor

Herengracht 420

1017 BZ Amsterdam

tel: +31 (0)20 5222555

fax +31 (0)20 5222500

N.V. Nederlandsch Administratie- en Trustkantoor is a trust office with a license as meant under the Register Act on the Supervision of Trust Offices ("Wet toezicht trustkantoren") A copy of the Prospectus may be requested from the office of the Trustee.

All payments for the Homburg Bond 10 bonds are routed through the Trustee. The Trustee will distribute any interest and principal amounts received over the Homburg Bond 10 bonds on a pro rata basis.

The legal relationship between Homburg Invest, the Bondholders and the Trustee is set out in the Trust Indenture (see chapter 7 for the Trust Indenture).

Stichting Homburg Bonds

Herengracht 420

1017 BZ Amsterdam

tel: +31 (0)20 5222555

fax +31 (0)20 5222500

<sup>2</sup> More information about the AFM can be obtained at <http://www.afm.nl>.

## 5.5 Purchase of Homburg Bond 10 bonds

This offer will be open for the public as from the date of this Prospectus until all Homburg Bond 10 bonds are sold or earlier, at the discretion of Homburg Participaties. As soon as the offer is closed, Homburg Participaties will inform the Bondholders by letter, and will issue a press release. The minimum amount of application is € 15.000,- the maximum amount is only limited by the total amount of the issue.

Purchase of Homburg Bond 10 bonds will occur as follows:

1. The enrolment form will be filled in completely, signed and returned. With this enrolment form the Bondholder agrees with the content of the Trust Indenture and acknowledges that he is bound by this Trust Indenture. Furthermore this enrolment form also serves as a permission to the Trustee for an automatic collection ("automatische incasso") of the purchase amount from the Bondholders' account. If the Bondholder is a company, the Bondholder must also include a copy of a recent extract from the Chamber of Commerce and Industry ("*uittreksel Kamer van Koophandel*"). For identification purposes– Homburg Participaties will need to verify the Bondholders identity in accordance with the *Wet identificatie bij dienstverlening* (Financial Services (Identification) Act) (Wid), if the Bondholder is not a customer of Homburg Participaties yet. This identification will occur as follows:

- Ø The Bondholders' transfer of the purchase amount will need to originate from an account which the Bondholder holds with a bank that is based in the EU and which is not on the black list managed by De Nederlandsche Bank (Netherlands Central Bank);
- Ø in addition, the Bondholder will need to send a copy of a valid ID.

Based on the order in which the enrolment forms are received, the Homburg Bond 10 bonds are allocated;

2. At least 4 days before the purchase amount of the Homburg Bond 10 bonds will be collected, a letter will be sent to the Bondholder, stating the number of Homburg Bond 10 bonds allocated and the exact date and amount of collection of the purchase amount;
3. After the purchase amount is received by the Trustee, and all other abovementioned requirements have been met, the Bondholder will be granted the purchased Homburg Bond 10 bonds. In the case that a Bondholder did pay for the Homburg Bond 10 bonds but was not granted (all of) the Homburg Bond 10 bonds he paid for, there will be a refund of the purchase amount (including the issue fee of 3%) for the not granted Homburg Bond 10 bonds.

Prospective Bondholders who do not have a client agreement as meant in article 4:89 of the Financial Supervision Act with Homburg Participaties are also required to complete, sign and return this client agreement to Homburg Participaties.

Homburg Participaties reserves the right to ignore any enrolment form in whole or in part without citing reasons for doing so.

The interest for the Homburg Bond 10 bonds will start to apply on February 15, 2007. If payment of the purchase amount for the Homburg Bond 10 bonds by the Bondholder occurs after February 12, 2007, the interest will start to apply four working days after the Trustee has received the purchase amount.

The first interest payment on the Homburg Bond 10 bonds is scheduled for June 30, 2007.

Once the Homburg Bond 10 bonds have been issued, each Bondholder will receive a depositary receipt for every Homburg Bond 10 bond acquired by him.

After at least five but no more than seven years – hence by no earlier than February 16, 2012 and no later than February 14, 2014 – the principal and any outstanding interest will be paid to the Bondholders and the Trust Indenture for the Homburg Bond 10 bonds will expire upon redemption.

## 6. INFORMATION ON HOMBURG INVEST

### 6.1 Profile

Homburg Invest is a publicly traded real estate investment company and was incorporated on September 8, 1999 as Basic Realty Investment Corporation under the "Business Corporations Act" of the Province of Alberta, Canada.

Homburg Invest, with its head office in Halifax, Nova Scotia, and its Subsidiaries own a diverse portfolio of quality real estate including office, retail, warehouse and residential apartment and townhouse properties throughout Canada, the United States (Texas and Colorado) and Europe (Germany and the Netherlands). The aim is to grow Homburg Invest substantially, to CAD 8 billion in real estate assets, whereby assets are only acquired when they are accretive to shareholder value. Furthermore, Homburg Invest aims to pay out an increasing annual dividend return to its shareholders. In the opinion of Homburg Invest higher dividends will have a positive impact on the share price of the Homburg Invest shares. This will enable Homburg Invest to issue shares at a higher price level, since the market recognizes a higher dividend yield. In general the proceeds of share and bond issues are used for the acquisition of real estate. The combination of share issues at price levels above net asset value and the subsequent acquisition of real estate will have a positive impact on earnings per share. The higher earnings per share enables Homburg Invest to maintain its dividend policy.

Homburg Invest is a Canadian public company, listed on the Toronto Stock Exchange and on Euronext Amsterdam. Homburg Invest is controlled by Mr. Richard Homburg. Mr. Richard Homburg controls 43.95% of the aggregate issued and outstanding Homburg Invest Class A Shares and Homburg Invest Class B Shares, representing 72.4% of all votes as per September 30, 2006.

The properties of Homburg Invest and its Subsidiaries are managed by Homburg Canada Incorporated through a series of asset and property management agreements. Homburg Canada Incorporated is a wholly owned subsidiary of Homburg Uni-Corp Inc., a company controlled by Mr. Richard Homburg.

Homburg Invest has obtained a license to operate as an investment institution as meant in Article 2:65 Wft. The license of Homburg Invest is available for inspection at the office of the Homburg Invest (located in Halifax) and can be downloaded from [www.homburginvestoffer.com](http://www.homburginvestoffer.com). Any person may request for a print of the license, which will be provided free of charge. All information which must be filed by the chamber of commerce as a result of legislation can be obtained at the offices of Homburg Invest free of charge, in addition all this information can be viewed and downloaded from [www.sedar.com](http://www.sedar.com).

Homburg Invest complies with the Canadian Corporate Governance requirements (see also section 6.2.14).

Homburg Invest is governed by Canadian legislation. The financial statements of Homburg Invest disclose all related party transactions. In addition, at Board of Director meetings, if a Director concludes that he is in conflict he has an obligation to state (declare) clearly that "I have a conflict" or "I am in a conflicting situation" and to explain the nature of the conflict. In so doing he has declared a conflict and should abstain from voting on the matter being discussed.

There are no arrangements or understandings with any persons pursuant to which any Officer of or member of the Board of Directors was appointed. Further, with the exception of options which are disclosed, there are no arrangements with respect to the acquisition or disposal of the shares of Homburg Invest relating to Officer or Board of Directors appointments.

Homburg Invest is a reporting issuer in Alberta, Nova Scotia, Quebec, Ontario, Saskatchewan and British Columbia and reports to the securities regulator in each jurisdiction. Reporting is done electronically through SEDAR ([www.sedar.com](http://www.sedar.com)). The Homburg Invest Class A Shares and Homburg Invest Class B Shares are listed on the Toronto Stock Exchange and thus Homburg Invest has reporting requirements to the Toronto Stock Exchange. As an Euronext listed investment institution, Homburg Invest is subject to supervision by the AFM and for certain matters relevant to prudential supervision, by the Dutch Central Bank (*De Nederlandsche Bank*). The latter relate amongst others to checks performed before granting the Wft license (minimum equity check), and on a continuous basis limited quarterly financial reporting.

### 6.1.1 Activities

Homburg Invest's business is management, divestment, development and acquisition of real estate. In addition, Homburg Invest also has strategic investments in other real estate companies. The focus is primarily on income producing, commercial properties. The portfolio also includes some multi-unit residential properties and also land assets for development in Calgary, Alberta and Charlottetown, Prince Edward Island, Canada.

#### *Management of real estate*

The asset and property management activities of Homburg Invest and its Subsidiaries are conducted off balance sheet. These management activities include, acquiring and disposing of real estate, mortgaging and charging real estate, contracting for service, banking, appointment of an auditor, capital distributions, sale and acquisition of limited partnership units.

All assets of Homburg Invest and its Subsidiaries are managed under property operating agreements and asset management agreements with Homburg Canada Incorporated.

#### *Divestment of real estate*

While Homburg Invest and its Subsidiaries invest in real estate as a long-term investment, attractive opportunities to divest occasionally present themselves that are worthy consideration.

#### *Development of real estate*

Homburg Invest's strategy in Alberta is to focus on real estate development and redevelopment rather than acquisitions. Reductions in capitalisation rates in Alberta and the opportunity to acquire development properties and land assemblies allows Homburg Invest to take advantage of the vibrant economy in Alberta. A capitalisation rate is the rate used to discount rents related to a property, to estimate the market value of the property.

#### *Acquisition of real estate projects and development projects*

Homburg Invest is constantly looking for acquisitions throughout Canada, the United States and Europe. In Montreal, Homburg Invest has acquired an interest in two downtown projects and is in the process of acquiring one additional downtown project. These development properties, in which Homburg Invest has a one-third equity interest, represent significant estimated development value when completed.

Once opportunities are identified and letters of intent or term sheets are signed, a due diligence on the financial, structural and environmental considerations is performed in order to determine if a specific project is appropriate for Homburg Invest. During the process of acquisition, the Board of Directors is informed once opportunities are identified and has to approve each acquisition.

Real estate acquired in the past has sometimes been partially paid for in shares. Future acquisitions may also be paid partially in shares. This will limit the cash outflow consequences of Homburg Invest's expansion plans.

#### *Strategic investments*

Homburg Invest has through a Subsidiary expanded its opportunities to invest in real estate in the south eastern part of the United States through the acquisition of approximately 23.4% of the voting rights of DIM Vastgoed N.V. This is a Dutch investment company with a variable capital ("beleggingsmaatschappij met veranderlijk kapitaal").

Homburg Invest holds through a Subsidiary 50,000 common shares of Cedar Shopping Centers, Inc., a real estate investment trust listed on the New York Stock Exchange. The investment in Cedar Shopping Centers, Inc. represents approximately 0.2% of the outstanding shares.

### 6.1.2 Structure

Homburg Invests' corporate structure is designed to minimize financial and legal risks. This is accomplished through the utilization of limited partnerships. In this structure there are two kinds of partners to an asset: a limited partner and a general partner. The limited partner is the equity investor and beneficial holder, which means this partner is entitled to the economic proceeds. The general partner is the operational manager of the assets.

#### **The limited partnership structure allows Homburg Invest to minimise individual property risk**

Homburg Invest holds the majority of the real estate assets through special purpose limited partnerships. Each of these partnerships was established to acquire a specific real estate asset or assets. Each limited partnership is named Homco Realty Fund Limited Partnership ("Homco"), and can be identified by the number granted to the limited partnership (e.g. Homco Realty Fund (1) Limited Partnership, abbreviated to Homco 1).

This structure allows Homburg Invest to separate the operational management activities from the economic beneficial ownership of the real estate assets. Homburg Invest is the sole limited partner, except for the Homcos 20, 21, 22, 26, 28, 29 and 49 in which Homburg Invest holds less than 100%. The majority in these limited partnerships are held by third parties.

This Homco structure is used for several reasons. Primarily, it permits Homburg Invest to obtain financing without providing collateral security or general corporate guarantees as each asset is treated as a stand-alone entity. As a result, a poor performing property will in principle only affect the Subsidiary which owns this asset. The maximum exposure of Homburg Invest to each of the properties is therefore in principle limited to the amount of equity invested in the Subsidiary. In addition, the purchase or sale of limited partnership units does not attract deed transfer taxes. It also provides a measure of financial reporting discipline, as each limited partnership is accounted for as a stand-alone entity. Finally, the structure allows all the entities to be consolidated for Canadian tax purposes.

#### *Flow of funds*

Certain Homcos in which the Corporation is the sole limited partner do not maintain separate bank accounts, all funds with respect of those particular Homco's flow through the accounts of the Corporation.

Each month Homburg Canada Incorporated will invoice the Corporation for services rendered under the property and asset management agreements. The Corporation will pay on behalf of the Homcos, and allocate to each of the Homcos the relevant amount.

Based on the year end financial statements of each Homco, the profit is determined. This profit is distributed to the limited partner(s) of each Homco. With respect to the Homcos without separate bank accounts, the profits to which the Corporation is entitled as limited partner are paid from an account held by the Corporation. As a result, this payment has the impact of reducing the intercompany receivable which the Corporation holds on the Homco.

#### *The general partner is manager of the limited partnership*

All Homcos are managed by the general partner as defined in the limited partnership agreement. The general partner for each Homco is Homburg LP Management Incorporated, a subsidiary of Homburg Canada Incorporated.

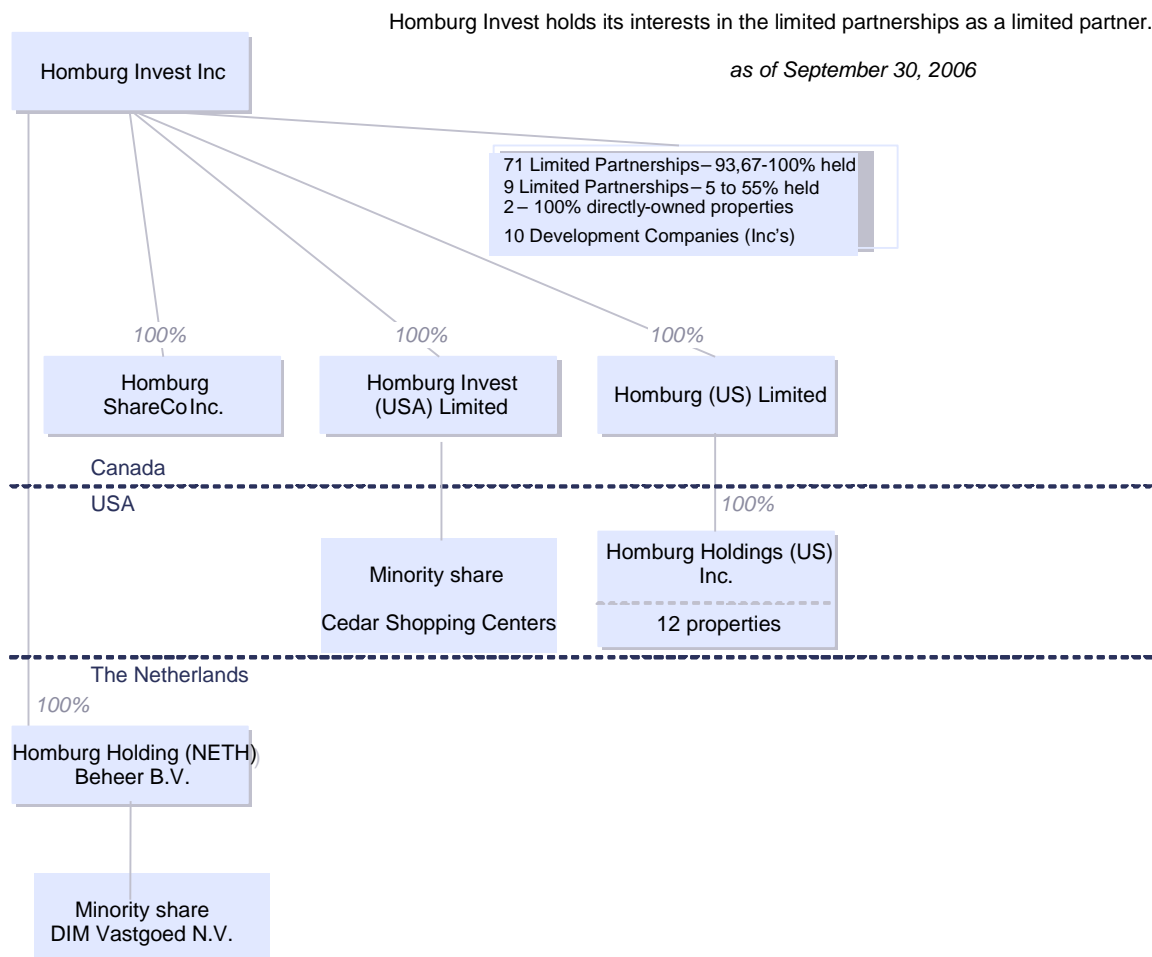
On behalf of each Homco, the general partner has entered into property and asset management service agreements with Homburg Canada Incorporated. Services provided under these agreements include general management and repair services, as well as strategic planning and marketing, advising on the purchase and sale of properties and managing financing.

Homburg LP Management Incorporated, as the general partner, has full power and authority to transact the business of the partnership and to deal with the assets for the use and benefit of the partnership. For these purposes, the general partner has sole, complete and unfettered power and authority to manage and conduct the business of the limited partnership and to do everything required in connection with the limited partnership including, but not limited to, acquiring and disposing of real estate, mortgaging and charging real estate, contracting for service, banking, appointment of an auditor, capital distributions, sale and acquisition of limited partnership units.

The general partner does not receive a remuneration for its services rendered, except for the Homcos in which the Corporation has less than 100% (see 6.2.11).

According to the laws of Nova Scotia each limited partnership has to distribute all net profits to its limited partner(s).

As the limited partner, Homburg Invest cannot direct Homburg LP Management Incorporated as the general partner, and can only remove Homburg LP Management Incorporated as the general partner of a limited partnership upon bankruptcy of Homburg LP Management Incorporated or default under the applicable limited partnership agreement.



## **6.2 General information**

### **6.2.1 Statutory seat and Trade Register**

Homburg Invest Inc.  
Suite 600  
1741 Brunswick Street  
Halifax  
Nova Scotia, B3J 3X8  
Canada  
Tel: 001 902 468 3395  
Fax: 001 902 468 2457  
Internet: [www.homburginvest.com](http://www.homburginvest.com)

Homburg Invest is registered at the Alberta Registrar of Corporations with registration number 2010010615.

### **6.2.2 Homburg Invest Board of Directors and Officers**

#### **BOARD OF DIRECTORS:**

**RICHARD HOMBURG**(1), *Dr. Comm., Chairman*

Chairman of the executive board  
Homburg N.V., Soest, The Netherlands  
Chairman, board of management  
Homburg Canada Incorporated  
Halifax, Nova Scotia, Canada  
Member of board of directors  
Cedar Shopping Centers Inc.  
Port Washington, New York, USA  
Former chief executive officer of Uni-Invest N.V.

**MICHAEL H. ARNOLD**(2), *CA, vice chairman of the Board of Directors*

President, Dyne Holdings Limited Charlottetown, Prince Edward Island, Canada  
Member of board of directors  
SpellRead PAT Learning Systems Inc.  
Diagnostic Chemicals Ltd.  
Former chief executive officer and chairman of SpellRead PAT Learning Systems Inc.

**RUDOLF D. BAKHUIZEN**(3), *Director*

Chief executive officer, Huis en Haard Beheer B.V.  
Soest, The Netherlands  
Former chief executive officer of Hooge Raedt Groep B.V.

**DR. TREVOR CARMICHAEL**(4), *Director*

Principal, Chancery Chambers Barrister & Solicitors  
Bridgetown, Barbados  
Vice president of the International Institute of Association and Foundation Lawyers

**WALTER R. FITZGERALD**(5), *Director*

Retired Mayor – City of Halifax  
Former Member Legislative Assembly (MLA) – Province of Nova Scotia  
Halifax, Nova Scotia, Canada

**EDWARD P. OVSENNY**(6), *Director*

Principal, Ovsenny Advisors Real Estate Consultants  
Toronto, Ontario, Canada  
Member of board of directors of

The Canada Life Insurance Company of Canada  
Former vice president, North America Mortgage Investments of Canada Life Assurance Company

**OFFICERS:**

**RICHARD HOMBURG, Dr. Comm., Chief Executive Officer**

Chairman of the executive board  
Homburg N.V., Soest, The Netherlands  
Chairman, board of management  
Homburg Canada Incorporated  
Halifax, Nova Scotia, Canada  
Member of board of directors  
Cedar Shopping Centers Inc.  
Port Washington, New York, USA  
Former chief executive officer of Uni-Invest N.V.

**Drs. J. Richard STOLLE, President and Chief Operating Officer**

Chief executive officer Stollburgh Capital B.V.  
Former chief executive officer Uni-Invest N.V.

**JAMES F. MILES, CA, Vice President Finance & Chief Financial Officer**

Vice president finance & administration, Homburg Canada Incorporated  
Halifax, Nova Scotia, Canada

**ASHLEY L. PHILLIPS, President Canadian Operations**

**J. JEFFERY COATES, Secretary**

Vice president, Homburg Canada Incorporated  
Halifax, Nova Scotia, Canada

**NOTES:**

- (1) *Mr. Homburg serves as chairman of the executive committee.*
- (2) *Mr. Arnold serves on the audit committee.*
- (3) *Mr. Bakhuizen serves on the executive committee.*
- (4) *Dr. Carmichael serves on the executive committee.*
- (5) *Mr. Fitzgerald serves on the audit committee.*
- (6) *Mr. Ovsenny serves as chairman of the audit committee.*

- There are no family relationships between any of the persons named above.
- Homburg Invest is not aware of any convictions of the persons stated above or other legal sanctions in relation to fraudulent offences in the last five years
- Homburg Invest is not aware of any bankruptcies, receiverships or liquidations of any entities in which members of our Board of Directors or Officers held any office, directorships or senior management positions in the last five years
- Homburg Invest is not aware of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company for at least the previous five years.



**Remuneration committee**

Homburg Invest does not have a remuneration committee.

**Audit committee**

The audit committee is composed of:

Mr. Edward P. Ovsenny  
Mr. Michael H. Arnold, CA  
Mr. Walter R. Fitzgerald

The audit committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information, and compliance with policies and laws. The audit committee is also responsible for identifying principal risks of the business and ensuring appropriate risk management techniques are in place. The audit committee charges the Board of Directors and Officers with developing and implementing procedures to:

- ? ensure internal controls are appropriately designed, implemented and monitored.
- ? ensure reporting and disclosure of required information is complete, accurate and timely.

The audit committee can make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the audit committee's responsibilities as described in the mandate.

Mr. Ovsenny and Mr. Fitzgerald qualify as independent members of the Audit Committee. Mr. Arnold, through a private company, provides management services to Homburg Invest at properties on Prince Edward Island and thus may not qualify as independent.

**Executive committee**

The executive committee is composed of:

Mr. Richard Homburg  
Mr. Rudolf Bakhuizen  
Dr. Trevor Carmichael

Given the size of the Board of Directors and the ease with which a quorum can be obtained, it has not been considered necessary to hold executive committee meetings. As a result, there has been no formal delineation of authority for the executive committee and a charter has not been developed.

The Board of Directors could delegate to the executive committee any of its responsibilities other than those required by the *Business Corporations Act (Alberta)* to be retained by the Board of Directors. The duties which must be retained by the Board of Directors include: (a) submitting to the shareholders any question or matter requiring the approval of the shareholders; (b) fill a vacancy among the Directors or in the office of auditor; (c) appointing additional directors between general meetings of shareholders; (d) issuing securities except in the manner and on the terms authorized by the Directors; (e) declaring dividends; (f) purchasing, redeeming or otherwise acquiring shares issued by Homburg Invest, except in the manner and on the terms authorized by the Directors; (g) paying certain commissions; (h) approving a management proxy circular; (i) approving the audited annual consolidated financial statements of Homburg Invest; and (j) adopting, amending or repealing the bylaws of Homburg Invest.

### 6.2.3 Personnel and organisation

Homburg Invest is an off balance sheet managed real estate investment company. As a result of this Homburg Invest has no employees. Homburg Invest pays no salaries or benefits including pension or other retirement benefits to the members of the Board of Directors and Officers.

Members of the Board of Directors do receive a quarterly retainer fee from the Corporation for their services in the amount of CAD 1,000. In addition they receive a fee from the Corporation for attending Board of Directors' and committee meetings. If a Director is present in person in a meeting, he receives CAD 450 per meeting.

Presence by telephone results in a fee of CAD 300 per meeting, being paid to the Director. The chairman of a meeting of the Board of Directors or a meeting of a committee, receives an additional amount of CAD 150 irrespective of the form of presence. The Directors will also be entitled to be reimbursed by the Corporation for reasonable travelling and other expenses properly incurred by them for attending meetings of the Board of Directors or any committee thereof.

Remuneration of the members of the Board of Directors:

Remuneration (in CAD unaudited)	2005	2004	2003
<i>Name</i>			
Richard Homburg	<i>All Payments Waived</i>		
Rudolf D. Bakhuizen	5,350	5,225	5,175
Michael H. Arnold	10,000	6,650	4,825
Edward P. Ovsenny	15,800	6,750	5,000
Dr. Trevor A. Carmichael	5,650	3,250	-
Walter R. Fitzgerald	10,150	4,450	-

Homburg Invest may grant options to the members of the Board of Directors and Officers and to employees of Homburg Canada Incorporated. For details on the general policy with respect to the granting of options please see 6.5. For a break down of options currently held by members of the Board of Directors and Officers please see 6.2.6.

The Directors and Officers of Homburg Invest term of office expires concurrent with the company's annual meeting of shareholders, the date of which varies.

Homburg Invest has no statutory restrictions on its investment activities. However, Homburg Invest has committed itself to invest solely in real estate and/or real estate companies. Any change in scope of the investment activities must be approved by the Board of Directors.

Also Board of Directors approval is required for all borrowings or guarantees and the authority cannot be delegated. There are no further restrictions on the amount of borrowing and or leverage for Homburg Invest.

#### **6.2.4 Articles of association**

The articles of association of Homburg Invest are available for inspection at the office of Homburg Invest (located in Halifax). Any person may request for a print of the articles, which will be provided free of charge. The articles of association and bylaws of Homburg Invest provide that the Board of Directors shall consist of not less than three or more than fifteen members. The number of Directors is determined by resolution of the shareholders. A summary of the articles of association is reflected below.

### **DIRECTORS**

#### **Number of directors**

If the articles provide for a maximum number and a minimum number of Directors, unless otherwise provided in the articles, the number of Directors of the Corporation shall be determined from time to time by resolution of the Directors.

#### **Calling and notice of meetings**

Meetings of the Board of Directors shall be called and held at such time and at such place as the Board of Directors, the Chairman of the Board of Directors, the President or any two Directors may determine, and the secretary or any other officer shall give notice of meetings when directed or authorized by such persons. Notice of each meeting of the Board of Directors shall be given to each Director not less than forty-eight hours before the time when the meeting is to be held, provided that, if a quorum of Directors is present, the Board of Directors may without notice hold a meeting immediately following an annual meeting of shareholders. Notice of a meeting of the Board of Directors may be given verbally, in writing or by telephone, telegraph, facsimile transmission or any other means of communication. A notice of a meeting of Directors need not specify the purpose of or the business to be transacted at the meeting, except where required by the Act. Notwithstanding the foregoing, the Board of Directors may from time to time fix a day or days in any month or months for regular meetings of the Board of Directors at a place and hour to be named, in which case, provided that a copy of any such resolution is sent to each Director forthwith after being passed and forthwith after each Director's appointment, no other notice shall be required for any such regular meeting except where the Act requires specification of the purpose or the business to be transacted thereat.

#### **Place of Meetings**

Meetings of the Board of Directors may be held at any place in or outside Alberta. A Director who attends a meeting of Directors, in person or by telephone, is deemed to have consented to the location of the meeting except when he attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully held.

#### **Meetings by Telephone**

With the consent of the chairman of the meeting or a majority of the Directors present at the meeting, a Director may participate in a meeting of the Board of Directors or of a committee of the Board of Directors by means of telephone or other communication facilities that permit all persons participating in the meeting to hear each other. A Director participating in such a meeting in such manner shall be considered present at the meeting and at the place of the meeting. (The costs of phone meetings are paid by the Corporation. Participants may be in a variety of locations, but the calls will be initiated from Halifax).

#### **Quorum**

The quorum for the transaction of business at any meeting of the Board of Directors shall consist of a majority of Directors or such greater or lesser number of Directors as the Board of Directors may from time to time determine.

#### **Chairman**

The chairman of any meeting of the Board of Directors shall be the Director present and willing to so act at the meeting who is the first mentioned of the following Officers as have been appointed: Chairman of the Board

of Directors, President or a vice-president (in order of seniority). If no such Officer is present and willing to act, the Directors present shall choose one of their number to be chairman.

### **Action by the Board of Directors**

At all meetings of the Board of Directors every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote. The powers of the Board of Directors may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all the Directors who would be entitled to vote on that resolution at a meeting of the Board of Directors. Resolutions in writing may be signed in counterparts.

### **Adjourned Meeting**

Any meeting of Directors may be adjourned from time to time by the chairman of the meeting, with the consent of the meeting, to a fixed time and place. The adjourned meeting shall be duly constituted if a quorum is present and if it is held in accordance with the terms of the adjournment. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment.

### **Remuneration and Expenses**

The Directors shall be paid such remuneration for their services as the Board of Directors may from time to time determine. The Directors shall also be entitled to be reimbursed for reasonable traveling and other expenses properly incurred by them in attending meetings of the Board of Directors or any committee thereof. Nothing herein contained shall preclude any Director from serving the Corporation in any other capacity and receiving remuneration therefore.

### **Officers**

The Board of Directors from time to time may appoint one or more Officers of the Corporation and, without prejudice to rights under any employment contract, may remove any Officer of the Corporation. The powers and duties of each Officer of the Corporation shall be those determined from time to time by the Board of Directors and, in the absence of such determination, shall be those usually incidental to the office held.

### **Agents and Attorneys**

The Board of Directors shall have the power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

## **COMMITTEES**

### **Transaction of Business**

The powers of any committee of Directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. At all meetings of committees every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall be entitled to a second or casting vote. Resolutions in writing may be signed in counterparts.

### **Procedure**

Unless otherwise determined by the Board of Directors, a quorum for meetings of any committee shall be a majority of its members, each committee shall have the power to appoint its chairman and the rules for calling, holding, conducting and adjourning meetings of the committee shall be the same as those governing the Board of Directors. Each member of a committee shall serve during the pleasure of the Board of Directors and, in any event, only so long as he shall be a Director. The Directors may fill vacancies in a committee by appointment from among their members. Provided that a quorum is maintained, the committee may continue to exercise its powers notwithstanding any vacancy among its members.

## **PROTECTION OF DIRECTORS AND OFFICERS**

### **Limitation of liability**

No Director or Officer of the Corporation will be liable for the acts, receipts, neglects or defaults of any other Director or Officer or employee, or for joining in any receipt or act for conformity, or for any loss, damage or expense incurred by the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation. This applies to real estate acquired for or on behalf of the Corporation and to the insufficiency or deficiency of any security in or upon which any of the money of or belonging to the Corporation is or will be placed or invested. Aforementioned is applicable, unless it happens by or through a failure of the relevant Director or Officer to exercise the powers and to discharge the duties of his office honestly in good faith and with a view to the best interest of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Nor will any of the Directors and Officers be liable for any loss or damage arising from the bankruptcy, insolvency of any person, firm or corporation including any person, firm or corporation with whom or with which any money, securities or effects will be lodged or deposited, or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any money, securities or other assets of or belonging to the Corporation or for any other loss, damage or misfortune whatsoever which may happen in the execution of the duties of his respective office or trust or in relation thereto. Aforementioned is applicable, unless it happens by or through a failure of the relevant Director or Officer to exercise the powers and to discharge the duties of his office honestly, in good faith and with a view to the best interests of the Corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Indemnity**

The Corporation shall, to the maximum extent permitted under the Alberta Business Corporation Act, indemnify a Director or Officer, a former Director or Officer, and a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a Director or Officer of the Corporation or such body corporate, including (without limitation) any such action by or on behalf of the Corporation or such body corporate to procure a judgment in its favour, and the Corporation shall use its reasonable best efforts to obtain any approval or approvals necessary for such indemnification.

#### **6.2.4.1 Share provisions**

The rights, privileges, restrictions and conditions attaching to the Homburg Invest Class A Shares and the Homburg Invest Class B Shares (in this section also referred to as respectively Class A Subordinate Voting Shares and Class B Multiple Voting Shares) are defined in this section. Provisions relating to take-over bid protections are set out in section 5. Homburg Invest Class A Shares and Homburg Invest Class B Shares are entitled to a pro rata portion of the equity of the Corporation.

Homburg Invest Class A Shares and Homburg Invest Class B Shares will only be issued within certain limits of the market value, whereby market value is the average stock price of the shares preceding 5 to 30 days before the issue, as governed by the Toronto Stock Exchange.

The full share provisions are reflected below, please note that the definitions in these share provisions are not the same definitions as in the other parts of this Prospectus.

The rights, privileges, restrictions and conditions attaching to the Class A Subordinate Voting Shares and the Class B Multiple Voting Shares are as follows:

1. Definitions
  - 1.1 For the purposes of these provisions, unless there is something in the subject matter or context inconsistent therewith:
    - (a) "Affiliate" has the meaning ascribed to it by the Securities Act (Ontario) as amended from time to time;

- (b) "Associate" has the meaning ascribed to it by the Securities Act (Ontario) as amended from time to time;
- (c) "Converted Shares" means the Class B Multiple Voting Shares resulting from the conversion of Class A Subordinate Voting Shares into Class B Multiple Voting Shares pursuant to Section 5.1;
- (d) "Expiry Date" means the last day upon which holders of Class B Multiple Voting Shares may accept an offer;
- (e) "Offer" means an offer to acquire Class B Multiple Voting Shares which:
  - (i) must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class B Multiple Voting Shares are listed, be made to all or substantially all holders of Class B Multiple Voting Shares who are on the books of the Corporation in a province of Canada to which the requirement applies; and
  - (ii) is not made concurrently with an offer to acquire Class A Subordinate Voting Shares made to all or substantially all holders of Class A Subordinate Voting Shares, whose last address on the books of the Corporation is in a province of Canada, that is identical to the Offer in terms of price per share and percentage of outstanding shares to be taken up exclusive of shares owned immediately prior to the Offer by the Offeror, and in all other material respects, with no condition attached other than the right not to take up and pay for Class A Subordinate Voting Shares tendered if no Class B Multiple Voting Shares are purchased pursuant to the Offer,

and for the purposes of this definition if an offer to acquire Class B Multiple Voting Shares is not an Offer as defined above but would be an Offer if it were not for sub-clause (ii) hereof, the varying of any term of an Offer shall be deemed to constitute the making of a new offer unless an identical variation is made to the corresponding offer to purchase Class A Subordinate Voting Shares;

- (f) "Offer Date" means the date on which an Offer is made;
- (g) "Offeror" means the person, company or other entity making the Offer and shall include all associates and affiliates of the Offeror and any person or persons acting jointly or in concert with the Offeror;
- (h) "Offer Period" means the period of time commencing on the eighth day after the Offer Date and ending at the latest time for deposit of Class B Multiple Voting Shares on the Expiry Date;
- (i) "offer to acquire" has the meaning ascribed to such phrase by the Securities Act (Ontario), as amended from time to time; and
- (j) "Transfer Agent" means the transfer agent for the Class A Subordinate Voting Shares and the Class B Multiple Voting Shares from time to time.

## 2. Voting Rights - Class A Subordinate Voting Shares and Class B Multiple Voting Shares

- 2.1 Holders of the Class A Subordinate Voting Shares shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Corporation, voting together with the holders of the Class B Multiple Voting Shares, except for meetings at which only holders of a specified class or series are entitled to vote. Holders of Class A Subordinate Voting Shares shall be entitled to one vote for each Class A Subordinate Voting Share held.
- 2.2 Holders of Class B Multiple Voting Shares shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Corporation, voting together with the holders of the Class A Subordinate Voting Shares, except for meetings at which only holders of a specified class or series are

entitled to vote. Holders of Class B Multiple Voting Shares shall be entitled to 25 votes for each Class B Multiple Voting Share held.

3. Dividends - Class A Subordinate Voting Shares and Class B Multiple Voting Shares

- 3.1 Subject to the prior rights of the holders of shares of any other class ranking senior to the Class A Subordinate Voting Shares and the Class B Multiple Voting Shares in respect of dividends, the holders of Class A Subordinate Voting Shares and Class B Multiple Voting Shares shall be entitled to receive, on a share for share basis, such dividends as may be declared by the Board of Directors of the Corporation, and all dividends so declared shall be declared contemporaneously and paid at the same time and in the same amount per share on all the Class A Subordinate Voting Shares and Class B Multiple Voting Shares at the time outstanding, without preference or priority of one share over another.

4. Dissolution - Class A Subordinate Voting Shares and Class B Multiple Voting Shares

- 4.1 Subject to the rights of the holders of shares of any other class ranking senior to or equally with the Class A Subordinate Voting Shares and the Class B Multiple Voting Shares in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of Class A Subordinate Voting Shares and Class B Multiple Voting Shares shall be entitled to receive, equally on a share for share basis, the remaining real estate of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, without preference or priority of one share over another.

5. Take-over Bid Protection - Class A Subordinate Voting Shares

- 5.1 Subject to Section 5.5, in the event that an Offer is made, holders of Class A Subordinate Voting Shares shall have the right, at their option, at any time during the Offer Period, to convert all or any number of their Class A Subordinate Voting Shares into Class B Multiple Voting Shares on the basis of one Class B Multiple Voting Share for each Class A Subordinate Voting Share so converted.
- 5.2 Holders of Class A Subordinate Voting Shares desiring to exercise their option to convert their Class A Subordinate Voting Shares or any of them into Class B Multiple Voting Shares shall deliver to the Transfer Agent, no later than 1:00 p.m. (Halifax time) on the Expiry Date or, if the Offer Period ends on or prior to 4:00 p.m. (Halifax time) on the Expiry Date, then no later than three hours prior to the end of the Offer Period:
- (a) a notice (the "Election Notice") in writing executed by the holder of Class A Subordinate Voting Shares or by his attorney duly authorized in writing specifying the number of Class A Subordinate Voting Shares to be converted;
  - (b) the share certificate or certificates representing the Class A Subordinate Voting Shares, duly endorsed, which the holder of Class A Subordinate Voting Shares wishes to have converted;
  - (c) any letter of transmittal (the "Letter of Transmittal") in such form as may be required under the Offer or in such form as may be required by the Transfer Agent to facilitate the acceptance of the Offer in accordance with Section 5.5, including the execution and delivery of any documents required from the holder of Class A Subordinate Voting Shares in order to accept the Offer; and
  - (d) a power of attorney (the "Power of Attorney") in such form as may be required by the Transfer Agent to facilitate the acceptance of the Offer in accordance with Section 5.5, including the execution and delivery of any documents required from the holder of Class A Subordinate Voting Shares in order to accept the Offer.
- 5.3 Upon receipt by the Transfer Agent of the Election Notice, the share certificate or certificates representing the Class A Subordinate Voting Shares, the Letter of Transmittal and the Power of Attorney, the Corporation shall issue, or cause to be issued, a share certificate representing the appropriate number of Class B Multiple Voting Shares. If less than all the Class A Subordinate Voting Shares represented by

any certificate or certificates accompanying the Election Notice are to be converted, the holder shall be entitled to receive, at the expense of the Corporation, a new share certificate representing the Class A Subordinate Voting Shares represented by the certificate or certificates surrendered as aforesaid which are not to be converted. The holder shall pay any governmental tax or other charge imposed on or in respect of such conversion.

5.4 An election by a holder of Class A Subordinate Voting Shares to exercise the conversion right provided for in Section 5.1 shall be deemed to also constitute an irrevocable election by such holder:

- (a) to deposit the Converted Shares under the Offer (subject to the holder's rights to subsequently withdraw the shares from the Offer in accordance with the terms thereof and applicable law);
- (b) to exercise the right to convert the Converted Shares, in the event that less than 50% of the Class B Multiple Voting Shares outstanding immediately prior to the Offer (other than Class B Multiple Voting Shares owned by the Offeror or Associates or Affiliates of the Offeror) are deposited pursuant to the Offer, to Class A Subordinate Voting Shares on a one-for-one basis, in which case the said conversion of such shares into Class A Subordinate Voting Shares shall be effective immediately prior to the time the Offeror takes up and pays for any share to be acquired by the Offeror under the Offer;
- (c) to exercise the right to convert the Converted Shares, in respect of which the holder exercises his right of withdrawal from the Offer in accordance with the terms thereof and applicable law, to Class A Subordinate Voting Shares on a one-for-one basis, in which case the said conversion of such shares into Class A Subordinate Voting Shares shall be effective at the time such withdrawal is exercised;
- (d) in respect of an Offer which is completed in accordance with its terms, to exercise the right to convert the Converted Shares of the holder which are not ultimately taken up and paid for under the Offer to Class A Subordinate Voting Shares on a one-for-one basis, in which case the said conversion of such shares into Class A Subordinate Voting Shares shall be effective immediately following the time by which the Offeror is required by applicable securities legislation to take up and pay for all shares to be acquired by the Offeror under the Offer; and
- (e) in respect of an Offer which is abandoned, withdrawn or expires and is not completed in accordance with its terms, to exercise the right to convert the Converted Shares of the holder to Class A Subordinate Voting Shares on a one-to-one basis, in which case the said conversion of such shares into Class A Subordinate Voting Shares shall be effective at the time the Offer is abandoned, withdrawn or expires.

5.5 No share certificates representing Converted Shares shall be delivered to or to the order of the holders thereof and such shares shall be deposited under the Offer by the Transfer Agent in accordance with its terms. The Transfer Agent shall designate any such Converted Shares to be deposited under the Offer in a manner which makes them distinguishable from other Class B Multiple Voting Shares which may be deposited under the Offer. Upon completion of the Offer, the Transfer Agent shall deliver or cause to be delivered to the holders entitled thereto all consideration received by the Transfer Agent from the Offeror pursuant to the Offer in respect of the Converted Shares. If Converted Shares are converted into Class A Subordinate Voting Shares pursuant to the deemed election under Section 5.4(b), 5.4(c), 5.4(d) or 5.4(e), the Transfer Agent shall deliver to the holder entitled thereto a share certificate representing the Class A Subordinate Voting Shares resulting from the conversion, unless certificates representing Converted Shares to be converted into Class A Subordinate Voting Shares pursuant to the deemed election under Sections 5.4(b), 5.4(c), 5.4(d) or 5.4(e) have already been forwarded to each such holder by or on behalf of the Offeror, in which case the depositing holder shall forthwith deliver such certificates to the Transfer Agent for conversion to Class A Subordinate Voting Shares. The Corporation shall make all arrangements with the Transfer Agent necessary or desirable to give effect to this Section 5.5.

5.6 Notwithstanding the foregoing provisions, the conversion right provided for in Section 5.1 shall not come into effect if, within seven days after the Offer Date, there has been delivered to the Transfer Agent and to the Secretary of the Corporation a certificate or certificates signed by or on behalf of one or more



shareholders of the Corporation owning in the aggregate more than 50 percent of the Class B Multiple Voting Shares then outstanding, exclusive of shares then owned by the Offeror, which certificate or certificates shall, in the case of each such shareholder, confirm:

- (a) the number of Class B Multiple Voting Shares owned by the shareholder;
- (b) that such shareholder is not making the Offer and is not an Associate or Affiliate of, or acting jointly or in concert with, the person or company making the Offer;
- (c) that such shareholder will not tender any shares in acceptance of the Offer, including any varied form of the Offer, without giving the Transfer Agent and the Secretary of the Corporation written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date; and
- (d) that such shareholder shall not transfer any Class B Multiple Voting Shares, directly or indirectly, prior to the Expiry Date without giving the Transfer Agent and the Secretary of the Corporation written notice of such transfer or intended transfer at least seven days prior to the Expiry Date, which notice shall state, if known to the transferor, the name of the transferees and the number of Class B Multiple Voting Shares transferred or to be transferred to each transferee.

5.7 If a notice referred to in Section 5.6(c) or 5.6(d) is given and the conversion right provided for in Section 5.1 has not come into effect by reason of Section 5.6, the Transfer Agent shall either forthwith upon receipt of the notice or forthwith after the seventh day following the Offer Date, whichever is later, determine the number of Class B Multiple Voting Shares in respect of which there are subsisting certificates that comply with Section 5.6. For the purpose of this determination, certificates in respect of which such a notice has been filed shall not be regarded as subsisting, the transfer that is the subject of any notice referred to in Section 5.6(d) shall be deemed to have already taken place at the time of the determination, and the transferee in the case of any notice referred to in Section 5.6(d) shall be deemed to be a person or company from whom the Transfer Agent does not have a subsisting certificate unless the Transfer Agent is otherwise advised by the transferee in writing. If the number of Class B Multiple Voting Shares so determined does not exceed 50% of the number of then outstanding Class B Multiple Voting Shares, exclusive of shares then owned by the Offeror, Section 5.6 shall cease to apply and the conversion right provided for in Section 5.1 shall be in effect for the remainder of the Offer Period.

5.8 As soon as reasonably practicable after the seventh day after the Offer Date, the Corporation shall send to each holder of Class A Subordinate Voting Shares a notice advising such holders as to whether they are entitled to convert their Class A Subordinate Voting Shares into Class B Multiple Voting Shares pursuant to Section 5.1 and the reasons therefore. If such notice discloses that the holders of Class A Subordinate Voting Shares are not so entitled but it is subsequently determined that they are so entitled by virtue of Section 5.6, or otherwise, the Corporation shall forthwith send another notice to such holders advising them of that fact and the reasons therefore.

5.9 If a notice referred to in Section 5.8 discloses that the conversion right provided for in Section 5.1 has come into effect, the notice shall:

- (a) include a description of the procedure to be followed to effect the conversion and to have the Converted Shares tendered under the Offer;
- (b) include the information set out in Section 5.4; and
- (c) be accompanied by a copy of the Offer and all other material sent to holders of Class B Multiple Voting Shares in respect of the Offer, unless the Offer and such other materials have already been forwarded to each such holder by or on behalf of the Offeror, and as soon as is reasonably practicable after any additional material, including a notice of variation, is sent to the holders of Class B Multiple Voting Shares in respect of the Offer, the Corporation shall send a copy of such additional material to each such holder of Class A Subordinate Voting Shares, unless such additional material has already been forwarded to each such holder by or on behalf of the Offeror.

- 5.10 Prior to or forthwith after sending any notice referred to in Section 5.9, the Corporation shall cause a press release to be issued through a Canadian news wire service describing the contents of the notice.
6. Issuance of Class B Multiple Voting Shares
- 6.1 The Corporation will not issue any Class B Multiple Voting Shares other than in respect of the conversion rights of holders of Class A Subordinate Voting Shares pursuant to paragraph 5 and other than in respect of the issuance of Class B Multiple Voting Shares pursuant to any stock options which are granted and outstanding under the Corporation's employee stock option plan on the date that these rights, privileges, restrictions and conditions are created.
7. Adjustments - Class A Subordinate Voting Shares and Class B Multiple Voting Shares
- 7.1 In the event of the subdivision, consolidation, reclassification or other change to the Class B Multiple Voting Shares or the Class A Subordinate Voting Shares, the shares of the other class will be similarly subdivided, consolidated, reclassified or changed, as the case may be, and the provisions theretofore attaching to each class shall otherwise remain unaffected.
- 7.2 Neither the Class A Subordinate Voting Shares nor the Class B Multiple Voting Shares shall be decreased in authorized number by way of an amendment to the Articles of the Corporation, unless contemporaneously therewith, the number of shares of the other class is changed in the same manner and in the same proportion.

#### **6.2.4.2 Amending shareholders rights**

Changes to the share capital structure or provisions/rights attaching to any class of share require the approval of a two thirds majority of the Corporations' shareholders voting on any such amending resolution and the approval of the majority of the minority shareholders all voting at a duly constituted special meeting of shareholders.

The majority of the minority vote excludes votes attached to shares beneficially owned or over which control or direction is exercised by: (i) any person or company that beneficially owns, directly or indirectly, greater than 20% of the outstanding common shares; (ii) any associate, affiliate or insider (as defined in the *Securities Act* (Ontario)) of any person or company described in (i); and (iii) any affiliate of the Corporation or any other person or company which, alone or in concert with others, effectively controls the Corporation.

#### **6.2.4.3 Homburg Invest shareholders meetings**

##### **Chairman, secretary and scrutineers**

The chairman of any meeting of shareholders, who need not be a shareholder of the Corporation, shall be the first mentioned of the following Officers as have been appointed and are present in and are willing to so act at the meeting: Chairman of the Board of Directors, vice chairman of the Board of Directors, President or a vice-president (in order of seniority). If no such Officer is present and willing to act as chairman within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. The chairman shall conduct the proceedings at the meeting in all respects and his decision in any matter of thing, including, but without in any way limiting the generality of the foregoing, any question regarding the validity or invalidity of any instruments of proxy and any question as to the admission or rejection of a vote, shall be conclusive and binding upon the shareholders. The secretary of any meeting of shareholders shall be the secretary of the Corporation, provided that, if the Corporation does not have a secretary or if the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The Board of Directors may from time to time appoint in advance of any meeting of shareholders one or more persons to act as scrutineers at such meeting and, in the absence of such appointment, the chairman may appoint one or more persons to act as scrutineers at any meeting of shareholders. Scrutineers so appointed may, but need not be, shareholders, Directors, Officers or employees of the Corporation.

##### **Persons entitled to be present**

The only persons entitled to be present at a meeting of shareholders shall be:

- (a) those entitled to vote at such meeting;
- (b) the Directors and auditors of the Corporation;
- (c) others who, although not entitled to vote, are entitled or required under any provision of the *Securities Act* (Ontario), the articles or the by-laws to be present at the meeting;
- (d) legal counsel to the Corporation when invited by the Corporation to attend the meeting; and
- (e) any other person on the invitation of the chairman or with the consent of the meeting.

##### **Quorum**

A quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent shareholder so entitled, and representing in the aggregate not less than 5% of the outstanding shares of the Corporation carrying voting rights at the meeting, provided that, if there should be only one shareholder of the Corporation entitled to vote at any meeting of shareholders, the quorum for the transaction of business at a meeting of shareholders shall consist of the one shareholder.

## **Representatives**

The authority of an individual to represent a body corporate or association at a meeting of shareholders of the Corporation shall be established by depositing with the Corporation a certified copy of the resolution of the Directors or governing body of the body corporate or association, as the case may be, granting such authority, or in such other manner as may be satisfactory to the chairman of the meeting.

## **Action by shareholders**

The shareholders shall act by ordinary resolution unless otherwise required by the *Securities Act* (Ontario), articles, by-laws or any unanimous shareholders agreement. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall not be entitled to a second or casting vote.

## **Show of hands**

Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

## **Ballots**

A ballot required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the *Securities Act* (Ontario) or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

## **Meetings by telephone**

With the consent of the chairman of the meeting or the consent (as evidenced by a resolution) of the persons present and entitled to vote at the meeting, a shareholder or any other person entitled to attend a meeting of the shareholders may participate in the meeting by means of telephone or other communication facilities that permit all persons participating in the meeting to hear each other, and a person participating in such a meeting by those means shall be considered present at the meeting and at the place of the meeting. (The costs of phone meetings are paid by the Corporation. Participants may be in a variety of locations, but the calls will be initiated from Halifax).

## **6.2.5 Reporting**

The Corporation reports quarterly under IFRS as well as under Canadian GAAP. Every registered shareholder of the Corporation receives free of charge a copy of the quarterly statements and/or annual statements. Furthermore the Corporation issues press releases regarding its financial performance and significant events. The quarterly statements, annual statements and press releases can be obtained from [www.homburginvest.com](http://www.homburginvest.com). The Corporation is required to file its year end audited financial statements within 90 days of its year end, the quarterly statements have to be filed no later than 45 days after the end of the quarter.

On a quarterly basis the following items are reported by the Corporation;

- the total amount of the assets
- the composition of the investments
- the total number of issued and outstanding shares

## 6.2.6 Shares and options held by Directors and Officers

As of September 30, 2006.

### Unaudited

Name	Homburg Invest Class A Shares held	Homburg Invest Class B Shares held	Homburg Invest Class A Shares stock options	Homburg Invest Class B Shares stock options
Richard Homburg	20,649,277	17,214,141	1,191,971	617,344
Rudolf D. Bakhuizen	3,856,018	3,092,304	65,000	
Michael H. Arnold	42,800	38,143	65,000	
Edward P. Ovsenny	78,556	25,703	20,000	
Dr. Trevor A. Carmichael			65,000	
Walter R. Fitzgerald			65,000	
J. Richard Stolle	200,000			
James F. Miles	85,829	40,279		
Ira D. MacInnis*	296,278	196,278		
Ashley L. Phillips**	85,609	38,780	20,000	
J. Jeffery Coates	31,299	31,298	45,000	

\* Ira D. MacInnis resigned effective October 1, 2006

\*\* Ashley L. Philips was appointed effective October 1, 2006

## 6.2.7 Subsidiaries

As per September 30, 2006 Homburg Invest has the following Subsidiaries.

<b>Subsidiary</b>	<b>% owned</b>	<b>country of incorporation</b>	<b>Subsidiary</b>	<b>% owned</b>	<b>country of incorporation</b>
Homco Realty Fund (1) LP	100%	CA	Homburg Capital (CDN) Investment LP	100%	CA
Homco Realty Fund (2) LP	100%	CA	Homco Realty Fund (67) LP	100%	CA
Homco Realty Fund (4) LP	100%	CA	Homco Realty Fund (68) LP	100%	CA
Homco Realty Fund (7) LP	100%	CA	Valbonne Real Estate B.V.	94%	NL
Homco Realty Fund (8) LP	100%	CA	Homco Realty Fund (69) LP	100%	CA
Homco Realty Fund (9) LP	100%	CA	Valbonne Real Estate 2 B.V.	94%	NL
Homco Realty Fund (11) LP	100%	CA	Homco Realty Fund (70) LP	100%	CA
Homco Realty Fund (12) LP	100%	CA	Coet B.V.	94%	NL
Hardegane Investments Limited	100%	CA	Homco Realty Fund (71) LP	100%	CA
Kent Realty Limited	100%	CA	Homco Realty Fund (72) LP	100%	CA
Dyne Holdings Limited	100%	CA	Homco Realty Fund (73) LP	100%	CA
Ely Holdings Limited	100%	CA	Homco Realty Fund (74) LP	100%	CA
Homco Realty Fund (13) LP	100%	CA	Homco Realty Fund (75) LP	100%	CA
Homco Realty Fund (14) LP	100%	CA	Homco Realty Fund (76) LP	100%	CA
Homco Realty Fund (15) LP	100%	CA	Homco Realty Fund (77) LP	100%	CA
Homco Realty Fund (16) LP	100%	CA	Homco Realty Fund (81) LP	100%	CA
Homco Realty Fund (17) LP	100%	CA	Homco Realty Fund (83) LP	100%	CA
Homco Realty Fund (18) LP	100%	CA	Homco Realty Fund (84) LP	100%	CA
Homco Realty Fund (20) LP	38%	CA	Homco Realty Fund (85) LP	100%	CA
Homco Realty Fund (21) LP	5,79%	CA	Homco Realty Fund (86) LP	100%	CA
Homco Realty Fund (22) LP	5,63%	CA	Homco Realty Fund (87) LP	100%	CA
Homco Realty Fund (24) LP	100%	CA	Homco Realty Fund (88) LP	100%	CA
Homco Realty Fund (25) LP	100%	CA	Homco Realty Fund (89) LP	100%	CA
Homco Realty Fund (26) LP	38,46%	CA	Homco Realty Fund (91) LP	100%	CA
Homco Realty Fund (28) LP	53,33%	CA	Homco Realty Fund (92) LP	100%	CA
Homco Realty Fund (29) LP	55,55%	CA	Homco Realty Fund (94) LP	100%	CA
Homco Realty Fund (30) LP	100%	CA	Homco Realty Fund (95) LP	100%	CA
Homco Realty Fund (31) LP	100%	CA	Homco Realty Fund (96) LP	100%	CA
Homco Realty Fund (32) LP	100%	CA	Homco Realty Fund (98) LP	100%	CA
Homco Realty Fund (33) LP	100%	CA	Homco Realty Fund (102) LP	100%	CA
Homco Realty Fund (34) LP	100%	CA	Homco Realty Fund (103) LP	100%	CA
Homco Realty Fund (36) LP	100%	CA	Homco Realty Fund (105) LP	100%	CA
Homco Realty Fund (37) LP	100%	CA	Homco Realty Fund (106) LP	100%	CA
Homco Realty Fund (38) LP	100%	CA	Homco Realty Fund (110) LP	100%	CA
Homco Realty Fund (39) LP	100%	CA	Homco Realty Fund (111) LP	100%	CA
Homco Realty Fund (40) LP	100%	CA	Homco Realty Fund (112) LP	100%	CA
Homco Realty Fund (41) LP	100%	CA	Homco Realty Fund (113) LP	100%	CA
Homco Realty Fund (42) LP	100%	CA	Homco Realty Fund (114) LP	100%	CA
Homco Realty Fund (43) LP	100%	CA	Valbonne Real Estate 5. B,V,	94%	NL
Homco Realty Fund (44) LP	100%	CA	Homco Realty Fund (140) LP	50%	CA
Homco Realty Fund (45) LP	100%	CA	Homburg ShareCo Inc.	100%	CA
Homco Realty Fund (46) LP	100%	CA	Homburg Invest (USA) Limited	100%	CA
Homco Realty Fund (49) LP	5%	CA	Homburg (US) Limited	100%	CA
Homco Realty Fund (52) LP	100%	CA	Homburg Holdings (US) Inc.	100%	USA
Homco Realty Fund (53) LP	100%	CA	Blackfoot Development Ltd.	100%	CA
Homco Realty Fund (55) LP	100%	CA	Homburg Harris Development Ltd.	100%	CA

Homco Realty Fund (56) LP	100%	CA	Citadel West Development Ltd.	100%	CA
Homco Realty Fund (57) LP	100%	CA	Churchill Estates Development Ltd.	100%	CA
Homco Realty Fund (59) LP	100%	CA	Inverness Estates Development Ltd.	100%	CA
Homco Realty Fund (61) LP	100%	CA	Holland Gardens Development Ltd.	100%	CA
Homco Realty Fund (62) LP	100%	CA	Homburg Holding (NETH) Beheer B.V.	100%	NL
Homco Realty Fund (64) LP	100%	CA			

CA: Canada

NL: Netherlands

USA: United States of America

Virtually all real estate of the Corporation is held by its Subsidiaries, whereby, for the most part, one Subsidiary only holds one property. Therefore a poor performing property will only affect the Subsidiary which owns this asset; the maximum exposure of the Corporation to each of the properties is the amount of equity invested in the relevant Subsidiary.

### **6.2.8 Withholding taxes**

The registered office of the Corporation is 3700 Canterra Tower, 400 Third Ave. S.W., Calgary AB. T2P 4H2 Canada. Currently the Corporation has foreign operations in the United States, Germany and The Netherlands. All income earned outside of Canada is subject to the appropriate income tax in the relevant country. In Canada, the Corporation must report its income on a worldwide basis against which it receives credit in Canada for the active business income taxes or Foreign Accrual Property Income (FAPI) taxes paid in the relevant country. In all situations the Corporation is responsible for the withholding of taxes at the source. Therefore the Corporation will withhold the taxes and pay it directly to the tax authorities. The amount of withheld taxes is withheld from the amount paid to the shareholders and the Bondholders.

#### **6.2.8.1 Canadian taxes**

The Homburg Bond 10 bonds represent a 'cross-border' investment. Consequently, two tax authorities are involved, namely, those of Canada and the Netherlands. A tax treaty applies between the Netherlands and Canada to avoid double taxation. Based on this treaty no withholding tax is levied in Canada on interest derived from a debt obligation of a Canadian corporation by Dutch based natural or legal persons of capital if the following requirements are satisfied:

- a loan is agreed for a term of no less than five years;
- less than 25% of the amount concerned is repaid within this term of five years;
- the loan occurs at arm's length, which means that if a Homburg entity participates in the scheme, its actions must be tantamount to those customary between organisations that are not related to each other, and the relevant conditions must stand up to scrutiny based on this.

The Homburg Bond 10 bonds meet the abovementioned requirements. Therefore no withholding tax is levied on earnings that Bondholders derive from their Homburg Bond 10 bonds.

### **6.2.9 Concentration Risks**

When the Corporation determines that it's in its best interest to invest in property(ies) in excess of 20% of its gross assets, the Corporation spreads its risk in relation to those significant investments by purchasing the assets through a combination of mortgage debt, issue of shares and cash out of the Corporations' working capital. As well, risk is minimized through its credit policies, interest rate minimization and currency policy. In addition, our portfolio of properties is geographically diverse so as to minimize the effects in any one location.

The Corporations reports its real estate investments at fair value in its International Financial Reporting Standards audited financial statements which are included in its annual report for the year ended December 31, 2005.

Currently no investments exceeding 20% of the gross assets of the Corporation are made in another collective investment undertaking.

### **6.2.10 Investment Restrictions**

The Corporation has no restrictions as to the investment undertakings that may be made. If the Corporation should make an investment in excess of 40% of its gross assets in another company, the following will be disclosed:

- (a) information relating to each underlying collective investment undertaking as if it were an issuer under minimum disclosure requirements for the registration document schedule for securities issued by collective investment undertaking of the closed-end type or;
- (b) if securities issued by an underlying collective investment undertaking have already been admitted to trading on a regulated or equivalent market or the obligations are guaranteed by an entity admitted to trading on a regulated or equivalent market, the name, address, country of incorporation, nature of business and name of the market in which its securities are admitted.



## 6.2.11 Related party transactions

### *Related party transactions with companies controlled by Homburg Invests' Chairman and Chief Executive Officer*

The Corporation is directly and indirectly controlled by Mr. Richard Homburg, the Chairman and Chief Executive Officer. The Corporation entered into the following agreements with companies directly or indirectly controlled by Mr. Richard Homburg.

Each month Homburg Canada Incorporated will invoice the Corporation for services rendered under the property and asset management agreements. The Corporation will pay on behalf of the relevant Subsidiaries and allocate to each of the Subsidiaries the relevant amount.

With respect to the fees that are charged to Homburg Invest by Homburg Canada Incorporated, Fortis Bank concluded the following in their research report on Homburg Invest dated July 5, 2006.

“we conducted a peer group analysis and compared total overhead expenses (expenses not directly linked to properties) to the fair market value of the assets. We find that the average for Homburg Invest comes out at 0.57% vs. 0.50-0.52% as average for Dutch-Belgian property companies, 0.68% for close peers (GTC, Orco Property Group). However, we believe GTC and Orco Property Group are much closer peers than most Belgian and Dutch listed property companies, since they are managed more actively (development pipeline, asset rotation) and apply (like Homburg Invest) an opportunistic strategy.”

(Source: Research report on Homburg Invest by Fortis Bank, dated July 5, 2006).

Compared to its US and Canadian peers Homburg Invest is of the opinion that it has a below average fee schedule.

### *Property management agreements*

The Corporations' properties and real estate assets owned by the Corporation or its respective Subsidiaries are managed by Homburg Canada Incorporated through a series of property management and asset management agreements entered with the Corporation and each of the Subsidiaries. Homburg Canada Incorporated is a wholly owned subsidiary of Homburg Uni-Corp Inc., which is a Canadian company directly and indirectly controlled by Mr. Richard Homburg.

As property manager, Homburg Canada Incorporated provides general management and repair services on behalf of the Corporation and its Subsidiaries. The initial terms of the agreements are generally ten years, automatically renewable for five years. After the initial term or the first full year the Corporation and/or its Subsidiaries may terminate the respective agreement upon six months notice of termination. If this is done, Homburg Invest will be due a termination fee equal to 20% of the average monthly compensation to Homburg Canada Incorporated multiplied by the number of months remaining in the term, unless the termination is due to the gross negligence of Homburg Canada Incorporated. Homburg Canada Incorporated may terminate the agreement any time observing a notice period of 12 months.

As compensation for the services rendered under the property management agreements, Homburg Canada Incorporated receives the following compensation:

- a maximum of 5% of all cash receipts (i.e. total basic rent and any expense recoveries with GST/VAT/BTW) in respect of real estate situated in Canada or the United States;
- 1.5% - 3% of rents collected in respect of real estate situated in Europe (except for properties leased on a triple net basis, in that case the fee drops to 0%);
- construction fees equal to 10% of the costs of construction;
- leasing fees equal 10% of the first year revenue for leases with a term of one to two years, 15% of the first year revenue for leases of three years and 20% of the first year revenue for leases of four years or longer.

The Corporation and its Subsidiaries further authorised Homburg Canada Incorporated to operate trust accounts on their behalf as required to conduct their business.

Homburg Canada Incorporated subcontracted the general management and repair services for Dutch and German properties to Homburg Vastgoed Management B.V.

### *Asset management agreements*

Pursuant to asset management agreements entered into by the Corporation and each of its Subsidiaries with Homburg Canada Incorporated, Homburg Canada Incorporated is involved in strategic planning and marketing, advising on the purchase and sale of properties and managing financing. The initial terms of these agreements are generally ten years, as long as the companies controlled by Mr. Richard Homburg maintain managerial control of the Corporation. The Corporation and/or its Subsidiaries may terminate each of the respective asset management agreements at any time upon gross negligence of Homburg Canada Incorporated. If Homburg Invest or its Subsidiaries terminate the agreement for any other reason, an amount will be due to Homburg Canada Incorporated equal to at least the fees paid in the last two years of the agreement, notwithstanding the right of Homburg Canada Incorporated to claim full damages. Homburg Canada Incorporated may terminate upon six months notice.

Homburg Canada Incorporated is entitled to the following fees under the asset management agreements:

- management fee: annually 0.75% of the invested capital in the relevant Subsidiary with respect to Canadian and US properties; (except for properties leased on a triple net basis, in that case the fee drops to 0.30%)
- management fee: annually 0.2% of the value of the real estate held by the relevant Subsidiary with respect to European properties;
- share issue fee: 5% of the total proceeds raised in a share issue of the Corporation; and
- acquisition/disposal fees: 2.5% up to 2.75% of the gross proceeds of a purchase or sale of the real estate

Homburg Canada Incorporated subcontracted the asset management services for the Dutch and German properties to Homburg Vastgoed Management B.V., a company directly and indirectly controlled by Mr. Richard Homburg.

#### *Limited partnership agreements*

Homburg LP Management Incorporated, a subsidiary of Homburg Canada Incorporated is the general partner in each of the Homcos in which the Corporation is limited partner. The limited partner(s) are solely entitled to the profit of the Homco in question. The general partner is not entitled to any compensation. This is only different for the Homcos in which the Corporation is not a 100% limited partner, as described above. In those specific partnerships, the general partner is entitled to a part of the profit of the Homcos in which the Corporation is less than a 100% limited partner. For Homco (20), (21), (22), (26), (28), (29) the general partner is entitled to 30% of the profit (before taxes) after the limited partners have received a cumulative return on equity of 11% (before taxes) on an annual basis. For Homco (49) the general partner is entitled to 30% of the profit (before taxes) after the limited partners have received a cumulative return on equity of 8% (before taxes) on an annual basis.

#### *Issuance of bonds*

In 2006, Homburg Invest directly issued bond series 8 and series 9. Homburg Participaties, a company directly and indirectly controlled by Mr. Richard Homburg acted as intermediary and, for the services rendered to the Corporation, received a fee of CAD 5,925,000 representing 4% of the gross proceeds. Through a Subsidiary (Homburg ShareCo Inc.), the Corporation has issued six series of mortgage bonds. Homburg Participaties, a company directly and indirectly controlled by Mr. Richard Homburg acted as intermediary and, for the services rendered to the Corporation, received a fee of 4% up to 5% of the gross proceeds for each of these issuances. In 2005 the Corporation paid a fee of CAD 3,704,000 to Homburg Participaties in respect of the mortgage bond series 6 and 7, compared to a fee of CAD 2,629,000 in 2004 relating to the mortgage bond series 4 and 5. Furthermore, the Corporation entered into a guarantee arrangement with Uni-Insurance Inc., a company directly and indirectly controlled by Mr. Richard Homburg for the principal amounts of each of the mortgage bonds to maturity, pursuant to which the Corporation is protected against fluctuations in the Canadian dollar and the euro. The cost of this guarantee fee per annum until maturity is 1.5% on the series 1 mortgage bonds, 2.0% on the series 2 mortgage bonds and 1.6% on the series 4, series 5, series 6 and series 7 mortgage bonds, which were current market rates at the time that the individual guarantees were entered into.

#### *Insurance*

Homburg Insurance Company Limited, a company directly and indirectly controlled by Mr. Richard Homburg, acts as the Corporations' broker for certain insurances. The total fees paid to Homburg Insurance Company Limited amounted to CAD 796 thousand in 2005 compared to CAD 317 thousand in 2004.

#### *Construction Financing and other borrowings*

On 28 July 2005 Homburg Invest entered into a construction financing loan with Uni-Invest Holdings N.V., a

company directly and indirectly controlled by Mr. Richard Homburg in the amount of CAD 4,138,000. This loan bears interest at a rate of 8% per annum and has no set terms of repayment. This loan has since been repaid in full by Homburg Invest.

Homburg Invest further loaned to Uni-Insurance Inc. and Homburg Canada Incorporated an aggregate amount of CAD 7,326,000. These loans do not bear interest and do not have terms of repayment and have been repaid.

In 2005 Homburg Invest purchased six inactive development companies from Homburg Canada Incorporated at their net book value, which approximates fair market value of CAD 10 dollars each.

#### *Other related party transactions*

A Subsidiary sub-contracted the management in respect of the property Confederation Court Complex, Charlottetown, Canada, to a company owned by Michael Arnold, the vice chairman of the Corporation. The total fees paid to this company in 2005 amounted to CAD 254,000 compared to a fee of CAD 265,000 in 2004. The terms of this property management agreement are generally the same as the other property management agreements entered into, however after 30 April 2008 the agreement may be terminated by either party upon 60 days notice. In addition, the property manager receives the following compensation for services rendered:

- 4% of all gross revenues plus CAD 40,000 for an on-site manager;
- construction fees equal to 10% of the costs of construction;
  - leasing fees equal 10% of the first year revenue for leases with a term of one to two years, 15% of the first year revenue for leases of three years and 20% of the first year revenue for leases of four years or longer; and
- 
- market rate commission for the sale of the real estate.

Further, since 1 March 2006 Stollburgh B.V., a company controlled by Richard Stolle, our President and Chief Operating Officer, will perform asset management services in respect of the real estate as subcontractor of Homburg Canada Incorporated. The fees charged by Stollburgh B.V. are included in the fees paid by the Corporation to Homburg Canada Incorporated under the asset management agreements.

#### **Summary of payments to related parties**

A summary of the various revenues and expenses between related parties is as follows:

(In CAD thousands)

	<b>September 30 2006 (Unaudited)</b>	September 30 2005 (Unaudited)
Rental revenue earned	\$ <u>(553)</u>	\$ <u>(203)</u>
Asset and construction management fees incurred	\$ <u>6,030</u>	\$ <u>3,644</u>
Property management fees incurred	\$ <u>1,141</u>	\$ <u>1,065</u>
Insurance incurred	\$ <u>468</u>	\$ <u>417</u>
Service fees incurred	\$ <u>390</u>	\$ <u>228</u>
Property acquisition/disposal fees incurred	\$ <u>23,556</u>	\$ <u>15,835</u>
Mortgage bond guarantee fees incurred	\$ <u>2,588</u>	\$ <u>2,255</u>
Bond issue costs incurred	\$ <u>2,329</u>	\$ <u>3,697</u>
Share issue costs incurred	\$ <u>3,536</u>	\$ <u>NIL</u>
Construction financing interest and fees accrued	\$ <u>255</u>	\$ <u>NIL</u>

The transactions are recorded at exchange amounts.

The service fees that are incurred relate to operating costs such as fuel, advertising, repairs, and wages that are paid to Homburg Canada Incorporated and other related parties.

The service fees are paid to a company owned by Michael Arnold, the vice chairman of the Corporation for an amount of CAD 176,000 for the period ended September 30, 2006 compared to CAD 174,000 for the period ended September 30, 2005. The remainder of the service fees are paid to Homburg Canada Incorporated. The total amount paid to related parties for services rendered amounted to CAD 40.3 million for the first nine months ended on 30 September 2006 and CAD 27.1 million for the first nine months ended on 30 September 2005.

There are no related party transactions between Homburg Invest and the following Directors and Officers:

Rudolf D. Bakhuizen  
Edward P. Ovsenny  
Dr. Trevor A. Carmichael  
Walter R. Fitzgerald  
James F. Miles  
Ira D. MacInnis  
Ashley L. Phillips  
J. Jeffery Coates

### 6.2.12 Appraisals of properties

Being a Euronext listed company, the Corporation is required to report according to IFRS. The Corporation has to comply with the endorsed IAS-40 Investment Property for investment properties, and the endorsed IAS-16 Property, Plant and Equipment for its development properties, and has chosen the fair value method of presenting its investment and development properties in the financial statements. The fair value of investment properties is based upon independent valuations where they are current. The Corporation obtains independent valuations as a part of due diligence carried out upon new acquisitions, and for financing purposes. In the absence of current reports at the time of a period end, the Corporation has developed its own model to assess fair value. Under this model the Corporation first assesses the net operating income, (property revenue less operating expenses) of each property for permanent changes. If there are permanent changes, either positive or negative, the company must reassess the fair value of the property. Secondly, the Corporation engages independent consultants to assess the capitalization rates to be applied to each properties net operating income to determine the fair value. The independent consultants produce a range of 50 basis points that is representative of the majority of the transactions for that property type in that particular market. The Corporation then utilizes a rate within this range as the capitalization rate to apply to the net operating income for each property to determine the fair value.

Included in the value of investment properties at December 31, 2005 are unrealized valuation changes of CAD 143.5 million (2004: CAD 51.1 million) produced by this model.

The Corporation is satisfied that this model is fair and reasonable for the following reasons:

- The Corporation utilizes a rate within the range provided by independent consultants.
- In the real estate sector, portfolio's are generally valued at a premium as opposed to summing up the individual valuations. The Corporation does not factor in any portfolio premiums, but rather assesses the value of the properties on an individual basis, and the Corporations' total is the sum of the parts.
- Any disposal of assets by the Corporation or its Subsidiaries have been at values either equal to or greater than the fair value the Corporation produced from its own valuation model (see above).
- Independent appraisals produced for financing purposes have been at values greater than the fair value the Corporation produced from its own valuation model.

The effective date of the last valuation of the portfolio was September 30, 2006, and at that time in addition to the fair values produced by the Corporation's model, 86% (December 31, 2005: 87%) of the portfolio value had either been purchased in an arms length transaction, or subject to an independent appraisal within the last three years. This percentage is communicated by Homburg Invest through their quarterly financial reports.

A summary of the property fair market values is given below. More detailed information with respect of the property portfolio is reflected in 6.7.1 and 6.7.6.

<b>Property Type</b>	<b>Number of properties</b>	<b>Fair Market Value CAD (thousands) September 30, 2006 Unaudited</b>
Offices (O)	42	1,048,674
Retail (S)	55	211,660
Residential (R)	11	21,323
Industrial (W)	22	424,913
Sub total	130	1,706,570
Properties under construction	3	112,521
Properties held for development	7	83,859
Construction projects for resale	5	63,631
Total	145	1,966,581

<b>Region</b>	<b>Fair Market Value CAD (thousands) September 30, 2006 Unaudited</b>
Germany/Netherlands	1,369,036
Canada	569,835
USA	27,710,
Total	1,966,581

Properties owned by the Corporation and its Subsidiaries as of June 30, 2006 have been valued by external appraisers as reflected in the following schedule.

These appraisals are performed under the following assumptions

- buyer and seller are typically motivated
- both parties are well informed or well advised, and acting in what they consider their best interests
- a reasonable time is allowed for exposure in the open market
- payment is made in terms of cash or in terms of financial arrangements comparable thereto
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Subsidiary	Interest in Subsidiary	Property	City, province/ state, Country	Gross Square Footage	Net Leasable Area	Appraisal Date	Appraisal Done By **
HOMCO 01	100%	356 Windmill Road	Dartmouth, NS	28,800		28-okt-03	CBRE
HOMCO 02	100%	31 Highfield Park	Dartmouth, NS	27,195		22-jul-03	CBRE
		35 Highfield Park	Dartmouth, NS	29,259		22-jul-03	CBRE
		11 Joseph Young Street	Dartmouth, NS	27,195		22-jul-03	CBRE
HOMCO 04	100%	141 Albro Lake Road	Dartmouth, NS	10,044		5-okt-99	KAL
		295 George Street	Sydney, NS	21,663	16,010	5-okt-99	KAL
HOMCO 07	100%	5157 Morris Street - Residential	Halifax, NS	122,651	122,651	29-jul-03	CBRE
		5157 Morris Street - Commercial	Halifax, NS	28,815	28,815	29-jul-03	CBRE
HOMCO 08	100%	11 Akerley/2 Morris	Dartmouth, NS	128,800	127,595	29-jul-03	CBRE
HOMCO 09	100%	640, 720 & 820 – 28th Street NE	Calgary, AB	175,980	175,863	15-okt-04	CBRE
		40 Elizabeth Street	Okotoks, AB	19,970	18,260	29-jul-03	EA & CS
HOMCO 12	100%	Confederation Court Mall	Charlottetown, PEI	309,149	232,856	1-jan-04	Altus
HOMCO 13	100%	800-842 Crowfoot Crescent	Calgary, AB	19,805	19,728	8-mrt-04	CBRE
HOMCO 14	100%	2067 - 50th Avenue	Red Deer, AB	13,751	13,751	30-aug-00	APAI
HOMCO 15	100%	220-221 - 62nd Avenue SE	Calgary, AB	7,500	7,500	15-okt-04	CBRE
		253 - 62nd Avenue SE	Calgary, AB	8,100	8,100	15-okt-04	CBRE
		6223 - 2nd Street SE	Calgary, AB	13,950	13,950	15-okt-04	CBRE
		6227 - 2nd Street SE	Calgary, AB	30,554	30,554	15-okt-04	CBRE
HOMCO 16	100%	150 Henri Dunant	Moncton, NB	65,673	65,673	23-okt-03	Altus
		140 Commerce Street	Moncton, NB	54,000	54,000	28-jul-03	Altus
		1199 St. George Boulevard	Moncton, NB	60,000	60,000	23-sep-03	Altus
		Arsenault Court (Parking Lot)	Moncton, NB				
HOMCO 17	100%	Willowbend - Glenforest Drive	Halifax, NS	63,751		16-mei-05	CBRE
HOMCO 20	38%	1741 Brunswick Street	Halifax, NS	46,566	39,710	17-nov-04	CBRE
HOMCO 21	5,79%	807-42nd Ave SE	Calgary, AB	4,500	4,500	1-okt-00	ORAI
HOMCO 22	5,63%	1300 St. Peters Avenue	Bathurst, NB	14,000			
HOMCO 24	100%	715 Laurier Street	Dieppe, NB	22,776		14-jul-03	Altus
		735 Laurier Street	Dieppe, NB	22,776		14-jul-03	Altus
		678 Evangeline Street	Dieppe, NB	22,776		14-jul-03	Altus
HOMCO 25	100%	3660 - 20th Avenue NE	Calgary, AB	23,154	23,154	28-okt-04	CBRE
HOMCO 26	38,46%	4033 Bow Trail SW	Calgary, AB	3,538	3,538	7-jun-02	Royal LePage
HOMCO 28	53,33%	158, 37400 Highway #2	Red Deer, AB	7,816	7,816	26-jun-02	Royal LePage
HOMCO 29	55,55%	229 - 11th Avenue	Calgary, AB	9,721	9,721	14-feb-01	Royal LePage
HOMCO 30	100%	231 J.D. Gauthier Boulevard	Shippagan, NB	70,064	70,064		
HOMCO 31	100%	123 Halifax Street	Moncton, NB	80,693	80,693	1-okt-04	Altus
		85 Halifax Street (Parking Lot)	Moncton, NB				
		114 Price Street	Moncton, NB	182,582	182,582	1-okt-04	Altus
		33 Henri Dunant Street	Moncton, NB	118,354	118,354	1-okt-04	Altus
		24 Carr Crescent	Gander, NF	60,410	60,410	1-okt-04	Altus
		20 Record Street	Dieppe, NB	51,438	51,438	1-okt-04	Altus
		11 Wright Street	Sackville, NB	19,300	19,300	1-okt-04	Altus
		1 MacLean Court	Port Hawkesbury, NS	17,259	17,259	1-okt-04	Altus



HOMCO 32	100%	118 Wyse Road	Dartmouth, NS	87,030	87,030	23-apr-03	CBRE
HOMCO 33	100%	4124 - 9th Street SE	Calgary, AB	46,976	46,976	20-aug-01	Royal LePage
HOMCO 34	100%	139th Avenue & Manning Crossing	Edmonton, AB	12,349	12,349	26-mrt-01	Colliers
HOMCO 37	100%	950 Bedford Highway	Bedford, NS	23,456	23,167	1-dec-99	Piccott
HOMCO 38	100%	619 Sackville Drive	Lower Sackville, NS	9,970	9,970	1-mrt-01	Piccott
HOMCO 39	100%	69 Cow Bay Road,	Easter Passage, NS	14,665	14,665	1-mrt-01	Piccott
HOMCO 40	100%	24 Stavenger Drive, St. John's	St. John's, NF	110,650	110,650	31-okt-04	CBRE
HOMCO 41	100%	194 Chain Lake Drive, Halifax	Halifax, NS	110,000	110,000	31-okt-04	CBRE
HOMCO 42	100%	100 St-Jude Street, Granby, QC	Granby, PQ	115,000	115,000	31-okt-04	CBRE
HOMCO 43	100%	60 Martindale Crescent, Ancaster, ON	Ancaster, ON	108,488	108,488	31-okt-04	CBRE
HOMCO 44	100%	129 Queensway East, Simcoe, ON	Simcoe, ON	80,000	80,000	31-okt-04	CBRE
HOMCO 45	100%	600 Mitchell Road, South, Listowel, ON	Listowel, ON	80,318	80,318	31-okt-04	CBRE
HOMCO 46	100%	3571 Old Okanagan Road, Westbank, BC	Westbank, BC	109,098	109,098	31-okt-04	CBRE
HOMCO 49	5%	139th Avenue and 42nd Street NE	Edmonton, AB				
HOMCO 55	100%	920 Douglas Street, QC	St-Jean Sur-Richelieu, PQ	3,832	3,832	31-okt-04	CBRE
		950 Justras E. Boulevard, QC	Arthabaska, PQ	3,800	3,800	31-okt-04	CBRE
		99 St.-Jean-Baptiste Boulevard, QC	Chateauguay, PQ	3,832	3,832	31-okt-04	CBRE
		1950 Leonard-de-Vinci Street, QC	Ste-Julie, PQ	3,800	3,800	31-okt-04	CBRE
		324 Curee-Labelle Boulevard., QC	Saint-Jerome, PQ	3,840	3,840	31-okt-04	CBRE
			Saint-Eustache, PQ				
		484-25th Avenue, QC	PQ	4,100	4,100	31-okt-04	CBRE
		2054 Cure-Labelle Boulevard., QC	Saint-Jerome, PQ	4,100	4,100	31-okt-04	CBRE
		121 Visitation Street, QC	Joliette, PQ	4,100	4,100	31-okt-04	CBRE
			Saint-Agathe-des-Monts, PQ				
		670 Principale Street, QC	Monts, PQ	4,100	4,100	31-okt-04	CBRE
		1837 Gascon Road, QC	Lachenaie, PQ	4,100	4,100	31-okt-04	CBRE
HOMCO 56	100%	3711/3715 61st Avenue SE	Calgary, AB	20,675	20,675	26-mei-04	Colliers
HOMCO 57	100%	451 Windmill Road	Dartmouth, NS	17,024	16,849		
HOMCO 77	100%	846 Park Street	Kentville, NS	14,700	14,700	8-feb-05	ARA
HOMCO 81	100%	155, 25e Avenue, Saint Eustache, QC	Saint-Eustache, PQ		7,406		
Homburg Invest Inc.		1801 1st Avenue	Prince George, BC	78,818	78,818	12-apr-01	NCA
		535 Yates Street	Victoria, BC	22,341	19,397		
HOMCO 68	100%	Furtherstrasse 205-215, Nurnberg, Germany	Nürnberg, GER	2,606,729	2,606,729	5-mrt-05	Weatherall
HOMCO 69	100%	Phillppestrasse 3, Bochum, Germany	Bochum, GER	285,461	285,461	5-mrt-05	Weatherall
HOMCO 70	100%	Elbestrasse 1-3, Marl, Germany	Marl, GER	169,178	169,178	5-mrt-05	Weatherall
		Binnerhelde 26, Schwerte, Germany	Schwerte, GER	54,584	54,584	5-mrt-05	Weatherall
		Industriestrasse 19, Hassmersheim, Germany	Hassemersheim, GER	304,567	304,567	5-mrt-05	Weatherall
		Wolfraamweg 2, Wol Vega, Germany	Wol Vega, NL	191,836	191,836	5-mrt-05	Weatherall
HOMCO 71	100%	Meldoomkade 22-24, Houten, NL	Houten, NL	193,978	193,978	30-mrt-05	Weatherall
HOMCO 72	100%	Industriestraat 6, 8, 10, Numansdorp, NL	Numansdorp, NL	92,517	92,517	30-mrt-05	Weatherall
HOMCO 73	100%	Fortranweg 10, Amersfoort, NL	Amersfoort, NL	100,514	100,514	1-nov-04	Weatherall
HOMCO 74	100%	Industrieiaan 24, Uden, NL	Uden, NL	437,825	437,825	5-mrt-05	Weatherall
		Daalakkersweg 2, 2-A and 8, Eindhoven, NL	Eindhoven, NL	364,921	364,921	14-dec-04	
HOMCO 76	100%	20 Rue de Toulouse	Granby, QC	4,400	4,400	28-okt-05	CBRE
HOMCO 91	100%	8 boel Bromont	Bromont, QC	4,400	4,400	28-okt-05	CBRE
		50 boel Lionel-Groulx	Sherbrooke, QC	4,800	4,800	28-okt-05	CBRE
		641 King ST., East	Gananonoque, QC	1,875	1,875	28-okt-05	CBRE
		39 Warne Cres.	Kingston, ON	4,700	4,700	28-okt-05	CBRE
		268 North Front St.	Belleville, ON	4,500	4,500	28-okt-05	CBRE
		1 Commerce Rd.	Lindsay, ON	5,110	5,110	28-okt-05	CBRE
		429/431 Kent Street West	Lindsay, ON	6,238	6,238	28-okt-05	CBRE
		Old Highway #2	Trenton, ON	4,300	4,300	28-okt-05	CBRE

HOMCO 92	100%	t Harde, NL	t Harde, NL	52,9481	52,948	28-okt-05	Troostwijk
HOMCO 95	100%	Western Financial Place	High River, AB				
HOMCO 102	100%	Hardwarewg 11, Amersfoort, NL	Amersfoort, NL	147,054	147,054	15-dec-05	CBRE
HOMCO 103	100%	170 Labelle Blvd.	Rosemere, QC	3,314	3,314		Colliers
		101 Blvd. Arthur Sauve	St. Eustache, QC	2,508	2,508		Colliers
		255 Cremaize Blvd.	Montreal, QC	3,945	3,945		Colliers
		2986 St Charles Blvd.	Kirkland, QC	2,497	2,497		Colliers
HOMCO 110	93.37%	Campeon Complex	Munich, GER			3-mrt-06	King
Homco 111	100%	Tarasconweg 2, Franse Baan 606	Eindhoven, NL	84,621	84,621	10-08-06	DTZ Zadelhoff
Homco 112	100%	Valkstraat 14	Sittard, NL	27,568	27,568	10-08-06	DTZ Zadelhoff
		Sheffieldstraat 21-39					
Homco 113	100%	Stuttgartstraat 30-44					
		Corkstraat 38-46	Rotterdam, NL	150,941	150,941	10-08-06	DTZ Zadelhoff
Homco 114	100%	Beelaarts van Bloklandstraat 10-14					
		Reitse Hoevenstraat 233-241	Tilburg, NL	237,629	237,629	10-08-06	DTZ Zadelhoff
Homburg Holdings (US) Inc.	100%	555 East Pikes Peak Rd., Colorado Springs, CO	Colorado Springs, CO	39,285	37,251	13-jan-05	TC & AI
		557 East Pikes Peak Rd., Colorado Springs, CO	Colorado Springs, CO	27,174	27,000	13-jan-05	TC & AI
		559 East Pikes Peak Rd., Colorado Springs, CO	Colorado Springs, CO	31,515	30,137	13-jan-05	TC & AI
		4575 Hilton Parkway, Colorado Springs, CO	Colorado Springs, CO	10,524	9,998	22-jan-03	TC & AI
		3535 Van Teylingen Dr., Colorado Springs, CO	Colorado Springs, CO	11,040	10,335	10-feb-03	TC & AI
		669 Airport Freeway, Hurst TX	Hurst, TX	53,265	53,265	3-dec-02	Yates Realty
		6112 McCart Ave., Fort Worth, TX	Fort Worth, TX	16,927	16,927	2-dec-02	Yates Realty
		15510 Lexington Blvd, Sugarland, TX	Sugarland, TX	17,825	17,825	9-jan-03	Murphy Appr Grp
		8400 Blanco Rd., San Antonio, TX	San Antonio, TX	24,399	23,606	31-jan-03	McNeel, W & A Inc
		3740 Colony Dr., San Antonio, TX	San Antonio, TX	14,986	14,986	31-jan-03	McNeel, W & A Inc
		10800 and 10829 Hillpoint Dr., San Antonio, TX	San Antonio, TX	22,216	22,216	31-jan-03	McNeel, W & A Inc
		4718 and 4738 Cotton Belt Dr., San Antonio, TX	San Antonio, TX	22,474	22,474	31-jan-03	McNeel, W & A Inc

\*

AB	Alberta (Canada)
BC	British Columbia (Canada)
CO	Colorado (USA)
GER	Germany
NB	New Brunswick (Canada)
NF	Newfoundland (Canada)
NL	Netherlands
NS	Nova Scotia (Canada)
ON	Ontario (Canada)
PEI	Prince Edward Island (Canada)
PQ	Quebec (Canada)
TX	Texas (USA)

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**Altus**  
Altus Group  
740 Main Street, Suite 100  
Moncton, NB, E1C 1E6

**Murphy Appr Grp**

The Murphy Appraisal Group  
9219 Katy Freeway, Suite 195  
Houston, Texas 77024

<b>APAI</b>	Anderson Preece & Associates Inc Suite 260, Riverside Office Plaza Red Deer, AB, T4N 6C9	<b>NCA</b>	North Country Appraisals 1531 8th Avenue, Prince George, British Columbia
<b>ARA</b>	Atlantic Realtor Advisors 15 Dartmouth Road, Suite 310 Bedford, NS, B1A 3X6	<b>ORAI</b>	Outlook Realty Advisors Inc Suite 204, 301-14 <sup>th</sup> Street NW Calgary, AB, T2N 2A1
<b>CBRE</b>	CB Richard Ellis Limited 5855 Spring Garden Road, Suite A200 Halifax, NS, B3H 4S2	<b>Piccott</b>	Piccott Real Estate Appraisals Ltd Ancaster Place, 201 Brownlow Avenue, Suite 44 Dartmouth, NS, B3B 1W2
<b>Colliers</b>	Colliers International Suite 1000, Royal Bank Building, 335-8 <sup>th</sup> Avenue SW Calgary, AB, T2P 1C9	<b>Royal LePage</b>	Royal Le Page 144 – 4th Avenue SW, Suite 900 Calgary, AB, T2P 3N4
<b>EA &amp; CS</b>	Elford Appraisal & Consulting Services Ltd # 355, 3132 – 26 Street NE Calgary, AB, T1Y 6Z1	<b>TC &amp; AI</b>	Thomas Colon & Associates Inc 308 West Fillmore Street, Suite 50 Colorado Springs, Colorado 80907
<b>KAL</b>	Kempton Appraisals Limited 376 Portland Street Dartmouth, NS, B2Y 1K8	<b>Troostwijk</b>	Troostwijk Taxaties B.V. Anderlechtlaan 181 1066 HM Amsterdam
<b>King</b>	King Sturge GmbH International Property Consultants Kaiserstrasse 6 60311 Frankfurt am Main	<b>Wheaterall</b>	Weatherall Vastgoed Adviseurs Triport 1 1118 ZS Luchthaven Schiphol
<b>McNeel, W &amp; A Inc</b>	McNeel, Weissler & Associates Inc 3201 Cherry Ridge, Suite A-108 San Antonio, Texas 78230	<b>Yates Realty</b>	Yates Realty Advisors Inc  364 Belle Circle Aledo, Texas 76008
<b>DTZ Zadelhoff</b>	DTZ Zadelhoff Postbus 74030 1070 BA Amsterdam		

### 6.2.13 Expense ratio

The expense ratio which, within the scope of the Wft, should be reported by investment institutions in order to provide clear and comparable information on the level of costs, amounts to 20.65% over the financial year 2005. The expense ratio is calculated as the total costs compared to the weighted average net asset value in respect of a financial year, whereby total costs include all property operating expenses, stock based compensation, general and administrative expenses, foreign exchange losses and amortisation and income taxes but does not include interest costs.

### 6.2.14 Corporate Governance

The Board of Directors is committed to a high standard of corporate governance practices. The Board of Directors believes that this commitment is not only in the best interests of the shareholders but that it also promotes effective decision making at the Board of Directors level. The Board of Directors is of the view that its approach to corporate governance is appropriate given the size and the nature of the Corporation.

#### *Compliance with Corporate Governance Guidelines*

While there is no mandated corporate governance code in Canada, provincial securities commissions have adopted National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201") which sets out guidelines or best governance practices and Multilateral Instrument 52-110 - *Audit Committees* ("MI 52-110") which mandates the composition and the responsibilities of Audit Committees.

#### *Corporate Governance Guidelines*

The guidelines set out in NP 58-201 are prescriptive and companies are encouraged to consider these guidelines in formulating practices which are best suited to them. The Corporation has generally adopted the guidelines set forth in NP 58-201, with the following material exceptions:

- 1) NP 58-201 recommends that the majority of the Board of Directors be independent as defined in National Instrument 58-101 ("NI 58-101"). Of the current Board of Directors, 50% are independent: Dr. Carmichael, Mr. Fitzgerald and Mr. Ovsenny. Mr. Richard Homburg directly and indirectly controls the majority of the voting stock and is thus not independent. Mr. Rudolf Bakhuizen, together with Mr. Richard Homburg, indirectly controls approximately 14% of the outstanding voting stock and thus is not independent as defined in NI 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"). Mr. Michael Arnold provides, through his private company, management services to one of the Corporation's properties and thus would not be considered independent as defined in NI 58-101. The property and the fees paid in conjunction with the property are not material to the Corporation.
- 2) NP 58-201 recommends that the Chairman of the Board of Directors be an independent Director or if the Chairman is not an independent Director, that a "lead Director" who is independent be appointed. Mr. Richard Homburg is not an independent Director for the reasons set out above and the Board of Directors has ascertained that a lead Director is not necessary given the size of the Board of Directors and the approach the Board of Directors takes to provide leadership for its independent Directors. Directors are selected not only for their proven business skills but also for their ability to participate fully and freely in discussions in the decision making process. All members of the Board of Directors are given the time necessary to ask questions and to express their independent views. Independent Directors may request to meet separately from the rest of the Board of Directors, if and when they believe it is appropriate, and the Board of Directors routinely establish independent committees to deal with matters which involve approval of a matter where one or more Directors has a significant conflict of interest or where required by securities legislation rules and regulations.

#### *Audit Committee Mandate*

The Corporation complies with all of the mandated rules for audit committees set out in MI 52-110 with the possible exception of the independence of one member of the audit committee. MI 52-110 requires each member of the audit committee be independent. MI 52-110 defines independence to mean the absence of any direct or indirect material relationship between the Director and the issuer and deems that the consultancy relationship between Mr. Michael Arnold and the related entity to the Corporation would reasonably interfere with the exercise of the person's independent judgement. While the Board of Directors acknowledges that Mr. Michael Arnold is not independent, it concludes that Mr. Michael Arnold's financial and real estate knowledge and experience are important to the work of the audit committee and that he will carry out his duties independently.

The Board of Directors is expected to consider adding an independent director to the Board of Directors and to the audit committee.

### 6.3 Financial key figures

#### FINANCIAL HIGHLIGHTS (International Financial Reporting Standards)

(in CAD thousands except per share amounts)

	Nine months Period ended September 30 2006 Unaudited	Year ended December 31 2005 Audited (As restated)	Year ended December 31 2004 Audited (As restated)	Year ended December 31 2003 Audited (As restated)
<b>OPERATIONS</b>				
Property Revenue	\$ 79,820	\$ 56,743	\$ 37,414	\$ 30,855
Realized Valuation Changes	8,654	4,693	150	991
Unrealized Valuation Changes	19,632	50,387	22,951	7,121
Sale of Condominiums	9,153			
Net Earnings	\$ 42,569	\$ 54,861	22,994	9,464
Earnings Per Share - Basic	\$ 0.43	\$ 0.73	\$ 0.47	\$ 0.22
<b>BALANCE SHEET</b>				
Total Assets	\$ 2,046,835	\$ 1,080,487	\$ 387,929	\$ 279,445
Investment and Development Properties	1,966,581	960,791	333,037	270,570
Mortgages and Bonds Payable	1,321,748	678,951	253,742	179,087
Shareholders' Equity	\$ 414,888	\$ 259,466	\$ 103,659	\$ 70,195

#### Restatement

The financial highlights for 2005, 2004 and 2003 have been restated to reflect a change in accounting policy related to deferred financing costs. The policy change was made in June 2006 and was applied retroactively. The impact of the change is explained in the notes to the 2005 and 2004 financial statements included in this Prospectus.

## 6.4 Equity

### 6.4.1 Share price

High/low share prices on the Toronto Stock Exchange in CAD per month during 2006:

<b>type of shares</b>	<b>month</b>	<b>high</b>	<b>low</b>
Homburg Invest Class A Shares	January	3.95	3.50
Homburg Invest Class A Shares	February	4.65	3.95
Homburg Invest Class A Shares	March	6.25	3.95
Homburg Invest Class A Shares	April	7.40	4.81
Homburg Invest Class A Shares	May	6.20	5.05
Homburg Invest Class A Shares	June	6.24	5.05
Homburg Invest Class A Shares	July	5.25	4.60
Homburg Invest Class A Shares	August	5.34	4.46
Homburg Invest Class A Shares	September	5.05	4.80
Homburg Invest Class A Shares	October	6.50	4.90
Homburg Invest Class A Shares	November	6.20	5.60
Homburg Invest Class A Shares	December	6.25	5.60
Homburg Invest Class B Shares	January	3.99	3.45
Homburg Invest Class B Shares	February	4.80	3.95
Homburg Invest Class B Shares	March	5.45	4.05
Homburg Invest Class B Shares	April	6.75	4.52
Homburg Invest Class B Shares	May	5.25	4.00
Homburg Invest Class B Shares	June	4.65	4.05
Homburg Invest Class B Shares	July	4.25	4.00
Homburg Invest Class B Shares	August	4.15	3.95
Homburg Invest Class B Shares	September	4.00	3.30
Homburg Invest Class B Shares	October	4.50	3.35
Homburg Invest Class B Shares	November	4.50	3.95
Homburg Invest Class B Shares	December	4.40	4.15

High/low share prices on the Euronext Amsterdam in EURO per month during 2006:

<b>type of shares</b>	<b>month</b>	<b>high</b>	<b>low</b>
Homburg Invest Class A Shares	March	4.43	3.65
Homburg Invest Class A Shares	April	5.80	4.25
Homburg Invest Class A Shares	May	4.45	3.98
Homburg Invest Class A Shares	June	4.25	3.40
Homburg Invest Class A Shares	July	3.65	3.41
Homburg Invest Class A Shares	August	3.63	3.42
Homburg Invest Class A Shares	September	3.67	3.48
Homburg Invest Class A Shares	October	4.12	3.53
Homburg Invest Class A Shares	November	4.15	4.00
Homburg Invest Class A Shares	December	4.04	3,80

### 6.4.2 Share capital

#### 6.4.2.1 Homburg Invest shares

As of September 30 2006 the Corporation has issued 86,078,927 Homburg Invest Class A shares and 30,897,438 Homburg Invest Class B shares with no par value. These shares are listed on the Toronto Stock Exchange (TSX) and have the share codes HII.A and HII.B respectively. Both types of shares are priced in Canadian dollars and are governed by Canadian law and regulations.

The Homburg Invest Class A Shares are also listed on Eurolist by Euronext Amsterdam N.V. These shares are identical to the Homburg Invest Class A Shares traded on the Toronto Stock Exchange under ISIN code CA4368712069, and are priced in EUR.

At the annual meeting of the Corporation held on April 1, 2005, the shareholders approved a resolution amending the capital stock. The Corporation is now authorized to issue an unlimited number of Homburg Invest Class A Shares, an unlimited number of Class A Preferred Shares, issuable in series, and an unlimited number of Class B Shares and Class B Preferred Shares, issuable in series. No Class A Preferred Shares or Class B Preferred Shares are issued at this moment. (For details on the Homburg Invest Class A Shares and Homburg Invest Class B Shares, please see 6.2.4.1) *According to the Articles of the Corporation, the Class A Preferred Shares and Class B Preferred Shares may be issued in one or more series upon the filing of articles of amendment in accordance with the Business Corporations Act (Alberta). The Board of Directors has the authority to pass a resolution to amend the Articles in this regard without shareholders approval. The Board of Directors also has the discretion to determine the number of Class A and Class B Preferred Shares to be issued and to determine the designation, rights, privileges, restrictions and conditions that attach to such shares. As a result these Class A Preferred and Class B Preferred Shares may be used as an anti-takeover measure. At the date of this Prospectus no Class A Preferred Shares and Class B Preferred Shares are issued.*

According to section 6.1 of the share provisions (see 6.2.4.1), the Corporation will not issue any more Homburg Invest Class B Shares, other than in respect of the conversion rights of holders of Homburg Invest Class A Shares or to fulfill Class B options outstanding.

The Homburg Invest Class A Shares and Homburg Invest Class B Shares have attributes substantially the same as the former Common Shares except that the Homburg Invest Class A Shares have one vote per share, the Homburg Invest Class B Shares have 25 votes per share and the Homburg Invest Class A Shares are convertible into Homburg Invest Class B Shares, but only in certain limited circumstances (see also 6.2.4.1 section 5) involving offers made to all or substantially all holders of Homburg Invest Class B Shares.

The Corporations' major shareholders do not have voting rights different from all other shareholders.

Securities are in registered form and are certificated as issued by CIBC Mellon Trust Company, the Corporation's Registrar and Stock Transfer Agent.

Any issue of shares and options on shares has to be approved by the Toronto Stock Exchange and the Ontario Securities Commission. Part of the approval procedure is a verification that the issuing price is within a certain bandwidth, dictated by the trading price of the relevant shares in the period preceding the issue. In certain circumstances issued shares may be subject to a lock up period of 4 months and 1 day due to Toronto Stock Exchange regulations.

On May 30, 2005 the Corporation issued 23,370,832 Homburg Invest Class A Shares. These shares were issued to the sellers of the Dutch/German portfolio as part consideration for this portfolio. From these shares 30% had a lock up period of 90 days, for the remaining 70% the Corporation agreed with the holders of these shares (being a group of European investors) to a lock up period of 3 years, whereby the Corporation has the right to release the lock up on these shares, after the lock up period pursuant to Toronto Stock Exchange regulation has been expired. After an early release, currently 1,000,000 Homburg Invest Class A Shares are subject to a lock-up. Releasing the lock-up on the remaining Homburg Invest Class A Shares will result in a larger number of tradable Homburg Invest Class A Shares. Any free-fall of Homburg Invest Class A Shares as a result of expiring lock-up periods could adversely affect the price of the Homburg Invest Class A Shares.

Registrar and Stock Transfer Agent:

CIBC Mellon Trust Company  
1660 Hollis Street  
Centennial Building  
4th Floor  
Halifax NS B3J 1V7  
CANADA  
Telephone: 001 (902) 420-3222

and

CIBC Mellon Trust Company  
320 Bay Street  
Toronto ON M5H 4A6  
CANADA  
Telephone 001 (416) 643-5000

#### 6.4.2.1.1 Reconciliation of the number of shares outstanding

(Audited and all figures in CAD thousands)

	<u># of Common Shares</u>	<u># of Class A</u>	<u># of Class B</u>	<u>Stated Capital</u>
<b>Issued and outstanding at December 31, 2002</b>	35,034	-	-	\$34,046
Conversion of debt	2,089	-	-	2,000
Acquisitions	10,091	-	-	13,225
Quarterly redemption of shares	<u>(837)</u>	-	-	<u>(724)</u>
<b>Issued and outstanding at December 31, 2003</b>	46,377	-	-	48,547
Exercise of options	120	-	-	108
Acquisitions	162	-	-	250
Private placements	8,333	-	-	12,000
Dividend reinvestment plan	1,923	-	-	2,786
Quarterly redemption of shares	<u>(463)</u>	-	-	<u>(486)</u>
Issue costs	-	-	-	<u>(170)</u>
<b>Issued and outstanding at December 31, 2004</b>	56,452	-	-	63,035
Exercise of options	572	-	-	628
Private placements	2,660	-	-	7,500
Dividend reinvestment plan	1,439	-	-	4,091
Issue costs	-	-	-	<u>(415)</u>
Share reorganization April 1, 2005	(61,123)	30,561	30,562	-
Acquisitions	-	23,731	-	72,482
Exercise of options	-	290	283	628
Dividend reinvestment plan	-	2,228	-	8,682
Private placement	<u>-</u>	<u>1,008</u>	<u>-</u>	<u>5,039</u>
<b>Issued and outstanding at December 31, 2005</b>	-	57,818	30,845	\$ 161,670
Exercise of options		352	52	945
Acquisitions of properties		9,200		54,091
Acquisition of investment		19		66
Public share issue		14,286		68,406
Issue costs, net of income taxes				<u>(439)</u>
Dividend reinvestment plan		<u>4,404</u>		<u>20,087</u>
<b>Issued and outstanding at September 30, 2006</b>		<b><u>86,079</u></b>	<b><u>30,897</u></b>	<b><u>304,826</u></b>

#### 6.4.2.2 Dividends

On February 14, 2006 the Corporation announced that it will increase its annual dividend from \$0.24 to \$0.36 per share.

Dividends are paid semi annually, with the first payment of the revised dividend on September 30, 2006.

Any dividend payments, and details related thereto, will be announced on the website of the Corporation, as well as by an advertisement in a Dutch newspaper (Het Financieel Dagblad).

Dividends are paid by the company's transfer agent CIBC Mellon Trust Company. For registered shareholders CIBC Mellon Trust Company will mail a cheque, less withholding tax, to each shareholder on or about the payment date. Dividends to beneficial owners are paid to the broker/agent holding the shares on behalf of the owner.

Shareholders of the Corporation may opt for the dividend reinvestment plan (for full details see Dividend Reinvestment Plan on [www.homburginvestoffer.com](http://www.homburginvestoffer.com)). The dividend reinvestment plan enables shareholders of the Corporation to invest the cash dividends (less withholding tax, if any) on the Homburg Invest Class A Shares and Homburg Invest Class B Shares in additional Homburg Invest Class A Shares. A participant in the plan may elect to invest cash dividends paid on its shares with respect to all of its shares or 50% of its shares. Shares bought under the dividend reinvestment plan are acquired at 97% of market value (subject to Board of Directors approval).

Unclaimed dividends shall be forfeited and shall revert to the Corporation after a period of six years from the date on which the dividend has been declared payable.



## 6.5 Option schemes

The Corporation may grant options to acquire Homburg Invest Class A Shares to the members of the Board of Directors, and the Officers and to persons engaged to provide ongoing management or consulting services to the Corporation, including but not limited to directors, officers and employees of Homburg Canada Incorporated.

Homburg Invest Class A Shares acquired through the exercise of options are tradeable at either the Toronto Stock Exchange and Euronext Amsterdam.

The options are granted pursuant to the terms of the stock option plan which was approved by the annual and special general meeting on 1 April 2005. The principal features of the stock option plan include the following:

1. The exercise price of an option is determined at the time of grant and is to be the closing price of the Homburg Invest Class A Shares on the TSX on the last day preceding the grant on which a trade of Homburg Invest Class A Shares occurred on the TSX.
2. The term of an option will not be more than ten (10) years from the date of grant.
3. The number of Homburg Invest Class A Shares options which may be granted from time to time under the stock option plan is up to 10% of the aggregate of the Homburg Invest Class A Shares and the Homburg Invest Class B Shares at the time of the grant.
4. Options granted, together with all of the Corporations' other previously established or proposed share compensation arrangements, may not result at any time in:
  - a) the aggregate number of Homburg Invest Class A Shares reserved at any time for options granted to insiders (as defined in the Securities Act of Ontario) will not exceed 10% of the total number of Homburg Invest Class A Shares and Homburg Invest Class B Shares then outstanding;
  - b) options under the stock option plan held in aggregate by insiders together with any other share compensation arrangements will not result in the issuance to insiders, within a one-year period, of a number of Homburg Invest Class A Shares exceeding 10% of the total number of Homburg Invest Class A Shares and Homburg Invest Class B Shares;
  - c) options under the stock option plan held by one insider and associates (as defined in the Securities Act of Ontario) together with any other share compensation arrangements available to such insider and associates will not result in the issuance to such insider and associates within a one-year period, of a number of Homburg Invest Class A Shares exceeding 5% of the Homburg Invest Class A Shares then outstanding; and
  - d) the number of Homburg Invest Class A Shares subject to options under the stock option plan held by any one person (and associates) will not exceed 5% of the total number of Homburg Invest Class A Shares and Homburg Invest Class B Shares.
5. The vesting of options is determined by the Board of Directors at its sole discretion, on the date of grant.
6. Stock Options are exercisable only while the person continues to be an Eligible Optionee and for a period not greater than one year after ceasing to be such an Eligible Optionee, or the normal expiry (whichever is less).

The articles of association of the Corporation restrict the issuance of any additional Homburg Invest Class B Shares other than those which have already been authorized for issuance pursuant to the exercise of already issued stock options as at 5 April 2005.

No financial assistance is provided by the Corporation in connection with the exercise of any option. As of June 30, 2006 there are currently 1,982,411 Class A and 617,344 Class B Share Options granted but unexercised.

## 6.6 Major shareholders

There are no known persons other than the member(s) of the administrative, management or supervisory bodies who, directly or indirectly, have an interest in the Corporations' capital or voting rights which is notifiable under the Corporations' national reporting requirements or under the reporting requirements under the Financial Supervision Act.

The Corporations' major shareholders do not have voting rights different from all other shareholders.

The Corporation is controlled by Mr. Richard Homburg as of September 30, 2006. Mr. Richard Homburg controls 43.95% of the issued and outstanding Homburg Invest Class A Shares and Homburg Invest Class B Shares, representing 72.40% of all votes. There are no restrictions on the disposal of the Corporations' shares controlled by Mr. Richard Homburg.

There are no known arrangements which may, at a subsequent date, result in a change of control of the Corporation.

Any single transaction has to be approved by at least two members of senior management (Chairman, President and Chief Financial Officer), or to the extent required, by 4 members (a quorum) of the Board of Directors. All

significant banking transactions require two authorizations and all property transactions over a certain amount are subject to the approval of the Board of Directors.

## 6.7 Third Quarter Report 2006

### 6.7.1 Management Discussion and analysis of operations and financial condition

#### Nine Month Period Ended September 30, 2006

The following should be read in conjunction with the consolidated unaudited interim financial statements prepared under **International Financial Reporting Standards** and the notes attached thereto.

#### Date of MD&A

November 2, 2006

This discussion contains forward-looking statements concerning capital expenditures, cost reductions and operating and financial improvements. Such statements are based on Homburg Invest Inc.'s management's assumptions and beliefs in light of the information currently available to them. These statements are subject to inherent uncertainties and risks, including, but not limited to: general business and economic conditions in the Company's operating regions; pricing pressures and other competitive factors; results of the Company's ongoing efforts to reduce costs; and the availability and terms of financing. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements. Homburg Invest Inc. assumes no obligation to update the information herein.

#### Overall Performance and Selected Interim Information

Homburg Invest Inc. ("Homburg Invest" or the "Company") is a public real estate company owning 145 properties with a fair value of \$2.0 billion and 11.3 million square feet of space in four main asset classes: office, retail, industrial, and multi-family residential.

#### Properties Owned

Property Type	September 30, 2006 (Thousands except for properties and units)				December 31, 2005 (Thousands except for properties and units) (Audited)			
	No. of Properties	Fair Market Value (Thousands)	No. of Units	Gross Square Footage	No. of Properties	Net Book Value (Thousands)	No. of Units	Gross Square Footage
Office	42	\$1,048,674		4,175	31	\$203,530		1,773
Retail	55	211,660		1,895	38	150,356		1,629
Residential	11	21,323	336	360	10	20,584	325	348
Industrial	22	424,913		4,894	17	411,917		4,667
<b>SUB-TOTAL</b>	130	1,706,570	336	11,324	96	786,387	325	8,417
Properties Under Construction <sup>(a)</sup>	3	112,521			6	72,260		
Properties held for development <sup>(b)</sup>	7	83,859			6	111,225		
Construction projects for resale <sup>(c)</sup>	5	63,631						
<b>TOTAL</b>	145	\$1,966,581	336	11,324	108	\$969,872	325	8,417

a) Properties under construction – a 75,000 square foot office tower; a prime commercial property in downtown Calgary, Alberta, that will be redeveloped into a 10 story office tower consisting of 230,000 square feet; and a 20 story office tower consisting of 400,000 square feet.

b) Properties held for development – a 146 acre piece of land on the outskirts of Calgary, Alberta, that will be developed into single family and multi residential units; a parcel of land in Calgary that will be developed into a condominium complex containing 466 units; a parcel of land in Calgary that will be developed into a seven building office campus; a 140 acre parcel of land on the outskirts of Calgary, that will be developed into single family and multi residential units; a parcel of land in Calgary that will be developed into a condominium complex

containing 450 units; a 184 acre parcel of land in Calgary that will be developed into commercial properties; and a one third interest in a 5 acre site in Montreal, Quebec that will be redeveloped into office, retail and hotel space.

c) Construction projects for resale – a 110 unit condominium tower in Calgary, Alberta; a 44 unit high end condominium project in the Eau Claire area of Calgary, Alberta; a 154 unit residential complex in Grande Prairie, Alberta; a 20 unit residential project in Edmonton, Alberta; and 45 condominium units in downtown Charlottetown, Prince Edward Island.

## Results from Operations

	<b>3 Months Ended September 30 2006</b>	<b>3 Months Ended June 30 2006</b>	<b>3 Months Ended March 31 2006</b>	<b>3 Months Ended December 31 2005</b>
(Thousands, except for per share calculations as restated)				
Property revenue	\$37,697	\$24,538	\$17,585	\$17,574
Sale of condominiums	4,931	4,222		
Realized valuation changes	856		7,798	177
Unrealized valuation changes	17,964	75	1,593	47,183
Gain on derivative instrument		942	1,670	
Dividend income		2	1,375	
Other income	1,419	756	829	775
Total revenue	\$62,867	\$30,535	\$30,850	\$65,709
Net operating income	\$33,780	\$21,599	\$14,255	\$14,027
Net earnings	\$23,778	\$6,731	\$12,059	\$45,068
Earnings per share - basic	\$0.21	\$0.07	\$0.14	\$0.57
- diluted	\$0.20	\$0.07	\$0.13	\$0.56
Funds from operations	\$8,499	\$9,901	\$4,511	\$3,838
Funds from operations per share - basic	\$0.08	\$0.11	\$0.05	\$0.05
- diluted	\$0.07	\$0.10	\$0.05	\$0.05
Total assets	\$2,046,835	\$2,077,398	\$1,181,557	\$1,079,658
Total long term financial liabilities	\$1,411,563	\$1,326,212	\$731,008	\$680,391
Cash dividend declared per share	\$0.18	\$NIL	\$0.12	\$NIL

	<b>3 Months Ended September 30 2005</b>	<b>3 Months Ended June 30 2005</b>	<b>3 Months Ended March 31 2004</b>	<b>3 Months Ended December 31 2004</b>
(Thousands, except for per share calculations as restated)				
Property revenue	17,157	\$12,354	\$9,658	\$9,361
Realized valuation changes		4,409	107	
Unrealized valuation changes		714	2,490	3,047
Other income	444	17	185	9
Total revenue	\$17,601	\$17,494	\$12,440	\$12,417
Net operating income	\$13,987	\$9,464	\$5,035	\$5,071
Net earnings	\$3,643	\$3,813	\$2,328	\$3,638
Earnings per share - basic	\$0.04	\$0.06	\$0.04	\$0.07
- diluted	\$0.04	\$0.05	\$0.04	\$0.07

Funds from operations	\$5,222	\$2,059	\$477	\$942
Funds from operations per share - basic	\$0.06	\$0.03	\$0.01	\$0.02
- diluted	\$0.06	\$0.03	\$0.01	\$0.02
 Total assets	 \$909,651	 \$831,696	 \$395,732	 \$387,930
Total long term financial liabilities	\$635,697	\$568,091	\$248,049	\$253,742
 Cash dividend declared per share	 \$0.12	 \$NIL	 \$0.08	 \$NIL

## Results from Operations

(In thousands except for per share calculations)

	<b>3 Months Ended Sept. 30 2006</b>	<b>3 Months Ended Sept. 30 2005</b>	<b>9 Months Ended Sept. 30 2006</b>	<b>9 Months Ended Sept. 30 2005</b>
Net earnings	\$23,778	\$3,643	\$42,569	\$9,795
Earnings per share - basic	\$0.21	\$0.04	\$0.43	\$0.14
- diluted	\$0.20	\$0.04	\$0.41	\$0.14
Funds from operations	\$8,499	\$5,222	\$20,487	\$6,900
Funds from operations per share - basic	\$0.08	\$0.06	\$0.21	\$0.10
- diluted	\$0.07	\$0.06	\$0.19	\$0.10

Net earnings for the third quarter of 2006 were \$23.8 million or \$0.21 per share compared to \$3.6 million in the third quarter of 2005 or \$0.04 per share. For the nine-month period ended September 30, 2006, net earnings were \$42.6 million or \$0.43 per share compared to \$9.8 million or \$0.14 per share in 2005.

Funds from operations for the third quarter of 2006 was \$8.5 million or \$0.08 per share compared to funds from operations of \$5.2 million in 2005 or \$0.06 per share. The stability of cash flow year over year is very evident in the real estate operations. Our most recent major European assets acquired in May and June 2006 will positively impact future cash flows and earnings as their revenue stream hits the income statement over the next three quarters.

### Office Portfolio

	<b>3 Months Ended Sept. 30 2006</b>	<b>3 Months Ended Sept. 30 2005</b>	<b>9 Months Ended Sept. 30 2006</b>	<b>9 Months Ended Sept. 30 2005</b>
Revenue	\$23,184	\$5,057	\$40,110	\$14,022
Net operating income	\$21,178	\$3,666	\$35,493	\$8,539

Homburg Invest's office portfolio consists of 42 small to medium sized office buildings in Atlantic Canada, Alberta, British Columbia, the western United States, Germany and The Netherlands with a total area of 4.2 million square feet. The improvement in third quarter 2006 revenue of 358.45% and net operating income of 477.69% over 2005 reflects the acquisition of new office buildings in Eindhoven, Groningen, and Rotterdam, The Netherlands and Munich, Germany in the second quarter of 2006. This segment is expected to perform very strongly moving forward.

Overall occupancy in the office portfolio was 96.95% at September 30, 2006 (September 30, 2005 – 96.55%).

### Retail Portfolio

	<b>3 Months Ended Sept. 30 2006</b>	<b>3 Months Ended Sept. 30 2005</b>	<b>9 Months Ended Sept. 30 2006</b>	<b>9 Months Ended Sept. 30 2005</b>
Revenue	\$6,135	\$4,103	\$15,033	\$12,180
Net operating income	\$4,792	\$2,835	\$11,078	\$8,429

Homburg Invest's retail portfolio consists of 55 retail operations including the Confederation Court Mall in Charlottetown, PEI, the Dartmouth Shopping Centre, and seven big box Zellers' locations across Canada having total rentable square footage of 1.9 million square feet. The retail rental revenue and net operating income for the

third quarter on the properties held on September 30, 2006 have increased 49.52% and 69.03% respectively in the quarter over the same period in 2005. Retail sales have remained stable and strong in the Company's retail portfolio..

Overall occupancy in the retail portfolio was 96.41% at September 30, 2006 (September 30, 2005 – 96.41%).

### Residential Portfolio

	3 Months Ended Sept. 30 2006	3 Months Ended Sept. 30 2005	9 Months Ended Sept. 30 2006	9 Months Ended Sept. 30 2005
Revenue	\$648	\$632	\$1,896	\$1,884
Net operating income	\$346	\$316	\$950	\$960

Homburg Invest's residential portfolio is primarily located in Nova Scotia and New Brunswick and consists of 11 properties with 336 units as at September 30, 2006. The residential portfolio revenue stream remains stable while net operating income for the third quarter of 2006 was \$346 thousand compared to \$316 thousand in the same period in 2005.

The residential portfolio maintained a high overall average occupancy rate during 2005 and at September 30, 2006 the occupancy rate was 96.34% (September 30, 2005 – 97.23%).

### Industrial Portfolio

	3 Months Ended Sept. 30 2006	3 Months Ended Sept. 30 2005	9 Months Ended Sept. 30 2006	9 Months Ended Sept. 30 2005
Revenue	\$7,730	\$7,365	\$22,781	\$11,083
Net operating income	\$7,464	\$7,204	\$22,113	\$10,592

Homburg Invest's industrial portfolio consists of 22 industrial buildings located in Canada, the US, Germany and the Netherlands with a total area of 4.9 million square feet. The Company's industrial buildings generated \$7.7 million total rental revenue in the third quarter of 2006 and \$7.5 million in net operating income compared to \$7.4 million total rental revenue in 2005 and \$7.2 million in net operating income. This represents increases of 4.95% in revenue and 3.61% in net operating income. The improvement in 2006 is directly related to the industrial properties acquired in Germany and the Netherlands in June 2005 and the negotiation of new long-term leases on certain commercial properties.

Overall occupancy in the industrial portfolio was 99.21% at September 30, 2006 (September 30, 2005 – 99.55%).

### Other Income

During the third quarter of 2006, Homburg Invest generated \$20.2 million in other income versus \$444 thousand in 2005. The income generated in the third quarter of 2006 came primarily from \$18.0 million in unrealized valuation changes, again demonstrating the strength of the portfolio.

### Condominiums

The Company has started to realize upon its development pipeline with condominium sales in Edmonton, Alberta of \$4.9 million in the three months ended September 30, 2006. The related cost of units sold was \$4.4 million.

### Interest Expense

Interest expense for the third quarter was \$19.5 million in 2006, an increase of \$12.0 million over 2005. The increase is directly attributable to the new mortgages taken over related to the German and Netherlands properties

acquired. The Company's weighted average interest rate on real estate asset mortgage debt increased to 4.97% from 4.06% at December 31, 2005. For the nine month period ended September 30, 2006, Homburg Invest had total interest coverage of 2.05 to 1 (total revenue less unrealized valuation changes, property operating expenses, cost of condominium sales and general and administrative expense ÷ interest expense) after considering the gain on the sale of the fixed assets and a debt to equity ratio of 3.60 to 1 (mortgages, bonds, construction financing, long term payables and demand loans ÷ shareholders' equity).

### General and Administrative

General and administrative expenses totalled \$1.1 million in the third quarter of 2006 compared to \$1.2 million in 2005.

### Financial Condition

#### Assets

Total assets grew from \$1.1 billion at December 31, 2005 to \$2.0 billion at September 30, 2006. The table below summarizes Homburg Invest's asset base.

	September 30 2006 (Millions)	December 31 2005 (Millions) (Audited) (As Restated)
Cash and cash equivalents	\$ .5	\$34.2
Restricted cash	13.9	41.9
Receivables and other	19.7	12.8
Long term investments	39.6	18.7
Investment and development properties	1,966.6	969.9
Deferred financing costs	6.5	2.2
	<u>\$ 2,046.8</u>	<u>\$1,079.7</u>

#### Receivables and other

Receivables trade of \$4.4 million (December 31, 2005 - \$5.0 million) consists of amounts due from tenants which arise from the normal course of operations. The remaining receivables and other at September 30, 2006 included \$6.2 million (December 31, 2005 - \$1.9 million) in deferred rental receipts, \$1.8 million (December 31, 2005 - \$1.3 million) in prepaid expenses, and \$7.3 (December 31, 2005 - \$4.5 million) due from related parties.

#### Long term investments

The long term investments are in Cedar Shopping Centers, Inc., a New York Stock Exchange listed REIT and represents approximately 0.2% of the outstanding shares, and DIM Vastgoed N.V., a Euronext Amsterdam listed company with properties in the southeastern United States. Our investment in DIM allows the Company to control approximately 25% of the voting rights. Mr. Homburg is a Director of Cedar Shopping Centers, Inc.

#### Capital Structure

The table below summarizes Homburg Invest's capital structure.

	September 30 2006 (Millions)		December 31 2005 (Millions) (Audited) (As Restated)	
Mortgages payable	\$ 1,031.1	55.5%	\$ 458.7	47.1%
Bonds payable	290.7	15.7%	220.2	22.6%
Construction financing	59.8	3.2%	32.1	3.3%
Junior subordinated notes	57.6	3.1%		
Derivative instrument liability	1.8	0.1%	3.6	0.4%
	<u>1,441.0</u>	<u>77.6%</u>	<u>714.6</u>	<u>73.4%</u>
Shareholder's equity	<u>414.9</u>	<u>22.4%</u>	<u>259.5</u>	<u>26.6%</u>



<u>\$1,855.9</u>	<u>100.0%</u>	<u>\$ 974.1</u>	<u>100.0%</u>
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#### *Debt on Real Estate Assets*

Mortgages payable on revenue producing properties increased by \$6.5 million in the third quarter of 2006 with the proceeds used for new acquisitions in the period. Also in the third quarter, \$5.9 million was applied against mortgage debt as required under normal principal repayments.

At September 30, 2006, the Company had two acquisition loan facilities totaling \$25.0 million. At quarter end the amount outstanding against these lines was \$9.3 million.

#### *Currency guarantee payable*

Subsequent to the issuance of the Series 1, 2, 4, 5, 6 and 7 mortgage bonds, the Canadian dollar has strengthened against the Euro to the extent of \$14.5 million at September 30, 2006, down from \$19.1 million as at December 31, 2005. This change has been offset by the currency guarantee payable which has been recorded as a long term liability. The final settlement of the currency guarantee asset or obligation will take place at the earlier of the retirement of the bonds or their scheduled maturity. As a result of the guarantee, there is no earnings impact related to changes in currency value of the bonds.

#### *Construction Financing*

To September 30, 2006 the company had \$59.8 million in construction financing outstanding relating to our development projects in Alberta outlined on page 1. This first mortgage secured financing will be replaced with conventional first mortgages upon completion of the applicable projects.

#### *Derivative instrument liability*

The Bochum, Germany property issued an interest swap derivative instrument on June 1, 2004. At the time of acquisition by Homburg Invest Inc., interest rates in Germany decreased such that the fair market value of the debt related to the interest swap increased by €3.0 million (\$4.5 million). This liability was recorded as a derivative instrument liability with an offsetting increase in the assets acquired. For the three months ended September 30, 2006, there was a change in interest rates in Germany which resulted in a charge on the income statement of \$736 thousand in the third quarter. The derivative instrument liability of \$1.8 million at September 30, 2006 will be brought back into income over the remaining life of the fixed debt to October 2014.

#### *Shareholders' Equity*

Homburg Invest's shareholders' equity increased from \$380.9 million at June 30, 2006 to \$414.9 million at September 30, 2006. During the third quarter, 5.7 million new shares were issued from treasury for net consideration to the Company of \$31.9 million. Of these amounts, 2.6 million shares and \$12.4 million were the result of the Company's Dividend Reinvestment Plan and 3.0 million shares were issued related to acquisitions for \$19.4 million.

On September 15, 2006, the Company declared the semi-annual dividend payment to be \$0.18, payable to the Shareholders September 30, 2006. The total cost of this dividend was \$20.6 million. \$12.4 million or 60.2% of the September 30, 2006 dividend was reinvested by Shareholders into the Class A Subordinate Voting Shares of the Company under the Dividend Reinvestment Plan.

The Company's US operations, headquartered in Colorado Springs, Colorado and the German/Netherlands operation, headquartered in Soest, The Netherlands, are considered to be self sustaining and they use the US and Euro currency for recording substantially all transactions. The accounts are translated on the consolidated books of the Company using the current rate method, whereby assets and liabilities are translated at period end exchange rates while revenues and expenses are converted using average quarterly translation rates. Gains or losses resulting from the currency translations of the subsidiaries are deferred and included in the cumulative foreign currency translation account within shareholders' equity. At September 30, 2006, this account amounted to currency losses totalling \$17.8 million, up from \$16.7 million at June 30, 2006.

#### **Liquidity, Capital Resources and Capital Commitments**

In the normal course of its business, Homburg Invest has capital requirements for the principal component of mortgage payments, tenant improvements, and capital expenditures. Homburg Invest funds these requirements with funds from operations; although in some cases expenditures and leasing costs are funded by the underlying

mortgage or separate term debt. Capital expenditures totalled \$2.8 million in the third quarter of 2006. These acquisitions were financed with the proceeds of the mortgage bonds raised for the specific purposes.

<i>Contractual Obligations</i>	<i>Payments Due by Period (In thousands)</i>				
	<i>Total</i>	<i>Less than 1 year</i>	<i>1 – 3 Years</i>	<i>4 – 5 Years</i>	<i>After 5 years</i>
Long term debt	\$1,381,592	\$35,667	\$186,342	\$73,028	\$1,086,555
Capital lease obligations	NIL	NIL	NIL	NIL	NIL
Operating leases	\$268	\$34	\$208	\$26	NIL
Purchase obligations	\$60,026	\$12,250	\$36,750	NIL	\$11,026
Other long term obligations	\$77,349	NIL	NIL	\$19,726	\$57,623
Total contractual obligations	\$1,519,235	\$47,951	\$223,300	\$92,780	\$1,155,204

The Company intends to make all normal principal repayments over the term of each debt instrument and to renew the mortgages at maturity under terms similar to those currently in place.

For the quarter ended September 30, 2006 funds from operations were \$8.5 million. Homburg Invest believes that its cash on hand, its funds from operations, its bond proceeds and credit lines available to it will be sufficient to fund near-term, nondiscretionary costs. The Company continues to manage its capital resources to maximize its opportunities for growth.

At the present time there are no commitments for capital expenditures for property acquisitions other than those disclosed in the subsequent event note to the financial statements. These will be funded from the existing loan facilities, funds on hand and pending Bond proceeds. The properties currently under development will be funded through bank construction loans and Homburg Bond proceeds.

The Company, through its subsidiary Valbonne Real Estate 5 B.V., has entered into an option agreement to purchase the remaining 6.63% of MOTO Object Campeon GmbH & Co KG in the first quarter of 2012 for €7,800.

#### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements. Any related party transactions are separately disclosed in this MD&A.

#### **Transactions with Related Parties**

The Company is controlled by the Chairman and Chief Executive Officer through holding companies.

- a) The Company has entered into agreements with companies commonly controlled by the Chairman and Chief Executive Officer to provide various services at market rates. A summary of the various revenues and expenses between related parties in the third quarter of 2006 versus 2005:

	<b>Three Months Ended September 30 2006</b>	<b>Three Months Ended September 30 2005</b>
Rental revenue earned	\$ (200)	\$ (85)
Asset and construction management fees incurred	\$ 2,659	\$ 2,171
Property management fees incurred	\$ 397	\$ 313
Insurance incurred	\$ 123	\$ 253
Service fees incurred	\$ 89	\$ 109
Property acquisition fees incurred	\$ 452	\$ 286
Mortgage bond guarantee fees incurred	\$ NIL	\$ 794
Mortgage bond issue fees	\$ NIL	\$ 3,697

- b) The Company has approved a resolution authorizing the property manager, a company commonly controlled by the Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the Company.

c) Professional services of approximately \$176 thousand (September 30, 2005 - \$174 thousand) were purchased from a firm and a corporation of which one of the Company's directors are affiliated in the third quarter of 2006.

d) The Company has entered into a guarantee arrangement for the principal and interest amounts of the Mortgage Bonds payable to maturity, with a company under the control of the Chairman and Chief Executive Officer, wherein it is protected against fluctuations in the Canadian dollar and the Euro. The cost of this guarantee fee per annum until maturity is 1.5% on the Series 1 Bonds, 2.0% on the Series 2 Bonds, and 1.6% on the Series 4, Series 5, Series 6, and Series 7 Bonds, which were current market rates at the time that the individual guarantees were entered into.

e) Included in accounts payable is a mortgage bond syndication fee of \$NIL (December 31, 2005 - \$1.3 million), mortgage bond guarantee fees of \$3.8 million (December 31, 2005 - \$561 thousand) and management fees of \$69 thousand (December 31, 2005 - \$69 thousand) payable to companies commonly controlled by the Chairman and Chief Executive Officer.

f) The receivable of \$7.3 million (December 31, 2005 – receivable of \$4.5 million) is from companies commonly controlled by the Chairman and Chief Executive Officer, which is non interest bearing and has no set terms of repayment.

### **Third Quarter 2006**

The third quarter of 2006 was not characterized by the same substantial level of growth that was achieved in the second quarter of 2006, but it was one of expanding upon the fundamentals that will allow the Company to achieve its significant growth plans for the last quarter of 2006, and the 2007 year. The operating results for the three months ended September 30, 2006 reflect results of operations and cash flows and the financial condition of the Company as contained in the budget approved by the Board of Directors. The third quarter results were previously described under the heading "results from operations". The operating results reflect the stability of the revenue stream and funds from operations which the Company is able to achieve.

### **Economic and Industry Factors**

In the third quarter of 2006, the economic and industry factors affecting the Company are substantially unchanged from the MD&A report issued for the year ended December 31, 2005. The reader is therefore encouraged to review the December 31, 2005 MD&A for a complete discussion of all economic and industry factors affecting the Company.

### **Other Requirements**

(a) Additional information relating to Homburg Invest Inc., including our Annual Information Form (AIF) is on our website at [www.homburginvest.com](http://www.homburginvest.com) and at SEDAR at [www.sedar.com](http://www.sedar.com).

(b) National Instrument 51-102, Section 5.4 Disclosure of Outstanding Share Data. As at September 30, 2006, Homburg Invest Inc. was authorized to issue an unlimited number of Class A Subordinate Voting Shares, an unlimited number of Class B Multiple Voting Shares, an unlimited number of Class A Preferred Shares, issuable in series, and an unlimited number of Class B Preferred Shares, issuable in series. As at September 30, 2006, 86.079 million Class A Subordinate Voting Shares and 30.897 million Class B Multiple Voting Shares are issued for a total value of \$304.8 million.

To November 2, 2006 there have been no changes to the issued capital of the Company.

The Company continues to release its results under Canadian Generally Accepted Accounting Principles ("GAAP") as well as under International Financial Reporting Standards ("IFRS"). The GAAP statements are available to any reader of these financial statements.

Homburg Invest continues to look at a number of opportunities in the Canadian and US marketplace as our strong entrepreneurial management team demonstrates the willingness and abilities to adapt to changes in the real estate market environment.

"Signed"

R. Homburg, Phzn. D. Comm.  
Chairman and CEO

"Signed"

James F. Miles, CA  
Vice President Finance and CFO

**6.7.2 Consolidated Interim Balance Sheet  
(Unaudited - Prepared by Management)**

	<b>September 30 2006</b>	December 31 2005
(CAD \$ thousands except per share amounts)		(As restated Note 4) (Audited)
<b>Assets</b>		
Cash and cash equivalents	\$ 543	\$ 34,185
Receivables and other (Note 9)	19,674	12,797
Long term investments (Note 10)	39,646	18,677
Restricted cash (Note 8)	13,857	41,874
Deferred financing costs, net of accumulated amortization of \$463 (2005 - \$153)	6,534	2,253
Development properties (Notes 3 & 7)	260,011	183,485
Investment properties (Notes 3 & 6)	<u>1,706,570</u>	<u>786,387</u>
	<b><u>\$ 2,046,835</u></b>	<b><u>\$ 1,079,658</u></b>
<b>Liabilities</b>		
Accounts payable and other liabilities (Note 14)	\$ 96,464	\$ 42,632
Derivative instrument liability (Notes 3 & 18)	1,788	3,583
Construction financing (Note 13)	59,844	32,115
Bonds payable (Note 15)	290,682	220,202
Mortgages payable (Note 11)	1,031,066	458,749
Junior subordinated notes (Note 12)	57,623	
Deferred income taxes (Note 17)	<u>94,480</u>	<u>62,911</u>
	<b><u>1,631,947</u></b>	<b><u>820,192</u></b>
<b>Shareholders' Equity (Note 16)</b>	<b><u>414,888</u></b>	<b><u>259,466</u></b>
	<b><u>\$ 2,046,835</u></b>	<b><u>\$ 1,079,658</u></b>
Commitments (Note 21)		
Contingent liability (Note 22)		
Indemnities (Note 23)		
Subsequent events (Note 24)		
Approved by the Board, November 2, 2006		
Richard Homburg, Phzn., D. Comm Director	Edward P. Ovsenny Director	

See accompanying notes to these financial statements prepared under International Financial Reporting Standards

### 6.7.3 Consolidated Interim Statement of Earnings

(Unaudited – Prepared by Management)

	Three Mos. Ended September 30 (CAD \$ thousands except per share amounts) 2006	Three Mos. Ended September 30 2005 (As Restated Note 4)	Nine Mos. Ended September 30 2006	Nine Mos. Ended September 30 2005 (As Restated Note 4)
Property revenue	\$ 37,697	\$ 17,157	\$ 79,820	\$ 39,169
Realized valuation changes	856		8,654	4,516
Unrealized valuation changes	17,964		19,632	3,170
Gain on derivative instrument		323	1,876	
Dividend Income			1,378	
Other income	1,419	121	2,390	7
Sale of condominiums	4,931		9,153	
	<u>62,867</u>	<u>17,601</u>	<u>122,903</u>	<u>46,862</u>
Interest on mortgages and bonds	19,538	7,490	39,622	16,901
Cost of sale of condominiums	4,361		8,055	
Property operating expenses	3,917	3,170	10,186	10,649
Stock based compensation				1,143
General and administrative	1,145	1,212	3,787	2,953
Loss on derivative instrument	736			317
Amortization		14	413	41
	<u>29,697</u>	<u>11,886</u>	<u>62,063</u>	<u>32,004</u>
Earnings before income taxes	33,170	5,715	60,840	14,858
Income taxes (Note 17)	<u>9,392</u>	<u>2,072</u>	<u>18,271</u>	<u>5,063</u>
Net earnings	<u>\$ 23,778</u>	<u>\$ 3,643</u>	<u>\$ 42,569</u>	<u>\$ 9,795</u>

#### Earnings per share (Note 20)

Basic				
Class A	<u>\$0.21</u>	<u>\$0.04</u>	<u>\$0.43</u>	<u>\$0.14</u>
Class B	<u>\$0.21</u>	<u>\$0.04</u>	<u>\$0.43</u>	<u>\$0.14</u>
Diluted				
Class A	<u>\$0.20</u>	<u>\$0.04</u>	<u>\$0.41</u>	<u>\$0.14</u>
Class B	<u>\$0.20</u>	<u>\$0.04</u>	<u>\$0.41</u>	<u>\$0.14</u>

See accompanying notes to these financial statements prepared under International Financial Reporting Standards.

## 6.7.4 Consolidated Interim Statement of Changes in Equity

(Unaudited – Prepared by Management)

(CAD \$ thousands except per share amounts)

Nine Months ended September 30, 2006 and full year ended December 31, 2005

	Revaluation Surplus	Share Capital	Contributed Surplus	Cumulative Foreign Currency Translation Account	Retained Earnings	Total
					(As Restated Note 4)	(As Restated Note 4)
<b>Balance, December 31, 2004</b>						
As previously reported	\$	\$ 63,035	\$	\$ (1,893)	\$ 42,341	\$ 103,483
Change in accounting policy (Note 4)					176	176
As restated		63,035		(1,893)	42,517	103,659
Net earnings for the year					54,861	54,861
Exercise of options		1,256				1,256
Issue costs		(415)				(415)
Private placements		12,539				12,539
Acquisitions		72,482				72,482
Dividend reinvestment plan		12,773				12,773
Stock based compensation			1,143			1,143
Dividends					(14,916)	(14,916)
Revaluation surplus	39,953					39,953
Deferred taxes	(6,959)					(6,959)
Current period foreign currency reserve for foreign self sustained operations				(16,910)		(16,910)
<b>Balance, December 31, 2005</b>	32,994	161,670	1,143	(18,803)	82,462	259,466
Net earnings for the period					42,569	42,569
Exercise of options		945				945
Dividends					(31,256)	(31,256)
Acquisitions		54,091				54,091
Dividend reinvestment plan		20,087				20,087
Issue costs		(439)				(439)
Public share issue		68,406				68,406
Acquisition of investment		66				66
Current period foreign currency reserve for foreign self sustained operations				953		953
<b>Balance, September 30, 2006</b>	<b>\$ 32,994</b>	<b>\$ 304,826</b>	<b>\$ 1,143</b>	<b>\$ (17,850)</b>	<b>\$ 93,775</b>	<b>\$ 414,888</b>

See accompanying notes to these financial statements prepared under International Financial Reporting Standards.

See accompanying notes to these unaudited consolidated interim financial statements prepared under  
International Financial Reporting Standards.

Financial statements prepared under Canadian GAAP are also provided quarterly.

## 6.7.5 Consolidated Interim Statement of Cash Flows

(Unaudited – Prepared by Management)

	Three Mos. Ended September 30 2006	Three Mos. Ended September 30 2005	Nine Mos. Ended September 30 2006	Nine Mos. Ended September 30 2005
(CAD \$ thousands except per share amounts)				
<b>Operating activities</b>	(As Restated Note 4)	(As Restated Note 4)		
Net earnings	\$ 23,778	\$ 3,643	\$ 42,569	\$ 9,795
Adjustments for:				
Realized valuation changes	(856)		(8,654)	(4,516)
Deferred rental income	(3,789)	(198)	(4,363)	(868)
Unrealized valuation changes	(17,964)	34	(19,632)	(3,170)
Deferred and capital income taxes	8,361	2,067	13,795	3,857
Stock based compensation				1,143
Amortization		14	413	41
Loss (gain) on derivative instrument	736	(323)	(1,876)	317
Foreign exchange loss (gain)	(1,767)	(15)	(1,765)	301
	<u>8,499</u>	<u>5,222</u>	<u>20,487</u>	<u>6,900</u>
Change in non-cash working capital (Note 25)	<u>(10,279)</u>	<u>4,153</u>	<u>8,629</u>	<u>6,405</u>
Net cash from operating activities	<u>(1,780)</u>	<u>9,375</u>	<u>29,116</u>	<u>13,305</u>
<b>Investing activities</b>				
Investment in investment properties	(3,992)	(2,138)	(115,408)	(55,902)
Proceeds on sale of investment properties	1,625	7,117	1,625	67,957
Decrease (increase) in restricted cash	(2,741)	3,203	28,017	(4,010)
Proceeds on sale of investments	121	53	183	3,293
Proceeds on sale of development properties	28,580		89,420	
Purchase of long term investments			(7,640)	(3,262)
Investment in development properties	(28,153)	(50,646)	(159,930)	(73,077)
Net cash used in investing activities	<u>(4,560)</u>	<u>(42,411)</u>	<u>(163,733)</u>	<u>(65,001)</u>
<b>Financing activities</b>				
Increase (decrease) in demand loans	(154,769)		(144,656)	
Decrease in mortgages payable	(8,096)	(9,084)	(20,943)	(21,733)
Increase in mortgages payable	6,500	12,311	48,945	16,401
Proceeds from bonds	12,512	89,965	70,592	92,877
Decrease (increase) in related party receivable	(590)		3,942	
Issue of common shares	162	3,524	68,911	15,371
Dividends paid	(8,200)	(10,141)	(11,168)	(14,916)
Increase in construction financing	6,268		27,729	
Proceeds from subordinated notes	57,623		57,623	
Net cash from (used in) financing activities	<u>(88,590)</u>	<u>86,575</u>	<u>100,975</u>	<u>88,000</u>
Increase (decrease) in cash and cash equivalents	<u>(94,930)</u>	<u>53,539</u>	<u>(33,642)</u>	<u>36,304</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>95,473</u>	<u>14,023</u>	<u>34,185</u>	<u>31,258</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 543</u>	<u>\$ 67,562</u>	<u>\$ 543</u>	<u>\$ 67,562</u>

Supplemental cash flow information (Note 25)

See accompanying notes to these financial statements prepared under International Financial Reporting Standards

## **6.7.6 Notes to the interim financial statements September 30, 2006**

### **1. Basis of financial statement presentation**

These consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as Homburg Invest Inc. (the "Company") trades on the Euronext Amsterdam. As the Company is a Canadian Resident Corporation it is also required to prepare a separate set of financial statements under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The most significant financial differences between the IFRS and Canadian GAAP statements, are that while the IFRS statements reflect the investment properties and development properties at fair value and are without depreciation charges, the Canadian GAAP financial statements record the investment properties at historical cost less accumulated depreciation. In addition investments in certain financial instruments are recorded at fair value and deferred charges related to leasing fees have been recorded as an asset in the Canadian GAAP financial statements and will be charged to expense over the period of the related lease. These charges are written off in the year of incurrence under IFRS.

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### **2. Nature of operations**

Homburg Invest Inc. a corporation incorporated under the laws of Alberta, Canada, is listed on The Toronto Stock Exchange ("TSX") and the Euronext Amsterdam ("AEX"). The Class A Subordinate Voting Shares trade under the symbol "HII.A", and the Class B Multiple Voting Shares trade as "HII.B" on the TSX and the Class A Subordinate Voting Shares trade under the symbol "HII" on the AEX.

The principal place of business is 1741 Brunswick Street, Suite 600, Halifax, Nova Scotia, Canada.

The Company and its subsidiaries lease, build and sell commercial and residential real estate interests located in Canada, Germany, The Netherlands, and The United States of America.

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### **3. Summary of significant accounting policies**

The Company's accounting and reporting policies conform to International Financial Reporting Standards. These policies are summarized as follows:

#### **(a) General and consolidation**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The Company's accounting policies and its financial disclosures are in accordance with the recommendations of the International Accounting Standards Board (IASB).

For 2006 and 2005, these consolidated financial statements include the accounts of the Company's wholly owned subsidiaries Homburg ShareCo Inc., Homburg Invest (USA) Limited, and Homburg (US) Incorporated, which are Canadian companies incorporated in the Province of Nova Scotia and Homburg Holdings (US) Inc., which is incorporated in the State of Colorado. New wholly owned subsidiaries added during 2005 include Blackfoot Development Ltd., Homburg Harris Development Ltd., Citadel West Development Ltd., Churchill Estates Development Ltd., Inverness Estates Development Ltd., High River Development Ltd., CP Development



Ltd., Homburg Kai Development Ltd. and Holland Gardens Development Ltd., which are Canadian companies incorporated in the Province of Alberta and Homburg Holding (NETH) Beheer B.V. which is incorporated in The Netherlands.

In addition the Company's seventy-one (September 30, 2005 - fifty-five) wholly owned limited partnerships and nine (September 30, 2005 - seven) partially owned limited partnerships, which operate commercial and residential rental properties, are accounted for using consolidation or proportionate consolidation as appropriate. Nine of these wholly owned limited partnerships own corporate structures.

**(b) Properties**

i) Investment properties

Investment properties held are carried at fair value.

The Company has adopted application of IAS-40-Investment Property, and has chosen the Fair Value method of presenting its investment properties in the financial statements.

The fair value of investment properties is based on valuations by a combination of independent appraisers and management estimates plus any capital additions since the date of the most recent appraisal. Management regularly undertakes a review of its investment property revaluation between appraisal dates to assess the continuing validity of the underlying value assumptions such as cash flow and capitalization rates. These assumptions are tested against market information obtained from independent industry experts. Where increases or decreases are warranted, the company adjusts the carrying values of its investment properties. Included in the values at September 30, 2006 are unrealized fair value increases totaling \$1,668 (December 31, 2005 - \$2,490) in excess of values determined by independent appraisals. The effective date of the revaluation is September 30, 2006 and 86% (December 31, 2005 - 87%) of the portfolio value has been subject to independent appraisal or arms length acquisition within the last three years.

ii) Development properties

Development properties consist of properties which are under construction or in a major repositioning program. The Company has adopted application of IAS 16 - Property, Plant and Equipment, and has chosen the Revaluation Model for presenting the value of its development properties in the financial statements. Under this model, all development properties are carried at fair value except to the extent that fair value cannot be measured reliably, in which case they are carried at cost including pre-development expenditures. Revaluations are made on a regular basis using methods consistent with those for investment properties. Included in the development property values at September 30, 2006 is a revaluation surplus of \$39,953 (December 31, 2005 - \$39,953) as determined by independent appraisals. The effective date of the revaluation is September 30, 2006. The revaluation surplus included in shareholders' equity has been reduced by a provision for future income taxes of \$6,959 (December 31, 2005 - \$6,959).

Any increase on revaluation is recognized in equity as a revaluation surplus. However, the increase is recognized in earnings to the extent that it is reversing a revaluation decrease of the same property previously recognized in earnings.

Any decrease on revaluation is recognized in earnings. However, the decrease is recognized in equity to the extent that it is reversing a revaluation increase of the same property previously recognized in equity.

Upon disposal of a property, any revaluation surplus remaining in equity is transferred to retained earnings without affecting earnings.

- iii) Construction properties being developed for resale

These inventory properties are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling costs and costs to complete development.

**(c) Capitalization of costs**

- i) The Company capitalizes investment property acquisition costs incurred at the time of purchase.
- ii) For development properties, the Company capitalizes all direct expenditures incurred in connection with the acquisition, development, construction, and initial predetermined leasing period. These expenditures consist of all direct costs and borrowing costs on debt directly attributable to a specific property, including borrowing costs incurred on the debt prior to the full utilization of the debt for the project. Borrowing costs are offset by any interest earned by the Company on borrowed funds prior to utilization. The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Income relating directly to development properties during the development period is treated as a reduction of capitalized costs.

**(d) Revenue recognition**

Management has determined that all of the Company's leases with its various tenants are operating leases. Minimum rents are recognized on a straight-line basis over the terms of the related leases. The excess of rents recognized over amounts contractually due is included in deferred rental receipts on the Company's balance sheet. The leases also typically provide for tenant reimbursements of common area maintenance, real estate taxes and other operating expenses, which are recognized as revenue in the period earned.

Gains and losses from the sale of properties are recorded when the collection of the sale proceeds is reasonably assured, and all other significant conditions respecting rights and ownership are met. Properties which have been sold, but for which these criteria have not been satisfied are included in properties held for resale. There were no such properties at September 30, 2006 and December 31, 2005.

The Company follows the provisions of IAS 40 and accounts for its investment property using the fair value model and records any unrealized valuation changes as income (expense) in the year of the valuation change.

**(e) Income taxes**

The Company follows the tax liability method for determining income taxes. Under this method, deferred tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of specific balance sheet items. Deferred tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse. Adjustments to these balances are recognized in earnings as they occur.

**(f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

**(g) Foreign currency**

Operations outside of Canada are considered to be self-sustaining and use their primary currency for recording substantially all transactions. The accounts of self-sustaining foreign subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at period-end exchange rates while revenues and expenses are converted using average exchange rates. Gains and losses arising on translation of these subsidiaries are deferred and included in the cumulative foreign currency translation account within shareholders' equity.

**(h) Stock options and contributed surplus**

The Company has a stock-based compensation plan which is described in Note 16 d). The Company accounts for its grant under this plan in accordance with the fair value-based method of accounting for stock-based compensation. The compensation cost that has been charged against income in the first nine months of 2006 was \$Nil (September 30, 2005- \$1,143).

**(i) Use of estimates and measurement uncertainty**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Significant estimates made by management include future cash flows and capitalization rates used in determining fair value of investment properties. Actual results could materially differ from those estimates.

**(j) Long term investments**

Long term investments are carried at fair value.

**(k) Derivative financial instruments**

The Company has entered into interest rate swaps in order to manage the impact of fluctuating interest rates on certain of its long term debt. The current interest rate swaps do not qualify for hedge accounting and are adjusted to market and recognized in earnings in the reporting period.

**(l) Deferred financing costs**

The Company follows a policy of capitalizing the costs associated with obtaining long term financing. These costs are being amortized on a straight line basis over the term of the related debt.

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**4. Change in accounting policy**

**Deferred financing costs**

During the current year, the Company changed its accounting policy with regards to financing costs. These costs were previously expensed in the period incurred. Effective with the June 30, 2006 reporting period, these costs are now being deferred and amortized over the term of the related debt. The change is being applied retroactively and the Company feels the current policy will remove unusual fluctuations in period over period earnings and reflect these costs over the full period to which they relate. The impact of the change in accounting policy on the reported information is as follows:

	September 30 <u>2006</u>	December 31 <u>2005</u>		
<b>Balance Sheet</b>				
Increase in deferred financing costs	\$ 6,303	\$ 2,253		
Increase in deferred income taxes payable	\$ 2,174	\$ 777		
Increase in shareholders' equity	\$ 4,129	\$ 1,476		
	Three Mos. Ended September 30 <u>2006</u>	Three Mos. Ended September 30 <u>2005</u>	Nine Mos. Ended September 30 <u>2006</u>	Nine Mos. Ended September 30 <u>2005</u>
<b>Statement of Earnings</b>				
Decrease in interest on mortgages and bonds	\$ 2,541	\$	\$ 4,360	\$ 50
Increase in amortization expense	\$ 199	\$ 14	\$ 310	\$ 41
Increase (decrease) in income tax expense	\$ 808	\$ (5)	\$ 1,397	\$ 3
Increase (decrease) in net earnings	\$ 1,534	\$ (9)	\$ 2,653	\$ 6
Increase in earnings per share				
Basic Class A and Class B	\$ 0.01		\$ 0.03	
Diluted Class A and Class B	\$ 0.01		\$ 0.03	
	Three Mos. Ended September 30 <u>2006</u>	Three Mos. Ended September 30 <u>2005</u>	Nine Mos. Ended September 30 <u>2006</u>	Nine Mos. Ended September 30 <u>2005</u>
<b>Statement of Cash Flows</b>				
Increase in funds from operations	\$ 2,541	\$	\$ 4,360	\$ 50
Increase in deferred financing costs	\$ 2,541	\$	\$ 4,360	\$ 50

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**5. Business acquisitions**

Acquisition Date	Location	Type of Property	Shares Issued	Cash Consideration
<b>2006</b>				
June 22, 2006	The Netherlands	Commercial (4 Properties)	<u>5,950,000</u>	<u>\$ 24,362</u>
May 1, 2006	Germany (2)	Office	<u></u>	<u>\$ 21,087</u>
March 31, 2006	Germany	Retail	<u></u>	<u>\$ 8,710</u>
February 22, 2006	Canada	Food Service (9 properties)	<u></u>	<u>\$ 9,427</u>
<b>2005</b>				
June 1, 2005	The Netherlands and Germany	Commercial (11 properties)	<u>23,370,832</u>	<u>\$ 34,903</u>
December 21, 2005	The Netherlands (2)	Factory, Office and Storage	359,804	\$ 3,448
December 16, 2005	The Netherlands (2)	Office, Warehouse and Storage	<u></u>	<u>\$ 1,476</u>
			<u>359,804</u>	<u>\$ 4,924</u>

The shares issued as consideration for the June 2006 acquisition were issued at a total value of \$33,320 based on their market price when the terms of the acquisition were agreed upon.

The shares issued as consideration for the December 2005 acquisition were issued at a total value of \$2,348 based on their market price when the terms of the acquisition were agreed upon.

The shares issued as consideration for the June 2005 acquisition were issued at a total value of \$70,112 based on their market price when the terms of the acquisition were agreed upon.

The following is a summary of the amounts assigned to each major asset and liability at the date of acquisition:

	<b>2006</b>			
	Germany (2)	The Netherlands	Germany	Canada
Investment properties	\$ 586,896	\$ 191,614	\$ 39,639	\$ 8,172
Intangible assets	21,035	8,346	1,694	383
Receivables and other assets	<u>1,142</u>	<u>2,467</u>	<u>91</u>	<u>872</u>
	<u>609,073</u>	<u>202,427</u>	<u>41,424</u>	<u>9,427</u>
Mortgages payable assumed	388,729	144,729	32,704	
Non construction demand loan	154,640			
Deferred income taxes assumed	17,977			
Payables and other liabilities assumed	<u>26,640</u>	<u>16</u>	<u>10</u>	<u></u>
	<u>587,986</u>	<u>144,745</u>	<u>32,714</u>	<u></u>
Net assets acquired	<u>\$ 21,087</u>	<u>\$ 57,682</u>	<u>\$ 8,710</u>	<u>\$ 9,427</u>

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The allocation of the Germany(2) acquisition has been amended at September 30, 2006 to reflect additional information that became available during the quarter. Management is continuing to carry out a more specific analysis of the Germany(2) acquisition as additional information becomes available. This may result in additional changes to the allocation of the identifiable assets, assumed liabilities and related operating results.

	2005	
	The Netherlands and Germany	The Netherlands (2)
Investment properties	\$ 487,677	\$ 22,319
Intangible assets	8,344	2,656
Receivables and other assets	<u>363</u>	<u>110</u>
	<u>496,384</u>	<u>25,085</u>
Mortgages payable assumed	356,029	17,263
Deferred income taxes assumed	27,762	
Intangible liabilities	669	
Payables and other liabilities assumed	<u>6,909</u>	<u>550</u>
	<u>391,369</u>	<u>17,813</u>
Net assets acquired	<u>\$ 105,015</u>	<u>\$ 7,272</u>

In all cases, the operating results of the acquired properties are included in the consolidated statements of earnings from the acquisition date.

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<b>6. Investment properties</b>	<b>September 30 2006</b>	December 31 2005 (Audited)
Balance, beginning of period	\$ 786,387	\$ 322,950
Additions (deductions):		
Disposals	(1,300)	(59,877)
Cumulative currency translation adjustment	4,974	(67,739)
Acquisition through purchases, plus capitalized costs on acquisition and transfers from development properties	883,183	540,417
Capitalized costs of properties	1,885	249
Unrealized valuation changes on investment properties	<u>31,441</u>	<u>50,387</u>
Balance, end of period	<u>\$ 1,706,570</u>	<u>\$ 786,387</u>

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In the first nine months of 2006 investment properties were acquired at an aggregate cost of \$827,177. The acquisitions were financed by new debt and other liabilities totaling \$744,376, the issue of share capital of \$33,320 and cash.

In 2005 investment properties were acquired at an aggregate cost of \$531,585 and five properties costing \$59,877 were disposed of resulting in a realized valuation change of \$4,693. The acquisitions were financed by the assumption of debt and other liabilities in the amount of \$404,653, the issue of share capital of \$72,482 and cash of \$54,450.

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<b>7. Development properties</b>	<b>September 30 2006</b>	December 31 2005 (Audited)
Land held for future development	\$ 83,859	\$ 111,225
Construction properties being developed for resale	63,631	
Property under construction	<u>112,521</u>	<u>72,260</u>
	<u><b>\$ 260,011</b></u>	<u><b>\$ 183,485</b></u>

In the first nine months of 2006, the Company capitalized acquisition, development and related costs of \$81,325 (December 31, 2005 - \$128,228) of which \$10,983 (December 31, 2005 - \$5,524) was interest capitalized to its land held for future development. These costs were financed by the assumption of debt in the amount of \$9,670 (December 31, 2005 - \$NIL), the issue of share capital of \$1,375 (December 31, 2005 - \$NIL) with the remainder in cash. Also during the first nine months of 2006 \$50,206 (December 31, 2005 - \$26,299) of completed projects were reclassified to investment properties and \$27,744 (December 31, 2005 - \$NIL) were reclassified from land held for future development to Property under construction.

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**8. Restricted cash**

Restricted cash includes deposits on real estate properties, refundable commitment fees and security deposits.

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<b>9. Receivables and other</b>	<b>September 30 2006</b>	December 31 2005 (Audited)
Trade receivables	\$ 4,383	\$ 4,965
Related party receivable (Note 19f)	7,326	4,532
Deferred rental receipts (Note 3d)	6,215	1,852
Prepays	1,750	1,265
Bonds receivable		112
Portfolio investments		71
	<u><b>\$ 19,674</b></u>	<u><b>\$ 12,797</b></u>

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**NOTES TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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<b>10. Long term investments</b>	<b>September 30 2006</b>	<b>December 31 2005 (Audited)</b>
Long term investments		
Cedar Shopping Centers, Inc. and misc.	\$ 902	\$ 846
DIM Vastgoed N.V.	21,484	17,831
DIM Vastgoed N.V., October 2010 closing	<u>17,260</u>	<u>          </u>
	<u><b>\$ 39,646</b></u>	<u><b>\$ 18,677</b></u>

The Company holds 50,000 (December 31, 2005 - 50,000) common shares of Cedar Shopping Centers, Inc. ("Cedar") a real estate investment trust listed on the New York Stock Exchange (NYSE: CDR).

The Company's investment in DIM Vastgoed N.V. ("DIM") consists of deposit receipts representing 967,142 (December 31, 2005 - 726,135) shares of DIM, a real estate investment company listed on the Euronext Amsterdam Stock Exchange and 72,360 (December 31, 2005 - 12,960) direct owned shares.

The Company's investment in DIM related to the October 2010 closing consists of deposit receipts representing 835,123 (December 31, 2005 - Nil) shares of DIM which will be acquired October 1, 2010. The Company has full voting rights over these shares effective in the first quarter of 2006, however does not acquire legal title until October 1, 2010. The Sellers will receive 6.5 Class A Subordinate Voting Shares of Homburg Invest Inc. for each DIM share owned. The Sellers can elect, by December 16, 2007, to receive their 2010 payment as a Cash Price of \$21.20 US per share. The Sellers are entitled to all dividends paid on the DIM shares until the date of sale, however the Company has voting control over those shares. Should the Sellers elect to receive their payment in the form of Class A Subordinate Voting Shares, the Company has agreed to a dividend guarantee entitling the Seller to a price adjustment equal to the amount by which the dividend on 6.5 Homburg Invest Inc. shares exceeds the dividend on 1 DIM share cumulative for the period from 2006 through to October 1, 2010. No amount has been recorded as payable as a result of this dividend guarantee at this time. This transaction has been included in the calculation of Diluted Earnings Per Share based on the assumption that all DIM shareholders will receive Class A Subordinate Voting Shares as full payment.

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<b>11. Mortgages payable</b>	<b>September 30 2006</b>	<b>December 31 2005 (Audited)</b>
Fixed and variable rate mortgages, various maturities from 2006 to 2020, weighted average interest rate of 4.972% as at September 30, 2006 (December 31, 2005 - 4.055%). As security for these mortgages, the Company has pledged all investment properties and an assignment of specific rents receivable.	\$ 1,031,066	\$ 383,322
Mortgages presently matured and being refinanced	<u>          </u>	<u>75,427</u>
	<u><b>\$ 1,031,066</b></u>	<u><b>\$ 458,749</b></u>

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Principal installments are payable as follows:

	Normal Principal <u>Installments</u>	Principal <u>Maturities</u>	<u>Total</u>
2006 - Remainder of year	\$ 5,004	\$ 741	\$ 5,745
2007	16,629	50,641	67,270
2008	17,488	9,357	26,845
2009	18,995	24,889	43,884
2010	18,347	12,274	30,621
Subsequent years	<u>                    </u>	<u>                    </u>	<u>856,701</u>
	<u>\$ 76,463</u>	<u>\$ 97,902</u>	<u>\$ 1,031,066</u>

Included in mortgages payable are USD \$8,467 (CAD \$9,434) and EUR €651,329 (CAD \$920,706) of mortgage obligations (December 31, 2005 - USD \$10,013 (CAD \$11,675) and EUR €258,760 (CAD \$357,371)). The non-CAD denominated debt is translated at period end exchange rates.

It is the Company's intention to seek renewals of the principal maturities at market rates.

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<b>12. Junior subordinated notes</b>	<b>September 30 <u>2006</u></b>	<b>December 31 <u>2005</u></b>
EURO €25,000, fixed rate for 10 years, and a variable rate thereafter until maturity	\$ 35,340	\$
US \$20,000, fixed rate for 10 years, and a variable rate thereafter until maturity	<u>22,283</u>	<u>                    </u>
	<u>\$ 57,623</u>	<u>\$</u>

The Junior subordinated notes are unsecured with payments of interest only maturing in 2036. The notes may be redeemed at the option of the Company after their fifth anniversary date. The non-CAD denominated obligations are translated at period end exchange rates.

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### 13. Construction financing

The Company has arranged construction financing, which is demand in nature, for its development properties. Borrowing rates on these financings are at fixed or variable market rates. The Company has pledged its development properties as security. Upon completion of the properties it is the Company's intention to seek long term financing at available market rates. Included in the balance is financing from related parties totaling \$4,393.

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<b>14. Accounts payable and other liabilities</b>	<b>September 30 2006</b>	<b>December 31 2005 (Audited)</b>
Trade payables (Note 19e)	\$ 30,086	\$ 17,533
Non construction demand loans	23,954	13,969
Income taxes payable	1,174	2,844
Notes payable	1,906	2,376
Security deposits	3,059	1,665
Convertible promissory notes		1,642
Long term payable	12,466	1,440
Shareholders of DIM Vastgoed N.V., due October 2010	19,726	
Prepaid rents and deposits	<u>4,093</u>	<u>1,163</u>
	<u><b>\$ 96,464</b></u>	<u><b>\$ 42,632</b></u>

The long term payables include a bonus of \$1,440 to be paid on a scheduled development project upon the earlier of the completion of a specific construction project, sale of the related property or June 30, 2008. The bonus is payable in Class A Subordinate Voting Shares with the number of shares determined based on share value on the due date. Also included is EUR €7,800 (CAD - \$11,026) representing the purchase price option on the remaining 6.63% of MoTo Object Campeon GmbH & Co KG exercisable in the first quarter of 2012. This is related to the Germany(2) acquisition as detailed in Note 5.

The DIM Vastgoed N.V. ("DIM") payable relates to deposit certificates representing shares of DIM obtained in the first quarter of 2006 for which the Company does not make payment until October 2010 (See Note 10). The payable represents the Cash Price option payable under the Share Purchase Agreement of \$17,705 USD translated at the period end exchange rate.

Non construction demand loans payable bear interest at a US base rate + 1% secured by deposit certificates representing 949,862 DIM shares. The Non Construction Demand loan payable is USD \$21,500 (CAD \$23,954) of obligations translated at period end exchange rates.

The Company has available credit facilities of \$25,000 of which \$9,340 is being utilized at September 30, 2006.

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<b>15. Bonds payable</b>	<b>September 30 2006</b>	<b>December 31 2005 (Audited)</b>
<b>Mortgage Bonds</b>		
HMB Series 1 Bonds	\$ 4,420	\$ 4,420
HMB Series 1 Bonds	14,002	13,680
HMB Series 2 Bonds	42,407	41,433
HMB Series 4 Bonds	28,286	27,636
HMB Series 5 Bonds	28,286	27,636
HMB Series 6 Bonds	44,146	43,132
HMB Series 7 Bonds	44,146	43,132
	<u>205,693</u>	<u>201,069</u>
Currency guarantee payable	<u>14,509</u>	<u>19,133</u>
	<u>220,202</u>	<u>220,202</u>
<b>Corporate Non-asset Backed Bonds</b>		
HB Series 8 Bonds	<u>70,480</u>	<u></u>
	<u>\$ 290,682</u>	<u>\$ 220,202</u>

<u>Bond Series</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
HMB1	CAD \$ 4,420	December 16, 2002	10%	December 15, 2009
HMB1	EUR € 9,905	December 16, 2002	8.5%	December 15, 2009
HMB2	EUR €30,000	April 26, 2003	7.5%	April 25, 2010
HMB4	EUR €20,010	December 1, 2004	7.5%	November 30, 2011
HMB5	EUR €20,010	December 31, 2004	7.5%	December 31, 2011
HMB6	EUR €31,230	July 2, 2005	7.5%	June 30, 2012
HMB7	EUR €31,230	July 2, 2005	7.25%	June 30, 2012
HB8	EUR €49,855	June 1, 2006	7%	May 31, 2013

All Bonds call for interest only payments until maturity and the interest is payable semi-annually in equal installments on June 30 and December 31 in each year.

The Company has entered into guarantee arrangements on all series of mortgage bonds to maturity, with a company under the control of the Chairman and Chief Executive Officer. Under the terms of the guarantee, the Company is protected from devaluation of the Canadian dollar against the Euro, to a maximum limit equal to the face value of each mortgage bond, and has relinquished any appreciation rights which may arise on the future settlement of its Euro denominated Mortgage Bonds. The Mortgage Bonds, which are recorded at the prevailing exchange rate at September 30, 2006, reflect a decrease of \$14,509 (December 31, 2005 - \$19,133) in principal amount representing the increase in the Canadian dollar versus the Euro since the Mortgage Bonds were issued. This \$14,509 decline (December 31, 2005 - \$19,133) has been offset by the currency guarantee which has been netted against the mortgage bonds.

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The final settlement of the currency guarantee asset or obligation will take place at the earlier of the retirement of the bonds or their scheduled maturity. As a result of the guarantee, there is no earnings impact related to changes in currency value of the Mortgage Bonds.

The Mortgage Bonds are secured by a first or second charge over specific assets; and all Bonds are secured by a corporate guarantee of the Company.

The Company has the option to redeem any Series of Bonds at their face amount anytime subsequent to the fifth anniversary of the issue of the Bonds.

Required principal repayment in the absence of any redemptions by the Company will be Nil for the next three years, \$4,420 and EUR €9,905 (\$14,002) in 2009, and EUR €30,000 (\$42,407) in 2010.

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<b>16. Shareholders' equity</b>	<b>September 30 2006</b>	<b>December 31 2005 (Audited)</b>
Share capital (a)	\$ 304,826	\$ 161,670
Contributed surplus (c)	1,143	1,143
Cumulative currency translation adjustment (e)	(17,850)	(18,803)
Retained earnings	93,775	82,462
Revaluation surplus	<u>32,994</u>	<u>32,994</u>
	<u><b>\$ 414,888</b></u>	<u><b>\$ 259,466</b></u>

**(a) Share capital**

The Company is authorized to issue an unlimited number of Class A Subordinate Voting Shares ("Class A"), an unlimited number of Class B Multiple Voting Shares ("Class B"), an unlimited number of Class A Preferred Shares ("Preferred"), issuable in series and an unlimited number of Class B Preferred Shares ("Preferred"), issuable in series.

Holders of Class A shares shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Company, voting together with holders of Class B shares, except for meetings at which only holders of a specified class or series are entitled to vote. Class A shares shall be entitled to one vote for each Class A share held.

Holders of Class B shares shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Company, voting together with holders of Class A shares, except for meetings at which only holders of a specified class or series are entitled to vote. Class B shares shall be entitled to twenty-five votes for each Class B share held.

Class A shares will be convertible into Class B shares in certain limited circumstances involving offers made to all or substantially all of the holders of Class B shares.

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Dividends are payable on Class A shares and Class B shares when declared by the Board of Directors. The Class A and Class B shares rank equally in dividend eligibility.

Preferred shares may be issued from time to time in one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution prior to issuance. Preferred shares are non-voting and rank in priority to the Class A and Class B shares with respect to dividends and distribution upon dissolution. No Preferred shares have been issued.

The following table sets forth the particulars of the issued and outstanding shares of the Company:

	Common Shares (000's)	Class A Subordinate Voting Shares (000's)	Class B Multiple Voting Shares (000's)	Stated Capital
<b>Issued and outstanding at</b>				
<b>December 31, 2004</b>	56,452			\$ 63,035
Exercise of options	572			628
Private placements (b)	2,660			7,500
Dividend reinvestment plan	1,439			4,091
Issue costs				(415)
Share reorganization April 1, 2005	(61,123)	30,561	30,562	
Acquisitions (Notes 5 & 6)		23,731		72,482
Exercise of options		290	283	628
Dividend reinvestment plan		2,228		8,682
Private placement (b)		1,008		5,039
<b>Issued and outstanding at</b>				
<b>December 31, 2005</b>		57,818	30,845	161,670
Exercise of options		352	52	945
Acquisition of properties (Notes 5, 6 & 7)		9,200		54,091
Acquisition of investment		19		66
Public share issue (b)		14,286		68,406
Issue costs, net of income taxes				(439)
Dividend reinvestment plan		4,404		20,087
<b>Issued and outstanding at</b>				
<b>September 30, 2006</b>		<b>86,079</b>	<b>30,897</b>	<b>\$ 304,826</b>

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**(b) Private placements and public issue**

In June 2006, the Company completed a public issue of 14,285,715 Class A Subordinate Voting Shares at a price of EUR 3.50 (\$4.95) per share. The conversion to Canadian was based on the exchange rate in effect on the date the share proceeds were received. Issue costs of \$3,536, less related income taxes of \$1,212, have been netted against the gross proceeds.

In 2005, the Company issued 2,660,000 common shares, and 1,008,000 Class A Subordinate Voting shares through two private placements at a price of \$2.82 and \$5.00 respectively per share.

**(c) Contributed surplus**

	<b>September 30</b> <b><u>2006</u></b>	December 31 <u>2005</u> (Audited)
Beginning of period	\$ <b>1,143</b>	\$ NIL
Stock based compensation	<u>          </u>	<u>1,143</u>
End of period	<u><b>\$ 1,143</b></u>	<u>\$ 1,143</u>

**(d) Stock options**

Under the Company's Stock Option Plan, the Company may grant options to its directors and officers of the Company and employees of the management company. Stock Options may be granted under the Company's Stock Option Plan on authorized but unissued Class A Subordinate Voting Shares of the Company. New Stock Options may not be granted under the Plan on Class B Multiple Voting Shares of the Company. However, there are previously granted Stock Options to purchase Class B Multiple Voting Shares that are outstanding and unexercised under the Plan. The maximum number of Class B Multiple Voting Shares issuable pursuant to Stock Options outstanding under the Plan shall not exceed that number of Class B Multiple Voting Shares which are issuable pursuant to outstanding Class B Options from time-to-time (the Class B share maximum). The maximum number of Class A Subordinate Voting Shares issuable pursuant to Stock Options outstanding under the Plan shall not exceed 10% of the aggregate number of issued and outstanding Class A Subordinate Voting Shares and Class B Multiple Voting Shares at the time of grant less the Class B share maximum at the time of grant. Under the plan, the exercise price of each option shall not be less than the closing market price of the Class A Subordinate Voting Shares on the TSX on the last trading day prior to the date of granting of the stock option and an option's maximum term is 10 years. Options are granted and vest at the discretion of the Board of Directors.

On September 30, 2006, there were 617,344 Class B Multiple Voting Share Options granted but unexercised and 1,925,471 Class A Subordinate Voting Share Options granted and unexercised.

The Company follows the recommendations of International Financial Reporting Standard 2 concerning Stock Based Compensation and Other Payments wherein fair value of each option grant is estimated on the date of grant using the Binomial or similar option pricing model. The fair value of each option granted was estimated using the exercise price and the following weighted average assumptions:

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Expected volatility	40.0 %
Risk free interest rate	3.31 - 3.65 %
Expected lives	3.5 - 5 Years
Expected dividend yield	5.6 %

A summary of the status of the Company's Stock Option Plan as at September 30, 2006 and December 31, 2005 and changes during the periods ending on those dates is presented below.

	<b>September 30 2006</b>		<b>December 31 2005</b>	
			(Audited)	
	<b>Shares (000's)</b>	<b>Weighted-Average Exercise Price</b>	<b>Shares (000's)</b>	<b>Weighted-Average Exercise Price</b>
Outstanding at beginning of period	<b>2,947</b>	<b>\$ 2.11</b>	2,478	\$ 1.16
Granted	<b>NIL</b>		1,614	\$ 2.85
Exercised	<b>(404)</b>	<b>\$ 2.34</b>	(1,145)	\$ 1.09
Expired	<b>NIL</b>		NIL	
Outstanding at end of period	<b><u>2,543</u></b>	<b>\$ 2.08</b>	<u>2,947</u>	\$ 2.11

Number of Shares Under Option (000's)	Date of Grant	Expiration Date	Exercise Price
1,235	February 8, 2002	February 7, 2007	\$ 1.26
<u>1,308</u>	June 29, 2005	June 29, 2010	\$ 2.85
<u><u>2,543</u></u>			

**(e) Cumulative currency translation adjustment**

The cumulative currency translation adjustment represents the unrecognised exchange adjustment on the net assets of the Company's subsidiaries that operate in the United States of America, Germany and The Netherlands. The change for the period reflects the impact of currency movements during the period on these net assets.

The rate of exchange in effect on September 30, 2006 was \$1.00 USD = \$1.12 CAD and € 1.00 EUR = \$1.41 CAD (September 30, 2005 \$1.00 USD = \$1.17 CAD and € 1.00 EUR = \$1.41 CAD). The average rate of exchange for the first nine months of 2006 was \$1.00 USD = \$1.13 CAD and € 1.00 EUR = \$1.41 CAD (2005 - For the first nine months \$1.00 USD = \$1.22 CAD and for the four months ended September 30, 2005 was € 1.00 EUR = \$1.48 CAD).

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**17. Income taxes**

Income tax expense differs from the amounts which would be obtained by applying the Canadian basic federal and provincial income tax rates and the tax rates for various foreign jurisdictions to earnings before income taxes. These differences result from the following items:

	<b>September 30 2006</b>	September 30 2005
Earnings before income taxes	<u>\$ 60,840</u>	<u>\$ 14,858</u>
Combined income tax rate	<u>34.50 %</u>	<u>36.00 %</u>
Income taxes	<u>\$ 20,990</u>	<u>\$ 5,349</u>
Increase (decrease) in income taxes resulting from:		
Large corporation tax	202	450
Non-taxable portion of capital gains	(588)	397
Permanent adjustment on unrealized and realized valuation changes	<u>(2,333)</u>	<u>(1,133)</u>
	<u>\$ 18,271</u>	<u>\$ 5,063</u>
Income taxes:		
Current income and capital taxes	<u>\$ 3,669</u>	<u>\$ 1,203</u>
Deferred income taxes	<u>14,602</u>	<u>3,860</u>
	<u>\$ 18,271</u>	<u>\$ 5,063</u>

The accumulated deferred income tax liability at September 30, 2006 is \$94,480 (December 31, 2005 - \$62,911). The liability is attributable to Investment properties \$88,864 (December 31, 2005 - \$55,952) and Development properties \$6,959 (December 31, 2005 - \$6,959). The liability has been reduced by a deferred income tax asset of \$1,343 (December 31, 2005 - \$NIL) related to share issue costs.

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**18. Financial instruments and risk management**

**Financial instruments**

The Company does not acquire, hold or issue derivative financial instruments for trading purposes.

The Company holds the following long term financial instruments: mortgages, mortgage bonds, currency guarantee payable, corporate non-asset backed bonds and junior subordinated notes. The mortgages have a fair value of \$1,021,325 (December 31, 2005 - \$488,444). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations until maturity of the bonds in 2009 through 2012. The total fair



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value of the bonds is \$305,350 (December 31, 2005 - \$239,107). The currency guarantee payable is not susceptible to independent fair value valuation and as such valuation is carrying value. The junior subordinated notes were negotiated during the current period at market rates and as such their fair value approximates their carrying value.

The fair values of long term financial instruments are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential taxes and other transaction costs have not been considered in estimating fair value, as management has determined these costs to be impractical to estimate.

The Company's short-term financial instruments, comprising amounts receivable, cash, accounts payable and accrued liabilities, demand loans, notes payable, security deposits and convertible promissory notes are carried at cost which, due to their short-term nature, approximates their fair value.

**Risk management**

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to minimize them are discussed below.

**(a) Interest rate risk**

The liabilities of the Company have fixed and floating interest rate components resulting in an exposure to interest rate movements. The Company has minimized its interest rate risk through a liability management policy. The Company allocates the maturity of its debt over a period of approximately 15 years. In addition, the Company has entered into interest rate swaps maturing in October 2014 in order to manage the impact of fluctuating interest rates on EUR €35,000 of its long term debt. Due to a reduction of interest rates in The Netherlands and Germany during the nine months ended September 30, 2006, the impact on the statement of earnings is revenue of \$1,876 (September 30, 2005 - expense of \$317).

**(b) Credit risk**

The Company's principal assets are commercial and residential buildings. Credit risk arises from the possibility that tenants may not fulfill their lease obligations. The Company mitigates this credit risk by performing credit checks on prospective tenants and ensuring that its tenant mix is diversified.

**(c) Currency risk**

Currency risk arises from debt or expenses denominated in US Dollars or Euros. The Company mitigates a portion of its currency risk on mortgage bond debt denominated in Euros through a guarantee agreement (See Note 15). Currency risk for other amounts denominated in US Dollars and Euros is substantially mitigated by US Dollar and Euro revenue streams from property rentals.

In support of the currency guarantee the related party has arranged an arms length credit facility agreement.

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**19. Related party transactions**

The Company is controlled by the Chairman and Chief Executive Officer through holding companies.

- (a) The Company has entered into agreements with companies commonly controlled by the Chairman and Chief Executive Officer to provide various services. A summary of the various revenues and expenses between related parties is as follows:

	<b>September 30 2006</b>	September 30 2005
Rental revenue earned	\$ (553)	\$ (203)
Asset and construction management fees incurred	\$ 6,030	\$ 3,644
Property management fees incurred	\$ 1,141	\$ 1,065
Insurance incurred	\$ 468	\$ 417
Service fees incurred	\$ 390	\$ 228
Property acquisition/disposal fees incurred	\$ 23,556	\$ 15,835
Mortgage bond guarantee fees incurred	\$ 2,588	\$ 2,255
Bond issue costs incurred	\$ 2,329	\$ 3,697
Share issue costs incurred	\$ 3,536	\$ NIL
Construction financing interest and fees accrued	\$ 255	\$ NIL

The transactions are recorded at exchange amounts.

- (b) The Company has approved a resolution authorizing the property manager, a company commonly controlled by the Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the Company.
- (c) Professional services of approximately \$176 (September 30, 2005 - \$174) were purchased from a corporation of which one of the Company's directors is affiliated.
- (d) The Company has entered into a guarantee arrangement for the principal and interest amounts of the Mortgage Bonds payable to maturity, with a company under the control of the Chairman and Chief Executive Officer, wherein it is protected against fluctuations in the Canadian dollar and the Euro (Note 15). The cost of this guarantee per annum until maturity is 1.5% on the Series 1 Bonds 2.0% on the Series 2 Bonds, and 1.6% on the Series 4, Series 5, Series 6 and Series 7 Bonds.
- (e) Included in accounts payable is a mortgage bond syndication fee of \$NIL (December 31, 2005 - \$1,316), mortgage bond guarantee fees of \$3,802 (December 31, 2005 - \$561) and management fees of \$69 (December 31, 2005 - \$69) payable to companies commonly controlled by the Chairman and Chief Executive Officer, which are non interest bearing and have no set terms of repayment.
- (f) The receivable of \$7,326 (December 31, 2005 - receivable of \$4,532) is with companies commonly controlled by the Chairman and Chief Executive Officer, which is non-interest bearing and has no set terms of repayment. Included in this balance is an amount receivable from the Company's property manager and other advances.
- (g) The Company has borrowed construction financing in the amount of \$4,393 from a company controlled by the Chairman and Chief Executive Officer. This loan is interest only at a rate of 8% per annum.
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**20. Earnings per share**

Net income per share has been calculated based on the weighted average number of shares outstanding as follows:

	<b>Three Mos. Ended September 30 <u>2006</u> (000's)</b>	Three Mos. Ended September 30 <u>2005</u> (000's)	<b>Nine Mos. Ended September 30 <u>2006</u> (000's)</b>	Nine Mos. Ended September 30 <u>2005</u> (000's)
Basic				
Class A Subordinate Voting	<b>81,911</b>	53,985	<b>67,479</b>	40,418
Class B Multiple Voting	<b><u>30,897</u></b>	<u>30,588</u>	<b><u>30,878</u></b>	<u>29,965</u>
	<b><u>112,808</u></b>	<u>84,573</u>	<b><u>98,357</u></b>	<u>70,383</u>
Diluted				
Class A Subordinate Voting	<b>88,659</b>	56,807	<b>73,751</b>	41,824
Class B Multiple Voting	<b><u>31,318</u></b>	<u>31,203</u>	<b><u>31,320</u></b>	<u>30,538</u>
	<b><u>119,977</u></b>	<u>88,010</u>	<b><u>105,071</u></b>	<u>72,362</u>
The dilution consists of:				
Class A				
Exercise of options	<b>1,032</b>	980	<b>1,148</b>	583
Conversion of long term payable	<b>288</b>		<b>288</b>	
Conversion of DIM payable	<b>5,428</b>		<b>4,836</b>	
Conversion of promissory note		<u>1,842</u>		<u>823</u>
	<b><u>6,748</u></b>	<u>2,822</u>	<b><u>6,272</u></b>	<u>1,406</u>
Class B				
Exercise of options - Class B	<b><u>421</u></b>	<u>615</u>	<b><u>442</u></b>	<u>573</u>

The dilutive effect of outstanding stock options on earnings per share is based on the application of treasury stock method. Under treasury stock method, the proceeds from the exercise of such securities are assumed to be used to purchase common shares.

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**21. Commitments**

- (a) The following is a schedule of the future minimum lease payments on several operating leases of a subsidiary company.

2006 - remainder of year	\$	34
2007	\$	101
2008	\$	68
2009	\$	39
2010	\$	26

- (b) The Company and its subsidiaries have entered into various property management agreements, expiring between 2010 and 2012. (See Note 19a)
- (c) The Company has 7 construction projects underway to which it has signed commitments of \$49,000.

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**22. Contingent liability**

There are claims which the Company is involved with, arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

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**23. Indemnities**

The Company has agreed to indemnify its directors and officers in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

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**24. Subsequent events**

- (a) The Company has filed an application for the issue of Bond 9 which will be issued for a maximum value of EUR €60,000 (CDN \$84,800) with interest of 7% to be paid on a semi-annual basis. The Bond issue has been approved by the Board of Directors and the Company expects to receive regulatory approval and to begin marketing the bond issue in the fourth quarter of 2006. The proceeds from the issue will be used for general corporate purposes and for future acquisitions.
- (b) The Company has entered into agreement to acquire four commercial properties in the Netherlands for a total purchase price (including acquisition costs) of approximately EUR €41,000 (CDN \$58,000) from a related party. The acquisition has been reviewed and recommended by an independent committee of the Board of Directors and subsequently approved by the Board of Directors. The transaction is expected to close in the fourth quarter of 2006 and will be financed with the assumption of debt of EUR €31,000 (CDN \$43,800), 1,000,000 Class A Subordinate Voting Shares valued at EUR €4,500 (CDN \$6,400) and cash of EUR €5,500 (CDN \$7,800).

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- (c) The Company has signed an agreement to acquire a one-third interest in an existing condominium project and development property located in Canada. The acquisition, which is expected to close in the fourth quarter of 2006, will be financed with new debt and cash of \$1,900.
- (d) The Company has signed a Letter of Intent related to a one-third interest in an acquisition of a development property in Canada totaling \$11,250. The purchase is subject to due diligence and board approval and is expected to close in the fourth quarter of 2006 or the first quarter of 2007.
- (e) A subsidiary company, in which the Company has a one-third interest, has signed a loan agreement for \$14,000. The funds will be used to finance pre-development costs of the subsidiary.
- (f) The Company has entered into a purchase and sale agreement for the acquisition of two commercial properties located in Canada for a total price of \$2,450. This transaction will close in the fourth quarter of 2006 and will be paid with cash.

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**25. Supplemental cash flow information**

	<b>Three Mos. Ended September 30 2006</b>	<b>Three Mos. Ended September 30 2005</b>	<b>Nine Mos. Ended September 30 2006</b>	<b>Nine Mos. Ended September 30 2005</b>
Change in non-cash working capital				
Receivables and other	\$ 3,338	\$ (3,221)	\$ 97	\$ (3,560)
Accounts payable and other liabilities	3,922	7,374	12,891	10,015
Deferred financing costs	(2,541)		(4,359)	(50)
Payable to related companies	<u>(14,998)</u>			
	<u>\$ (10,279)</u>	<u>\$ 4,153</u>	<u>\$ 8,629</u>	<u>\$ 6,405</u>
Interest paid	<u>\$ 25,173</u>	<u>\$ 8,648</u>	<u>\$ 36,312</u>	<u>\$ 15,451</u>
Capital and income taxes paid	<u>\$ 623</u>	<u>\$ 150</u>	<u>\$ 5,084</u>	<u>\$ 1,089</u>

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**26. Segmented information**

The Company owns a diverse portfolio of residential and commercial income-producing properties located in Canada, The United States of America, Germany and The Netherlands. The accounting policies used in the preparation of the segmented information are the same as those described for the Company in Note 3 - Accounting Policies. The Company primarily evaluates operating performance based on net operating income. As such, interest, amortization, and general and administrative expenses have not been allocated to the segments. All key decisions pertaining to these items are managed centrally. The following provides a summary of key information of the Company's residential and commercial operating segments:

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**Nine Months Ended**

**September 30, 2006**

	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
<b>Property revenue</b>	<b>\$ 15,033</b>	<b>\$ 22,781</b>	<b>\$ 40,110</b>	<b>\$ 1,896</b>	<b>\$ 79,820</b>
<b>Operating expenses</b>	<b><u>3,955</u></b>	<b><u>668</u></b>	<b><u>4,617</u></b>	<b><u>946</u></b>	<b><u>10,186</u></b>
	<b><u>\$ 11,078</u></b>	<b><u>\$ 22,113</u></b>	<b><u>\$ 35,493</u></b>	<b><u>\$ 950</u></b>	<b><u>\$ 69,634</u></b>

Nine Months Ended

September 30, 2005

	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
Property revenue	\$ 12,180	\$ 11,083	\$ 14,022	\$ 1,884	\$ 39,169
Operating expenses	<u>3,751</u>	<u>491</u>	<u>5,483</u>	<u>924</u>	<u>10,649</u>
	<u>\$ 8,429</u>	<u>\$ 10,592</u>	<u>\$ 8,539</u>	<u>\$ 960</u>	<u>\$ 28,520</u>

**Nine Months Ended  
September 30, 2006**

	<b>Germany/ Netherlands</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
<b>Property revenue</b>	<b>\$ 51,941</b>	<b>\$ 24,568</b>	<b>\$ 3,311</b>	<b>\$ 79,820</b>
<b>Operating expenses</b>	<b><u>1,167</u></b>	<b><u>7,578</u></b>	<b><u>1,441</u></b>	<b><u>10,186</u></b>
	<b><u>\$ 50,774</u></b>	<b><u>\$ 16,990</u></b>	<b><u>\$ 1,870</u></b>	<b><u>\$ 69,634</u></b>

Nine Months Ended

September 30, 2005

	<b>Germany/ Netherlands</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
Property revenue	\$ 11,353	\$ 23,985	\$ 3,831	\$ 39,169
Operating expenses	<u>183</u>	<u>8,342</u>	<u>2,124</u>	<u>10,649</u>
	<u>\$ 11,170</u>	<u>\$ 15,643</u>	<u>\$ 1,707</u>	<u>\$ 28,520</u>

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<b>September 30, 2006</b>	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
<b>Investment property</b>	<u>\$ 211,660</u>	<u>\$ 424,913</u>	<u>\$ 1,048,674</u>	<u>\$ 21,323</u>	<u>\$ 1,706,570</u>
<b>Mortgages payable</b>	<u>\$ 72,917</u>	<u>\$ 289,752</u>	<u>\$ 654,958</u>	<u>\$ 13,439</u>	<u>\$ 1,031,066</u>
<b>Mortgage bonds payable</b>	<u>\$ 53,240</u>	<u>\$ 5,400</u>	<u>\$ 2,190</u>		<u>\$ 60,830</u>

<b>December 31, 2005</b>	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
<b>Investment property</b>	<u>\$ 150,356</u>	<u>\$ 411,917</u>	<u>\$ 203,530</u>	<u>\$ 20,584</u>	<u>\$ 786,387</u>
<b>Mortgages payable</b>	<u>\$ 38,535</u>	<u>\$ 293,210</u>	<u>\$ 113,415</u>	<u>\$ 13,589</u>	<u>\$ 458,749</u>
<b>Mortgage bonds payable</b>	<u>\$ 43,026</u>	<u>\$ 5,306</u>	<u>\$ 2,151</u>		<u>\$ 50,483</u>

<b>September 30, 2006</b>	<b>Germany/ Netherlands</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
<b>Investment property</b>	<u>\$ 1,369,036</u>	<u>\$ 309,824</u>	<u>\$ 27,710</u>	<u>\$ 1,706,570</u>
<b>Mortgages payable</b>	<u>\$ 895,051</u>	<u>\$ 126,581</u>	<u>\$ 9,434</u>	<u>\$ 1,031,066</u>
<b>Mortgage bonds payable</b>	<u>\$</u>	<u>\$ 205,693</u>	<u>\$</u>	<u>\$ 205,693</u>

<b>December 31, 2005</b>	<b>Germany/ Netherlands</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
<b>Investment property</b>	<u>\$ 495,031</u>	<u>\$ 263,547</u>	<u>\$ 27,809</u>	<u>\$ 786,387</u>
<b>Mortgages payable</b>	<u>\$ 357,371</u>	<u>\$ 89,703</u>	<u>\$ 11,675</u>	<u>\$ 458,749</u>
<b>Mortgage bonds payable</b>	<u>\$</u>	<u>\$ 201,069</u>	<u>\$</u>	<u>\$ 201,069</u>

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At September 30, 2006 Mortgage bonds payable total \$205,693, exclusive of the currency guarantee payable of \$14,509. Of this amount \$144,863 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining \$60,830 is allocated to specific segments above.

At December 31, 2005 Mortgage bonds payable total \$201,069 exclusive of the currency guarantee payable of \$19,133. Approximately \$150,586 of the mortgage bond proceeds have been invested in properties under/or for development in Canada. The remaining \$50,483 is allocated to specific segments above.

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**27. Rental income under operating leases**

The Company's operations consist of leasing commercial and residential real estate. The following is a schedule by years of minimum future rentals on non-cancelable operating leases having initial terms in excess of one year:

2006 - Remainder of year	\$	31,298
2007		117,800
2008		114,480
2009		113,540
2010		112,307
Thereafter		<u>964,211</u>
	\$	<u>1,453,636</u>

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**28. Staff costs**

The Company has a Management Agreement with a related party (Note 19) and therefore has no employees.

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**29. Interest in joint ventures**

The Company, at September 30, 2006, owns a partial interest in eight (December 31, 2005 - seven) limited partnerships. The ownership percentages range from 5% to 55.55%. These partnerships operate commercial and residential rental properties.



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**29.**

These financial statements reflects the Company's share of the assets, liabilities, revenue and expenses of the limited partnerships in accordance with the principle of proportionate consolidation as follows:

	<b>September 30 2006</b>	December 31 2005 (Audited)
<b>Assets</b>		
Cash and cash equivalents	\$ 323	\$ 79
Receivables and other	410	178
Development properties	4,812	1,508
Investment properties	<u>9,492</u>	<u>9,559</u>
	<u>\$ 15,037</u>	<u>\$ 11,324</u>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 408	\$ 246
Security deposits and prepaid rent	42	25
Mortgages payable	5,611	5,721
Distribution payable	275	156
Note payable	<u>206</u>	<u>206</u>
	<u>\$ 6,542</u>	<u>\$ 6,354</u>
<b>Revenue</b>	<b>September 30 2006</b>	September 30 2005
Property revenue	<u>\$ 1,155</u>	<u>\$ 1,132</u>
<b>Expenses</b>		
Property operating expenses	\$ 460	\$ 527
Mortgage interest	229	230
General and administrative expenses	<u>38</u>	
	<u>\$ 727</u>	<u>\$ 757</u>
<b>Cash flow</b>		
Funds from operations	<u>\$ 428</u>	<u>\$ 376</u>
Net cash from operating activities	<u>\$ 200</u>	<u>\$ 482</u>
Net cash from financing activities	<u>\$ (5,113)</u>	<u>\$ (434)</u>
Net cash from investing activities	<u>\$ 4,968</u>	<u>\$ (56)</u>

## **6.8 Annual Report 2005**

**All financial statements are audited unless stated otherwise.**

### **6.8.1 Financial results 2005**

#### **Operations**

Funds from operations for the last three months of 2005 (as restated) was \$3.8 million or \$0.05 per share compared to funds from operations of \$0.9 million in 2004 or \$0.02 per share. The increase in funds from operations in 2005 is due principally to the investment in the 11 European properties acquired June 1, 2005. The annual funds from operations in 2005 (as restated) were \$11.6 million compared to \$5.6 million for 2004.

Net earnings for the fourth quarter of 2005 (as restated) were \$45.1 million or \$0.60 per share compared to net earnings of \$3.6 million in the fourth quarter of 2004 or \$0.07 per share. For the year ended December 31, 2005, net earnings (as restated) are \$54.9 million or \$0.73 per share compared to \$23.0 million or \$0.47 per share in 2004. The revenue stream from the significant growth in property assets in mid 2005 will continue to positively impact net earnings and funds from operations in 2006.

#### **Portfolio**

Homburg Invest's office portfolio consists of 31 small to medium sized office buildings in Atlantic Canada, Alberta, British Columbia, the United States, Germany and The Netherlands with a total area of 1.8 million square feet. Fourth quarter revenue was \$5.3 million compared to \$4.0 million in 2004 while net operating income was \$3.5 million versus \$1.2 million in 2004. The Company's office buildings generated \$19.3 million total revenue in 2005 and \$12.0 million in net operating income. This compares to \$16.0 million total revenue in 2004 and \$7.9 million in net operating income, improvements on a year over year basis of 20.6% and 51.3% respectively and reflects the significant acquisition of European assets late in the second quarter of 2005. Overall occupancy in the office portfolio was 96% at December 31, 2005 (91% - 2004).

Homburg Invest's retail portfolio consists of 38 retail operations, including the Confederation Court Mall in Charlottetown, PEI, the Dartmouth Shopping Centre, and seven big box Zellers locations across Canada, having total rentable square footage of 1.6 million square feet. The retail rental revenue and net operating income for the fourth quarter on the properties held on December 31, 2005 have increased 23.2% and 22.2% respectively in the quarter over the same period in 2004. Quarter over quarter revenue and net operating income in the retail portfolio has remained stable and strong. For the full year 2005, retail rental revenue increased to \$16.9 million from \$15.8 million in 2004 while comparable net operating income increased to \$11.8 million from \$11.1 million – increases of 7.1% and 6.4% respectively. All new retail additions in 2005 contain tenancies operating on triple net leases. Overall occupancy in the retail portfolio was 97% at December 31, 2005 (98% - 2004).

Homburg Invest's residential portfolio is primarily located in Nova Scotia and New Brunswick and consists of 10 properties with 325 units as at December 31, 2005. The residential portfolio revenue stream and net operating income remains stable.

Net operating income for the fourth quarter of 2005 was \$368 thousand compared to \$362 thousand in the same period in 2004 while on a year to date basis net operating income was \$1.3 million compared to \$1.3 million in 2004.

The residential portfolio maintained a high overall average occupancy rate during 2005 and at December 31, 2005 the occupancy rate was 97% (97% - 2004).

Homburg Invest's industrial portfolio consists of 17 industrial buildings located in Canada, the US, Germany and The Netherlands with a total area of 4.7 million square feet. The Company's industrial buildings generated \$7.0 million total rental revenue in the fourth quarter of 2005 and \$6.8 million in net operating income compared to \$0.9 million total rental revenue in fourth quarter 2004 and \$0.8 million in net operating income. For all of 2005, revenue on the industrial properties grew by 473.9% to \$18.0 million while net operating income increased by 526.9% to \$17.3 million. The improvement in operations in 2005 over 2004 is a direct result of the 7 months operations for the 11 industrial properties acquired in Germany and The Netherlands on June 1, 2005. These properties will continue to have a very positive impact on revenue and net operating income in 2006. Overall occupancy in the industrial portfolio was 99% at December 31, 2005 (92% - 2004).

**Unrealized Valuation Changes**

As a result of independent third party appraisals and management estimates, aided by external analyses of the market completed in 2005, the unrealized valuation increase recorded was \$50.4 million compared to \$23.0 million in 2004. The Company's appraisal policy is to have a new independent appraisal completed on a regular basis with no property to go longer than three years without a new appraisal. As at December 31, 2005, 98.5% of the portfolio value has been subject to independent appraisal within the last three years.

**Other Income**

Other income amounted to \$952 thousand in the fourth quarter of 2005 compared to \$9 thousand in 2004. The most significant income items were \$330 thousand in gain on the Company's interest rate SWAP derivative instrument and a gain on the sale of a small commercial property in Dartmouth, Nova Scotia in the quarter. Total other income for the year ended December 31, 2005 amounted to \$5.8 million of which \$4.7 million was the gain realized on the sale of properties during the year and \$653 thousand was gained on our derivative instrument.

**Interest Expense**

Interest expense for the fourth quarter (as restated) was \$6.4 million in 2005, compared to \$3.4 million in the same period in 2004, an increase of \$3.0 million. For all of 2005, interest expense (as restated) totalled \$23.4 million versus \$14.0 million in 2004, an increase of \$9.4 million. In 2005, the Company capitalized acquisition, development and related costs of \$129.6 million (2004 - \$7.4 million) of which \$5.5 million (2004 - \$NIL) was interest capitalized to its land held for future development. Of the \$5.5 million, \$3.1 million represented borrowing costs incurred to September 30, 2005 which were previously recoverable under agreement with a related party. This agreement was amended during the fourth quarter retroactive to January 1, 2005. The Company's weighted average interest rate on real estate asset mortgage debt decreased to 4.06% from 7.04% at December 31, 2004. For the year ended December 31, 2005, Homburg Invest had total interest coverage (as restated) of 1.89 to 1 (total revenue less unrealized valuation changes, property operating expenses and general and administration expenses ÷ interest expense) and a debt to equity ratio (as restated) of 2.79 to 1 (mortgages, mortgage bonds and demand loans ÷ shareholders' equity).

**Amortization of Intangibles**

Amortization amounted to \$0.3 million in the fourth quarter of 2005, an increase over 2004's nil charge. This charge relates to the value of above market and below market leases being amortized on a straight line basis over the remaining term of the respective lease.

**General and Administration**

General and administrative expenses totalled \$4.2 million in 2005 compared to \$2.5 million in 2004. The major portion of the increase in general and administrative expenses over 2004 is directly related to higher asset management fees paid under our agreements with Homburg Canada Incorporated which increased \$1.0 million to a total of \$2.8 million to reflect the increased property asset base of the Company. Professional fees related to audit, accounting and reporting costs amounted to \$1.0 million in 2005 compared to \$0.4 million in 2004.

**Stock Based Compensation**

The Company uses the fair market value basis of accounting for stock based compensation. The Company has recorded as a charge against income \$1.1 million in the current year to fully reflect this stock option calculated cost related to the issuance of 1.6 million options at an exercise price of \$2.85 per share.

## Financial Condition

### Assets

Total assets grew from \$387.9 million at December 31, 2004 to \$1.1 billion at December 31, 2005 (as restated). The table below summarizes Homburg Invest's asset base.

	December 31 2005 (Millions) (as restated)	December 31 2004 (Millions) (as restated)
Cash, cash equivalents and restricted cash	\$ 76.1	\$ 41.7
Receivables and other	12.8	8.2
Long term investments	18.7	1.1
Intangible assets	9.9	
Deferred financing costs (as restated)	2.2	0.2
Investment and development properties	960.8	333.1
Currency guarantee receivable		3.6
	<u>\$ 1,080.5</u>	<u>\$ 387.9</u>

### Receivables and other

Receivables consist of \$2.3 million due from tenants which arise from the normal course of operations, \$2.0 million due from the Government of Canada for GST rebates on development projects; \$0.1 million in mortgage bond receivables which were collected after year end; \$4.5 million due from related parties of which \$2.6 million was repaid subsequent to year end; \$1.8 million in deferred rental receipts; and \$1.3 million in prepaid expenses.

### Long Term Investments

The long term investments are in Cedar Shopping Centers, Inc., a New York Stock Exchange listed REIT and represents approximately 0.2% of the outstanding shares and DIM Vastgoed NV, a Euronext Amsterdam listed company with properties in the southeastern United States. Our investment in DIM allows the company to control approximately 25% of the voting rights. Mr. Homburg is a Director of Cedar Shopping Centers, Inc.

### Intangible Assets/Liabilities

The business combination accounting relating to the recording of the German/Netherlands property transactions requires that the asset values be allocated to the physical assets acquired and intangible assets/liabilities resulting from an evaluation of the lease contracts compared to current market rental rates at the time of the acquisition. In 2005 it was determined that \$11.0 million of the purchase price of various acquisitions related to above market rental contracts and \$1.0 million related to amounts below market rental contracts and are recorded as respective assets and liabilities and will be amortized over the term of the appropriate leases. At December 31, 2005, as the result of amortization and the strength of the Canadian Dollar, the value of the intangible asset is \$9.9 million, and the intangible liability is \$0.8 million.

## Capital Structure

The table below summarizes Homburg Invest's capital structure.

	December 31 2005 (Millions) (as restated)		December 31 2004 (Millions) (as restated)	
Mortgage bonds payable	\$ 220.2	22.6%	\$ 135.8	38.0%
Mortgages and term loans payable	458.7	47.1%	117.9	33.0%
Construction financing	32.1	3.3%		
Derivative instrument liability	3.6	0.4%		
	<u>714.6</u>	<u>73.4%</u>	<u>253.7</u>	<u>71.0%</u>
Shareholders' equity	<u>259.5</u>	<u>26.6%</u>	<u>103.7</u>	<u>29.0%</u>
	<u>\$ 974.1</u>	<u>100.0%</u>	<u>\$357.4</u>	<u>100.0%</u>

### *Debt on Real Estate Assets*

Mortgages payable on revenue producing properties increased by \$340.8 million in 2005 from \$117.9 million to \$458.7 million as a result of new acquisitions in the year. New borrowings and debt assumptions amounted to \$402.1 million while \$16.6 million was applied to the mortgage debt as required under normal principal payments. The mortgages payable also reflect a \$45.3 million currency translation adjustment to reflect a stronger Canadian dollar in 2005.

On July 2, 2005 the Company issued €31.23 million in Series 6 Bonds and €31.23 million in Series 7 Bonds. The bonds mature on June 30, 2012 and call for interest only payments until maturity. The Company has entered into a guarantee arrangement on the bonds to maturity at a cost of 1.6% per annum until maturity. Under the term of the guarantee, the Company is protected from devaluation of the Canadian dollar against the Euro and has relinquished any appreciation rights which may arise on the future settlement of the Euro denominated bonds. The bonds bear interest at the rate of 7.5% and 7.25% per annum respectively, payable semi-annually in arrears in equal instalments on June 30<sup>th</sup> and December 31st in each year. The proceeds from these bonds are to complete the construction of the Homburg Harris Centre and Citadel West/Castello projects in Calgary, Alberta.

Subsequent to the issuance of the Series 1, 2, 4, 5, 6 and 7 mortgage bonds, the Canadian dollar has strengthened against the Euro to the extent of \$23.7 million at December 31, 2005, up from a negative \$3.6 million as at December 31, 2004. This improvement has been partially offset by a currency loss of \$4.6 million which arose on the holding of the Euro funds for a period after the issuance of the bonds. The final settlement of the currency asset or obligation will take place at the earlier of the retirement of the bonds or their scheduled maturity. As a result of the guarantee, there is no earnings impact related to changes in currency value of the bonds.

At December 31, 2005, the Company had two secured acquisition loan facilities totalling \$18.5 million available to it. At year end, no amount was outstanding against these lines. Interest is charged at market competitive rates for demand loans.

### *Construction Financing*

To December 31, 2005, the company had \$32.1 million in construction financing outstanding relating to our development projects in Alberta. This first mortgage secured financing will be replaced with conventional first mortgages upon completion of the applicable projects.

### *Derivative Instrument Liability*

The Bochum, Germany property issued an interest swap derivative instrument on June 1, 2004. At the time of acquisition by Homburg Invest Inc., interest rates in Germany decreased such that the fair market value of the debt related to the interest swap increased by €3.0 million (\$4.5 million). This liability was recorded as a derivative instrument liability with an offsetting increase in the assets acquired. For the three months ended December 31, 2005, there was an increase in interest rates in Germany which resulted in a recovery on the income statement of \$330 thousand in the fourth quarter. The derivative instrument liability of \$3.6 million at December 31, 2005 will be brought back into income over the remaining life of the fixed debt to October 2014.

### *Shareholders' Equity*

Homburg Invest's shareholders' equity (as restated) increased from \$103.7 million at December 31, 2004 to \$259.5 million at December 31, 2005. During 2005, 8.5 million new shares were issued from treasury for net proceeds to the Company of \$26.1 million. Of these amounts, 3.7 million shares and \$12.8 million were as a result of the Company's Dividend Reinvestment Plan. In addition 23.7 million shares were issued as part consideration of property acquisitions for a value of \$72.5 million. Net earnings (as restated) for the year amounted to \$54.9 million. In 2005, semi-annual dividends of \$0.08, and \$0.12 per share were paid in March and September respectively to the shareholders for total consideration of \$14.9 million. The Company's US operations, headquartered in Colorado Springs, Colorado and the European operations headquartered in Soest, The Netherlands, are considered to be self sustaining and they use the US dollar and Euro respectively for recording substantially all transactions. The accounts are translated on the consolidated books of the Company using the current rate method, whereby assets and liabilities are translated at period end exchange rates while revenues and expenses are converted using average annual translation rates. Losses resulting from the currency translations of the subsidiaries are deferred and included in the cumulative foreign currency translation account within shareholders' equity. At December 31, 2005, this account amounted to \$18.8 million, up from \$1.9 million in 2004. In addition, contributed surplus was increased by the recording of the stock option compensation of \$1.1 million. Appraisal increases of \$40.0 million related to properties under development were credited directly to shareholders' equity with a deferred income tax impact of \$7.0 million. The net asset value per share as of December 31, 2005 amounted to CAD 2.91.

### **Liquidity, Capital Resources and Capital Commitments**

In the normal course of its business, Homburg Invest has capital requirements for the principal component of mortgage payments, tenant improvements, capital expenditures and dividends to shareholders. Homburg Invest funds these requirements with new capital share issues, new mortgage bond issues and funds from operations; although in some cases expenditures and leasing costs are funded by the underlying mortgage or separate term debt. Capital expenditures totalled \$531.6 million in 2005. These acquisitions were financed by new first mortgage financing of \$0.8 million, notes payable of \$4.9 million, the assumption of \$399.0 million in debt, \$126.9 million in new shares and working capital.

### *Contractual Obligations*

	<i>Payments Due by Period (In thousands)</i>				
	<i>Total</i>	<i>Less than 1 year</i>	<i>1 – 3 Years</i>	<i>4 – 5 Years</i>	<i>After 5 years</i>
Long term debt	\$711,066	\$88,030	\$81,201	\$61,920	\$479,915
Capital lease obligations	NIL	NIL	NIL	NIL	NIL
Operating leases	\$351	\$117	\$169	\$65	NIL
Purchase obligations	\$29,946	\$29,946	NIL	NIL	NIL
Other long term obligations	NIL	NIL	NIL	NIL	NIL
Total contractual obligations	\$741,363	\$118,093	\$81,370	\$61,985	\$479,915

The Company intends to make all normal principal repayments over the term of each debt instrument and to renew the mortgages at maturity under terms similar to those currently in place.

For the quarter ended December 31, 2005 funds from operations were \$3.8 million and \$11.6 million for the 2005 year (as restated). Homburg Invest believes that funds from operations and \$18.5 million in credit lines available to it will be sufficient to fund near-term, nondiscretionary costs. The Company has successfully raised \$86.2 million, net of borrowing fees, through its Series 6 and 7 Bonds issued in July 2005. The Company intends to use these funds for the development of the Homburg Harris Centre in Calgary, Alberta and for Citadel West/Castello Towers. The Company continues to manage its capital resources to maximize its opportunities for growth.

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements. Related party transactions are separately disclosed in this Prospectus.

### Transactions with Related Parties

The Company is controlled by the Chairman and Chief Executive Officer through holding companies.

a) The Company has entered into agreements with companies commonly controlled by the Chairman and Chief Executive Officer to provide various services. A summary of the various revenues and expenses between related parties are as follows:

	<b>December 31 2005 (Thousands)</b>	<b>December 31 2004 (Thousands)</b>
Rental revenue earned	\$ (246)	\$ (716)
Asset management fees paid	\$ 6,360	\$ 2,058
Property management fees paid	\$ 1,833	\$ 1,727
Insurance paid	\$ 796	\$ 317
Service fees paid	\$ 438	\$ 353
Property acquisition fees/disposal fees paid	\$ 16,939	\$ 653
Mortgage bond guarantee fees paid	\$ 3,571	\$ 1,050
Demand loan interest and fees accrued	\$ 492	\$ 1,073
Mortgage bond issue costs	\$ 3,704	\$ 2,629

The transactions are recorded at exchange amounts.

b) The Company has approved a resolution authorizing the property manager, a company commonly controlled by the Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the Company.

c) Professional services of approximately \$254 thousand (2004 - \$265 thousand) were purchased from a firm and a corporation of which one (2004 – one) of the Company's directors are affiliated in 2005 and 2004.

d) The Company has entered into a guarantee arrangement for the principal and interest amounts of the mortgage bonds to maturity with a company under the control of the Chairman and Chief Executive Officer, wherein it is protected against fluctuations in the Canadian dollar and the Euro. The cost of this guarantee fee per annum until maturity is 1.5% on the Series 1 Bonds, 2.0% on the Series 2 Bonds and 1.6% on the Series 4, Series 5, Series 6 and Series 7 Bonds, which were current market rates at the time that the individual guarantees were entered into.

e) Included in accounts payable is a mortgage bond syndication fee in the amount of \$NIL (2004 – \$1.3 million) guarantee fees of \$NIL (2004 - \$561 thousand) and management fees of \$69 thousand (2004 – \$35 thousand) payable to companies commonly controlled by the Chairman and Chief Executive Officer.

f) The Company has purchased 6 inactive development companies from a company under the control of the Chairman and Chief Executive Officer at their net book value, which approximates fair market value of \$10 dollars each.

g) Included in receivables is \$4.5 million (2004 - \$1.6 million) from companies commonly controlled by the Chairman and Chief Executive Officer which are non interest bearing and have no set terms of repayment. Of this amount, \$2.6 million was repaid subsequent to year end.

h) The Company has obtained construction financing in the amount of \$ 4.1 million from a company controlled by the Chairman and Chief Executive Officer. This loan is interest only at a rate of 8%.

#### **Fourth Quarter 2005**

The operating results for the December 2005 quarter, cash flows and financial position of the Company were consistent with the budget approved by the Board of Directors. The fourth quarter results were previously described under the heading "Operations". Two new property acquisitions totaling approximately \$22.4 million were acquired in the fourth quarter.

#### **Proposed Transactions and Forward Looking Statements**

##### *Proposed Transactions*

As at February 11, 2006, there are three asset acquisition commitments. The acquisitions include land for development, existing real estate properties and six construction projects currently underway. The total purchase obligation committed to date of \$30.0 million is to be funded out of existing cash resources and the proceeds from specific mortgage bonds. Management continues to investigate real estate transactions and these are brought forward to the Board of Directors if and when it is determined that they are accretive to shareholder value to proceed with such acquisition.

##### *Forward Looking Statements*

The Company has raised net proceeds of \$86.2 million through bond issues in July 2005. As at December 31, 2005, the Company had applied \$33.0 million towards development of two specific projects, loaned \$11.3 million to other capital projects and \$41.9 million remained available at year end. It is the Company's intention to invest these funds in investment properties in 2006.

The Company is managing the funds to maximize its short term returns prior to redeployment of cash into new investment properties. The final impact on cash flow related to the servicing of these borrowings is NIL as the capitalized interest costs are funded from the borrowings and construction loans put in place to develop the properties.

#### **Critical Accounting Estimates**

##### *Cost Recoveries*

As a real estate company, Homburg Invest Inc. for the most part is able to match its costs and revenues on a cash basis with accruals being made at each quarter and year end to ensure that the costs recorded match the revenue streams of the properties. As most of the costs incurred on the commercial operations are cost recoveries from the tenants, the accounting systems of the Company are set up to provide the appropriate matching. Accounting estimates are made in such areas as property tax accruals and insurance accruals which are readily determinable based on historical costs or current changes in the marketplace. There are no cost estimates which are not reasonably determinable and therefore the Company is able to realistically report its accounting estimates.

##### *Allowance for Doubtful Accounts*

The outstanding receivables are reviewed and evaluated on a monthly basis. The allowance for doubtful accounts is adjusted based on this review. Historically the Company has not experienced significant credit losses.

These estimates result from the application of judgment and therefore are subject to uncertainty. The Company monitors these estimates on a continual basis.

#### **Financial Instruments and Other Instruments**

##### **Financial instruments**

The Company does not acquire, hold or issue derivative financial instruments for trading purposes.

Mortgages and mortgage bonds payable are the only long term financial instruments the Company holds. The mortgages have a fair value of \$488.4 million (2004 - \$123.1 million). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations until maturity. The fair value of the mortgage bonds is \$239.1 million (2004 - \$138.8 million).



The fair values of long term financial instruments are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential taxes and other transaction costs have also not been considered in estimating fair value.

The Company's short term financial instruments, comprising amounts receivable, cash, accounts payable, accrued liabilities and convertible note are carried at cost which, due to their short term nature, approximates their fair value.

### **Risk management**

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to minimize them are discussed below.

#### **a) Interest rate risk**

The assets and liabilities of the Company have fixed and floating interest rate components resulting in an exposure to interest rate movements. The Company has minimized its interest rate risk through a liability management policy. The Company allocates the maturity of its debt over a period of approximately 15 years. In addition, the Company has entered into interest rate swaps maturing in October 2014 in order to manage the impact of fluctuating interest rates on €35 million of its long term debt. Due to a reduction of interest rates in The Netherlands and Germany relative to Canada during the seven months ended December 31, 2005, the period for which the Company had European operations, the impact on the income statements is a gain of \$653 thousand.

#### **b) Credit risk**

The Company's principal assets are commercial and residential buildings. Credit risk arises from the possibility that tenants may not fulfill their lease obligations. The Company mitigates this credit risk by performing credit checks on prospective tenants and ensuring that its tenant mix is diversified.

#### **c) Currency risk**

Currency risk arises from debt or expenses denominated in US Dollars or Euros. The Company mitigates a portion of its currency risk of mortgage bonds denominated in Euros through a guarantee agreement. Currency risk for other amounts denominated in US Dollars and Euros is mitigated by US Dollar and Euro revenue streams from property rentals.

In support of the currency guarantee the related party has arranged an arms length credit facility agreement.

#### **d) Environmental Risk**

As owner and manager of real estate, Homburg Invest is subject to various United States, European and Canadian federal, provincial, state and municipal laws relating to environmental matters. These laws could hold the Company liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell its real estate or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against the Company. Homburg Invest is not aware of any material non-compliance with environmental laws at any of its properties. The Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. The Company has policies and procedures to review and monitor environmental exposure, and has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on its business, financial condition or results of operation.

### **Other Requirements**

(a) Additional information relating to Homburg Invest, including our Annual Information Form (AIF) is on our website at [www.homburginvest.com](http://www.homburginvest.com) and at SEDAR at [www.sedar.com](http://www.sedar.com).

(b) Canadian Securities Administrators (CSA) National Instrument 51-102, Section 5.4 Disclosure of Outstanding Share Data. As at December 31, 2005, Homburg Invest was authorized to issue an unlimited number of Class A Subordinate Voting Shares, an unlimited number of Class B Multiple Voting Shares and an unlimited number of Class A and B Preferred shares, issuable in series, with rights and privileges to be

determined upon issue. On that date, 57,818,000 Class A Subordinate Voting Shares and 30,845,000 Class B Multiple Voting Shares were issued for a recorded value of \$161,670. To February 11, 2006 100,000 Class A Subordinate Voting Share options were exercised by the holder of the options for total proceeds to the Company of \$285 thousand.

## **2006 Outlook**

Our 2004 outlook for 2005 was to focus on new property acquisitions through purchases of new assets. Our objective was to grow our asset base by at least an additional \$200 million to \$450 million. The financial statements show that our investment properties grew to \$777.3 million by year end, an increase of \$454.3 million net of dispositions. In June of 2005, the Company acquired a significant portfolio of real estate in Germany and The Netherlands for approximately \$487 million that has had a major impact on the Company's operations.

The Company's philosophy is that we will not acquire assets unless they enhance shareholder value. As the price of acquisitions has increased over the last few years due to the lowering of capitalization rates to determine prices, the Company has moved in the direction of acquiring land for development and existing properties for redevelopment. This we believe will significantly grow the asset base of the Company in 2006 and beyond and will provide superior returns to the shareholders that are currently not available through direct acquisitions. The Company has commenced development of the Homburg Harris Centre in downtown Calgary, which at 630,000 square feet of office space, is the largest development in our company's history and management believes will be our most successful.

In 2006 to 2008 the Company intends to commence development on the infrastructure of the Homburg Springs property acquired in 2004 and the Homburg Springs West property acquired in 2005 which will lead to the construction of up to 4,200 homes and 350,000 square feet of commercial space over a 7 to 10 year period. The total developed value of this project is anticipated to be \$1.5 billion. These and other properties, developed and to be developed, will directly enhance the earnings of the company and the returns to be paid to the shareholders. It is always the company's position that increased profits and values for properties should be paid out to our owners as it is their invested capital that allows the company to grow.

At the February 11, 2006 Director's Meeting, it was decided to proceed with the payment of the semi-annual dividend at March 31, 2006 of \$0.12 per share. However, in consideration of the excellent funds from operations being generated and the significant opportunities for future profits from our development projects, the Directors have passed a resolution to increase the annual dividend to \$0.36 commencing with the first semi-annual dividend of \$0.18 being paid to shareholders on September 30, 2006. This represents the fourth increase in the semi-annual dividend rate since dividends commenced in September 2004. This dividend can be taken in cash, in new shares of the Company through our Dividend Reinvestment Plan or in a combination of shares and cash. The declaration of this dividend illustrates the faith that management and the Board of Directors have in its strategic plan which will allow the earnings to be realized through operations, sales of specific assets and redevelopment opportunities and paid out as dividends in 2006 and the years beyond.

The Company is currently looking at investment prospects in Europe and the United States to take advantage of opportunities that make themselves available in those much larger real estate markets. With Mr. Homburg's extensive experience in Europe with Uni-Invest N.V. and in the United States as a Director of Cedar Shopping Centers, Inc., the Board of Directors of Homburg Invest has modified its strategic planning approach to look at having its real estate in three market areas. One-third will be in Canada, one-third in the United States and one-third in Europe. Mr. Homburg's broad knowledge in each of these marketplaces and his contacts within the investment communities will serve the Company well as we move to grow the asset base and profitability of the Company.

The Company invests in real estate for the long term, however, real estate is a commodity and the Company is evaluating each of its properties to determine if the optimum value of certain assets may be realized through a disposition. The Company will monitor this and determine the most appropriate action to take over the coming year. It would not be the Company's intention to liquidate more than 5% of its real estate in any one period unless exceptional circumstances arose except for properties developed for immediate resale purposes as stated above.

The Company continues to release its results under International Financial Reporting Standards (IFRS) as well as under Canadian Generally Accepted Accounting Principles ("GAAP"). The GAAP statements are available to any reader of these financial statements.

Homburg Invest continues to look at a number of opportunities in the Canadian, European and US marketplace as our strong entrepreneurial management team demonstrates the willingness and abilities to adapt to changes in the real estate market environment.

## 6.8.2 Consolidated balance sheet

CAD thousands except per share amounts  
As at December 31

	2005 (As restated note 30)	2004 (As restated note 30)
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 34,185	\$ 31,258
Receivables and other (Note 9)	12,797	8,189
Long term investments (Note 10)	18,677	1,086
Intangible assets (Notes 3 & 8)	9,910	
Restricted cash (Note 7)	41,874	10,464
Deferred financing costs, net of accumulated amortization of \$ 153 (2004 - \$ 98)	2,253	269
Development properties (Notes 3 & 6)	183,485	10,087
Investment properties (Notes 3 & 5)	777,306	322,950
Currency guarantee receivable (Note 14)		3,626
	<u>\$ 1,080,487</u>	<u>\$ 387,929</u>
<b>Liabilities</b>		
Accounts payable and other liabilities (Note 13)	\$ 42,632	\$ 7,262
Derivative instrument liability (Notes 3 & 17)	3,583	
Intangible liabilities (Notes 3 & 8)	829	
Mortgage bonds payable (Note 14)	220,202	135,801
Mortgages payable (Note 11)	458,749	117,941
Construction financing (Note 12)	32,115	
Deferred income taxes (Note 16)	62,911	23,266
	<u>821,021</u>	<u>284,270</u>
<b>Shareholders' Equity</b> (Note 15)	<u>259,466</u>	<u>103,659</u>
	<u>\$ 1,080,487</u>	<u>\$ 387,929</u>
Commitments (Note 20)		
Contingent liability (Note 21)		
Indemnities (Note 22)		
Subsequent events (Note 23)		

Approved by the Board of Directors, February 11, 2006

Richard Homburg, Phzn., D. Comm  
Director

Edward P. Ovsenny  
Director

See accompanying notes to these consolidated financial statements prepared under  
International Financial Reporting Standards

### 6.8.3 Consolidated statement of earnings

CAD thousands except per share amounts  
For the year ended December 31

	<u>2005</u> (As restated note 30)	<u>2004</u> (As restated note 30)
Property revenue	\$ 56,743	\$ 37,414
Unrealized valuation changes	50,387	22,951
Realized valuation changes	4,693	150
Gain on derivative instrument	653	
Other income	430	75
	<hr/> 112,906	<hr/> 60,590
Interest on mortgages and mortgage bonds	23,349	13,983
Property operating expenses	14,230	14,282
Stock based compensation	1,143	
General and administrative	4,244	2,500
Foreign exchange loss	271	
Amortization	340	47
Interest on notes payable		327
	<hr/> 43,577	<hr/> 31,139
Earnings before income taxes	69,329	29,451
Income taxes (Note 16)	14,468	6,457
Net earnings	<hr/> \$ 54,861	<hr/> \$ 22,994

#### Earnings per share (Note 19)

##### Basic

Common		\$ 0.47
Class A	\$ 0.73	
Class B	\$ 0.73	

##### Diluted

Common		\$ 0.46
Class A	\$ 0.72	
Class B	\$ 0.72	

See accompanying notes to these consolidated financial statements prepared under  
International Financial Reporting Standards

#### 6.8.4 Consolidated statement of cash flows

CAD thousands except per share amounts  
For the year ended December 31

	2005 (As restated note 30)	2004 (As restated note 30)
Cash obtained from (used for)		
<b>Operating activities</b>		
Net earnings	\$ 54,861	\$ 22,994
Adjustments for:		
Realized valuation change	(4,693)	(150)
Deferred rental income	(1,046)	(806)
Unrealized valuation change	(50,387)	(22,951)
Deferred and capital taxes	11,773	6,457
Stock based compensation	1,143	
Amortization	340	47
Gain on derivative instrument	(653)	
Foreign exchange loss	271	
Funds from operations	<u>11,609</u>	<u>5,591</u>
Change in non-cash working capital		
Receivables and others	(3,661)	(14)
Accounts payable and other liabilities	15,281	(281)
Deferred financing costs	(2,039)	(96)
Net cash from operating activities	<u>21,190</u>	<u>5,200</u>
<b>Investing activities</b>		
Investment in investment properties	(54,450)	(39,881)
Proceeds on disposal of investment properties	75,707	1,282
Increase in restricted cash	(31,410)	(9,008)
Proceeds on sale of investments	3,331	
Purchase of investments	(21,061)	
Investment in development properties	(135,293)	
Net cash used in investing activities	<u>(163,176)</u>	<u>(47,607)</u>
<b>Financing activities</b>		
Increase (decrease) in demand loans payable	13,969	(6,378)
Decrease in mortgages payable	(16,617)	(5,138)
Increase in mortgages payable for new debt	28,784	12,800
Proceeds from mortgage bonds	91,066	61,535
Redemption of common shares		(703)
Issue of common shares	13,380	11,938
Dividends paid	(14,916)	(482)
Increase in related party receivable	(2,868)	(1,664)
Proceeds from construction financing	32,115	
Net cash from financing activities	<u>144,913</u>	<u>71,908</u>
Increase (decrease) in cash and cash equivalents	2,927	29,501
<b>Cash and cash equivalents, beginning of year</b>	<u>31,258</u>	<u>1,757</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 34,185</u>	<u>\$ 31,258</u>

Supplemental cash flow information (Note 24)

See accompanying notes to these consolidated financial statements prepared under  
International Financial Reporting Standards

## 6.8.5 Consolidated statement of changes in equity

CAD thousands except per share amounts

For the year ended December 31

	Revaluation Surplus	Share Capital	Contributed Surplus	Cumulative Foreign Currency Translation Account	Retained Earnings (As restated note 30)	Total (As restated note 30)
<b>Balance, December 31, 2003 as previously reported</b>	\$	\$ 48,547	\$ 159	\$ (1,361)	\$ 22,705	\$ 70,050
Change in accounting policy (note 30)					144	144
As restated		48,547	159	(1,361)	22,849	70,194
Net earnings for the year					22,994	22,994
Premium on share redemption		(486)	(159)		(58)	(703)
Exercise of options		108				108
Purchase of assets		250				250
Private placements		11,830				11,830
Dividend Reinvestment Plan		2,786				2,786
Dividends					(3,268)	(3,268)
Current period foreign currency reserve for foreign self sustained operations				(532)		(532)
<b>Balance, December 31, 2004</b>	\$	\$ 63,035	\$ -	\$ (1,893)	\$ 42,517	\$ 103,659
Net earnings for the year					54,861	54,861
Exercise of options		1,256				1,256
Issue costs		(415)				(415)
Private placements		12,539				12,539
Acquisitions		72,482				72,482
Dividend Reinvestment Plan		12,773				12,773
Stock Based compensation			1,143			1,143
Dividends					(14,916)	(14,916)
Revaluation surplus	39,953					39,953
Deferred taxes	(6,959)					(6,959)
Current period foreign currency reserve for foreign self sustained operations				(16,910)		(16,910)
<b>Balance, December 31, 2005</b>	\$ 32,994	\$ 161,670	\$ 1,143	\$ (18,803)	\$ 82,462	\$ 259,466

See accompanying notes to these consolidated financial statements prepared under  
International Financial Reporting Standards

## **6.8.6 Notes to the financial statements 2005**

### **1. Basis of financial statement presentation**

These consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as Homburg Invest Inc. (the "Company") has a significant number of European shareholders who normally receive financial statements prepared under IFRS. As the Company is a Canadian Resident Corporation it is also required to prepare a separate set of financial statements under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The most significant financial differences between the IFRS and Canadian GAAP statements are that while the IFRS statements reflect the investment properties and development properties at fair value and are without depreciation charges, the Canadian GAAP financial statements record the investment property at historical cost less accumulated depreciation. In addition investments in certain financial instruments are recorded at fair value under IFRS and deferred charges related to leasing fees have been recorded as an asset in the Canadian GAAP financial statements and will be charged to expense over the period of the related lease. These charges are written off in the year of incurrence under IFRS.

### **2. Nature of operations**

Homburg Invest Inc. a corporation incorporated under the laws of Alberta, Canada, is listed on Toronto Stock Exchange ("TSX"). The Class A Subordinate Voting Shares trade under the symbol "HIL.SV.A" and the Class B Multiple Voting Shares trade as "HIL.MV.B". (Note 23 d)

The principal place of business is 1741 Brunswick Street, Suite 600, Halifax, Nova Scotia, Canada.

The Company and its subsidiaries lease, build and sell commercial and residential real estate interests located in Canada, Germany, The Netherlands, and The United States of America.

### **3. Summary of significant accounting policies**

The Company's accounting and reporting policies conform to International Financial Reporting Standards. These standards are summarized as follows:

#### **a) General and consolidation**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The Company's accounting policies and its financial disclosures are in accordance with the recommendations of the International Accounting Standards Board (IASB).

For 2005 and 2004, these consolidated financial statements include the accounts of the Company's wholly owned subsidiaries; Homburg ShareCo Inc., Homburg Invest (USA) Limited, and Homburg (US) Incorporated, which are Canadian companies incorporated in the Province of Nova Scotia and Homburg Holdings (US) Inc., which is incorporated in the State of Colorado. New wholly owned subsidiaries added during 2005 include; Blackfoot Development Ltd., Homburg Harris Development Ltd., Citadel West Development Ltd., Churchill Estates Development Ltd., Inverness Estates Development Ltd., High River Development Ltd., CP Development Ltd., Homburg Kai Development Ltd. and Holland Gardens Development Ltd., which are Canadian companies incorporated in the Province of Alberta and Homburg Holding (NETH) Beheer B.V. which is incorporated in The Netherlands.

In addition the Company's fifty-seven (2004 – thirty-eight) wholly owned limited partnerships and seven partially owned limited partnerships, which operate commercial and residential rental properties, are accounted for using consolidation or proportionate consolidation as appropriate. Four of these wholly owned limited partnerships own corporate structures.



**b) Properties**

- i) Investment properties held are carried at fair value.

The Company has adopted application of IAS-40 Investment Property, and has chosen the Fair Value method of presenting its investment properties in the financial statements.

The fair value of investment properties is based on valuations by a combination of independent appraisers and management estimates plus any capital additions since the date of the most recent appraisal. Appraisals are performed on a three year rotating basis unless market conditions warrant more frequent appraisals. Management regularly undertakes a review of its investment property revaluation between appraisal dates to assess the continuing validity of the underlying value assumptions such as cashflow and capitalization rates. These assumptions are tested against market information obtained from independent industry experts. Where increases or decreases are warranted, the company adjusts the carrying values of its investment properties. Included in the values at December 31, 2005 are unrealized fair value increases totaling \$50,387 (2004 - \$22,951) in excess of values determined by independent appraisals. The effective date of the revaluation is December 31, 2005 and 87% (2004 - 64.2%) of the portfolio value has been subject to independent appraisal or arms length acquisition within the last three years.

- ii) Development properties consist of properties which are under construction or in a major repositioning program. The Company applies the recommendations of IAS 16 - Property, Plant and Equipment, and has chosen the Revaluation Model for presenting the value of its development properties in the financial statements. Under this model, all development properties are carried at fair value except to the extent that fair value cannot be measured reliably, in which case they are carried at cost including pre-development expenditures. Revaluations are made on a regular basis using methods consistent with those for investment properties. Included in the development property values at December 31, 2005 is a revaluation surplus of \$39,953 (2004 - NIL) as determined by independent appraisals. The effective date of the revaluation is December 31, 2005. The revaluation surplus included in shareholders' equity has been reduced by a provision for deferred income taxes of \$6,959 (2004 - NIL).

Any increase on revaluation is recognized in equity as a revaluation surplus. However, the increase is recognized in earnings to the extent that it is reversing a revaluation decrease of the same property previously recognized in earnings.

Any decrease on revaluation is recognized in earnings. However, the decrease is recognized in equity to the extent that it is reversing a revaluation increase of the same property previously recognized in equity.

Upon disposal of a property, any revaluation surplus remaining in equity is transferred to retained earnings without affecting earnings.

**c) Capitalization of costs**

- i) The Company capitalizes investment property acquisition costs incurred at the time of purchase.
- ii) For development properties, the Company capitalizes all direct expenditures incurred in connection with the acquisition, development, construction, and initial predetermined leasing period. These expenditures consist of all direct costs and borrowing costs on debt directly attributable to a specific property, including borrowing costs incurred on the debt prior to the full utilization of the debt for the project. Borrowing costs are offset by any interest earned by the Company on borrowed funds prior to utilization. The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Income relating directly to development properties during the development period is treated as a reduction of capitalized costs.

**d) Revenue recognition**

Management has determined that all of the Company's leases with its various tenants are operating leases. Minimum rents are recognized on a straight-line basis over the terms of the related leases. The excess of rents recognized over amounts contractually due is included in deferred rental receipts on the Company's balance sheet. The leases also typically provide for tenant reimbursements of common area maintenance, real estate taxes and other operating expenses, which are recognized as revenue in the period earned.

Gains and losses from the sale of properties are recorded when the collection of the sale proceeds is reasonably assured, and all other significant conditions respecting rights and ownership are met. Properties which have been sold, but for which these criteria have not been satisfied, are included in properties held for resale. There were no such properties at December 31, 2005 and 2004.

The Company follows the provisions of IAS 40 and accounts for its investment property using the fair value model and records any unrealized valuation changes as income (expense) in the year of the valuation change.

**e) Income taxes**

The Company follows the tax liability method for determining income taxes. Under this method, future tax assets and liabilities are determined according to differences between their respective carrying amounts and tax bases. Deferred tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse. Adjustments to these balances are recognized in earnings as they occur.

**f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

**g) Foreign currency**

Operations outside of Canada are considered to be self sustaining and use their primary currency for recording substantially all transactions. The accounts of self sustaining foreign subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at period end exchange rates while revenues and expenses are converted using average translation rates. Gains and losses arising on translation of these subsidiaries are deferred and included in the cumulative foreign currency translation account within shareholders' equity.

**h) Stock options and contributed surplus**

The Company has a stock-based compensation plan which is described in Note 15 d. The Company accounts for its grant under this plan in accordance with the fair value based method of accounting for stock based compensation. The compensation cost that has been charged against income in 2005 was \$1,143 (2004 - Nil).

**i) Use of estimates and measurement uncertainty**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Significant estimates made by management include future cash flows and capitalization rates used in determining fair value of investment and development properties. Actual results could materially differ from those estimates.

**j) Portfolio and long term investments**

Portfolio investments are carried at fair value.

**k) Amortization of intangibles**

The values of the above market and below market leases are amortized to rental income on a straight line basis over the remaining term of the respective lease.

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

CAD thousands except per share amounts

**l) Derivative financial instruments**

The Company has entered into interest rate swaps in order to manage the impact of fluctuating interest rates on certain of its long term debt. The current interest rate swaps do not qualify for hedge accounting and are adjusted to market and recognized in earnings in the reporting period.

**m) Deferred financing costs (note 30)**

The Company follows a policy of capitalizing the costs associated with obtaining long term financing. These costs are being amortized on a straight line basis over the term of the related debt.

**4. Business acquisitions**

On June 1, 2005 the Company acquired a portfolio of 11 commercial real estate properties in Germany and The Netherlands by way of a combination of share and asset purchases. The results of the portfolio's operations have been included in the consolidated financial statements since that date. The portfolio consists of office, retail and industrial facilities.

On December 15, 2005 the Company entered into an amendment of the June 1, 2005 agreement with the vendors which adjusted the purchase price allocation by \$2,820.

The amended net assets were financed by \$34,903 of cash and Class A Subordinate Voting Shares valued at \$70,112. The value of the 23,371,000 Class A Subordinate Voting Shares issued was determined based on the market price of the Company's Class A Subordinate Voting Shares when the terms of the acquisition were agreed upon.

On December 16, 2005 the Company acquired a property located in Amersfoort, The Netherlands which comprises of an office building, warehouse building, parking spaces, and a storage building. The net assets were acquired by way of \$1,476 of cash.

On December 21, 2005 the Company acquired a property located in 't Harde, The Netherlands which comprises of factory space with office and secure storage. The net assets were acquired by way of \$3,448 of cash and shares valued at \$2,348. The value of the 359,804 Class A Subordinate Voting Shares issued was determined based on the market price of the Company's Class A Subordinate Voting Shares when the terms of the acquisition were agreed upon.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

	Germany/ Netherlands	Amersfoort	't Harde
Investment properties	\$ 487,677	\$ 8,893	\$ 13,426
Intangible assets	8,344		2,656
Tax receivable		38	72
Notes receivable	363		
	<u>496,384</u>	<u>8,931</u>	<u>16,154</u>
Mortgages payable	356,029	6,905	10,358
Deferred income taxes	27,762		
Convertible promissory notes (Note 13)	1,878		
Derivative instrument liability	4,518		
Tax payable		36	
Intangible liabilities	669	327	
Deferred rental revenue	513	187	
	<u>391,369</u>	<u>7,455</u>	<u>10,358</u>
<b>Net Assets acquired</b>	<b>\$ 105,015</b>	<b>\$ 1,476</b>	<b>\$ 5,796</b>

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

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The allocation of the purchase price reflects changes made to the original estimates as previously reported. On a pro forma basis, had the June 1, 2005 transaction taken place at the beginning of the year, Revenue would be higher by \$15,450 and Earnings before taxes would be higher by \$7,775. The potential impact of the December 2005 acquisitions is not determinable.

**5. Investment properties**

	<u>2005</u>	<u>2004</u>
Balance, beginning of period	\$ 322,950	\$ 270,570
Deductions:		
Disposals	(59,877)	(1,196)
Cumulative currency translation adjustment	(67,739)	(2,557)
Additions:		
Acquisition through purchases, plus capitalized costs on acquisition	531,336	30,527
Capitalized costs of properties	249	2,655
Unrealized valuation changes	<u>50,387</u>	<u>22,951</u>
Balance, end of period	\$ <u>777,306</u>	\$ <u>322,950</u>

In 2005 investment properties were acquired at an aggregate cost of \$531,585, and five properties valued at \$59,877 were disposed of resulting in a realized valuation change of \$4,693. The acquisitions were financed by the assumption of debt and other liabilities in the amount of \$404,653, the issue of Class A Subordinate Voting Shares of \$72,482 and cash of \$54,450.

In 2004 capital assets were acquired at an aggregate cost of \$39,517. The acquisitions were financed by new debt of \$12,800, the assumption of debt totalling \$483, the issue of \$250 in Common shares and cash of \$25,984.

If the properties had not been revalued, the carrying amount of properties at depreciated historic cost would be \$682,476, (2004- \$249,316).

**6. Development properties**

	<u>2005</u>	<u>2004</u>
Land held for future development	\$ 111,225	\$ 8,752
Property under construction	<u>72,260</u>	<u>1,335</u>
	\$ <u>183,485</u>	\$ <u>10,087</u>

In 2005, the Company capitalized acquisition, development and related costs of \$135,293 (2004 - \$7,437) of which \$5,524 (2004 - \$NIL) was interest capitalized to its land held for future development. Of this amount, \$3,080 represented borrowing costs incurred to September 30, 2005 which were previously recoverable under agreement with a related party. This agreement was amended during the fourth quarter retroactive to January 1, 2005. Also during 2005 \$1,848 (2004 - \$24,428) of completed projects were reclassified to investment properties.

**7. Restricted cash**

Restricted cash includes deposits on real estate properties, security on Homburg mortgage bond 1, refundable commitment fees, and security deposits and investment deposits (Note 23f).

**8. Intangible asset and liability**

Intangible assets are composed of the value of above market leases and lease origination costs for real property acquisitions and are net of accumulated amortization of \$368 (2004 - NIL).

Intangible liabilities are composed of the value of below market leases for income property acquisitions and are net of accumulated amortization of \$83 (2004 - NIL).

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

CAD thousands except per share amounts

<b>9. Receivables and other</b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Trade receivables	\$ 4,965	\$ 1,793
Related party receivable (Note 18g)	4,532	1,664
Deferred rental receipts (Note 3d)	1,852	806
Prepays	1,265	775
Mortgage bond receivable	112	3,151
Portfolio investments	<u>71</u>	<u></u>
	<b>\$ 12,797</b>	<b>\$ 8,189</b>

**10. Long term investments**

The Company holds 50,000 (2004 - 50,000) common shares of Cedar Shopping Centres, Inc. ("Cedar") a real estate investment trust listed on the New York Stock Exchange (NYSE: CDR) at a cost of \$1,086. The market value of this portfolio investment at December 31, 2005 was \$846 (2004 - \$861).

The Company holds 726,135 (2004 - NIL) deposit receipts representing shares of DIM Vastgoed N.V. ("DIM"), a real estate investment company listed on the Euronext Amsterdam Stock Exchange. The investment has a cost of \$17,800 and a market value of \$18,034 on December 31, 2005. Subsequent to year end the Company acquired additional shares of DIM as disclosed in Note 23. The Company has a price guarantee clause attached to the acquisition of DIM shares, which is effective until March 31, 2006, and may result in additional costs being paid for the shares currently owned and the shares acquired after year end. No provision has been made in these financial statements for this price guarantee. The Company will continue to monitor the potential for significant influence over DIM, which if present would result in the equity method of accounting for the investment from that time forward.

<b>11. Mortgages payable</b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Fixed and variable rate mortgages, various maturities from 2006 to 2020, weighted average interest rate of 4.055% as at 2005 (2004 - 7.04%). As security for those mortgages, the Company has pledged all investment properties, and an assignment of specific rents receivable.	\$ 383,322	\$ 117,941
Mortgages presently matured and being refinanced	<u>75,427</u>	<u></u>
	<b>\$ 458,749</b>	<b>\$ 117,941</b>

Principal installments are payable as follows:

	<b><u>Normal Principal Installments</u></b>	<b><u>Principal Maturities</u></b>	<b><u>Total</u></b>
2006	\$ 10,780	\$ 77,250	\$ 88,030
2007	9,041	53,920	62,961
2008	8,885	9,355	18,240
2009	29,732	1,522	31,254
2010	7,456	3,210	10,666
Subsequent years	<u></u>	<u></u>	<u>247,598</u>
	<b>\$ 65,894</b>	<b>\$ 145,257</b>	<b>\$ 458,749</b>

Included in mortgages payable are USD \$10,013 (CAD \$11,675) and EUR €258,760 (CAD \$357,371) of mortgage obligations (2004 - USD \$14,571 (CAD \$17,556)). The non-CAD denominated debt is translated at period end exchange rates.

It is the Company's intention to seek renewals of the principal maturities at market rates.

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

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**12. Construction financing**

The Company has arranged construction financing for its development properties. Terms of this financing range from fixed 8% interest to prime + 1 1/4%. The Company has pledged its development properties as security. Upon completion of the properties it is the Company's intention to seek long term financing at available market rates. Included in the balance is financing from related parties totalling \$13,978.

<b>13. Accounts payable and other liabilities</b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Trade payables (Note 18e)	\$ 17,533	\$ 5,609
Demand loan	13,969	
Income taxes payable	2,844	527
Notes payable	2,376	
Security deposits	1,665	79
Convertible promissory notes	1,642	
Long term payable	1,440	
Prepaid rents	<u>1,163</u>	<u>1,047</u>
	<b>\$ 42,632</b>	<b>\$ 7,262</b>

The Company has issued five 5.33% promissory notes totaling €6,189 (\$9,778) as part of the acquisition outlined in Note 4 that are convertible to Class A Subordinate Voting Shares at the option of the Company, based on the average trading price for the Class A Subordinate Voting Shares for the five business days prior to May 31, 2006. In the fourth quarter of 2005, the Company converted four 5.33% promissory notes totaling €5,000 (\$7,900) into 1,693,333 Class A Subordinate Voting Shares valued at \$5,080 and \$2,820 representing a price adjustment on the original June 2005 transaction.

The long term payable represents a bonus to be paid on a scheduled development project upon the earlier of: the completion of a specific construction project, sale of the related property or June 30, 2008. The bonus is payable in Class A Subordinate Voting Shares with the number of shares determined based on share value on the due date.

Demand loan payable bearing an interest rate of US base rate + 1% secured by a specific cash balance included in restricted cash.

<b>14. Mortgage bonds payable</b>	<b><u>2005</u></b>	<b><u>2004</u></b>
HMB Series 1 Bonds	\$ 4,420	\$ 4,420
HMB Series 1 Bonds	13,680	16,283
HMB Series 2 Bonds	41,433	49,314
HMB Series 4 Bonds	27,636	32,892
HMB Series 5 Bonds	27,636	32,892
HMB Series 6 Bonds	43,132	
HMB Series 7 Bonds	<u>43,132</u>	
	<b>201,069</b>	<b>135,801</b>
Currency guarantee payable (receivable)	<u>19,133</u>	<u>(3,626)</u>
	<b>\$ 220,202</b>	<b>\$ 132,175</b>

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

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<u>Bond Series</u>		<u>Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
HMB1	CAD	\$ 4,420	December 16, 2002	10%	December 15, 2009
HMB1	EUR	€ 9,905	December 16, 2002	8.5%	December 15, 2009
HMB2	EUR	€30,000	April 26, 2003	7.5%	April 25, 2010
HMB4	EUR	€20,010	December 1, 2004	7.5%	November 30, 2011
HMB5	EUR	€20,010	December 31, 2004	7.5%	December 31, 2011
HMB6	EUR	€31,230	July 2, 2005	7.5%	June 30, 2012
HMB7	EUR	€31,230	July 2, 2005	7.25%	June 30, 2012

All Bonds call for interest only payments until maturity and the interest is payable semi-annually in equal installments on June 30 and December 31 in each year.

The Company has entered into guarantee arrangements on all series of Bonds to maturity with a company under the control of the Chairman and Chief Executive Officer. Under the terms of the guarantee, the Company is protected from devaluation of the Canadian dollar against the Euro, to a maximum limit equal to the face value of each Bond, and has relinquished any appreciation rights which may arise on the future settlement of its Euro denominated Bonds.

The Bonds which are recorded at the prevailing exchange rate at December 31, 2005 reflect a decrease of \$19,133 (2004 increase of \$3,626) in principal amount representing the increase (2004 decrease) in the Canadian dollar versus the Euro since the Bonds were issued. This \$19,133 decline (2004 \$3,626 increase) has been offset by the currency guarantee which has been netted against the bond (2004 - asset).

The final settlement of the currency guarantee asset or obligation will take place at the earlier of the retirement of the bonds or their scheduled maturity. As a result of the guarantee, there is no earnings impact related to changes in currency value of the Bonds.

All Bonds are secured by a first or second charge over specific assets and a corporate guarantee of the Company.

The Company has the option to redeem the Series of Bonds at their face value anytime subsequent to the fifth anniversary of the issue of the Bonds.

Required principal repayment in the absence of any redemptions by the Company will be Nil for the next three years, \$20,000 in 2009, and \$47,490 in 2010.

**15. Shareholders' equity**

	<u>2005</u>	<u>2004</u>
Share capital (a)	\$ 161,670	\$ 63,035
Contributed surplus (c)	1,143	
Cumulative currency translation adjustment (e)	(18,803)	(1,893)
Retained earnings	82,462	42,517
Revaluation surplus	32,994	
	<u>\$ 259,466</u>	<u>\$ 103,659</u>

**a) Share capital**

The Company is authorized to issue an unlimited number of Class A Subordinate Voting Shares ("Class A"), an unlimited number of Class B Multiple Voting Shares ("Class B"), an unlimited number of Class A Preferred Shares ("Preferred"), issuable in series and an unlimited number of Class B Preferred Shares ("Preferred"), issuable in series.

Holders of Class A shares shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Company, voting together with holders of Class B shares, except for meetings at which only holders of a specified class or series are entitled to vote. Class A shares shall be entitled to one vote for each Class A share held.

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

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Holders of Class B shares shall be entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Company, voting together with holders of Class A shares, except for meetings at which only holders of a specified class or series are entitled to vote. Class B shares shall be entitled to 25 votes for each Class B share held.

Class A shares will be convertible into Class B shares in certain limited circumstances involving offers made to all or substantially all of the holders of Class B shares.

Dividends are payable on Class A shares and Class B shares when declared by the Board of Directors. The Class A and Class B shares rank equally in dividend eligibility.

Preferred shares may be issued from time to time on one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution prior to issuance. Preferred shares are non voting and rank in priority to the Class A and Class B shares with respect to dividends and distribution upon dissolution. No Preferred Shares have been issued.

The following table sets forth the particulars of the issued and outstanding shares of the Company:

	Common Shares	Class A Subordinate Voting Shares	Class B Multiple Voting Shares	Stated Capital
<b>Issued and outstanding at</b>				
<b>December 31, 2003</b>	46,377			\$ 48,547
Exercise of options	120			108
Acquisitions (Note 5)	162			250
Private placements (b)	8,333			12,000
Dividend reinvestment plan	1,923			2,786
Quarterly redemption of shares	(463)			(486)
Issue costs				(170)
<b>Issued and outstanding at</b>				
<b>December 31, 2004</b>	56,452			63,035
Exercise of options	572			628
Private placements (b)	2,660			7,500
Dividend reinvestment plan	1,439			4,091
Issue costs				(415)
Share reorganization				
April 1, 2005	(61,123)	30,561	30,562	
Acquisitions (Note 5)		23,731		72,482
Exercise of options		290	283	628
Dividend reinvestment plan		2,228		8,682
Private placement (b)		1,008		5,039
<b>Issued and outstanding at</b>				
<b>December 31, 2005</b>		<b>57,818</b>	<b>30,845</b>	<b>\$ 161,670</b>



**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

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**b) Private placements**

In 2005, the Company issued 2,660,000 Common shares, and 1,008,000 Class A Subordinate Voting Shares through two private placements at a price of \$2.82 and \$5.00 respectively per share.

In 2004, the Company issued 8,333,332 Common shares through two private placements at a price of \$1.44 per share. 1,388,888 Common shares were issued to a Director for cash. 6,944,444 Common shares were issued to corporations controlled by the Chairman and Chief Executive Officer consisting of 3,472,222 Common shares issued for cash, and 3,472,222 Common shares issued to effect conversion of demand loans payable to equity.

**c) Contributed surplus**

	<u>2005</u>	<u>2004</u>
Beginning of year	\$ <b>NIL</b>	\$ 159
Stock based compensation	<b>1,143</b>	
Applied to share redemption	<u>          </u>	<u>(159)</u>
End of year	\$ <u><b>1,143</b></u>	\$ <u>NIL</u>

**d) Stock options**

Under the Company's Stock Option Plan, the Company may grant options to its directors and officers of the Company and employees of the management company up to 2,566,828 Class A Subordinate Voting Shares and 952,650 Class B Multiple Voting Shares. Under the plan, the exercise price of each option shall not be less than the closing market price of the common shares on TSX on the last trading day prior to the date of granting of the stock option and an option's maximum term is 10 years. Options are granted and vest at the discretion of the Board of Directors.

The Company follows the recommendations of International Financial Reporting Standard 2 concerning Stock Based Compensation and Other Payments wherein fair value of each option grant is estimated on the date of grant using the Binomial or similar option pricing model. The fair value of each option granted was estimated using the exercise price and the following weighted average assumptions:

Expected volatility	<u>40.0%</u>
Risk free interest rate	<u>3.31 - 3.65%</u>
Expected lives	<u>3.5 - 5 Years</u>
Expected dividend yield	<u>5.6%</u>

A summary of the status of the Company's Stock Option Plan as at December 31, 2005 and December 31, 2004 and changes during the periods ending on those dates is presented below.

	<u>2005</u>		<u>2004</u>	
	<u>Shares</u>	<u>Weighted Average</u>	<u>Shares</u>	<u>Weighted Average</u>
	<u>(000's)</u>	<u>Exercise Price</u>	<u>(000's)</u>	<u>Exercise Price</u>
Outstanding at beginning of year	<b>2,478</b>	\$ <b>1.16</b>	2,756	\$ 1.14
Granted	<b>1,614</b>	\$ <b>2.85</b>	NIL	
Exercised	<b>(1,145)</b>	\$ <b>1.09</b>	(120)	\$ 0.90
Expired	<u><b>NIL</b></u>	<u>\$</u>	<u>(158)</u>	<u>\$ 0.90</u>
Outstanding at end of year	<u><b>2,947</b></u>	<u>\$ <b>2.11</b></u>	<u>2,478</u>	<u>\$ 1.16</u>

Number of Shares Under Option (000's)	Date of Grant	Expiration Date	Exercise Price
105	June 13, 2001	June 12, 2006	\$ 0.90
1,235	February 8, 2002	February 7, 2007	\$ 1.26
<u>1,607</u>	June 29, 2005	June 29, 2010	\$ <u>2.85</u>
<u>2,947</u>			

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**e) Cumulative currency translation adjustments**

The cumulative currency translation adjustment represents the unrecognised exchange adjustment on the net assets of the Company's subsidiaries that operate in The United States of America, Germany and The Netherlands. The change for the year reflects the impact of currency movements during the year on these net assets.

The rate of exchange in effect on December 31, 2005 was \$1.00 USD = \$1.17 CAD (2004 - \$1.20 CAD) and € 1.00 EUR = \$1.38 CAD (2004 - \$1.64 CAD). The average rate of exchange for 2005 was \$1.00 USD = \$1.21 CAD (2004 - \$1.30 CAD). The average rate of exchange for the seven months ended December 31, 2005, the period for which the Company owned European assets, was € 1.00 EUR = \$1.44 CAD.

**16. Income taxes**

Income tax expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate to earnings before income taxes. These differences result from the following items:

	<u>2005</u> (As restated note 30)	<u>2004</u> (As restated note 30)
Earnings before income taxes	\$ <u>69,329</u>	\$ <u>29,451</u>
Combined income tax rate	<u>34.50%</u>	<u>36.00%</u>
Income taxes	\$ <u>23,918</u>	\$ <u>10,602</u>
Increase (decrease) in income taxes resulting from:		
Large corporation tax	663	732
Non deductible expenses	394	
Adjustment of cumulative future income tax rate from 36% to 34.5% (2004 - 38.12% to 36%)	(1,006)	(746)
Permanent adjustment on unrealized and realized valuation changes	<u>(9,501)</u>	<u>(4,131)</u>
	\$ <u>14,468</u>	\$ <u>6,457</u>
Income taxes:		
Current income and capital taxes taxes	\$ <u>3,359</u>	\$ <u>732</u>
Deferred income taxes	<u>11,109</u>	<u>5,725</u>
	\$ <u>14,468</u>	\$ <u>6,457</u>

The accumulated deferred income tax liability at December 31, 2005 was \$62,911 (2004 - \$23,266). The liability is attributable to Investment properties \$55,952 (2004 - \$23,266) and Development properties \$6,959 (2004 - NIL).

## **17. Financial instruments and risk management**

### **Financial instruments**

The Company does not acquire, hold or issue derivative financial instruments for trading purposes.

The Company holds the following long term financial instruments: mortgages, mortgage bonds payable and currency guarantee payable. The mortgages have a fair value of \$488,444 (2004 - \$123,068). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations until maturity of the bonds in 2009 through 2012. The fair value of the mortgage bonds is \$239,107 (2004 - \$138,864). Currency guarantee payable is not susceptible to independent fair value valuation. As such, valuation is carrying value.

The fair values of long term financial instruments are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential taxes and other transaction costs have not been considered in estimating fair value, as management has determined these costs to be impractical to estimate.

The Company's short term financial instruments, comprising amounts receivable, cash, accounts payable, accrued liabilities and convertible notes are carried at cost which, due to their short term nature, approximates their fair value.

### **Risk management**

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to minimize them, are discussed below.

#### **a) Interest rate risk**

The assets and liabilities of the Company have fixed and floating interest rate components resulting in an exposure to interest rate movements. The Company has minimized its interest rate risk through a liability management policy. The Company allocates the maturity of its debt over a period of approximately 15 years. In addition, the Company has entered into interest rate swaps maturing in October 2014 in order to manage the impact of fluctuating interest rates on €35,000 EUR of its long term debt. Due to a reduction of interest rates in The Netherlands and Germany during the seven months ended December 31, 2005, the period for which the company had European operations, the impact on the income statement is a gain of \$653.

#### **b) Credit risk**

The Company's principal assets are commercial and residential buildings. Credit risk arises from the possibility that tenants may not fulfill their lease obligations. The Company mitigates this credit risk by performing credit checks on prospective tenants and ensuring that its tenant mix is diversified.

#### **c) Currency risk**

Currency risk arises from debt or expenses denominated in US Dollars or Euros. The Company mitigates a portion of its currency risk on mortgage bond debt denominated in Euros through a guarantee agreement (See note 14). Currency risk for other amounts denominated in US Dollars and Euros is substantially mitigated by US Dollar and Euro revenue streams from property rentals.

In support of the currency guarantee the related party has arranged an arms length credit facility agreement.

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**18. Related party transactions**

The Company is controlled by the Chairman and Chief Executive Officer through holding companies.

- a) The Company has entered into agreements with companies commonly controlled by the Chairman and Chief Executive Officer to provide various services. A summary of the various revenues and expenses between related parties are as follows:

	<u>2005</u>	<u>2004</u>
Rental revenue earned	\$ (246)	\$ (716)
Asset and construction management fees incurred	\$ 6,360	\$ 2,058
Property management fees incurred	\$ 1,833	\$ 1,727
Insurance incurred	\$ 796	\$ 317
Service fees incurred	\$ 438	\$ 353
Property acquisition/disposal fees incurred	\$ 16,939	\$ 653
Mortgage bond guarantee fees incurred	\$ 3,571	\$ 1,050
Mortgage bond issue costs incurred	\$ 3,704	\$ 2,629
Demand loan interest and fees accrued	\$ 492	\$ 1,073

The transactions are recorded at exchange amounts.

- b) The Company has approved a resolution authorizing the property manager, a company commonly controlled by the Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the Company.
- c) Professional services of approximately \$254 (2004 - \$265) were purchased from a corporation of which one of the Company's directors are affiliated in 2005 and 2004.
- d) The Company has entered into a guarantee arrangement for the principal and interest amounts of the mortgage bonds payable to maturity, with a company under the control of the Chairman and Chief Executive Officer, wherein it is protected against fluctuations in the Canadian dollar and the Euro (Note 14). The cost of this guarantee fee per annum until maturity is 1.5% on the Series 1 Bonds, 2.0% on the Series 2 Bonds, and 1.6% on the Series 4, Series 5, Series 6 and Series 7 Bonds.
- e) Included in accounts payable is a mortgage bond syndication fee of \$NIL (2004 - \$1,316), mortgage bond guarantee fees of \$NIL (2004 - \$561) and management fees of \$69 (2004 - \$35) payable to companies commonly controlled by the Chairman and Chief Executive Officer.
- f) The Company has purchased six inactive development companies from a company under the control of the Chairman and Chief Executive Officer at their net book value, which approximates fair market value of \$10 each.
- g) The receivables of \$4,532 (2004 - \$1,664) are from companies commonly controlled by the Chairman and Chief Executive Officer, which are non interest bearing and have no set terms of repayment. Included in this balance is an amount receivable from the Company's property manager and other advances. Subsequent to year end the Company received \$2,676 representing full payment of the other advances.
- h) The Company has borrowed construction financing in the amount of \$4,138 from a company controlled by the Chairman and Chief Executive Officer. This loan is interest only at a rate of 8%.

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

CAD thousands except per share amounts

**19. Earnings per share**

Net income per share has been calculated based on the weighted average number of shares outstanding as follows:

	<u>2005</u>	<u>2005</u>	<u>2004</u>
	<b>Class A</b>	<b>Class B</b>	<b>Common</b>
	<b>Subordinate</b>	<b>Multiple</b>	
	<b>(000's)</b>	<b>(000's)</b>	<b>(000's)</b>
Basic	<u>44,765</u>	<u>30,174</u>	<u>49,403</u>
Diluted	<u>45,622</u>	<u>30,592</u>	<u>49,864</u>

The dilution of 857,000 Class A Subordinate Voting Shares and 418,000 Class B Multiple Voting Shares (2004 - 461,000 Common Shares) pertains to the deemed conversion of convertible promissory notes, stock options and long term payable.

The dilutive effect of outstanding stock options on earnings per share is based on the application of treasury stock method. Under treasury stock method, the proceeds from the exercise of such options are assumed to be used to purchase common shares.

**20. Commitments**

- a) The following is a schedule of the future minimum lease payments on several operating leases of a subsidiary company.

2006	\$	117
2007	\$	101
2008	\$	68
2009	\$	39
2010	\$	26

- b) The Company and its subsidiaries have entered into various property management agreements, expiring between 2010 and 2012. (See Note 18a)
- c) The Company entered into an agreement to purchase a property for development in Calgary, Alberta for a total price of \$11,200. This acquisition is scheduled to close in early 2006 through the payment of cash.
- d) The Company has entered into an agreement to purchase nine retail properties in Ontario and Quebec for \$9,000. This acquisition is scheduled to close in the first quarter of 2006. The purchase will be financed with cash.
- e) The Company has six construction projects underway to which it has signed commitments of \$9,746.
- f) The Company has reached an agreement in principal, by way of Letter of Intent to acquire a portfolio of four commercial properties in The Netherlands.

The total acquisition cost will be approximately \$193,200, which the Company intends to finance with a combination of debt and equity.

The transaction is set to close in the first quarter of 2006, and is subject to full due diligence being completed to the Company's satisfaction, required regulatory approvals in Canada and Europe, and the final approval of the Company's Board of Directors. The extent of the equity to be issued has not been determined, therefore the effect on Earnings per Share is not known at this time.

- g) The Company has reached an agreement in principal, by way of Letter of Intent to acquire a commercial property in The Netherlands.

The total acquisition cost will be approximately \$15,090, which the Company intends to finance with a combination of debt and equity.

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

CAD thousands except per share amounts

The transaction is set to close in the first quarter of 2006, and is subject to full due diligence being completed to the Company's satisfaction, required regulatory approvals in Canada and Europe, and the final approval of the Company's Board of Directors. The extent of the equity to be issued has not been determined, therefore the effect on Earnings per Share is not known at this time.

- h) The Company has entered into an agreement to purchase an office building in High River, Alberta in early 2006 for \$7,500 subject to normal due diligence and approval of the Company's Board of Directors.

**21. Contingent liability**

There are claims which the Company is involved with, arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

**22. Indemnities**

The Company has agreed to indemnify its directors and officers in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

**23. Subsequent events**

- a) Subsequent to year end, the Company bought and sold a piece of land in Calgary, Alberta for a pre-tax profit of \$11,000.
- b) Subsequent to year end, an officer of the Company exercised 100,000 options and Class A Subordinate Voting Shares were issued from Treasury.
- c) Subsequent to year end, the Company has reached an agreement by way of Letter of Intent to acquire three commercial properties in The Netherlands, for a cost of \$94,467. The Company intends to finance with debt, equity and cash. The transaction is set to close in March 2006, subject to normal due diligence, and the approval of the Company's Board of Directors. The extent of equity to be issued has not been determined, therefore the effect on Earnings per Share is not known at this time.
- d) Subsequent to year end, the Company received notice from The Toronto Stock Exchange that the Company's trading symbols will change from HII.SV.A and HII.MV.B to HII.A and HII.B effective June 10, 2006.
- e) Subsequent to year end, the Company arranged a \$21,500 USD line of credit with a European bank. The Company has drawn the full amount of the line, and the \$13,969 demand loan was repaid in full. The remaining amount is available to the company for general purposes. The line is secured by the shares of DIM Vastgoed NV held by the Company and a corporate guarantee.
- f) Subsequent to year end, the Company acquired an additional 232,367 shares of DIM Vastgoed NV as previously announced for total consideration of approximately \$5,700 which amount is included in restricted cash in Note 7. In addition, the Company received voting control over 835,000 shares which will be acquired for cash and/or shares by 2010. The 726,135 shares owned and 232,367 subsequently acquired represent approximately 13%, and the 835,000 shares over which the Company has subsequent voting control represent a further 11%, for a total of 24% of the total voting control of DIM Vastgoed NV.
- g) Subsequent to year end, the Company declared a semi-annual dividend of \$0.12 per Class A Subordinate Voting Share and Class B Multiple Voting Share payable on March 30, 2006 and announced an increase to the annual dividend to \$0.36 commencing with the first semi-annual dividend of \$0.18 being paid to shareholders on September 30, 2006.

**24. Supplemental cash flow information**

	<u>2005</u>	<u>2004</u>
Interest paid	\$ <u>21,657</u>	\$ <u>16,407</u>
Capital and income taxes paid	\$ <u>1,238</u>	\$ <u>428</u>

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

CAD thousands except per share amounts

**25. Segmented information**

The Company owns a diverse portfolio of residential and commercial income producing properties located in Canada, The United States of America, Germany and The Netherlands. The accounting policies used in the preparation of the segmented information are the same as those described for the Company in Note 3 Accounting Policies. The Company primarily evaluates operating performance based on net operating income. As such, interest, depreciation and amortization, and general and administrative expenses have not been allocated to the segments. All key decisions pertaining to these items are managed centrally. The following provides a summary of key information of the Company's residential and commercial operating segments:

<b>2005</b>	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
<b>Property revenue</b>	<b>\$ 16,913</b>	<b>\$ 18,039</b>	<b>\$ 19,285</b>	<b>\$ 2,506</b>	<b>\$ 56,743</b>
<b>Operating expenses</b>	<b><u>5,068</u></b>	<b><u>693</u></b>	<b><u>7,291</u></b>	<b><u>1,178</u></b>	<b><u>14,230</u></b>
	<b><u>\$ 11,845</u></b>	<b><u>\$ 17,346</u></b>	<b><u>\$ 11,994</u></b>	<b><u>\$ 1,328</u></b>	<b><u>\$ 42,513</u></b>

	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
2004					
Property revenue	\$ 15,789	\$ 3,143	\$ 15,988	\$ 2,494	\$ 37,414
Operating expenses	<u>4,661</u>	<u>376</u>	<u>8,063</u>	<u>1,182</u>	<u>14,282</u>
	<u>\$ 11,128</u>	<u>\$ 2,767</u>	<u>\$ 7,925</u>	<u>\$ 1,312</u>	<u>\$ 23,132</u>

<b>2005</b>	<b>Germany/ Netherlands (seven months)</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
<b>Property revenue</b>	<b>\$ 19,462</b>	<b>\$ 32,223</b>	<b>\$ 5,058</b>	<b>\$ 56,743</b>
<b>Operating expenses</b>	<b><u>298</u></b>	<b><u>11,208</u></b>	<b><u>2,724</u></b>	<b><u>14,230</u></b>
	<b><u>\$ 19,164</u></b>	<b><u>\$ 21,015</u></b>	<b><u>\$ 2,334</u></b>	<b><u>\$ 42,513</u></b>

	<b>Germany/ Netherlands</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
2004				
Property revenue	\$	\$ 32,167	\$ 5,247	\$ 37,414
Operating expenses	<u></u>	<u>11,261</u>	<u>3,021</u>	<u>14,282</u>
	<u>\$</u>	<u>\$ 20,906</u>	<u>\$ 2,226</u>	<u>\$ 23,132</u>

<b>2005</b>	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
<b>Investment property</b>	<b>\$ 150,356</b>	<b>\$ 402,836</b>	<b>\$ 203,530</b>	<b>\$ 20,584</b>	<b>\$ 777,306</b>
<b>Mortgages payable</b>	<b><u>\$ 38,535</u></b>	<b><u>\$ 293,210</u></b>	<b><u>\$ 113,415</u></b>	<b><u>\$ 13,589</u></b>	<b><u>\$ 458,749</u></b>
<b>Mortgage bonds payable</b>	<b><u>\$ 43,026</u></b>	<b><u>\$ 5,306</u></b>	<b><u>\$ 2,151</u></b>	<b><u>\$</u></b>	<b><u>\$ 50,483</u></b>

	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
2004					
Investment property	\$ 128,560	\$ 26,510	\$ 148,264	\$ 19,616	\$ 322,950
Mortgages payable	<u>\$ 38,393</u>	<u>\$ 13,421</u>	<u>\$ 54,275</u>	<u>\$ 11,852</u>	<u>\$ 117,941</u>
Mortgage bonds payable	<u>\$ 51,136</u>	<u>\$ 6,069</u>	<u>\$ 2,460</u>	<u>\$</u>	<u>\$ 59,665</u>

<b>2005</b>	<b>Germany/ Netherlands (seven months)</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
<b>Investment property</b>	<b>\$ 485,950</b>	<b>\$ 263,547</b>	<b>\$ 27,809</b>	<b>\$ 777,306</b>
<b>Mortgages payable</b>	<b><u>\$ 357,371</u></b>	<b><u>\$ 89,703</u></b>	<b><u>\$ 11,675</u></b>	<b><u>\$ 458,749</u></b>
<b>Mortgage bonds payable</b>	<b><u>\$</u></b>	<b><u>\$ 201,069</u></b>	<b><u>\$</u></b>	<b><u>\$ 201,069</u></b>

	<b>Germany/ Netherlands</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
2004				
Investment property	\$	\$ 286,925	\$ 36,025	\$ 322,950
Mortgages payable	<u>\$</u>	<u>\$ 100,385</u>	<u>\$ 17,556</u>	<u>\$ 117,941</u>
Mortgage bonds payable	<u>\$</u>	<u>\$ 135,801</u>	<u>\$</u>	<u>\$ 135,801</u>

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

CAD thousands except per share amounts

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At December 31, 2005 Mortgage bonds payable total \$201,069 exclusive of the currency guarantee payable of \$19,133. Approximately \$150,586 of the mortgage bond proceeds have been invested in development properties in Canada. The remaining \$50,483 is allocated to specific segments above.

At December 31, 2004 Mortgage bonds payable total \$135,801. Of this amount \$76,136 related to development properties and cash intended for acquisitions and development projects which will be located in Canada. The remaining \$59,665 is allocated to specific segments above.

**26. Rental income under operating leases**

The Company's operations consist of leasing commercial and residential real estate. The following is a schedule by years of minimum future rentals on non cancelable operating leases having initial terms in excess of one year:

2006	\$	57,523
2007		55,022
2008		52,698
2009		48,818
2010		46,255
Thereafter		<u>331,341</u>
	\$	<u>591,657</u>

**27. Staff costs**

The Company has a management agreement with a related party (Note 18) and therefore has no employees.



**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

CAD thousands except per share amounts

**28. Interest in joint ventures**

The Company, at December 31, 2005 and 2004, owns a partial interest in seven limited partnerships. The ownership percentages range from 5% to 55.55%. These partnerships operate commercial and residential rental properties.

These financial statements reflects the Company's share of the assets, liabilities, revenue and expenses of the limited partnerships in accordance with the principle of proportionate consolidation as follows:

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 79	\$ 142
Receivables and other	178	226
Development properties	1,508	
Investment properties	<u>9,559</u>	<u>8,271</u>
	<u>\$ 11,324</u>	<u>\$ 8,639</u>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 246	\$ 132
Security deposits and prepaid rent	25	
Mortgages payable	5,721	4,114
Distribution payable	156	
Note payable	<u>206</u>	<u></u>
	<u>\$ 6,354</u>	<u>\$ 4,246</u>
<b>Revenue</b>		
Property revenue	<u>\$ 1,490</u>	<u>\$ 1,431</u>
<b>Expenses</b>		
Property operating expenses	\$ 659	\$ 655
General and administrative expenses	46	
Mortgage interest	<u>312</u>	<u>291</u>
	<u>\$ 1,017</u>	<u>\$ 946</u>
<b>Cash flow</b>		
Funds from operations	<u>\$ 473</u>	<u>\$ 485</u>
Net cash from operating activities	<u>\$ 470</u>	<u>\$ 56</u>
Net cash from financing activities	<u>\$ (394)</u>	<u>\$ (30)</u>
Net cash from investing activities	<u>\$ (132)</u>	<u>\$ (26)</u>

**Notes to International Financial Reporting Standards Consolidated Financial Statements (financial year 2005)**

CAD thousands except per share amounts

**29. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the financial statement presentation of the current year. The changes to the 2004 comparative information are as follows:

- Development properties of \$10,087 were included in Investment properties and are now shown separately as the balance is significant enough to warrant separate disclosure.
- Related party receivable of \$1,664 is shown as a separate Financing Activity to better reflect the nature of this amount.
- Restricted cash of \$10,464 has been removed from Cash and cash equivalents and shown as a separate Investing Activity to properly reflect the components of this amount.
- Segmented information for 2004 has removed the geographic breakdown for Canada to compare to the global operations for 2005.

**30. Change in accounting policy****Deferred financing costs**

In 2006, the Company changed its accounting policy with regards to financing costs. These costs were previously expensed in the period incurred. Effective with the June 30, 2006 reporting period, these costs are now being deferred and amortized over the term of the related debt. The change has been applied retroactively and the Company feels that the current policy will remove unusual fluctuations in period over period earnings and reflect these costs over the full period to which they relate. The impact of the change in accounting policy on the reported information is as follows:

	Year Ended December 31	
	2005	2004
<b>Balance Sheet</b>		
Increase in deferred financing costs	\$ 2,253	\$ 269
Increase in deferred income taxes payable	\$ 778	\$ 93
Increase in shareholders' equity	\$ 1,475	\$ 176
<b>Statement of Earnings</b>		
Decrease in interest on mortgages and bonds	\$ 2,039	\$ 96
Increase in amortization expense	\$ 55	\$ 47
Increase in income tax expense	\$ 684	\$ 17
Increase in net earnings	\$ 1,300	\$ 32
<b>Increase in earnings per share</b>		
Basic Class A and Class B	\$ 0.02	
Diluted Class A and Class B	\$ 0.02	
Basic Common		\$ 0.01
Diluted Common		\$ -
<b>Statement of Cash Flows</b>		
Increase in funds from operations	\$ 2,039	\$ 96
Increase in deferred financing costs	\$ 2,039	\$ 96

## 6.9 Financial Results 2004

### 6.9.1 Consolidated balance sheet

CAD thousands except per share amounts  
As at December 31

	<b>2004</b>	2003
	<b>(As restated note 28)</b>	(As restated note 28)
<b>Assets</b>		
Cash and cash equivalents (Note 6)	\$ 41,722	\$ 3,213
Receivables (Note 7)	6,608	2,072
Prepays	775	482
Long term investment (Note 8)	1,086	1,086
Deferred Financing costs net of accumulated amortization of \$ 98 (2003 - \$ 51)	269	221
Investment properties (Notes 3 and 5)	333,037	270,570
Deferred rental receipts (Notes 3 and 4)	806	
Currency guarantee receivable (Note 11)	3,626	1,801
	<u>\$ 387,929</u>	<u>\$ 279,445</u>
<b>Liabilities</b>		
Accounts payable (Note 10)	\$ 6,136	\$ 5,714
Security deposits and prepaid rents (Note 12)	1,126	1,097
Mortgage bonds payable (Note 11)	135,801	69,291
Demand loans payable (Note 13)		6,378
Deferred income taxes (Note 15)	23,266	16,974
Mortgages payable (Note 9)	117,941	109,796
	284,270	209,250
<b>Shareholders' Equity</b> (Note 14)	103,659	70,195
	<u>\$ 387,929</u>	<u>\$ 279,445</u>

Commitments (Note 19)  
Contingent liability (Note 20)  
Subsequent events (Note 25)

Approved by the Board of Directors, February 10, 2005

\_\_\_\_\_  
Richard Homburg, Phzn  
Director

\_\_\_\_\_  
Edward P. Ovsenny  
Director

## 6.9.2 Consolidated statement of earnings

CAD thousands except per share amounts  
For the year ended December 31

	<b><u>2004</u></b>	<b><u>2003</u></b>
	(As restated note 28)	(As restated note 28)
Property revenue	\$ 37,414	\$ 30,855
Interest income	75	402
Commission income		882
Realized gain on sale of assets	150	991
Unrealized valuation changes	22,951	7,121
	<u>60,590</u>	<u>40,251</u>
Property operating expenses	14,282	11,563
General and administrative	2,500	2,282
Interest on mortgages and mortgage bonds	13,983	11,504
Foreign exchange loss		153
Interest on notes payable	327	1,191
Amortization	47	27
	<u>31,139</u>	<u>26,720</u>
Earnings before income taxes	29,451	13,531
Income taxes (Note 15)	6,457	4,067
Net earnings	<u>\$ 22,994</u>	<u>\$ 9,464</u>

### Earnings per share (Note 18)

Basic	\$ 0.47	\$ 0.22
Diluted	<u>\$ 0.46</u>	<u>\$ 0.22</u>

See accompanying notes to these consolidated financial statements prepared under  
International Financial Reporting Standards

### 6.9.3 Consolidated statement of cash flows

CAD thousands except per share amounts  
For the year ended December 31

	<b>2004</b> (As restated note 28)	<b>2003</b> (As restated note 28)
Cash obtained from (used for)		
<b>Operating activities</b>		
Net earnings	\$ 22,994	\$ 9,464
Adjustments for:		
Unrealized valuation changes	(22,951)	(7,121)
Realized gain on sale of assets	(150)	(991)
Deferred rental receipts	(806)	
Amortization	47	27
Future income taxes	5,725	3,488
Foreign exchange loss		153
Funds from operations	4,859	5,020
Change in non-cash working capital		
Receivables	(1,385)	(849)
Prepays	(293)	(63)
Accounts payable	422	3,833
Security deposits & prepaid rents	29	459
Deferred Financing Costs	(96)	(186)
Payable to related companies		(967)
Net cash from operating activities	3,536	7,247
<b>Investing activities</b>		
Investment in property & equipment	(39,881)	(89,446)
Proceeds on disposal of assets	1,282	11,211
Purchase of portfolio investments, net of proceeds on sale		927
Net cash used in investing activities	(38,599)	(77,308)
<b>Financing activities</b>		
Increase (decrease) in demand loans payable	(6,378)	(9,022)
Decrease in mortgages payable	(5,138)	(1,161)
Increase in mortgages payable for new debt	12,800	17,101
Proceeds from mortgage bonds	61,535	52,323
Redemption of common shares	(703)	(1,148)
Issue of common shares	11,938	
Dividends paid	(482)	
Net cash from financing activities	73,572	58,093
Increase (decrease) in cash and cash equivalents	38,509	(11,968)
<b>Cash and cash equivalents, beginning of year</b>	<b>3,213</b>	<b>15,181</b>
<b>Cash and cash equivalents, end of year (Note 6)</b>	<b>\$ 41,722</b>	<b>\$ 3,213</b>

Supplemental cash flow information (Note 21)

See accompanying notes to these consolidated financial statements prepared under  
International Financial Reporting Standards

#### 6.9.4 Consolidated statement of changes in equity

CAD thousands except per share amounts

	Revaluation Surplus	Share Capital	Contributed Surplus	Cumulative Foreign Currency Translation Account	Retained Earnings	Total
<b>Balance, December 31, 2002 (as previously reported)</b>	\$	\$ <b>34,047</b>	\$ <b>159</b>	\$	\$ <b>13,768</b>	\$ <b>47,974</b>
Change in accounting policy (note 28)					41	41
As restated		<b>34,047</b>	<b>159</b>		<b>13,809</b>	<b>48,015</b>
Net earnings for the year					9,360	<b>9,360</b>
Share redemption		(724)			(424)	<b>(1,148)</b>
Stock issued to purchase assets		13,225				<b>13,225</b>
Conversion of second mortgage		2,000				<b>2,000</b>
Current period foreign currency reserve for foreign self sustained operations				(1,361)		<b>(1,361)</b>
<b>Balance, December 31, 2003</b>		<b>48,548</b>	<b>159</b>	<b>(1,361)</b>	<b>22,849</b>	<b>70,195</b>
Net earnings for the year (as restated note 28)					22,994	<b>22,994</b>
Premium on share redemption		(486)	(159)		(59)	<b>(704)</b>
Exercise of options		108				<b>108</b>
Purchase of assets		250				<b>250</b>
Private placements		11,830				<b>11,830</b>
Dividend Reinvestment Plan		2,786				<b>2,786</b>
Dividends					(3,268)	<b>(3,268)</b>
Current period foreign currency reserve for foreign self sustained operations				(532)		<b>(532)</b>
<b>Balance, December 31, 2004</b>	\$	\$ <b>63,036</b>	\$ <b>-</b>	\$ <b>(1,893)</b>	\$ <b>42,516</b>	\$ <b>103,659</b>

See accompanying notes to these consolidated financial statements prepared under  
International Financial Reporting Standards

## **6.9.5 Notes to the financial statements 2004**

### **1. Basis of financial statement presentation**

These consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as Homburg Invest Inc. (the "Company") has a significant number of European shareholders who normally receive financial statements prepared under IFRS. As Homburg Invest is a Canadian Resident Corporation it is also required to prepare a separate set of financial statements under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The most significant differences between the IFRS and Canadian GAAP statements are that while the IFRS statements reflect the investment property at fair market value and are without depreciation charges, the Canadian GAAP financial statements record the investment property at historical cost less accumulated depreciation. In addition deferred charges related to leasing fees have been recorded as an asset in the Canadian GAAP financial statements and will be charged to expense over the period of the related lease. These charges are written off in the year of incurrence under IFRS.

### **2. Nature of operations**

Homburg Invest Inc., a corporation incorporated under the laws of Alberta, Canada, is listed on the Toronto Stock Exchange under the symbol "HII".

The principal place of business is 1741 Brunswick Street, Suite 600, Halifax, Nova Scotia, Canada.

Homburg Invest and its subsidiaries hold commercial and residential real estate interests located in Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Quebec, Ontario, Alberta and British Columbia, Canada and Colorado, Texas and Washington State in the United States of America.

### **3. Summary of significant accounting policies**

The Company's accounting and reporting policies conform to International Financial Reporting Standards. These standards are summarized as follows:

#### **a) General and consolidation**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. Homburg Invest's accounting policies and its financial disclosures are in accordance with the recommendations of the International Accounting Standards Board (IASB).

These consolidated financial statements include the accounts of the Company's wholly owned subsidiaries Homburg ShareCo Inc., Homburg Invest (USA) Limited, and Homburg (US) Incorporated, which are Canadian companies incorporated in the Province of Nova Scotia, and Homburg Holdings (US) Inc., which is incorporated in the State of Colorado.

In addition Homburg Invest's thirty-eight wholly owned limited partnerships and seven partially owned limited partnerships, which operate commercial and residential rental properties, are accounted for using proportionate consolidation.

#### **b) Properties**

##### **i) Investment properties held are carried at fair market value.**

Homburg Invest has adopted application of IAS-40-Investment Property, and has chosen the Fair Market Value method of presenting its investment properties in the financial statements.

The fair value of investment properties is based on valuations by a combination of independent appraisers and management estimates plus any capital additions since the date of the most recent appraisal. Appraisals are performed on a three year rotating basis unless market conditions warrant more frequent appraisals. Management regularly undertakes a review of its investment property revaluation between appraisal dates to assess the continuing validity of the underlying value assumptions such as cash flow and capitalization rates. These assumptions are tested against market information obtained from independent industry experts. Where increases or decreases are warranted, Homburg Invest adjusts the carrying values of its investment properties. Included in the values at December 31, 2004 are unrealized fair value increases totalling \$2,532 (2003 - NIL) in excess of values determined by independent appraisals. The effective date of the revaluation is December 31, 2004 and 98.5% percent of the portfolio value has been subject to independent appraisal within the last three years.

##### **ii) Development properties consist of properties which are under construction or in a major repositioning program. These properties are recorded at cost, including pre-development expenditures.**

## **Notes to IFRS Consolidated Financial Statements (financial year 2004)**

CAD thousands except per share amounts

### **c) Capitalization of costs**

- i) Homburg Invest capitalizes investment property acquisition costs incurred at the time of purchase.
- ii) Homburg Invest capitalizes costs as part of development properties, including all expenditures incurred in connection with the acquisition, development, construction, and initial predetermined leasing period. These expenditures consist of all direct costs and interest on debt that is related to these assets. Income relating directly to development properties during the development period is treated as a reduction of capitalized costs.

### **d) Revenue recognition**

Management has determined that all of Homburg Invest's leases with its various tenants are operating leases. Minimum rents are recognized on a straight-line basis over the terms of the related leases. The excess of rents recognized over amounts contractually due is included in deferred rental receipts on Homburg Invest's balance sheet. The leases also typically provide for tenant reimbursements of common area maintenance, real estate taxes and other operating expenses, which are recognized as income in the period earned.

Gains and losses from the sale of properties are recorded when the collection of the sale proceeds is reasonably assured, and all other significant conditions are met. Properties which have been sold, but for which these criteria have not been satisfied are included in investment properties. There were no such properties at December 31, 2004 or 2003.

Homburg Invest follows the provisions of IAS 40 and accounts for its investment property using the fair value model and records any unrealized valuation changes as income (expense) in the year of the valuation change.

### **e) Income taxes**

Homburg Invest follows the tax liability method for determining income taxes. Under this method, future tax assets and liabilities are determined according to differences between their respective carrying amounts and tax bases. Future tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse. Adjustments to these balances are recognized in earnings as they occur.

### **f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and highly liquid temporary money market instruments with original maturities of three months or less and include funds held in trust for residential tenants. Bank borrowings are considered to be financing activities.

### **g) Foreign currency**

Operations outside of Canada are considered to be self-sustaining and use their primary currency for recording substantially all transactions. The accounts of self-sustaining foreign subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at period-end exchange rates while revenues and expenses are converted using average quarterly translation rates. Gains and losses arising on translation of these subsidiaries are deferred and included in the cumulative foreign currency translation account within shareholders' equity.

### **h) Stock options and contributed surplus**

Homburg Invest has a stock-based compensation plan which is described in Note 14. Homburg Invest accounts for its grant under this plan in accordance with the fair value-based method of accounting for stock-based compensation. The compensation cost that has been charged against income in 2004 was Nil as no stock options were granted in the period (2003 - NIL).

### **i) Use of estimates and measurement uncertainty**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Significant estimates made by management include future cash flows and capitalization rates used in determining fair market value of investment properties. Actual results could materially differ from those estimates.

### **j) Deferred financing costs (note 28)**

The Company follows a policy of capitalizing the costs associated with obtaining long term financing. These costs are being amortized on a straight line basis over the term of the related debt.



## Notes to IFRS Consolidated Financial Statements (financial year 2004)

CAD thousands except per share amounts

### 4. Change in accounting policy

#### Revenue recognition policy

Effective January 1, 2004, Homburg Invest is applying the revised IAS-1 and IAS-17 which require that revenue on leased property be recognized on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the users benefit. Management had previously recognized revenue based on cash flows provided for in the lease agreements believing it to be representative of the time pattern of the benefit. With the implementation of guidance similar to IAS-1 in Canada in 2004, Homburg Invest has changed its policy in the current year from a cash rental to a straight line basis. Under IAS-8, Homburg Invest has applied the policy change without retrospective application as it was not practical to determine the impact on prior years. The impact of this new policy is an increase in rental income of \$806 for 2004. The amount of revenue recognized over the rent paid is an asset called deferred rental receipts. Over the next four years the asset will increase by approximately \$200 per quarter.

The impact of these changes in the current year is that rental revenue is higher by \$806, future income taxes is higher by \$291 and retained earnings are higher by \$515.

This change has increased earnings per share and diluted earnings per share by \$0.01 and \$0.01 respectively.

### 5. Investment properties

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 270,570	\$ 135,428
Deductions:		
Disposals	(1,196)	(1,300)
Cumulative currency translation adjustment	(2,557)	(6,493)
Additions:		
Acquisition through purchases, plus capitalized costs on acquisition	40,613	122,192
Capitalized costs of properties	2,656	13,622
Unrealized valuation changes	22,951	7,121
Balance, end of year	<u>\$ 333,037</u>	<u>\$ 270,570</u>

In 2004 capital assets were acquired at an aggregate cost of \$39,517. The acquisitions were financed by the assumption of \$483 in debt, new debt totalling \$12,800 the issue of \$250 in common stock and cash of \$25,984.

In 2003 capital assets were acquired at an aggregate cost of \$128,020. The acquisitions were financed by new debt of \$17,101, the assumption of debt totalling \$25,349, the issue of \$13,225 in common stock and cash of \$72,345.

If the property had not been revalued, the carrying amount of property at depreciated historic cost would be \$281,944, (2003 - \$247,643).

Homburg Invest is constructing a 14,700 square foot retail property in Kentville, Nova Scotia, scheduled for completion in February 2005. In 2004, Homburg Invest expended \$7,729 (2003 - \$12,602) on construction, of which \$1,659 (2003 - \$1,025) was capitalized borrowing costs.

### 6. Cash and cash equivalents

	<u>2004</u>	<u>2003</u>
Cash	\$ 31,258	\$ 1,757
Restricted cash	10,464	1,456
	<u>\$ 41,722</u>	<u>\$ 3,213</u>

Restricted cash includes deposits on real estate properties, refundable commitment fees and security deposits.

### 7. Receivables

	<u>2004</u>	<u>2003</u>
Trade receivables	\$ 1,793	\$ 2,072
Mortgage bond receivable	3,151	
Related party receivable (Note 17f)	1,664	
	<u>\$ 6,608</u>	<u>\$ 2,072</u>

### 8. Long term investment

Homburg Invest holds 50,000 (2003 - 50,000) Common Shares of Cedar Shopping Centres, Inc. ("Cedar") a real estate investment trust listed on the New York Stock Exchange (NYSE: CDR) at a cost of \$1,086. The market value of this portfolio investment at December 31, 2004 was \$881 (2003 - \$804).

## Notes to IFRS Consolidated Financial Statements (financial year 2004)

CAD thousands except per share amounts

### 9. Mortgages payable

**2004**

**2003**

Fixed rate mortgages, various maturities from 2005 to 2020, weighted average interest rate of 7.04% as at December 31, 2004 (2003 - 6.96%). As security for those mortgages, Homburg Invest has pledged specific property, and an assignment of specific rents receivable.

**\$ 117,941**

**\$ 109,796**

Principal installments are payable as follows:

	Normal Principal Installments	Principal Maturities	Total
2005	\$ 4,082	\$ 4,380	\$ 8,462
2006	4,206	1,901	6,107
2007	3,498	10,044	13,542
2008	3,395	9,355	12,750
2009	3,568	1,522	5,090
Subsequent years		71,990	71,990
	<b><u>\$ 18,749</u></b>	<b><u>\$ 99,192</u></b>	<b><u>\$ 117,941</u></b>

Included in mortgages payable at December 31, 2004 is USD \$14,571 (CAD \$17,556) of mortgage obligations (2003 USD \$15,274 (CAD \$19,773)) secured by US property.

In 2003, \$2,000 of second mortgage debt was converted to equity at the mortgage holders' option in return for the issuance of 2,089 common shares at \$ .95735 per share.

### 10. Accounts payable

**2004**

**2003**

Trade Payables (Note 17e)  
Income taxes payable

**\$ 5,609**  
**527**  
**\$ 6,136**

**\$ 5,403**  
**311**  
**\$ 5,714**

### 11. Mortgage bonds payable

**2004**

**2003**

HMB Series 1 Bonds	\$ 4,420	\$ 4,420
HMB Series 1 Bonds	16,283	16,102
HMB Series 2 Bonds	49,314	48,769
HMB Series 4 Bonds	32,892	
HMB Series 5 Bonds	32,892	
	<b><u>\$ 135,801</u></b>	<b><u>\$ 69,291</u></b>

Bond Series	Amount	Issue Date	Interest Rate	Maturity Date
HMB1	CAD \$ 4,420	December 16, 2002	10%	December 15, 2009
HMB1	EUR € 9,905	December 16, 2002	8.5%	December 15, 2009
HMB2	EUR €30,000	April 26, 2003	7.5%	April 25, 2010
HMB4	EUR €20,010	December 1, 2004	7.5%	November 30, 2011
HMB5	EUR €20,010	December 31, 2004	7.5%	December 31, 2011

## Notes to IFRS Consolidated Financial Statements (financial year 2004)

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All Bonds call for interest only payments until maturity and the interest is payable semi-annually in equal installments on June 30 and December 31 in each year.

Homburg Invest has entered into guarantee arrangements on all series of bonds to maturity, with a company under the control of the Chairman and Chief Executive Officer. Under the terms of the guarantee, Homburg Invest is protected from devaluation of the Canadian dollar against the Euro and has relinquished any appreciation rights which may arise on the future settlement of its Euro denominated Bonds. The Bonds which are recorded at the prevailing exchange rate at December 31, 2004 reflect an increase of \$3,626 (2003 - \$1,801) in principal amount representing the decline in the Canadian dollar versus the Euro since the Bonds were issued. This \$3,626 (2003 - \$1,801) decline has been offset by the currency guarantee which has been recorded as a long term asset. The final settlement of the currency guarantee asset or obligation will take place at the earlier of the retirement of the bonds or their scheduled maturity. As a result of the guarantee, there is no earnings impact related to changes in currency value of the Bonds.

All Bonds are secured by a first or second charge over specific assets, and a corporate guarantee of Homburg Invest.

Homburg Invest, through one of its subsidiaries, has the option to redeem all the Series of Bonds at their face amount anytime subsequent to the fifth anniversary of the issue of the Bonds.

Required principal repayment in the absence of any redemptions by Homburg Invest will be Nil for the next four years, and \$20,703 in 2009.

### 12. Security deposits and prepaid rents

	<u>2004</u>	<u>2003</u>
Security deposits	\$ 79	\$ 84
Prepaid rents	<u>1,047</u>	<u>1,013</u>
	<u>\$ 1,126</u>	<u>\$ 1,097</u>

The security deposits are segregated in a trust account.

### 13. Demand loans payable

	<u>2004</u>	<u>2003</u>
Acquisition demand loans, secured by first or second charges on specific assets	\$	\$ 2,391
Acquisition demand loan, from a corporation controlled by the Chairman and Chief Executive Officer secured by assignment of units in wholly owned limited partnerships (Note 17)		1,107
Promissory note, repaid during the year (Note 17)		<u>2,880</u>
	<u>\$ NIL</u>	<u>\$ 6,378</u>

Under existing credit facilities, Homburg Invest has \$19,500 of additional borrowing capacity available.

Interest is charged at market competitive rates for demand loans.

### 14. Shareholders' equity

	<u>2004</u> (As restated note 28)	<u>2003</u> (As restated note 28)
Share capital (a)	\$ 63,036	\$ 48,548
Contributed surplus (d)		159
Cumulative currency translation adjustment (f)	(1,893)	(1,361)
Retained earnings	<u>40,516</u>	<u>22,849</u>
	<u>\$ 103,659</u>	<u>\$ 70,195</u>

## Notes to IFRS Consolidated Financial Statements (financial year 2004)

CAD thousands except per share amounts

### a) Share capital

Homburg Invest is authorized to issue an unlimited number of common shares, Class B voting shares, and Class A and B preference shares. The preference shares may be issued from time to time in one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution prior to issuance. Preference shares are non-voting and rank in priority to the common shares with respect to dividends and distribution upon dissolution. No preference or Class B voting shares have been issued. The common shares carry one vote each and participate equally in the earnings of Homburg Invest, and the net assets of Homburg Invest upon dissolution. Dividends are payable on the common shares as and when declared by the Board of Directors.

The following table sets forth the particulars of the issued and outstanding Homburg Invest Common Shares:

	Number of Common Shares	Stated Capital
<b>Issued and outstanding at December 31, 2002</b>	35,034	\$ 34,047
Conversion of debt (Note 9)	2,089	2,000
Acquisitions (Note 5)	10,091	13,225
Quarterly redemption of shares (b)	<u>(837)</u>	<u>(724)</u>
<b>Issued and outstanding at December 31, 2003</b>	46,377	48,548
Exercise of options (e)	120	108
Acquisitions (Note 5)	163	250
Private placements (c)	8,333	12,000
Dividend reinvestment plan	1,922	2,786
Quarterly redemption of shares (b)	(463)	(486)
Issued costs	<u>          </u>	<u>(170)</u>
<b>Issued and outstanding at December 31, 2004</b>	<u>56,452</u>	<u>\$ 63,036</u>

### b) Quarterly redemption

In 2002, Homburg Invest implemented a quarterly redemption program to redeem 2% of the common shares annually, or .5% quarterly based on the intrinsic value of the shares, as determined by the International Financial Reporting Standards financial statements. This program was cancelled by the shareholders of Homburg Invest at its Annual General Meeting June 18, 2004.

	2004		2003	
	Shares Redeemed		Shares Redeemed	
		Redemption Price		Redemption Price
March	232	\$ 1.51	185	\$ 1.37
June	231	\$ 1.53	185	\$ 1.37
September			234	\$ 1.37
December			<u>233</u>	\$ 1.37
	<u>463</u>		<u>837</u>	

### c) Private placements

Homburg Invest issued 8,333 (2003 - Nil) common shares through two private placements at a price of \$1.44 per share. 1,389 common shares were issued to a Director for cash. 6,944 common shares were issued to corporations controlled by the Chairman and Chief Executive Officer consisting of 3,472 common shares issued for cash, and 3,472 common shares issued to effect conversion of demand loans payable to equity.

## Notes to IFRS Consolidated Financial Statements (financial year 2004)

CAD thousands except per share amounts

### d) Contributed surplus

	<u>2004</u>	<u>2003</u>
Beginning of year	\$ 159	\$ 159
Applied to share redemption	<u>(159)</u>	<u></u>
End of year	<u>\$ NIL</u>	<u>\$ 159</u>

### e) Stock options

Under Homburg Invest's Stock Option Plan, Homburg Invest may grant options to the directors and officers of Homburg Invest and employees of the management company up to 3,529 shares of common stock. Under the plan, the exercise price of each option shall not be less than the closing market price of the common shares on the TSX on the last trading day prior to the date of granting of the stock option and an option's maximum term is 10 years. Options are granted and vest at the discretion of the Board of Directors.

In 2002 Homburg Invest prospectively adopted a policy of recording Stock Based Compensation and other payments wherein fair value of each option grant is estimated on the date of grant using the Black-Scholes or similar option pricing model and is recorded as an expense in the financial statements. These models estimate fair value using various assumptions related to dividend yield, expected volatility, risk free interest rate and expected life of the options. This policy is in accordance with IFRS 2.

A summary of the status of Homburg Invest's Stock Option Plan as at December 31, 2004 and December 31, 2003 and changes during the periods ending on those dates is presented below.

	<u>2004</u>		<u>2003</u>
	Shares	Weighted-Average Exercise Price	Shares      Weighted-Average Exercise Price
Outstanding at beginning of year	2,756	\$ 1.14	2,756      \$ 1.14
Granted	NIL		NIL
Exercised (Note 25b)	(120)	\$ 0.90	NIL
Expired	<u>(158)</u>	\$ 0.90	<u>NIL</u>
Outstanding at end of year	<u>2,478</u>	\$ 1.16	<u>2,756</u> \$ 1.14

Number of Shares Under Option	Date of Grant	Expiration Date	Exercise Price
488	October 23, 2000	October 22, 2005	\$ 1.10
355	June 13, 2001	June 12, 2006	\$ 0.90
100	October 16, 2001	October 15, 2006	\$ 0.95
<u>1,535</u>	February 8, 2002	February 7, 2007	\$ 1.26
<u>2,478</u>			

### f) Cumulative currency translation adjustments

The cumulative currency translation adjustment represents the unrecognized exchange adjustment on the net assets of Homburg Invest's subsidiaries that operate in the United States of America. The change for the year reflects the impact of currency movements during the year on these net assets.

The rate of exchange in effect on December 31, 2004 was \$1.00 USD = \$1.20 CAD (2003 - \$1.30 CAD). The average rate of exchange for 2004 was \$1.00 USD = \$1.30 CAD (2003 - \$1.40 CAD).

## Notes to IFRS Consolidated Financial Statements (financial year 2004)

CAD thousands except per share amounts

### 15. Income taxes

Income tax expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate to earnings before income taxes. These differences result from the following items:

	<b>2004</b> (As restated note 28)	2003 (As restated note 28)
Earnings before income taxes	<u>\$ 29,451</u>	<u>\$ 13,531</u>
Combined Canadian basic federal and provincial income tax rate	<b>36.00%</b>	40.12 %
Less: reduction in rates based on enacted or substantively enacted tax laws at year end date	<u>                    </u>	<u>2.00</u>
	<u><b>36.00 %</b></u>	<u>38.12 %</u>
Income taxes based on combined Canadian basic federal and provincial income tax rate	<b>\$ 10,602</b>	\$ 5,158
Increase (decrease) in income taxes resulting from:		
Large corporation tax	<b>732</b>	579
Adjustment of cumulative future income tax rate from 38.12% to 36%.	<b>(746)</b>	
Other		(162)
Permanent adjustment on unrealized valuation increase	<u><b>(4,131)</b></u>	<u>(1,508)</u>
	<u><b>\$ 6,457</b></u>	<u>\$ 4,067</u>
Income taxes:		
Large corporation taxes	<b>\$ 732</b>	\$ 579
Future income taxes	<u><b>5,725</b></u>	<u>3,488</u>
	<u><b>\$ 6,457</b></u>	<u>\$ 4,067</u>

Future income taxes primarily represent temporary timing differences resulting from claiming income tax depreciation on Homburg Invest's fixed assets and the income tax impact of fair value changes under International Financial Reporting Standards. The accumulated future income tax liability at December 31, 2004 was \$23,266 (2003 - \$16,974).

### 16. Financial instruments and risk management

Homburg Invest does not acquire, hold or issue derivative financial instruments for trading purposes.

Mortgages and mortgage bonds payable are the only long term financial instruments Homburg Invest holds. The mortgages have a fair value of \$123,068 (2003 - \$113,524). The principal amount of the mortgage bonds issued during the year have been guaranteed against currency fluctuations until maturity of the bonds. The fair market value of the mortgage bonds is \$138,864 (2003 - \$69,492).

The fair values of long term financial instruments are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Homburg Invest might pay or receive in actual market transactions. Potential taxes and other transaction costs have not been considered in estimating fair value.

Homburg Invest's short-term financial instruments, comprising amounts receivable, cash and accounts payable and accrued liabilities, are carried at cost which, due to their short-term nature, approximates their fair value.

## Notes to IFRS Consolidated Financial Statements (financial year 2004)

CAD thousands except per share amounts

### Risk management

In the normal course of its business, Homburg Invest is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to minimize them are discussed below.

a) Interest rate risk

The assets and liabilities of Homburg Invest have fixed and floating interest rate components resulting in an exposure to interest rate movements. Homburg Invest has mitigated its interest rate risk through a liability management policy. Homburg Invest allocates the maturity of its debt over a period of approximately 15 years.

b) Credit risk

Homburg Invest's principal assets are commercial and residential buildings. Credit risk arises from the possibility that tenants may not fulfill their lease obligations. Homburg Invest mitigates this credit risk by performing credit checks on prospective tenants and ensuring that its tenant mix is diversified.

In support of the currency guarantee receivable the related party has arranged an arms length credit facility agreement.

c) Currency risk

Currency risk arises from debt or expenses denominated in US Dollars or Euro's. Homburg Invest mitigates currency risk of debt denominated in Euros through a guarantee agreement (See note 11). Currency risk for amounts denominated in US Dollars is mitigated by US Dollar revenue streams from property rentals.

### 17. Related party transactions

Homburg Invest is controlled by the Chairman and Chief Executive Officer through holding companies.

- a) Homburg Invest has entered into agreements with companies commonly controlled by the Chairman, and Chief Executive Officer to provide various services. A summary of the various revenues and expenses between related parties are as follows:

	<u>2004</u>	<u>2003</u>
Rental revenue earned	\$ <u>(716)</u>	\$ (422)
Asset management fees paid	\$ <u>2,058</u>	\$ <u>1,682</u>
Property management fees paid	\$ <u>1,727</u>	\$ <u>1,622</u>
Insurance paid	\$ <u>317</u>	\$
Service fees paid	\$ <u>353</u>	\$ <u>186</u>
Property acquisition fees paid	\$ <u>652</u>	\$ <u>2,823</u>
Mortgage bond guarantee fees paid	\$ <u>1,050</u>	\$ <u>778</u>
Demand loan interest and fees accrued	\$ <u>1,073</u>	\$ <u>1,502</u>
Mortgage bond issue costs	\$ <u>2,629</u>	\$ <u>3,300</u>

The transactions are recorded at exchange amounts.

- b) Homburg Invest has approved a resolution authorizing the property manager, a company commonly controlled by the Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of Homburg Invest.
- c) Professional services of approximately \$265 (2003 - \$275) were purchased from a firm and a corporation of which one (2003 - two) of the Companies directors are affiliated in 2004.
- d) Homburg Invest has entered into a guarantee arrangement for the principal and interest amounts, of the mortgage bonds payable to maturity, with a company under the control of the Chairman and Chief Executive Officer, wherein it is protected against fluctuations in the Canadian dollar and the Euro. The cost of this guarantee fee per annum until maturity is 1.5% on the Series 1 Bonds 2.0% on the Series 2 Bonds, and 1.6% on the Series 4 and Series 5 Bonds.
- e) Included in accounts payable is a mortgage bond syndication fee in the amount of \$1,316 (2003 - NIL) guarantee fees of \$561 (2003 - \$111) and management fees of \$35 (2003 - NIL) payable to companies commonly controlled by the Chairman and Chief Executive Officer.
- f) The receivable of \$1,664 is from a company commonly controlled by the Chairman and Chief Executive Officer, which is non-interest bearing and has no set terms of repayment, relates to the purchase of the Blackfoot Commercial property in Calgary, Alberta which is being redeveloped for the benefit of Homburg Invest Inc.

**Notes to IFRS Consolidated Financial Statements (financial year 2004)**

CAD thousands except per share amounts

**18. Earnings per share**

Net earnings per share has been calculated based on the weighted average number of shares outstanding as follows:

Year ended December 31,	<u>2004</u>	<u>2003</u>
Basic	<u>49,404</u>	<u>42,411</u>
Diluted	<u>49,864</u>	<u>42,547</u>

The dilution of 460 shares (2003 - 136) pertains to the exercise of options and the share buy back under the average share price.

The dilutive effect of outstanding stock options on earnings per share is based on the application of treasury stock method. Under treasury stock method, the proceeds from the exercise of such securities are assumed to be used to purchase common shares.

The effect of potential dilutive securities on funds from operations is calculated on the same basis.

**19. Commitments**

a) The following is a schedule of the future minimum lease payments on several leases of a subsidiary company.

2005	\$	118
2006	\$	117
2007	\$	101
2008	\$	68
2009	\$	39

b) One of the wholly owned limited partnerships has entered into a non competition agreement with the previous owners of the real estate which requires an annual payment of \$100. The agreement expires in 2009.

c) Homburg Invest and its subsidiaries have entered into various property management agreements, expiring between 2010 and 2012. (See Note 17a)

d) Homburg Invest has committed to build a retail property in Kentville, Nova Scotia for \$302, and tenant improvements of \$4,000 pertaining to the new office building in Calgary, Alberta.

**20. Contingent liability**

There are various claims, which Homburg Invest is involved with arising out of the ordinary course of business operations. Homburg Invest's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

**21. Supplemental cash flow information**

	<u>2004</u>	<u>2003</u>
Interest paid	<u>\$ 16,407</u>	<u>\$ 14,463</u>
Capital taxes paid	<u>\$ 428</u>	<u>\$ 300</u>
Interest received	<u>\$ 75</u>	<u>\$ 235</u>



## Notes to IFRS Consolidated Financial Statements (financial year 2004)

CAD thousands except per share amounts

### 22. Segmented Information

Homburg Invest owns a diverse portfolio of residential and commercial income-producing properties located in 8 Canadian Provinces and 3 U.S. States. The accounting policies used in the preparation of the segmented information are the same as those described for Homburg Invest in Note 3 - Accounting Policies. Homburg Invest primarily evaluates operating performance based on net operating income. As such, interest, depreciation and amortization, and general and administrative expenses have not been allocated to the segments. All key decisions pertaining to these items are managed centrally. The following provides a summary of key information of Homburg Invest's residential and commercial operating segments:

<b>2004</b>	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
<b>Property revenue</b>	<b>\$ 15,789</b>	<b>\$ 3,143</b>	<b>\$ 15,988</b>	<b>\$ 2,494</b>	<b>\$ 37,414</b>
<b>Operating expenses</b>	<b><u>4,661</u></b>	<b><u>376</u></b>	<b><u>8,063</u></b>	<b><u>1,182</u></b>	<b><u>14,282</u></b>
	<b><u>\$ 11,128</u></b>	<b><u>\$ 2,767</u></b>	<b><u>\$ 7,925</u></b>	<b><u>\$ 1,312</u></b>	<b><u>\$ 23,132</u></b>
<b>2003</b>	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
Property revenue	\$ 11,385	\$ 3,004	\$ 13,875	\$ 2,591	\$ 30,855
Operating expenses	<u>4,109</u>	<u>438</u>	<u>5,842</u>	<u>1,174</u>	<u>11,563</u>
	<u>\$ 7,276</u>	<u>\$ 2,566</u>	<u>\$ 8,033</u>	<u>\$ 1,417</u>	<u>\$ 19,292</u>
	<b>CANADA</b>			<b>US</b>	
<b>2004</b>	<b>West</b>	<b>Central</b>	<b>Atlantic</b>		<b>Total</b>
<b>Property revenue</b>	<b>\$ 9,937</b>	<b>\$ 3,919</b>	<b>\$ 18,312</b>	<b>\$ 5,246</b>	<b>\$ 37,414</b>
<b>Operating expenses</b>	<b><u>3,959</u></b>	<b><u>37</u></b>	<b><u>7,265</u></b>	<b><u>3,021</u></b>	<b><u>14,282</u></b>
	<b><u>\$ 5,978</u></b>	<b><u>\$ 3,882</u></b>	<b><u>\$ 11,047</u></b>	<b><u>\$ 2,225</u></b>	<b><u>\$ 23,132</u></b>
	<b>CANADA</b>			<b>US</b>	
<b>2003</b>	<b>West</b>	<b>Central</b>	<b>Atlantic</b>		<b>Total</b>
Property revenue	\$ 9,335	\$ 1,833	\$ 16,385	\$ 3,302	\$ 30,855
Operating expenses	<u>3,422</u>	<u></u>	<u>6,239</u>	<u>1,902</u>	<u>11,563</u>
	<u>\$ 5,913</u>	<u>\$ 1,833</u>	<u>\$ 10,146</u>	<u>\$ 1,400</u>	<u>\$ 19,292</u>
<b>2004</b>	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
Investment property	<u>\$ 129,896</u>	<u>\$ 26,510</u>	<u>\$ 148,263</u>	<u>\$ 28,368</u>	<u>\$ 333,037</u>
Mortgages payable	<u>\$ 38,394</u>	<u>\$ 13,421</u>	<u>\$ 54,275</u>	<u>\$ 11,851</u>	<u>\$ 117,941</u>
Mortgage bonds payable	<u>\$ 51,136</u>	<u>\$ 6,069</u>	<u>\$ 2,460</u>	<u>\$</u>	<u>\$ 59,665</u>
<b>2003</b>	<b>Retail</b>	<b>Industrial</b>	<b>Office</b>	<b>Residential</b>	<b>Total</b>
Investment property	<u>\$ 97,842</u>	<u>\$ 26,140</u>	<u>\$ 128,198</u>	<u>\$ 18,390</u>	<u>\$ 270,570</u>
Mortgages payable	<u>\$ 25,654</u>	<u>\$ 13,861</u>	<u>\$ 58,252</u>	<u>\$ 12,029</u>	<u>\$ 109,796</u>
Mortgage bonds payable	<u>\$ 50,719</u>	<u>\$ 5,541</u>	<u>\$ 2,770</u>	<u>\$</u>	<u>\$ 59,030</u>
	<b>CANADA</b>			<b>US</b>	
<b>2004</b>	<b>West</b>	<b>Central</b>	<b>Atlantic</b>		<b>Total</b>
Investment property	<u>\$ 116,462</u>	<u>\$ 42,517</u>	<u>\$ 138,034</u>	<u>\$ 36,024</u>	<u>\$ 333,037</u>
Mortgages payable	<u>\$ 34,721</u>	<u>\$ 6,540</u>	<u>\$ 59,124</u>	<u>\$ 17,556</u>	<u>\$ 117,941</u>
Mortgage bonds payable	<u>\$ 83,608</u>	<u>\$ 25,670</u>	<u>\$ 26,523</u>	<u>\$</u>	<u>\$ 135,801</u>
	<b>CANADA</b>			<b>US</b>	
<b>2003</b>	<b>West</b>	<b>Central</b>	<b>Atlantic</b>		<b>Total</b>
Investment property	<u>\$ 88,667</u>	<u>\$ 24,670</u>	<u>\$ 120,081</u>	<u>\$ 37,152</u>	<u>\$ 270,570</u>
Mortgages payable	<u>\$ 33,817</u>	<u>\$</u>	<u>\$ 56,206</u>	<u>\$ 19,773</u>	<u>\$ 109,796</u>
Mortgage bonds payable	<u>\$ 17,746</u>	<u>\$ 24,619</u>	<u>\$ 26,926</u>	<u>\$</u>	<u>\$ 69,291</u>

**Notes to IFRS Consolidated Financial Statements (financial year 2004)**

CAD thousands except per share amounts

In 2004 Mortgage bonds payable total \$135,801. Of this amount \$76,136 relates to properties under development and cash intended for acquisitions and development projects which will primarily be located in Canada West. The remaining \$59,665 is allocated to specific segments above.

In 2003 Mortgage bonds payable total \$69,291. Of this amount \$10,261 relates to a property under development which is located in Canada West. The remaining \$59,030 is allocated to specific segments above.

**West** - British Columbia, Alberta; **Central** - Ontario, Quebec; **Atlantic** - Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland

**23. Rental income under operating leases**

Homburg Invest's operations consist of leasing commercial and residential real estate. The following is a schedule by years of minimum future rentals on noncancelable operating leases having initial terms in excess of one year:

2005	\$	26,968
2006		22,867
2007		19,920
2008		17,653
2009		15,097
Thereafter		130,875
	\$	<u>233,380</u>

**24. Staff costs**

Homburg Invest has a management agreement with a related party (Note 17) and therefore has no employees.

**25. Subsequent events**

a) In January, 2005 Homburg Invest entered into agreements to purchase two properties for development in Calgary, Alberta for a total price of \$10.0 million. These acquisitions are scheduled to close on February 15, 2005 through the payment of cash.

b) Subsequent to year end an additional 525 options have been exercised by the holders of the options for total proceeds to Homburg Invest of \$585.

**26. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the financial statement presentation of the current year.

**Notes to IFRS Consolidated Financial Statements (financial year 2004)**

CAD thousands except per share amounts

**27. Interest in joint ventures**

Homburg Invest, at December 31, 2004 and 2003, owns a partial interest in seven limited partnerships. The ownership percentages range from 5% to 55.55%. These partnerships operate commercial rental properties.

These financial statements reflects Homburg Invest's share of the assets, liabilities, revenue and expenses of the limited partnerships in accordance with the principle of proportionate consolidation as follows:

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 142	\$ 143
Receivables	99	105
Prepaid	127	77
Investments properties	<u>8,271</u>	<u>7,906</u>
	<u>\$ 8,639</u>	<u>\$ 8,231</u>
<b>Liabilities</b>		
Accounts payable	\$ 122	\$ 104
Security deposits and prepaid rent	11	15
Mortgages payable	<u>4,114</u>	<u>4,229</u>
	<u>\$ 4,247</u>	<u>\$ 4,348</u>
<b>Revenue</b>		
Property revenue	<u>\$ 1,431</u>	<u>1239</u>
<b>Expenses</b>		
Property operating expenses	\$ 655	\$ 651
Mortgage interest	<u>291</u>	<u>296</u>
	<u>\$ 946</u>	<u>\$ 947</u>
<b>Cash flow</b>		
Funds from operations	<u>\$ 485</u>	<u>\$ 433</u>
Net cash from operating activities	<u>\$ 56</u>	<u>\$ 342</u>
Net cash from financing activities	<u>\$ (30)</u>	<u>\$ (310)</u>
Net cash from investing activities	<u>\$ (26)</u>	<u>\$ (140)</u>

# Notes to IFRS Consolidated Financial Statements (financial year 2004)

CAD thousands except per share amounts

## 28. Retroactive restatement for change in accounting policy

### Deferred financing costs

In 2006, the Company changed its accounting policy with regards to financing costs. These costs were previously expensed in the period incurred. Effective with the June 30, 2006 reporting period, these costs are now being deferred and amortized over the term of the related debt. The change has been applied retroactively and the Company feels that the current policy will remove unusual fluctuations in period over period earnings and reflect these costs over the full period to which they relate. The impact of the change in accounting policy on the reported information is as follows:

Year ended December 31		2004		2003
<b>Balance sheet</b>	\$		\$	
Increase in deferred financing costs		269		221
Increase in deferred income taxes payable		93		76
Increase in shareholders' equity		176		145
<b>Statement of Earnings</b>	\$		\$	
Decrease in interest on mortgages and bonds		96		186
Increase in amortization expense		47		27
Increase in income tax expense		17		55
Increase in net earnings		32		104
<b>Increase in earnings per share</b>				
Basic Class A and Class B				
Diluted Class A and Class B				
Basic Common		0.01		
Diluted Common				
<b>Statement of Cash Flows</b>	\$		\$	
Increase in funds from operations		96		188
Increase in deferred financing costs		96		188

## **6.10 Auditors Reports**

### **6.10.1 Auditors' Report annual financial statements 2005**

Halifax, Canada February 21, 2006

To the Shareholders of Homburg Invest Inc.

We have audited the accompanying consolidated financial statements of Homburg Invest Inc., which comprise the balance sheets as at December 31, 2005 and 2004, and the consolidated statements of earnings and retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibilities for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

We also reported separately on February 21, 2006 to the shareholders of the Company on our audits, conducted in accordance with Canadian generally accepted auditing standards, where we expressed an opinion without reservation on the December 31, 2005 and 2004, consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles.

#### **Grant Thornton LLP**

Chartered Accountants

### **6.10.2 Auditors' Report annual financial statements 2004**

Halifax, Canada February 7, 2005

To the Shareholders of Homburg Invest Inc.

We have audited the consolidated balance sheets of Homburg Invest Inc. as at December 31, 2004 and 2003, and the consolidated statements of earnings, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003, and the results of its operations, changes in equity and cash flows for the years then ended in accordance with International financial reporting standards.

We also reported separately on February 7, 2005 to the shareholders of the Company on our audit, conducted in accordance with Canadian generally accepted auditing standards, where we expressed an opinion without reservation on the December 31, 2004 and 2003, consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles.

**Grant Thornton LLP**

Chartered Accountant

### **6.10.3 Auditors' Report annual financial statements 2003**

Halifax, Canada January 30, 2004

To the shareholders of Homburg Invest Inc.

We have audited the consolidated balance sheets of Homburg Invest Inc. as at December 31, 2003 and 2002, and the consolidated statements of earnings, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002, and the results of its operations, changes in equity and cash flows for the years then ended in accordance with International financial reporting standards.

We also reported separately on January 30, 2004 to the shareholders of the Company on our audit, conducted in accordance with Canadian generally accepted auditing standards, where we expressed an opinion without reservation on the December 31, 2003 and 2002, consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles.

**Grant Thornton LLP**

Chartered Accountants

## **6.11 Committed future investments**

As of the date of this Prospectus Homburg Invest has committed itself to thirteen new projects in which it has completed its due diligence and has already purchased the properties. These projects include:

- 1) The Homburg Harris Center in Calgary, Alberta which will be comprised of two towers totalling approximately 630,000 square feet of office rental space.
- 2) The Citadel West office Tower in Calgary, Alberta will be a 75,000 square foot office complex.
- 3) The Castello Tower will be a 106 unit condominium tower located next to Citadel West in downtown Calgary, Alberta.
- 4) Churchill Estates will be a 44 unit luxury condo building in the Eau Claire market of Calgary, Alberta.
- 5) Homburg Springs is a 146 acre site on the outskirts of Calgary, Alberta on which will be built 3,700 homes for resale.
- 6) Homburg Springs West is a 140 acre site on the outskirts of Calgary, Alberta on which will be built 1,850 residential units and 475,000 square feet of retail space.
- 7) The Blackfoot Corporate Center is a 41,000 square foot commercial property located in Calgary, Alberta which is currently being redeveloped and expanded.
- 8) Homburg Gateway II is a parcel of industrial land on the outskirts of Calgary, Alberta which is being held for future development.
- 9) Inverness Estates located in Grande Prairie, Alberta will see construction of a three building apartment complex.
- 10) The Northumberland is a 45 unit condo project in Charlottetown, Prince Edward Island.
- 11) Centron Park is a 450,000 square foot office complex comprising seven buildings to be built in Calgary, Alberta.
- 12) Kai Towers is a 466 unit condo project to be built in Calgary, Alberta across the street from the Holland Gardens Tower.

With respect to the above mentioned projects, Homburg Invest has expended \$260.0 million and has committed as of September 30, 2006 an amount of CAD 49 million.



## 6.12 Pro Forma

Unless stated otherwise, all amounts are in CAD and unaudited.

### Homburg Invest Inc.

#### Pro Forma Consolidated Balance Sheet

As at January 1, 2006

Canadian \$ thousands except per share amounts

Prepared under International Financial Reporting Standards

(Unaudited - See Compilation Report)

	December 31, 2005 Historical unadjusted Homburg Invest Inc. (Audited - As restated)	Notes	Pro Forma adjustments	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 34.185		\$ -	\$ 34.185
Receivables and other	12.797			12.797
Long term investments	18.677			18.677
Restricted cash	41.874			41.874
Deferred financing costs, net	2.253			2.253
Development properties	183.485			183.485
Investment properties	786.387	5 a) i)	594.091	1.380.478
	<u>\$ 1.079.658</u>		<u>\$ 594.091</u>	<u>\$ 1.673.749</u>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ 42.632	5 a) i) and ii)	\$ 196.599	\$ 239.231
Derivative instrument liability	3.583			3.583
Construction financing	32.115			32.115
Mortgage bonds payable	220.202			220.202
Mortgages payable	458.749	5 a) i) and ii)	379.794	838.543
Deferred income taxes	62.911	5 a) i)	17.698	80.609
	<u>820.192</u>		<u>594.091</u>	<u>1.414.283</u>
<b>Shareholders' Equity</b>	<u>259.466</u>			<u>259.466</u>
	<u>\$ 1.079.658</u>		<u>\$ 594.091</u>	<u>\$ 1.673.749</u>

## Homburg Invest Inc.

### Pro Forma Consolidated Statement of Earnings

For the Nine Months Ended September 30, 2006

Canadian \$ thousands except per share amounts

Prepared under International Financial Reporting Standards

(Unaudited - See Compilation Report)

	September 30, 2006 Historical unadjusted Homburg Invest Inc. (Unaudited)	Notes	Pro Forma adjustments	Total
Property revenue	\$ 79,820	5 b) i)	\$ 16,163	\$ 95,983
Realized valuation changes	8,654			8,654
Unrealized valuation changes	19,632			19,632
Gain on derivative instrument	1,876			1,876
Dividend income	1,378			1,378
Other income	2,390			2,390
Sale of condominiums	9,153			9,153
	<u>122,903</u>		<u>16,163</u>	<u>139,066</u>
Interest on mortgages and bonds	39,622	5 b) i)	\$ 7,133	46,755
Cost of sale of condominiums	8,055			8,055
Property operating expenses	10,186	5 b) i)	702	10,888
General and administrative	3,787	5 b) i)	405	4,192
Amortization	413			413
	<u>62,063</u>		<u>8,240</u>	<u>70,303</u>
Earnings before income taxes	60,840		7,923	68,763
Income taxes	18,271	5 b) i) and ii)	2,694	20,965
Net earnings	<u>\$ 42,569</u>		<u>\$ 5,229</u>	<u>\$ 47,798</u>
<b>Earnings per share for Class A and Class B (Note 6)</b>				
Basic	<u>\$ 0,43</u>			<u>\$ 0,49</u>
Diluted	<u>\$ 0,41</u>			<u>\$ 0,45</u>

## Homburg Invest Inc.

### Pro Forma Consolidated Balance Sheet

As at September 30, 2006

Canadian \$ thousands except per share amounts

Prepared under International Financial Reporting Standards

(Unaudited - See Compilation Report)

Assets	September 30, 2006 Historical unadjusted Homburg Invest Inc. (Unaudited)	Notes	Pro Forma adjustments	Total
Cash and equivalents	\$ 543	5 c) i)	\$ 8,040	\$ 8,583
Receivables and other	19,674			19,674
Long term investments	39,646			39,646
Restricted cash	13,857			13,857
Deferred financing costs, net	6,534			6,534
Development properties	260,011			260,011
Investment properties	1,706,570			1,706,570
	<u>\$ 2,046,835</u>		<u>\$ 8,040</u>	<u>\$ 2,054,875</u>
<b>Liabilities</b>				
Accounts payable and other liabilities	\$ 96,464	5 c) ii)	\$ 1,615	\$ 98,079
Derivative instrument liability	1,788			1,788
Construction financing	59,844			59,844
Bonds payable	290,682			290,682
Mortgages payable	1,031,066			1,031,066
Junior subordinated notes	57,623			57,623
Deferred income taxes	94,480	5 c) iii)	1,118	95,598
	<u>1,631,947</u>		<u>2,733</u>	<u>1,634,680</u>
<b>Shareholders' Equity</b>	<u>414,888</u>	5 c) iv)	<u>5,307</u>	<u>420,195</u>
	<u>\$ 2,046,835</u>		<u>\$ 8,040</u>	<u>\$ 2,054,875</u>

Notes to Pro Forma Consolidated Financial Statements  
 Balance Sheets at January 1, 2006 and September 30, 2006 and  
 Statement of Earnings for the nine months ended September 30, 2006  
 Canadian \$ thousands except per share amounts  
 (Unaudited - See Compilation Report)

# **1. Basis of presentation:**

These unaudited pro forma consolidated balance sheets and statement of earnings of Homburg Invest Inc. (HII) have been prepared by management in accordance with International Financial Reporting Standards (IFRS) including the pro forma assumptions as described in Notes 3 and 5. These unaudited pro forma consolidated statements reflect, for illustrative purposes only, the hypothetical effect had the acquisition, as detailed in Note 4, occurred January 1, 2006. These unaudited pro forma consolidated statements have been prepared for inclusion in a prospectus filed with the Amsterdam exchange to support an application for a debt issue.

The financial information included in these unaudited pro forma consolidated statements has been obtained from the following sources: for HII, the audited consolidated financial statements for the year ended December 31, 2005 and the unaudited consolidated financial statements for the nine month period ended September 30, 2006 as prepared under IFRS; for the pro forma information from the audited financial statements of the acquired business for the four month period ended April 30, 2006 as prepared under IFRS. The audited financial statements of the acquired business were denominated in euros and have been translated to Canadian dollars using the average exchange rate for the period presented and reflect 100% of the revenue and expenses of the acquired business less an expense of \$425 representing the minority participation of 6.63% in the net earnings of the acquired business.

These unaudited pro forma consolidated statements may not be indicative of the results that actually would have occurred had the transactions been consummated on the dates indicated, nor are they necessarily indicative of future operating results or the financial position of HII.

It is the recommendation of management that the unaudited pro forma consolidated balance sheets and statement of earnings should be read in conjunction with the audited financial statements of HII for the year ended December 31, 2005 and the unaudited financial statements for the nine months ended September 30, 2006.

# **2. Significant accounting policies**

The accounting policies used in the preparation of these unaudited pro forma statements are in accordance with those disclosed in HII's unaudited consolidated financial statements for the nine month period ended September 30, 2006. These pro forma unaudited consolidated financial statements do not include all of the information and disclosure required by IFRS, and therefore should be read in conjunction with the IFRS unaudited September 30, 2006 consolidated financial statements of HII.

# **3. Assumptions to pro forma consolidated statements**

- a) Fair value of investment property  
The property was actually acquired on May 1, 2006. An appraisal was completed as at March 3, 2006 to support the acquisition price and this amount is considered to be representative of the fair value at January 1, 2006.
- b) Exchange rates  
The exchange rates used in the pro forma consolidated statements were 1 Euro equals:  

January 1, 2006 (used the December 31, 2005 rate)	1,38109 CAD
September 30, 2006	1,41358 CAD
January 1, 2006 to April 30, 2006 average rate	1,39304 CAD
- c) Changes to the actual amounts  
The changes made to the purchase price allocation to reflect a January 1, 2006 acquisition date were:
  - i) Mortgages payable were adjusted by the estimated principal change for the period January 1, 2006 to April 30, 2006.
  - ii) The exchange rate applied to the acquisition was adjusted to the rate in effect December 31, 2005.

## 4. Acquisition properties

Effective May 1, 2006, the Company acquired the following property:

Neubiberg

Germany

These pro-forma financial statements reflect the illustrative effect of the acquisition, as if the acquisition had taken place January 1, 2006 rather than May 1, 2006. The acquisition was effected by acquiring 100% of the entity that owned 93.37% of the Limited Partnership holding the property.

## 5. Adjustments made for pro forma purposes

The following adjustments were made to the pro forma statements:

- a) Balance sheet as at January 1, 2006
    - i) The following items on the January 1, 2006 Balance Sheet have been adjusted based on the actual acquisition price, adjusted for the change in exchange rates from the actual date of acquisition to January 1, 2006:
      - Investment properties
      - Accounts payable and other liabilities
      - Mortgages payable
      - Deferred income taxes payable
    - ii) Mortgages payable and Accounts payable were adjusted to reflect the effect of the change in the principal portion of the mortgage for January 2006 through April 2006.
  - b) Income statement
    - i) Pro forma results for the four month period from January 1, 2006 through April 30, 2006 are based on the actual audited results of the acquired property for the four month period.
    - ii) Income taxes have been calculated based on the applicable tax rate for the company. The allocation between current and Deferred taxes is related to the Investment properties.
  - c) Balance sheet as at September 30, 2006
    - i) Cash has been increased as a result of the increased in earnings.
    - ii) Accounts payable have increased as a result of the taxes payable on the increased earnings.
    - iii) Deferred income taxes payable have been increased by the amount of the increased provision related to the difference between the carrying value of the investment property and its tax value.
    - iv) Shareholders' equity has been increased by the additional net earnings and the impact of the Cumulative Foreign Currency Translation.
- There would be no long term impact from the adjustments made to reflect the effective date of the acquisition.

## 6. Earnings per share

No additional shares were issued at the date of the acquisition. Therefore no pro forma adjustment is required to the number of Basic or Diluted shares used in the calculation of Earnings per share. During August 2006, 3,000,420 Class A Subordinate Voting Shares were issued as settlement of EUR 13,501,890 of debt related to the acquisition. This share issue has been reflected in the Earnings per Share information as at September 30, 2006 from the date the shares were issued.

## 7. Shareholders' equity

	CAD 000's
Unadjusted Shareholders' equity reported to September 30, 2006	414.888
Pro forma increased net earnings	5.229
Cumulative foreign currency adjustment for pro forma increased net assets of foreign self sustained operations	78
Pro forma total Shareholders' equity	420.195

### 6.12.1 Compilation report with respect to pro forma information

This statement is provided by Grant Thornton LLP, an independent auditor at the request of Homburg Invest. This statement is included, in the form and context in which it is included, with the consent of Grant Thornton LLP.

Grant Thornton 

Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## Compilation Report on Pro Forma Financial Statements

To the Board of Directors of Homburg Invest Inc

We have read the accompanying unaudited pro forma consolidated balance sheets as at January 1, 2006 and September 30, 2006 and the pro forma consolidated statement of earnings for the nine month period ended September 30, 2006 of Homburg Invest Inc, and have performed the following procedures:

### Pro Forma Consolidated Balance Sheet as at January 1, 2006

1. We have compared the figures in the column captioned "December 31, 2005 Historical unadjusted Homburg Invest Inc (Audited - As restated)" to the December 31, 2005 audited consolidated balance sheet as restated prepared in accordance with International Financial Reporting Standards and have found these to be in agreement.
2. Compared the adjustments found in the column titled "Pro Forma adjustments" to supporting calculations and documentation provided by management and have found these to be in agreement

### Pro Forma Consolidated Balance Sheet as at September 30, 2006

3. We have compared the amounts in the column captioned "September 30, 2006 Historical unadjusted Homburg Invest Inc (Unaudited)" to the September 30, 2006 unaudited consolidated balance sheet prepared in accordance with International Financial Reporting Standards and have found these to be in agreement.
4. Compared the adjustments found in the column titled "Pro Forma adjustments" to supporting calculations and documentation provided by management and have found these to be in agreement.

### Pro forma Consolidated Statement of Earnings for the nine month period ended September 30, 2006

5. We have compared the amounts in the column captioned "September 30, 2006 Historical unadjusted Homburg Invest Inc (Unaudited)" to the nine month period ended September 30, 2006 unaudited consolidated statement of earnings prepared in accordance with International Financial Reporting Standards and have found these to be in agreement

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page two

6. Compared the adjustments found in the column titled "Pro Forma adjustments" to supporting calculations and documentation provided by management and have found these to be in agreement

**In addition to the procedures performed above on the individual pro forma financial statements we have also performed the following:**

7. Made enquiries of certain officials of Homburg Invest Inc. who have responsibility for financial and accounting matters about:
  - (a) The basis of determination for the pro forma adjustments; and
  - (b) Whether the pro forma financial statements comply as to form, in all material respects, with applicable regulatory requirements

The Officials:

- (a) Described to us the basis for determination of the pro forma adjustments; and
  - (b) Stated that the pro forma financial statements comply as to form in all material respects with applicable regulatory requirements.
8. Read the notes accompanying the pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments
9. Recalculated the application of the pro forma adjustments to the aggregate amounts in the column "December 31, 2005 Historical unadjusted Homburg Invest Inc (Audited - As restated)" as at December 31, 2005 and found the amounts in the column captioned "Total" to be arithmetically correct
10. Recalculated the application of the pro forma adjustments to the aggregate amounts in the column "September 30, 2006 Historical unadjusted Homburg Invest Inc (Unaudited)" as at September 30, 2006 and found the amounts in the column captioned "Total" to be arithmetically correct.
11. Recalculated the application of the pro forma adjustments to the aggregate amounts in the column "September 30, 2006 Historical unadjusted Homburg Invest Inc (unaudited)" for the nine month period ended September 30, 2006 and found the amounts in the column captioned "Total" to be arithmetically correct

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The pro forma consolidated balance sheets and statement of earnings are based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than those provided by either an audit or a review; the objective of which is the expression of assurance with respect to management's assumptions, pro forma adjustments and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Halifax, Canada  
December 18, 2006

Grant Thornton LLP  
Chartered Accountants





## 7. TRUST INDENTURE

Please note that this Trust Indenture is the official legal Canadian document. The definitions of “Trust Indenture” and/or “Second Supplemental Indenture” and or Third Supplemental Indenture therefore might differ from the definition as mentioned in chapter 4 of this Prospectus. These specific definitions (only relating to this Trust Indenture) are described in article 1.1 of the Trust Indenture.

The Trust Indenture used for Bond 8 bonds is still applicable for Bond 10 bonds. The changes that have been made for Bond 10 bonds are mentioned in the Third Supplemental Indenture. Therefore the Third Supplemental Indenture is a supplement to the Trust Indenture.

**THIS TRUST INDENTURE** made as of the 1 day of June, 2006.

**BETWEEN:**

**HOMBURG INVEST INC.,**

a company incorporated under the laws of the Province of Alberta

(hereinafter referred to as the “Corporation”)

- and -

**STICHTING HOMBURG BONDS,**

a foundation incorporated under the laws of The Netherlands

(hereinafter referred to as the “Trustee”)

**WHEREAS** the Corporation is desirous of raising money for its corporate purposes and with a view to so doing is desirous of creating and issuing the Bonds, the issuance of which is provided for by this Trust Indenture;

**AND WHEREAS** the Corporation, under the laws relating thereto, is duly authorized to create and issue the Bonds to be issued as herein provided;

**AND WHEREAS** all necessary resolutions of the Corporation have been duly passed and other proceedings taken, consents obtained and conditions complied with to make the creation and issue of the Bonds proposed to be issued hereunder and this indenture and the execution thereof legal and valid and binding on the Corporation;

**AND WHEREAS** the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Trustee;

**NOW THEREFORE** it is covenanted and agreed as follows;

### **ARTICLE I INTERPRETATION**

#### **1.1** *Definitions*

In this Trust Indenture and in the Bonds, unless there is something in the subject matter or context inconsistent therewith, the following expressions shall have the following meanings, namely:

(a) “this Trust Indenture”, “this indenture”, “herein”, “hereby”, “hereof”, “hereunder” and similar expressions mean or refer to this Trust Indenture and any indenture or deed of instrument supplemental or ancillary hereto as a whole and are not limited to any particular Article, Section or other subdivision hereof;

(b) “Affiliate” means an affiliated body corporate as defined in the CBCA;

- (c) “Bondholder” means a holder of Bonds;
- (d) “Bonds” means Bonds of the Corporation issued or to be issued hereunder for the time being outstanding;
- (e) “Bondholders’ Request” means an instrument signed in one or more counterparts by the holder or holders of not less than 10% in principal amount of the Bonds outstanding for the time being requesting the Trustee to take some action or proceeding specified therein;
- (f) “Business Day” means any day upon which chartered banks are open for business in Halifax, Nova Scotia;
- (g) “CAD” and “\$” mean lawful money of Canada;
- (h) “Cash” means lawful money of Canada, the United States of America or Euros, as the case may be, and any amounts thereof represented by certificates of deposit or other acknowledgments of indebtedness maturing within one year of any Canadian chartered bank;
- (i) “CBCA” means the *Canada Business Corporations Act*, as the same may be amended from time to time;
- (j) “Certificate of the Corporation”, “Written Order of the Corporation” and “Written Request of the Corporation” mean, respectively, a certificate, written order and written request under the seal of the Corporation signed in the name of the Corporation by the President or any Vice President together with the Secretary of the Corporation;
- (k) “Certified Resolution” means a copy of a resolution certified by the President, any Vice-President or the Secretary of the Corporation under the seal of the Corporation to have been duly passed by the directors of the Corporation and to be in full force and effect on the date of such certification, unamended;
- (l) “Corporation” means Homburg Invest Inc. and any successor corporation which shall have complied with the provisions of Article XVIII;
- (m) “Corporation’s auditors” means an independent firm of chartered accountants duly appointed as auditors of the Corporation and acceptable to the Trustee;
- (n) “Counsel” means a barrister or solicitor or firm of barristers and solicitors (who may be counsel for the Corporation) acceptable to the Trustee;
- (o) “director” means a director of the Corporation for the time being and “directors” or “board of directors” means the board of directors of the Corporation or, whenever duly empowered, the executive committee, if any, of the board of directors of the Corporation, and reference to action by the directors means action by the directors of the Corporation as a board or action by the executive committee of the board;
- (p) “Event of Default” has the meaning specified in Section 13.1;
- (q) “Homburg Bond 8” has the meaning specified in Section 3.1(a);
- (r) “Homburg Bond 8 Issue Date” has the meaning specified in Section 3.1(b);
- (s) “Trustee” means Stichting Homburg Bonds or its successor for the time being in the trusts hereby created.

Words importing the singular number include the plural and vice versa, and words importing the masculine gender include the feminine and neuter genders and words importing persons shall include individuals, corporations, partnerships, trusts, associations and other entities.

## **1.2** *Meaning of “Outstanding” for Certain Purposes*

Every Bond certified and delivered by the Trustee hereunder shall be deemed to be outstanding until it shall be cancelled or delivered to the Trustee for cancellation or moneys for the payment thereof shall be set aside under Section 4.9 or Article XIV, as the case may be, provided that:

(a) Bonds which have been partially redeemed shall be deemed to be outstanding only to the extent of the unredeemed part of the principal amount thereof;

(b) where a new Bond has been issued in substitution for a Bond which has been lost, stolen or destroyed, only one of them shall be counted for the purpose of determining the aggregate principal amount of Bonds outstanding; and

(c) for the purposes of any provision of this Trust Indenture entitling holders of outstanding Bonds to vote, sign consents, requisitions or other instruments or take any other action under this Trust Indenture, Bonds owned directly or indirectly, legally or equitably, by the Corporation or any Affiliate shall be disregarded except that:

(i) for the purpose of determining whether the Trustee shall be protected in relying on any such vote, consent, requisition or other action, only the Bonds which the Trustee knows are so owned shall be so disregarded; and

(ii) Bonds so owned which have been pledged in good faith other than to the Corporation or an Affiliate shall not be so disregarded if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds in his discretion free from the control of the Corporation and its Affiliates.

### **1.3** *Interpretations Not Affected by Headings, etc.*

The division of this Trust Indenture into Articles and Sections, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

### **1.4** *Applicable Law*

This Trust Indenture and the Bonds shall be construed in accordance with the laws of the Province of Nova Scotia and the federal laws of Canada applicable therein, and shall be treated in all respects as Nova Scotia contracts.

### **1.5** *Appendices*

The following Appendices are incorporated into and form parts of this Trust Indenture:

Appendix A – Form of Homburg Bond 8

### **1.6** *Meaning of certain terms*

Any reference herein to the Trust Indenture is a reference to the Trust Indenture as amended, re-stated, novated or supplemented from time to time. The term amendment shall, in the case hereof, also be held to include any amendment of the conditions under which the Bonds hereby are issued.

## **ARTICLE II THE BONDS**

### **2.1** *No Fixed Limitation*

The aggregate principal amount of Bonds which may be issued under this indenture is unlimited but Bonds may be issued hereunder only upon the terms and subject to the conditions herein provided.

### **2.2** *Issuance in Series*

The Bonds may be issued in one or more series, subject to compliance with the provisions and conditions hereinafter set forth. Subject to the provisions hereof, the Bonds of each such series (other than the Homburg Bond 8 bonds hereinafter mentioned, which shall have the attributes set out in this Trust Indenture) shall bear such date or dates and mature on such date or dates, shall bear interest at such rate or rates, may be issued in such denominations, may be redeemable before maturity in such manner and subject to payment of such premium, or without premium, may be payable as to principal, interest and premium, if any, at such place or places and in such currency or currencies, may be repayable at the option of the holder on such date or dates, may provide for such sinking fund, if any, may contain such provisions for the interchange or transfer of Bonds of the same series of different denominations or forms, may have attached thereto and/or issued therewith warrants entitling the holders to subscribe for or purchase shares or other securities of the Corporation or otherwise upon such terms, may give the holders thereof the right to convert the same into shares or other securities of the Corporation or otherwise upon such terms and may contain such other provisions, not inconsistent with the provisions of this Trust Indenture, as may be determined by resolution of the directors passed at or prior to the time of issue thereof and expressed in an indenture supplemental hereto providing for the issuance of the Bonds of such series and (to such extent as the directors may deem appropriate) in the Bonds of such series. At the option of the Corporation, the maximum principal amount of Bonds of any series may be limited, such limitation to be expressed in the supplemental indenture providing for the issuance of the Bonds of such series and in the Bonds of such series.

### **2.3**      *Form of Bonds*

The Bonds of any series may be of different denominations and forms (either coupon Bonds or fully registered Bonds or both) and may contain such variations of tenor and effect, not inconsistent with the provisions of this Trust Indenture, as are incidental to such differences of denomination and form, including variations in the provisions for the exchange of Bonds of different denominations or forms and in the provisions for the registration or transfer of Bonds, and any series of Bonds (other than the Homburg Bond 8 bonds) may consist of Bonds having different dates of issue, different dates of maturity, different rates of interest, different redemption prices (if any) and different sinking fund provisions (if any) and may consist partly of Bonds carrying the benefit of a sinking fund and partly of Bonds with no sinking fund. The Bonds of each particular series shall be designated and numbered in any manner prescribed by the Corporation with the approval of the Trustee.

Subject to the foregoing provisions and subject to any limitations as to the maximum principal amount of Bonds of any particular series, any of the Bonds may be issued as part of any series of Bonds previously issued, in which case they shall bear the same designation and designating letters as have been applied to such similar prior issue and shall be numbered consecutively upwards in respect of each denomination of Bonds in like manner and following the numbers of the Bonds of such prior issue.

All series of Bonds (other than the Homburg Bond 8 bonds) which may at any time be issued hereunder and the coupons, if any, appertaining thereto and the certificate of the Trustee endorsed on such Bonds may be in such form or forms as the directors shall by resolution determine at the time of the first issue of any series or part of a series of such Bonds and as shall be approved by the Trustee.

The Bonds of any series may be engraved, lithographed, printed or typewritten, or partly in one form and partly in another, as the Corporation may determine; provided that if the Bonds of any series are issued in typewritten form, the Corporation will on demand of any holder or holders thereof make available within a reasonable time after such demand without expense to such holder or holders Bonds which are engraved, lithographed or printed in exchange therefore.

### **2.4**      *Signature on Bonds and Coupons*

All Bonds shall be under the seal of the Corporation or a facsimile thereof (which shall be deemed to be the seal of the Corporation) and shall be signed (either manually or by facsimile signature) by the President or a Vice-President and by the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer of the Corporation holding office at the time of signing. Interest coupons attached to coupon Bonds shall have reproduced thereon the facsimile signature of the present or any future Secretary or the present or any future Treasurer of the Corporation. A facsimile signature upon any of the Bonds and/or coupons shall for all purposes of this Trust Indenture be deemed to be the signature of the person whose signature it purports to be and to have been signed at the time such facsimile signature is reproduced and notwithstanding that any person whose signature, either manual or in facsimile, may appear on the Bonds or coupons is not at the date of this Trust Indenture, or at the date of the Bonds or at the date of the certifying and delivery thereof, the President, a Vice-President, the Secretary, the Treasurer, an Assistant Secretary or an Assistant Treasurer, as the case may be, of the

Corporation, such Bonds or coupons shall be valid and binding upon the Corporation and entitled to the security of this indenture.

## **2.5**      *Certification*

No Bond shall be issued or, if issued, shall be obligatory, or shall entitle the holder to the benefits of this indenture until it has been certified by or on behalf of the Trustee substantially in the form set out in Appendix A hereof or in some other form approved by the Trustee. Such certificate on any Bond shall be conclusive evidence that such Bond is duly issued, is a valid obligation of the Corporation and is secured hereby and entitled to the benefits hereof.

The certificate of the Trustee signed on the Bonds or interim Bonds shall not be construed as a representation or warranty by the Trustee as to the validity of this Trust Indenture or of said Bonds or their issuance and the Trustee shall in no respect be liable or answerable for the use made of said Bonds or any of them or the proceeds thereof. The certificate of the Trustee signed on the said Bonds or interim Bonds shall, however, be a representation and warranty by the Trustee that said Bonds or interim Bonds have been duly certified by or on behalf of the Trustee pursuant to the provisions of this Trust Indenture.

## **2.6**      *Interim Bonds*

Pending the preparation and delivery to the Trustee of definitive Bonds of any series or part of a series, the Corporation may execute in lieu thereof (but subject to the same provisions, conditions and limitations as herein set forth) and the Trustee may certify interim printed or typewritten Bonds, in such form and in such denominations and with such appropriate omissions, insertions and variations as may be approved by the Trustee and the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer of the Corporation (whose certification or signature, either manual or in facsimile, as the case may be, on any such interim Bond shall be conclusive evidence of such approval), entitling the holders thereof to definitive Bonds of such series or part of a series in any authorized denominations and forms when the same are prepared and ready for delivery, without expense to the holders, but the total amount of interim Bonds of any series or part of a series so issued shall not exceed the total amount of Bonds of such series or part of a series for the time being authorized. Forthwith after the issuance of any such interim Bonds, the Corporation shall cause to be prepared the appropriate definitive Bonds for delivery to the holders of such interim Bonds.

Any such interim Bonds when duly issued shall, until exchanged for definitive Bonds, entitle the holders thereof to rank for all purposes as Bondholders and otherwise in respect of this indenture to the same extent and in the same manner as though the said exchange had actually been made. When exchanged for definitive Bonds, such interim Bonds shall forthwith be cancelled by the Trustee. Any interest paid upon interim Bonds without coupons shall be noted thereon by the paying agent at the time of payment unless paid by warrant or cheque to the registered holder thereof.

## **2.7**      *Bonds Not Equally Secured*

The Bonds may be issued in such amounts, to such persons, on such terms not inconsistent with the provisions of this Trust Indenture and either at par or at a discount or at a premium as the directors may determine. The security for Bonds issued hereunder, if any, shall be limited to specific assets of the Corporation and Bonds of different series are not equally and rateably secured hereby.

## **2.8**      *Pledge of Bonds*

All or any of the Bonds may be pledged, hypothecated or charged from time to time by the Corporation as security for advances or loans to or for indebtedness or other obligations or liabilities of the Corporation and, when redelivered to the Corporation or its nominees on or without payment, satisfaction, release or discharge in whole or in part of any such advances, loans, indebtedness, obligations or liabilities, shall be forthwith delivered to the Trustee and shall be cancelled by it, and no Bonds shall be issued in substitution therefor except upon due compliance by the Corporation with the provisions of Section 3.6.

## **2.9**      *Issue in Substitution for Lost Bonds*

(a)      In case any of the Bonds issued and certified hereunder shall become mutilated or be lost, stolen or destroyed, the Corporation in its discretion may issue and thereupon the Trustee shall certify and deliver a new

Bond of like date and tenor upon surrender and cancellation of the mutilated Bond, in the case of a lost, destroyed or stolen Bond, in lieu of and in substitution for the same and the substituted Bond shall be in a form approved by the Trustee and shall be entitled to the security hereof and rank equally in accordance with its terms with all other Bonds issued or to be issued hereunder.

(b) The applicant for a new Bond pursuant to this Section shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Corporation and to the Trustee such evidence of ownership and of loss, destruction or theft of the Bond so lost, destroyed or stolen as shall be satisfactory to the Corporation and to the Trustee in their discretion and such applicant may also be required to furnish indemnity in amount and form satisfactory to them in their discretion and shall pay the reasonable charges of the Corporation and the Trustee in connection therewith.

## **2.10** *Commencement of Interest*

(a) All Bonds issued hereunder, whether originally or in exchange or substitution for previously issued Bonds, shall bear interest from their date (or from such other date as may be expressed in such Bonds) or from the last interest payment date to which full interest shall have been paid or made available for payment on the outstanding Bonds of the same series and date of maturity and having the same interest payment dates, whichever shall be later.

(b) The interest payable on each interest payment date shall be deemed to have accrued from day to day during the six-month period ending with the preceding day. Any provision herein for the payment of interest accrued to a specified date shall accordingly mean interest accrued to the end of the preceding day. Interest for any period of less than six months shall be computed, in the case of Bonds denominated in Canadian dollars, on the basis of a year of 365 days and, in the case of Bonds denominated in United States dollars or Euros, on the basis of a year of 360 days.

(c) Whenever interest is computed on the basis of a year (the “deemed year”) which contains fewer than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing such product by the number of days in the deemed year.

## **2.11** *Registration of Bonds*

(a) The Corporation shall cause to be kept registers hereinafter referred to in which shall be entered the names and addresses of the holders of Bonds and particulars of the Bonds held by them respectively and of all transfers of Bonds. No transfer of a Bond shall be valid unless made on the appropriate register or on one of the appropriate registers by the registered holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee, upon compliance with such reasonable requirements as the Trustee and/or other registrar may prescribe, and unless such transfer shall have been duly noted on such Bond by the Trustee or other registrar.

If Bonds of any series are in a form requiring surrender thereof upon transfer of such Bonds, such Bonds shall be surrendered to the Trustee or other registrar and the Trustee or other registrar shall issue a new Bond in exchange therefore. If Bonds of any series are in a form requiring transfers to be noted on such Bonds, upon any transfer such transfers shall be duly noted on such Bonds by the Trustee or other registrar.

(b) The registers referred to in this Section shall:

- (i) with respect to the Homburg Bond 8 bonds be kept by and at the principal office of the Trustee or its agent at Soest, The Netherlands, and at such other place or places and by the Trustee and by such other registrar or registrars, if any, as the Corporation with the approval of the Trustee may designate; and
- (ii) with respect to any other series of Bonds, be kept at such place or places and by the Trustee and/or by such other registrar or registrars, if any, as the Corporation with the approval of the Trustee may designate.

(c) The registered holder of a Bond may at any time and from time to time have such Bond transferred at any of the places at which a register is kept for such Bond pursuant to the provisions of this Section, in accordance with such reasonable regulations as the Trustee may prescribe.

The registered holder of a Bond may at any time and from time to time have the registration of such Bond transferred from the register in which the registration thereof appears to another register maintained in another place authorized for that purpose under the provisions of this Trust Indenture upon payment of a reasonable fee to be fixed by the Trustee.

(d) The Trustee and/or any registrar for any of the Bonds and/or the Corporation shall not be charged with notice of or be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any Bond and may transfer the same on the direction of the registered holder thereof, whether named as trustee or otherwise, as though that person were the beneficial owner thereof.

## **2.12** *Exchanges of Bonds*

(a) Bonds of any denomination may be exchanged for Bonds of any other authorized denomination or denominations, any such exchange to be for an equivalent aggregate principal amount of Bonds of the same series, carrying the same rate of interest and having the same maturity date, the same redemption and sinking fund provisions, if any, and the same conversion, purchase or other rights, if any. Notwithstanding the foregoing, Bonds denominated in Euros shall not be exchangeable for Bonds denominated in CAD or lawful money of the United States of America and vice versa. All exchanges of Homburg Bond 8 bonds permitted hereby shall be made only at the principal office of the Trustee at Soest, The Netherlands or at such other office of the Trustee or at the office of such other registrar or registrars as may from time to time be designated by the Corporation for such purpose with the approval of the Trustee or such other registrar. Exchanges of Bonds of any other series shall be made at such place or places as shall be designated by the Corporation for that purpose at the time of the creation and issue thereof or from time to time thereafter. Any Bonds tendered for exchange shall be surrendered to the Trustee or appropriate registrar.

(b) Bonds issued in exchange for Bonds which at the time of such issue have been selected or called for redemption at a later date shall be deemed to have been selected or called for redemption in the same manner and shall have noted thereon a statement to that effect.

(c) Except as herein otherwise provided, upon any exchange of Bonds of any denomination or form for other Bonds and upon any registration of Bonds and upon any discharge from any such registration and upon any transfer of registered Bonds (other than an exchange of interim Bonds for other interim Bonds or for definitive Bonds or the initial registration of definitive Bonds issued in exchange for bearer interim Bonds), the Trustee or other registrar may make a sufficient charge to reimburse it for any stamps or security transfer tax or other governmental charge required to be paid and, in addition, a reasonable charge for its services, and may charge a reasonable sum for every Bond issued upon such exchange, registration or transfer, and payment of the said charges shall be made by the party requesting such exchange, registration, discharge from registration or transfer as a condition precedent thereto.

## **2.13** *Registers Open for Inspection*

The registers hereinbefore referred to shall at all reasonable times be open for inspection by the Corporation, the Trustee or any Bondholder. Every registrar (including the Trustee) shall from time to time when requested so to do by the Corporation or by the Trustee furnish the Corporation or the Trustee with a list of the names and addresses of holders of registered Bonds entered on the register kept by such registrar and showing the principal amount and serial numbers of the Bonds held by each such holder.

## **2.14** *Closing of Registers*

(a) The Corporation, with the approval of the Trustee, may at any time close any register for any series of Bonds other than those kept at the principal offices of the Trustee at Soest, The Netherlands for Homburg Bond 8 bonds, and transfer the registration of any Bonds registered thereon to another register and thereafter such Bonds shall be deemed to be registered on such other register.

(b) Neither the Corporation nor the Trustee nor any registrar shall be required: (i) to make transfers or exchanges of Bonds on any interest payment date or during the 15 preceding business days; (ii) to make



transfers or exchanges of any Bonds on the day of any selection by the Trustee of Bonds to be redeemed or during the 15 preceding business days; or (iii) to make transfers or exchanges of any Bonds which have been selected or called for redemption unless upon due presentation thereof for redemption such Bonds shall not be redeemed.

## **2.15**     *Ownership of Bonds and Persons Entitled to Payment*

(a)     The person in whose name any Bond shall be registered shall be deemed and regarded as the owner thereof for all purposes of this Trust Indenture and payment of or on account of the principal of and premium, if any, on such Bond shall be made only to or upon the order in writing of such registered holder and such payment shall be a good and sufficient discharge to the Corporation and the Trustee for the amount so paid. As the interest on Bonds becomes due (except interest payable at maturity or on redemption, which shall be paid upon presentation and surrender of such Bonds for payment), the Corporation shall, at least three days prior to each date on which interest on such Bonds becomes due, forward or cause to be forwarded to the Trustee by wire transfer the interest amount, which wire transfer must be received by the Trustee at least two (2) Business Days prior to each date on which interest on such Bonds is due, and the Trustee shall forward one (1) Business Day prior to each date on which interest on the Bonds is due a cheque or wire transfer in the amount of the interest payable (less any tax required by law to be deducted or withheld) to the persons registered as holders of the Bonds on the date (the "Record Date") which is ten (10) Business Days prior to the date on which interest is due (by prepaid mail or by courier in the case of any payment of interest by cheque and in accordance with the wire instructions of the Bondholder on file with the Trustee in the case of any payment of interest by wire transfer) such that it is received by the holders of the Bonds on the date on which the interest is due. In the case of joint holders, the cheque or wire transfer shall be payable to all such joint holders and shall be sent by the Trustee to the registered address or wire instructions on file with the Trustee of one of such joint holders. The forwarding of such cheque or wire transfer shall satisfy and discharge the liability for interest upon such Bonds to the extent of the sum or sums represented thereby (plus the amount of any tax deducted as required) unless, in the case of payment by cheque, such cheque be not paid on presentation; provided that in the event of the non-receipt of such cheque by the registered holder or loss or destruction thereof, the Trustee upon being furnished with reasonable evidence of such non-receipt, loss or destruction and indemnity reasonably satisfactory to it shall issue to such registered holder a replacement cheque for the amount of such cheque. Neither the Trustee nor the Corporation shall be liable to any Bondholder for any non-receipt of any interest payment by reason of the address or wire instructions of such Bondholder on file with the Trustee being incorrect or incomplete. In no circumstances shall the Trustee be liable to the Bondholders for any interest payment which is received by the Bondholders after the date on which interest on the Bonds is due if such liability arises due to a delay caused by the Trustee receiving funds after the times required by this Section 2.15. The Corporation shall be liable for any such delay and shall hold the Trustee harmless and indemnify the Trustee for any claim made or action taken against the Trustee by the Bondholders as a result of such delay.

(b)     The registered holder for the time being of any Bond shall be entitled to the principal moneys, premium, if any, and interest evidenced by such instruments respectively, free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate holder thereof and all persons may act accordingly and a transferee of a Bond shall, after the appropriate form of transfer is lodged with the registrar and upon compliance with all other conditions in that behalf required by this indenture or by any conditions endorsed on the Bond or by law, be entitled to be entered on any one of the said registers as the owner of such Bond free from all equities or rights of set-off or counterclaim between the Corporation and the transferor or any previous holder thereof, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

### **(c)     INTENTIONALLY DELETED**

(d)     Delivery to the Corporation by a holder of a Bond or the receipt of such holder for the principal moneys, premium, if any, and interest evidenced by such instruments respectively shall be a good discharge to the Corporation, which shall not be bound to enquire into the title of such holder, save as ordered by a court of competent jurisdiction or as required by statute. Neither the Corporation, the Trustee nor any registrar shall be bound to see to the execution of any trust affecting the ownership of any Bond nor be affected by notice of any equity that may be subsisting in respect thereof.

(e)     Where Bonds are registered in more than one name, the principal moneys, premium (if any) and interest from time to time payable in respect thereof may be paid by cheque payable to the order of all such holders, failing joint written instructions from them to the contrary, and the receipt of any one of such holders thereof shall be a valid discharge to the Trustee and any registrar and to the Corporation.

In the case of the death of one or more joint registered holders, the principal moneys of, premium (if any) and interest on Bonds may be paid to the survivor or survivors of such registered holders whose receipt therefor shall constitute a valid discharge to the Trustee and any registrar and to the Corporation.

## **2.16** *Place of Payment*

Except as otherwise herein provided, all sums which may at any time become payable, whether at maturity or on a declaration or on redemption or otherwise, on account of any Bond or any interest or premium thereon shall be payable at the address appearing on the appropriate register as hereinbefore mentioned.

# **ARTICLE III ISSUE AND DELIVERY OF BONDS**

## **3.1** *Form and Terms of Homburg Bond 8 bonds*

(a) The first series of Bonds to be issued hereunder shall be designated as “Homburg Bond 8” (herein called the “Homburg Bond 8 bonds”). The aggregate principal amount of Homburg Bond 8 bonds that may be issued and outstanding hereunder is Euro €35,010,000 with a maximum of Euro €50,010,000.

(b) The Homburg Bond 8 bonds shall be dated as of June 1, 2006 (the “Homburg Bond 8 Issue Date”).

(c) The Homburg Bond 8 bonds shall bear interest (subject to the provisions of Section 2.10) from the Homburg Bond 8 Issue Date at the rate of 7% per annum payable (after as well as before maturity, default and judgment, with interest on overdue interest and premium (if any) at the said rate) on December 31, 2006 and thereafter half-yearly on June 30<sup>th</sup> and December 31<sup>st</sup> in each year, and shall mature on May 31, 2013.

(d) The principal of the Homburg Bond 8 bonds and the interest and premium, if any, thereon and all sums which may at any time become payable thereon, whether at maturity or on redemption or otherwise, shall be payable in Euros at the address of the registered holder as shown on the appropriate register or, at the option of the registered holder, at ABN AMRO Bank at its Soest, The Netherlands branch. The Bondholder shall bear all currency exchange risks associated with receipt of such payments in Euros.

(e) The Homburg Bond 8 bonds shall be issuable as fully registered Bonds in denominations of Euro €15,000. The Homburg Bond 8 bonds shall be substantially in the form set out in Appendix A and shall bear such distinguishing letters and numbers as the Trustee shall approve.

## **3.2** **INTENTIONALLY DELETED**

## **3.3** **INTENTIONALLY DELETED**

## **3.4** *Issue of Homburg Bond 8 bonds*

Homburg Bond 8 bonds in the aggregate principal amount of Euro €35,010,000 up to Euro €50,010,000 shall be executed by the Corporation and delivered to the Trustee. Upon receipt by the Trustee of an opinion of Counsel to the effect that all legal requirements have been met in respect of the issue of such Homburg Bond 8 bonds, the said Euro €35,010,000 up to Euro €50,010,000 aggregate principal amount of Homburg Bond 8 bonds shall be certified by the Trustee and delivered to or to the Written Order of the Corporation without any further act or formality on the part of the Corporation.

The Trustee shall have no duty or responsibility with respect to the issue or application of the Homburg Bond 8 bonds so certified and delivered or of the proceeds thereof.

## **3.5** **INTENTIONALLY DELETED**

## **3.6** *Issue of Additional Bonds*

Bonds other than the Homburg Bond 8 bonds (herein called the “Additional Bonds”) may from time to time be executed and issued by the Corporation and certified by the Trustee hereunder subject to the provisions of this Section and the requirements and restrictions provided in this indenture.

The Trustee shall certify and deliver to the Written Order of the Corporation Additional Bonds but only upon the receipt of:

(a) a Certificate of the Corporation stating that no default exists in respect of any of the covenants, agreements or provisions of this indenture;

(b) a written direction of the Corporation requesting the certification of such Additional Bonds in the principal amount applied for and specifying the person or persons to whom such Additional Bonds shall be delivered;

(c) a Certified Resolution authorizing the issue and requesting the certification of Additional Bonds of such series in the principal amount applied for and specifying the series thereof and the particulars and provisions to be expressed in or which are to relate to such Additional Bonds in accordance with the provisions hereof;

(d) a supplemental indenture in form and terms approved by Counsel providing for the issuance of such Additional Bonds; and

(e) an opinion of Counsel that all legal requirements in respect of the proposed issue of Additional Bonds have been met.

### **3.7** *No Additional Bonds to be Issued During Default*

No Additional Bonds shall be certified and delivered if the Corporation is at the time, to the knowledge of the Trustee, in default under any of the provisions hereof, or if at the time to the knowledge of the Trustee any event has occurred which with the passing of time would become an event of default hereunder. Any certification and delivery of any Additional Bonds by the Trustee shall be conclusive evidence of the absence of knowledge on the part of the Trustee of any such default at the time of such certification and delivery.

### **3.8** *Trustee Not Bound to Make Enquiries*

The Trustee, prior to the certification and delivery of any Bonds under any of the provisions of this indenture, shall not be bound to make any enquiry or investigation into the correctness of the matters set forth in any of the resolutions, opinions, certifications or other documents required by the provisions hereof, but shall be entitled to accept and act upon the said resolutions, opinions, certificates and other documents; provided, however, that the Trustee may in its discretion cause to be made such independent investigation as it may see fit.

## **ARTICLE IV REDEMPTION OF BONDS**

### **4.1** *General*

The Corporation shall have the right, at its option, to redeem either in whole at any time or in part from time to time before maturity Bonds issued hereunder of any series or part of a series which by their terms are made so redeemable, at such rate or rates of premium, if any, and at such date or dates and on such terms and conditions as shall have been determined at the time of issue of such Bonds and as shall be expressed in this Trust Indenture and/or in the Bonds and/or in the supplemental indenture authorizing or providing for the issue thereof.

### **4.2** *Optional Redemption of Homburg Bond 8 bonds*

The Homburg Bond 8 bonds shall be redeemable at any time on or after May 31, 2011 and prior to maturity, in whole at any time or in part from time to time, at the option of the Corporation on not less than 30 day's notice at a redemption price equal to 100% of the principal amount thereof, together in each case with accrued and unpaid interest to the date fixed for redemption.

### **4.3 INTENTIONALLY DELETED**

#### **4.4** *Partial Redemption of Homburg Bond 8 bonds*

(a) If less than all of the Homburg Bond 8 bonds for the time being outstanding are to be redeemed (which partial redemption shall only occur on or after May 31, 2011 and prior to maturity), the Corporation shall in each such case, at least 15 days before the date on which the notice of redemption is required to be given, notify the Trustee in writing of its intention to redeem Homburg Bond 8 bonds and of the aggregate principal amount of Homburg Bond 8 bonds so to be redeemed. The Trustee shall thereupon select the Homburg Bond 8 bonds to be redeemed on a *pro rata* basis to the nearest multiple of Euro €1,000 in accordance with the principal amount of Homburg Bond 8 bonds registered in the name of each holder, but in no case shall a Bond be redeemed in part unless the principal amount redeemed is Euro €1,000 or a multiple thereof. For this purpose the Trustee may make regulations with regard to the manner in which such Bonds may be so selected and regulations so made shall be valid and binding upon all holders of Bonds.

(b) If, as a result of any such redemption, one or more Homburg Bond 8 bonds of denominations in excess of Euro €1,000 shall become subject to redemption in part only (such part being Euro €1,000 or a multiple thereof), the holder of any such Bond, upon surrender of such Bond in accordance with Section 2.12, shall be entitled to receive, without expense to the holder, one or more Homburg Bond 8 bonds for the unredeemed part of the principal amount of such Bond so surrendered.

### **4.5 INTENTIONALLY DELETED**

#### **4.6** *Notice of Redemption*

Notice of intention to redeem any of the Bonds shall be given by or on behalf of the Corporation in the following manner:

(a) notice of intention to redeem such Bond shall be given to each holder of such Bond by letter or circular sent postage prepaid, addressed to him at his last address appearing upon one of the registers hereinbefore mentioned and mailed, in the case of all Bonds, not less than 30 days and not more than 60 days prior to the date specified for redemption; provided always that the accidental omission to mail any such letter or circular to or the non-receipt of any such letter or circular by any such holder or holders shall not invalidate or otherwise prejudicially affect the redemption of such Bonds;

(b) every notice of redemption shall designate the series and maturity date of the Bonds so called for redemption, and unless all of the Bonds or all of the Bonds of a series or all of the Bonds of one maturity so designated for the time being outstanding are to be redeemed, state the designating numbers of the Bonds so called for redemption, and in case a Bond is to be redeemed in part, only that part of the principal amount thereof so to be redeemed, and shall specify the redemption date, the redemption price and places of payment and shall state that in case the Bonds specified in such notice be not presented for redemption on such redemption date, all interest thereon shall cease from and after the said date.

Every notice sent by post or published shall be deemed to have been given on the day on which it is posted.

#### **4.7** *Bonds Due on Redemption Dates*

Notice having been given as aforesaid, all the Bonds so called for redemption shall thereupon be and become due and payable at the redemption price, on the redemption date specified in such notice and at any of the places where the principal of such Bonds is expressed to be payable in the same manner and with the same effect as if it were the date of maturity specified in such Bonds respectively, anything therein or herein to the contrary notwithstanding, and from and after such redemption date, if the moneys necessary to redeem such Bonds shall have been deposited as provided in Section 4.8 and the Trustee shall have been furnished with affidavits or other proof satisfactory to it as to the mailing of such notices, interest on the said Bonds shall cease. In case any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Trustee whose decision shall be final and binding upon all parties in interest.

#### **4.8** *Deposit of Redemption Moneys*

The Corporation shall provide for every redemption by irrevocably depositing with the Trustee or any paying agent to the order of the Trustee in trust for the holders of the Bonds called for redemption, before the redemption date specified in the notice of redemption, such sums as may be sufficient to pay the redemption price of such Bonds, including accrued interest on the Bonds so called for redemption to the date fixed for redemption. The Corporation shall also deposit with the Trustee if required by it a sum sufficient to pay any charges or expenses which may be incurred by the Trustee in connection with such redemption. From the sums so deposited the Trustee shall pay or cause to be paid to the holders of such Bonds so called for redemption, upon surrender of such Bonds, the principal, interest and premium, if any, to which they are respectively entitled on redemption.

#### **4.9**      *Failure to Surrender Bonds Called for Redemption*

In case the holder of any Bond so called for redemption shall fail within 30 days after the date fixed for redemption so to surrender his Bond or shall not within such time accept payment of the other redemption moneys payable in respect thereof and give such receipt therefor, if any, as the Trustee may require, such redemption moneys shall be set aside in trust for such holder, at such rate of interest as the depositary may allow, either in the deposit department of the Trustee or in a separate account maintained at any branch of ABN AMRO Bank in The Netherlands and such setting aside shall for all purposes be deemed a payment to the Bondholder of the sum so set aside, and to that extent said Bond shall thereafter not be considered as outstanding hereunder and the Bondholder shall have no other right except to receive payment out of the moneys so paid and deposited upon surrender and delivery up of his Bond of the redemption price of such Bond plus such interest thereon, if any, as the depositary may allow.

#### **4.10**      *Cancellation of Bonds*

Subject to the provisions of Section 4.4 as to Bonds redeemed in part, all Bonds purchased or redeemed in whole or in part under the provisions of this Article shall be forthwith delivered to and cancelled by the Trustee and no Bonds shall be issued in substitution therefor.

#### **4.11**      *Surrender of Bonds for Cancellation*

If the principal moneys due upon any Bond issued hereunder shall become payable by redemption or otherwise before the date of maturity thereof, the person presenting such Bond for payment must surrender the same for cancellation, the Corporation nevertheless paying the interest accrued and unpaid thereon if the date fixed for payment be not an interest payment date. All Bonds which shall have been delivered to and cancelled by the Trustee shall be destroyed by the Trustee and if required by the Corporation the Trustee shall furnish to it a destruction certificate setting forth the numbers and denominations of the Bonds so destroyed.

#### **4.12**      *Redemption on Liquidation*

In the event of proceedings being instituted for the voluntary liquidation of the Corporation before the maturity of the Bonds of any series or part of a series for the time being outstanding (except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Article XVIII are duly observed and performed), all the Bonds shall be redeemed and/or paid by the Corporation at the respective prices at which the Corporation could redeem, purchase or pay the same (at its option, whether or not subject to any condition or conditions pursuant to any covenant or provision requiring redemption) on the date on which the resolution was passed for the winding-up of the Corporation.

#### **4.13**      *Purchase of Homburg Bond 8 bonds*

The Corporation, when not in default hereunder, may at any time on or after May 31, 2011 but prior to maturity purchase Homburg Bond 8 bonds in the open market or by tender or by private contract at a price not exceeding 100% of the principal amount thereof plus accrued and unpaid interest to the date of purchase and reasonable costs of purchase. Any purchase of Homburg Bond 8 bonds pursuant to this Section 4.13 shall be subject to the provisions of Section 3.1(d). All Homburg Bond 8 bonds so purchased shall forthwith be delivered to the Trustee and shall be cancelled by it and no Bonds shall be issued in substitution therefor.

#### **4.14**      **INTENTIONALLY DELETED**

### **ARTICLE V**

**INTENTIONALLY DELETED**

**ARTICE VI**

**INTENTIONALLY DELETED**

**ARTICLE VII**

**INTENTIONALLY DELETED**

**ARTICLE VIII**

**SECURITY**

**8.1**     *Bonds Unsecured*

The Homburg Bond 8 bonds are unsecured obligations of the Corporation.

**ARTICLE IX**

**INTENTIONALLY DELETED**

**ARTICLE X**

**INTENTIONALLY DELETED**

**ARTICLE XI**

**INTENTIONALLY DELETED**

**ARTICLE XII  
COVENANTS OF THE CORPORATION**

**12.1**     *General Covenants*

The Corporation hereby covenants and agrees with the Trustee for the benefit of the Trustee and the Bondholders as follows:

(a)     *Intentionally Deleted.*

(b)     *To Pay Principal, Premium and Interest.* That the Corporation will well, duly and punctually pay or cause to be paid to every Bondholder the principal of and interest accrued on the Bonds of which he is the holder, and premium, if any, thereon on the dates, at the places, in the moneys and in the manner mentioned herein and in the Bonds.

(c)     *To Maintain Corporate Existence.* That the Corporation will at all times maintain its corporate existence.

(d)     *Intentionally Deleted.*

(e)     *To Pay Trustee.* That the Corporation will pay to the Trustee reasonable remuneration for its services hereunder and will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in the administration or execution of the trusts hereby created (including the reasonable compensation and the disbursements of its counsel and all other advisers and assistants not regularly in its employ), both before any default hereunder and thereafter until all duties of the Trustee under the trust hereof shall be finally and fully performed, except any such expense, disbursement or advance as may arise from its negligence or bad faith.

(f) *Not to Sell Bonds When in Default.* That, if the Corporation should be in default in the fulfilment of any of its obligations hereunder at any time, it will not, while such default shall continue, issue, sell, pledge or otherwise dispose of any Bonds.

## **12.2 INTENTIONALLY DELETED**

## **12.3 INTENTIONALLY DELETED**

### **ARTICLE XIII DEFAULT AND ENFORCEMENT**

#### **13.1 *Events of Default***

The following events are herein sometimes referred to as “Events of Default”:

(a) if the Corporation makes default in payment of the principal of or premium (if any) on any Bond secured hereby when the same becomes due under any provision hereof or of such Bond;

(b) if the Corporation makes default in payment of any interest due on any Bond secured hereby and such default as to interest shall have continued for a period of 30 days;

(c) Intentionally Deleted;

(d) Intentionally Deleted;

(e) Intentionally Deleted;

(f) if an order shall be made or an effective resolution be passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Article XVIII are duly observed and performed;

(g) if the Corporation shall make a general assignment for the benefit of its creditors or a notice of intention to make a proposal or a proposal under the *Bankruptcy and Insolvency Act* (Canada), or shall become insolvent or be declared or adjudged bankrupt, or a receiving order be made against the Corporation, or if a liquidator, trustee in bankruptcy, receiver, receiver and manager or any other officer with similar powers shall be appointed to the Corporation, or if the Corporation shall propose a compromise, arrangement or reorganization under the *Companies' Creditors Arrangement Act* (Canada) or any similar legislation of any jurisdiction providing for the reorganization or winding-up of corporations or business entities or providing for an agreement, composition, extension or adjustment with its creditors;

(h) if the Corporation shall fail or neglect to carry out, perform or observe any other covenant or condition contained herein on its part to be observed and performed and, after notice in writing has been given by the Trustee to the Corporation specifying such default and requiring the Corporation to put or cause to be put an end to the same, the Corporation shall fail to make good such default within a period of 45 days, unless the Trustee (having regard to the subject matter of the neglect or non-observance) shall have agreed to a longer period, and in such event, within the period agreed to by the Trustee.

#### **13.2 *Acceleration on Default***

Upon the occurrence of an Event of Default, the Trustee may in its discretion and shall upon receipt of a Bondholders' Request, subject to the provisions of Section 13.3, declare the principal and interest of all Bonds then outstanding to be due and payable and the same shall forthwith become immediately due and payable to the Trustee, anything herein to the contrary notwithstanding, and the Corporation shall forthwith pay to the Trustee for the benefit of the Bondholders the principal of and accrued and unpaid interest and interest on amounts in default on such Bonds (and, where such a declaration is based upon a voluntary winding-up or liquidation of the Corporation, the premium, if any, on the Bonds then outstanding which would have been payable upon the redemption thereof by and at the option of the Corporation on the date of such declaration), together with subsequent interest thereon at the rate borne by the Bonds from the date of the said declaration until payment is received by the Trustee, such subsequent interest to be payable at the times and places and in the moneys

mentioned in and according to the tenor of the Bonds. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder.

### **13.3** *Waiver of Default*

Upon the occurrence of an Event of Default other than default in payment of any principal moneys at maturity:

(a) the holders of not less than 66 2/3% of the principal amount of the Bonds then outstanding shall have power (in addition to and subject to the powers exercisable by Extraordinary Resolution as hereinafter provided) by instrument in writing to instruct the Trustee to waive the default and/or to annul any declaration made by the Trustee pursuant to Section 13.2 and the Trustee shall thereupon waive the default and/or annul such declaration upon such terms and conditions as such Bondholders shall prescribe; and

(b) the Trustee shall have power to waive the default if, in the Trustee's opinion, the same has been cured or adequate satisfaction made therefor, and in such event to annul any such declaration therefor made by the Trustee in the exercise of its discretion, upon such terms and conditions as to the Trustee may seem advisable, provided that no act or omission either of the Trustee or of the Bondholders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default or the rights resulting therefrom.

### **13.4** *Enforcement by the Trustee*

Subject to the provisions of this Section and of Section 13.3 and to the provisions of any Extraordinary Resolution that may be passed by the Bondholders as hereinafter provided:

(a) Intentionally Deleted;

(b) all rights of action hereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at the trial or other proceedings relative thereto; and

(c) upon receipt of a Bondholders' Request and upon being indemnified to its satisfaction as provided in Section 16.2, the Trustee shall exercise or take such one or more of the aforesaid remedies as such Bondholders' Request may direct or, if such Bondholders' Request contains no direction, as the Trustee may deem expedient; provided that if any such Bondholders' Request directs the Trustee to take proceedings out of court, the Trustee may in its discretion take judicial proceedings in lieu thereof.

### **13.5** *Enforcement by Bondholders*

No Bondholders shall have any right to institute any action or proceeding or to exercise any other remedy authorized by this Trust Indenture or by law or by equity for the purpose of enforcing payment of principal or interest, or for the execution of any trust or power hereunder, unless the requisition and indemnity referred to in Section 13.4 has been tendered to the Trustee and the Trustee shall have failed to act within a reasonable time thereafter; in such case but not otherwise, any Bondholder acting on behalf of himself and all other Bondholders shall be entitled to take proceedings in any court of competent jurisdiction such as the Trustee might have taken under Section 13.4 but in no event shall any Bondholder or combination of Bondholders have any right to enforce any right hereunder or under any Bond except subject to the conditions and in the manner herein provided, and all powers and trusts hereunder shall be exercised and all proceedings at law shall be instituted, had and maintained by the Trustee, except only as herein provided, and in any event for the equal benefit of all holders of such outstanding Bonds.

### **13.6** **INTENTIONALLY DELETED**

### **13.7** **INTENTIONALLY DELETED**

### **13.8** **INTENTIONALLY DELETED**

### **13.9** **INTENTIONALLY DELETED**

### **13.10** **INTENTIONALLY DELETED**



**13.11 INTENTIONALLY DELETED**

**13.12 INTENTIONALLY DELETED**

**13.13** *Immunity of Shareholders, etc.,*

The Bondholders and the Trustee hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future incorporator, shareholders, director or officer of the Corporation or of any successor corporation for the payment of the principal of or premium or interest on any of the Bonds.

**13.14 INTENTIONALLY DELETED**

**13.15** *Trustee Appointed Attorney*

The Corporation hereby irrevocably appoints the Trustee to be the attorney of the Corporation in the name and on behalf of the Corporation to execute and do any deeds, transfers, conveyances, assignments, assurances and things which the Corporation ought to execute and do, and has not executed or done, under the covenants and provisions contained in this Trust Indenture and generally to use the name of the Corporation in the exercise of all or any of the powers hereby conferred on the Trustee.

**13.16 INTENTIONALLY DELETED**

**13.17 INTENTIONALLY DELETED**

**ARTICLE XIV  
SATISFACTION AND DISCHARGE**

**14.1** *Cancellation and Destruction*

All matured Bonds shall forthwith after payment thereof be delivered to the Trustee and cancelled by it. All Bonds cancelled or required to be cancelled under this or any other provision of this Trust Indenture shall be destroyed by the Trustee and if required by the Corporation the Trustee shall furnish to it a destruction certificate in respect of the Bonds so destroyed.

**14.2** *Non-Presentation of Bonds*

Subject to the provisions of Article IV, in case the holder of any Bond shall fail to present the same for payment on the date on which the principal thereof and premium, if any, thereon and/or the interest thereon becomes payable either at maturity or otherwise or shall not accept payment on account thereof and give such receipt therefor, if any, as the Trustee may require:

- (a) the Corporation shall be entitled to pay to the Trustee and direct it to set aside; or
- (b) in respect of moneys in the hands of the Trustee which may or should be applied to the payment of the Bonds, the Corporation shall be entitled to direct the Trustee to set aside; or
- (c) if the redemption was pursuant to notice given by the Trustee, the Trustee may itself set aside the principal moneys and the premium, if any, and/or the interest, as the case may be, in trust to be paid to the holder of such Bond upon due presentation or surrender thereof in accordance with the provisions of this Trust Indenture; and thereupon the principal moneys and premium, if any, and/or the interest payable on or represented by each Bond in respect whereof such moneys have been set aside shall be deemed to have been paid and the holder thereof shall thereafter have no right in respect thereof except that of receiving payment of the moneys so set aside by the Trustee upon due presentation and surrender thereof, subject always to the provisions of Section 14.3 hereof.

**14.3** *Repayment of Unclaimed Moneys*

Any moneys set aside under Section 14.2 hereof and not claimed by and paid to holders of Bonds as therein provided within six years after the date of such setting aside shall be repaid to the Corporation by the Trustee on demand and thereupon the Trustee shall be released from all further liability with respect to such moneys and thereafter the holders of the Bonds in respect of which such moneys were so repaid to the Corporation shall have no rights in respect thereof except to obtain payment of the moneys due thereon from the Corporation.

#### **14.4**     *Discharge*

The Trustee shall, at the request of the Corporation, release and discharge this Trust Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein (other than the provisions relating to the indemnification of the Trustee) upon proof being given to the reasonable satisfaction of the Trustee that the principal of and premium, if any, and interest (including interest on amounts in default, if any) on all the Bonds and all other moneys payable hereunder have been paid or satisfied or that all the outstanding Bonds have matured or have been duly called for redemption, payment of the principal of and premium, if any, and interest (including interest on amounts in default, if any) on such Bonds and of all other moneys payable hereunder having been duly and effectually provided for in accordance with the provisions hereof.

### **ARTICLE XV MEETINGS OF BONDHOLDERS**

#### **15.1**     *Right to Convene Meeting*

The Trustee may at any time and from time to time and shall on receipt of a Written Request of the Corporation or a Bondholders' Request convene a meeting of the Bondholders. In the event of the Trustee failing within ten days after receipt of any such request to give notice convening a meeting, the Corporation or such Bondholders, as the case may be, may convene such meeting. Every such meeting shall be held at Soest, The Netherlands or at such other place as may be approved or determined by the Trustee. If at any time the Trustee has no directors, the Corporation or such Bondholders, as the case may be, may convene a meeting at which one or more directors of the Trustee are appointed in accordance with the Articles of Association of the Trustee.

#### **15.2**     *Notice of Meetings*

At least fifteen (15) days' notice of any meeting shall be given to the Bondholders in the manner provided in Section 17.3 and a copy thereof shall be sent by post to the Trustee unless the meeting has been called by it and to the Corporation unless the meeting has been called by it and the notice shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article.

#### **15.3**     *Chairman*

Some person, who need not be a Bondholder, nominated in writing by the Trustee shall be chairman of the meeting and if no person is so nominated, or if the person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, the Bondholders present in person or by proxy shall choose some person present to be chairman.

#### **15.4**     *Quorum*

Subject to Sections 15.12 and 15.17, at any meeting of the Bondholders a quorum shall consist of Bondholders present in person or by proxy and representing at least 25% in principal amount of the outstanding Bonds. If a quorum of the Bondholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Bondholders or pursuant to a request of the Bondholders, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is a non-Business Day in which case it shall be adjourned to the next following Business Day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting the Bondholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Bonds.

### **15.5** *Power to Adjourn*

The chairman of any meeting at which a quorum of the Bondholders is present may with the consent of the holders of a majority in principal amount of the Bonds represented thereat adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

### **15.6** *Show of Hands*

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

### **15.7** *Poll*

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded after a vote by show of hands by the chairman or by one or more Bondholders and/or proxies for Bondholders holding at least Euro €15,000 (or the equivalent thereof in lawful currency of Canada or the United States of America) principal amount of Bonds, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of a majority in principal amount of the Bonds represented at the meeting and voted on the poll.

### **15.8** *Voting*

On a show of hands every person who is present and entitled to vote, whether as a Bondholder or as proxy for one or more Bondholders, or both, shall have one vote. On a poll each Bondholder present in person or represented by proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each Euro €1,000 (or the equivalent thereof in lawful currency of Canada or the United States of America) principal amount of Bonds of which he shall then be the holder. A proxy need not be a Bondholder. In the case of joint registered holders of a Bond, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others, but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Bonds of which they are joint registered holders.

### **15.9** *Regulations*

The Trustee, or the Corporation with the approval of the Trustee, may from time to time make and from time to time vary such regulations as it shall from time to time think fit providing for and governing:

(a) the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Bondholders convening the meeting, as the case may be, may in the notice convening the meeting direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same shall be deposited; and

(b) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed or telecopied before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as the holders of any Bonds, or as entitled to vote or be present at the meeting, shall be registered Bondholders and persons whom registered Bondholders have by instrument in writing duly appointed as their proxies.

### **15.10** *Corporation and Trustee May be Represented*

The Corporation and the Trustee, by their respective officers and directors, and the legal advisers of the Corporation and the Trustee may attend any meeting of the Bondholders, but shall have no vote as such.

#### **15.11** *Powers Exercisable by Extraordinary Resolution*

In addition to the powers conferred upon them by Section 16.9 or any other provisions of this Trust Indenture or by law, a meeting of the Bondholders shall have the following powers exercisable from time to time by Extraordinary Resolution:

(a) power to sanction and agree to any modification, abrogation, alteration, compromise or arrangement of the rights of the Bondholders and/or the Trustee against the Corporation or against the undertaking, property and assets or any part thereof of the Corporation, whether such rights arise under this Trust Indenture or the Bonds or otherwise;

(b) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Trust Indenture or the Bonds in any manner specified in such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;

(c) power to waive and direct the Trustee to waive any default on the part of the Corporation complying with any provision of this Trust Indenture or the Bonds either unconditionally or upon any conditions specified in such Extraordinary Resolution;

(d) power to restrain any Bondholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal of or interest or premium on the Bonds, or for the execution of any trust or power hereunder;

(e) power to direct any Bondholder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by Section 13.5, of the costs, charges and expenses reasonably and properly incurred by such Bondholder in connection therewith;

(f) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;

(g) power to sanction the exchange of Bonds for or the conversion of Bonds into shares, bonds, Bonds, notes or any other securities or obligations of the Corporation or any other corporation;

(h) power to assent to any modification of or change in or omission from the provisions contained herein or any deed or instrument supplemental hereto which shall be agreed to by the Corporation and to authorize the Trustee to concur in and execute any deed or instrument supplemental hereto or thereto embodying such modification, change or omission;

(i) power to sanction any scheme for the reorganization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other corporation and for the selling or leasing of the undertaking, property and assets of the Corporation or any part thereof, if such reorganization, consolidation, amalgamation or merger otherwise would or might be prohibited hereby;

(j) power to sanction the distribution of any shares or securities or the use or disposal of the whole or any part of such shares or securities or any cash in such manner and for such purposes as may be deemed advisable;

(k) power to appoint and remove a committee (herein sometimes called a "Bondholders' committee") to consult with the Trustee and to delegate to such Bondholders' committee (subject to such limitations, if any, as may be prescribed in such Extraordinary Resolution) all or any of the powers which the Bondholders could exercise by Extraordinary Resolution under the foregoing subsections (b), (c), (d), (e), (i) and (j). The Extraordinary Resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such Bondholders' committee. Such Bondholders' committee shall consist of such number of persons as shall be prescribed in the Extraordinary Resolution appointing it, and the members need not be themselves Bondholders. Subject to the Extraordinary Resolution appointing it, every such

Bondholders' committee may elect its chairman and may make regulations respecting its quorum, the calling of meetings, the filling of vacancies occurring in its number, the manner in which it may act and its procedure generally; and such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by a majority of the members thereof or the number of members thereof necessary to constitute a quorum, whichever is the greater. All acts of any such Bondholders' committee within the authority delegated to it shall be binding upon all Bondholders; and

(l) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Bondholders.

#### **15.12** *Meaning of "Extraordinary Resolution"*

(a) The expression "Extraordinary Resolution" when used in this Trust Indenture means, subject as hereinafter in this Section provided, and subject to Sections 15.15 and 15.17, a resolution proposed to be passed as an extraordinary resolution at a meeting of Bondholders (including an adjourned meeting) duly convened for that purpose and held in accordance with the provisions of this Section 15.12 at which the holders of at least 25% in principal amount of the Bonds then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Bonds represented at the meeting and voted on a poll upon such resolution.

(b) If, at any such meeting, the holders of 25% in principal amount of the Bonds outstanding are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Bondholders, shall be dissolved; but in any other case it shall stand adjourned to such date, being not less than five (5) nor more than thirty (30) days later, and to such place and time as may be appointed by the chairman. Not less than three (3) days' notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 17.3. Such notice shall state that at the adjourned meeting the Bondholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Bondholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in subsection (a) of this Section shall be an Extraordinary Resolution within the meaning of this indenture, notwithstanding that the holders of 25% in principal amount of the Bonds then outstanding are not present in person or by proxy at such adjourned meeting.

(c) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

#### **15.13** *Powers Cumulative*

It is hereby declared and agreed that any one or more of the powers and/or any combination of the powers in this Trust Indenture stated to be exercisable by the Bondholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the rights of the Bondholders to exercise the same or any other such power or powers or combination of powers thereafter from time to time.

#### **15.14** *Minutes*

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Bondholders, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings had to have been duly passed and had.

#### **15.15** *Instruments in Writing*

Subject to Section 15.17, all actions which may be taken and all powers that may be exercised by the Bondholders at a meeting held as hereinbefore in this Article XV provided may also be taken and exercised by the holders of 66 2/3% of the principal amount of all the outstanding Bonds, by an instrument in writing signed in one

or more counterparts, and the expression “Extraordinary Resolution” when used in this Trust Indenture shall include an instrument so signed.

#### **15.16** *Binding Effect of Resolutions*

Subject to Section 15.17, every resolution and every Extraordinary Resolution of Bondholders passed in accordance with the provisions of this Article shall be binding upon all the Bondholders, whether present at or absent from such meeting, and every instrument in writing signed by Bondholders in accordance with Section 15.15 shall be binding upon all the Bondholders, whether signatories thereto or not, and each and every Bondholder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

#### **15.17** *Serial Meetings*

(a) If any business to be transacted at a meeting of Bondholders, or any action to be taken or powers to be exercised by instrument in writing under Section 15.15, especially affects the rights of the holders of Bonds of one or more series in a manner or to an extent differing from that in which it affects the rights of the holders of Bonds of any other series (as to which an opinion of Counsel shall be binding on all Bondholders, the Trustee and the Corporation for all purposes hereof), then:

(i) reference to such fact, indicating each series so especially affected, shall be made in the notice of such meeting and the meeting shall be and is herein called a “serial meeting”; and

(ii) the holders of Bonds of a series so especially affected shall not be bound by any action taken at a serial meeting or by any instrument in writing under Section 15.15 unless in addition to the other provisions of this Article XV:

(A) in the case of action taken at a serial meeting, there are present in person or by proxy at the said meeting holders of at least 25% (or for the purpose of passing an Extraordinary Resolution, 25%) in principal amount of the outstanding Bonds of the series so especially affected, subject to the provisions of this Article XV as to adjourned meetings, and the resolution is passed by the favourable votes of the holders of at least a majority (or in the case of an Extraordinary Resolution not less than 66 2/3%) of the principal amount of Bonds of the series so especially affected voted on the resolution; or

(B) in the case of action taken or power exercised by instrument in writing under Section 15.15, such instrument is signed in one or more counterparts by the holders of 66 2/3% of the principal amount of outstanding Bonds of the series so especially affected.

(b) If, in the opinion of Counsel, any business to be transacted at any meeting or any action to be taken or power to be exercised by instrument in writing under Section 15.15 does not adversely affect the rights of the holders of Bonds of one or more particular series, the provisions of this Article XV shall apply as if the Bonds of such series were not outstanding and no notice of any such meeting need be given to the holders of Bonds of such series.

#### **15.18** *Covenants Applicable to One Series of Bonds*

Notwithstanding anything herein contained, if any business to be transacted at any meeting or any action to be taken or power to be exercised by any instrument or assent having the effect of an Extraordinary Resolution relates only to the waiver, amendment, alteration, modification or cancellation of a covenant or provision hereof which by its terms is applicable and has effect only so long as one or more particular series of Bonds remains outstanding, the provisions of this Article shall be read and construed and shall apply as if the Bonds of such one or more particular series of Bonds were the only Bonds outstanding hereunder. A proposal: (i) to extend the maturity of Bonds of any series or reduce the principal amount thereof or the rate of interest thereon; (ii) to modify or terminate any covenant or agreement which by its terms is effective only so long as Bonds of a particular series are outstanding (notwithstanding that by its terms such covenant or agreement may, in addition, be effective only so long as Bonds of one or more other series are outstanding); or (iii) to reduce with respect to holders of Bonds of any series any percentage stated in Sections 15.12, 15.15 and 15.17 shall be deemed to especially affect the rights of the holders of the Bonds of such series whether or not a similar extension, reduction, modification or termination is proposed with respect to Bonds of any or all series.

## ARTICLE XVI

### CONCERNING THE TRUSTEE

#### 16.1 *Trust Indenture Legislation*

(a) The expression “indenture legislation” means the provisions of any statute of Canada or any province thereof, and of any regulations under any such statute, relating to trust indentures and to the rights, duties and obligations of trustees under trust indentures and of corporations issuing debt obligations under trust indentures, to the extent that such provisions are at the time in force and applicable to this Trust Indenture or the Corporation.

(b) The Corporation and the Trustee agree that each will at all times in relation to this Trust Indenture and any action to be taken hereunder observe and comply with and be entitled to the benefits of indenture legislation.

(c) If and to the extent that any provision of this Trust Indenture limits, qualifies or conflicts with any mandatory requirement of indenture legislation, such mandatory requirement shall prevail.

#### 16.2 *Conditions Precedent to Trustee’s Obligation to Act*

(a) The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Trustee or the Bondholders hereunder shall be conditional upon the Bondholders furnishing, when required by notice in writing by the Trustee, sufficient funds to commence or continue such act, action or proceeding and indemnity reasonably satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof.

(b) None of the provisions contained in this Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or obligations or in the exercise of any of its rights or powers unless indemnified as aforesaid.

(c) The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Bondholders at whose instance it is acting to deposit with the Trustee the Bonds held by them, for which Bonds the Trustee shall issue receipts.

#### 16.3 *Evidence*

(a) In addition to the reports, certificates, opinions and other evidence required by this Trust Indenture, the Corporation shall furnish to the Trustee such additional evidence of compliance with any provision hereof, and in such form (including by way of one or more statutory declarations made by any one or more of the President, a Vice-President, the Secretary or the Treasurer of the Corporation), as may be prescribed by indenture legislation or as the Trustee may reasonably require by written notice to the Corporation.

(b) Proof of the execution of an instrument in writing, including a Bondholders’ Request, by Bondholders may be made by the certificate of a notary public or other officer with similar powers that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution or in any other manner which the Trustee may consider adequate.

#### 16.4 *Delegation; Experts and Advisers*

(a) The Trustee may delegate to any corporation or person the performance of any of the trust and powers vested in it by this Trust Indenture and any such delegation may be made upon such terms and conditions and subject to such regulations, not including, however, any power to sub-delegate, as the Trustee may think to be in the interest of the Bondholders.

(b) The Trustee may employ or retain such counsel, auditors or accountants (who may be the Corporation’s auditors), appraisers, architects, engineers or such other experts or advisers as it may reasonably require for the purpose of discharging its duties hereunder.

(c) The Trustee may pay reasonable remuneration for all services performed for it in the discharge of the trusts hereof by any such agent or attorney, or expert or adviser, without taxation for costs or fees of any counsel, solicitor or attorney.

#### **16.5** *Documents, Cash, etc. Held by the Trustee*

(a) Any Cash, securities, documents of title or other instruments and other assets that may at any time be deposited with or held by the Trustee in accordance with and subject to the trusts hereof may be placed in the deposit vaults of the Trustee or of any Dutch chartered bank or deposited for safekeeping with any such bank.

(b) Unless herein otherwise expressly provided, pending the application or withdrawal thereof under any of the provisions of this Trust Indenture, any Cash, securities and other assets that may at any time be deposited with or held by the Trustee in accordance with the provisions hereof (including, without limiting the generality of the foregoing, any moneys set aside hereunder pursuant to Section 14.2) shall be held by the Trustee for the exclusive benefit of the Bondholders, and the Trustee:

- (i) may deposit the same in the name of the Trustee in any Canadian chartered bank at the rate of interest (if any) from time to time current on similar deposits; or
- (ii) may, with the approval of the Corporation, and shall, if so directed by it: (A) deposit the same in the deposit department of the Trustee or of any other loan or trust company authorized to accept deposits under the laws of The Netherlands; or (B) invest and reinvest the same or any part thereof in any bonds or other indebtedness of or fully guaranteed by the Government of Canada or obligations maturing not more than one year from the date of investment of any Canadian chartered bank or loan or trust company.

(c) All interest or other income received by the Trustee in respect of such deposits and investments and, after the due application of the amount invested in any of such investments, any profits realized by the Trustee upon the sale thereof shall belong to and be forthwith paid to the Corporation.

#### **16.6** **INTENTIONALLY DELETED**

#### **16.7** *Trustee Not Required to Give Security*

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Trust Indenture or otherwise in respect of the premises.

#### **16.8** *Protection of the Trustee*

By way of supplement to the provisions of any law for the time being relating to trustees, it is expressly declared and agreed as follows:

(a) The Trustee shall not be liable for or by reason of any failure of or defect in the registration or filing of or renewal of this Trust Indenture (including any instruments ancillary or supplemental thereto).

(b) The Trustee shall not be liable for or by reason of any statements of fact or recitals in this Trust Indenture or in the Bonds (except in the certificate of the Trustee thereon) or required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation.

(c) Nothing herein contained shall impose any obligation on the Trustee to see or to require evidence of the registration or filing (or renewal thereof) of this Trust Indenture (including any instruments ancillary or supplemental thereto), or to procure any further, other or additional instrument of further assurance.

(d) In the exercise of its rights and duties hereunder the Trustee shall not be in any way responsible for the consequence of any breach on the part of the Corporation of any of the Corporation's covenants herein contained or of any acts of the agents or servants of the Corporation.

#### **16.9** *Replacement of the Trustee*



The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder by giving to the Corporation at least 90 days' notice in writing or such shorter notice as the Corporation may accept as sufficient. The Bondholders by Extraordinary Resolution shall have power at any time to remove the Trustee and to appoint a new Trustee. In the event of the Trustee resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new Trustee unless a new Trustee has already been appointed by the Bondholders; failing such appointment by the Corporation, the retiring Trustee or any Bondholders may apply to a Judge of the Supreme Court of Nova Scotia, on such notice as such Judge may direct, for the appointment of a new Trustee; but any new Trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Bondholders. Any new Trustee appointed under any provision of this Section shall be a corporation authorized and qualified to carry on the business of a trust company in The Netherlands and in every other jurisdiction where such authorization or qualification is necessary to enable it to act as Trustee hereunder. On any new appointment the new Trustee shall be vested with the same powers, rights, duties and obligations as if it had been originally named herein as Trustee, without any further assurance, conveyance, act or deed; but there shall be immediately executed, at the expense of the Corporation, all such conveyances or other instruments as may, in the opinion of Counsel, be necessary or advisable for the purpose of assuring to the new Trustee a full estate in the premises. Any corporation into which the Trustee may be merged or with which it may be consolidated or amalgamated, or any corporation resulting from any merger, consolidation or amalgamation to which the Trustee shall be a party, shall be the successor Trustee under this Trust Indenture without the execution of any instrument or any further act.

#### **16.10**    *Conflict of Interest*

The Trustee represents that at the time of execution and delivery hereof, no material conflict of interest exists in the Trustee's role as a fiduciary hereunder.

#### **16.11**    *Acceptance of Trust*

The Trustee hereby accepts the trusts in this Trust Indenture declared and provided for and agrees to perform the same upon the terms and conditions hereinbefore set forth and to hold all the rights, privileges and benefits conferred hereby and by law in trust for the various persons who shall from time to time be Bondholders, subject to all the terms and conditions herein set forth.

### **ARTICLE XVII**

#### **NOTICES**

#### **17.1**    *Notice to the Corporation*

Any notice to the Corporation under the provisions hereof shall be valid and effective if delivered to an officer of the Corporation or if given by registered letter postage prepaid addressed to Suite 200, 11 Akerley Boulevard, Dartmouth, Nova Scotia, B3B 1V1, and any notice so delivered shall be deemed to be validly given when delivered and any notice so given by registered mail shall be deemed to have been effectively given on the second business day following the day of mailing. The Corporation may from time to time notify the Trustee of a change in address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Trust Indenture.

#### **17.2**    *Notice to the Trustee*

Any notice to the Trustee under the provisions hereof shall be valid and effective if delivered to an officer of the Trustee or if given by registered letter postage prepaid addressed to Beckeringhstraat 36, 3762 EX Soest, The Netherlands, and any notice so delivered shall be deemed to be validly given when delivered and any notice so given by registered mail shall be deemed to have been effectively given on the second business day following the day of mailing. The Trustee may from time to time notify the Corporation of a change in address which thereafter, until changed by like notice, shall be the address of the Trustee for all purposes of this Trust Indenture.

#### **17.3**    *Notice to Bondholders*

Unless herein otherwise expressly provided, any notice to be given hereunder to Bondholders shall be valid and effective if such notice is sent by ordinary surface or air mail postage prepaid addressed to such holders

at their respective addresses appearing on any of the registers hereinbefore mentioned; and if, in the case of joint holders of any Bond, more than one address appears in the register in respect of such joint holding, such notice shall be addressed only to the first address so appearing.

Any notice so given by mail shall be deemed to be given on the day on which it is mailed. In determining under any provisions hereof the date when notice of any meeting, redemption or other event must be given, the date of giving the notice shall be included and the date of the meeting, redemption or other event shall be excluded. Accidental error or omission in giving notice or accidental failure to mail notice to any Bondholder shall not invalidate any action or proceeding founded thereon.

## **ARTICLE XVIII**

### **SUCCESSOR CORPORATIONS**

#### **18.1** *Certain Requirements*

The Corporation shall not, directly or indirectly, sell, lease, transfer or otherwise dispose of all or substantially all of its property and assets to any other corporation, and shall not consolidate, amalgamate or merge with any other corporation (any such corporation being herein referred to as a “successor corporation”) unless:

(a) the successor corporation shall execute, prior to or contemporaneously with the consummation of such transaction, an indenture supplemental hereto, together with such other instruments as are satisfactory to the Trustee and in the opinion of Counsel are necessary or advisable to evidence the assumption by the successor corporation of the due and punctual payment of all the Bonds and the interest thereon and all other moneys payable hereunder and the covenant of the successor corporation to pay the same and its agreement to observe and perform all the covenants and obligations of the Corporation under this indenture;

(b) such transaction shall, to the satisfaction of the Trustee and in the opinion of Counsel, be upon such terms as substantially to preserve and not to impair any of the rights and powers of the Trustee or of the Bondholders hereunder and upon terms as are in no way prejudicial to the interests of the Bondholders; and

(c) no condition or event shall exist as to the Corporation or the successor corporation, either at the time of or immediately after such consolidation, amalgamation, merger, transfer or sale and after giving full effect thereto or immediately after the successor corporation complying with the provisions of subsection (a) above, which constitutes or would constitute, after notice or lapse of time or both, a default or an Event of Default hereunder.

#### **18.2** *Vesting of Powers in Successor*

Whenever the conditions of Section 18.1 have been duly observed and performed, the successor corporation shall possess and from time to time may exercise each and every right and power of the Corporation under this Trust Indenture in the name of the Corporation or otherwise and any act or proceeding by any provision of this Trust Indenture required to be done or performed by any directors or officers of the Corporation may be done and performed with like force and effect by the like directors or officers of such successor corporation.

## **ARTICLE XIX**

### **SUPPLEMENTAL DEEDS**

#### **19.1** *Provision for Supplemental Deeds*

From time to time the Corporation (when authorized by a resolution of its directors) and the Trustee may, subject to the provisions of these presents, and they shall, when so directed by these presents, execute and deliver, by their proper officers, deeds or instruments supplemental or ancillary hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

(a) evidencing the succession of successor companies to the Corporation and the covenants of and obligations assumed by such successor companies in accordance with the provisions of Article XVIII;

(b) giving effect to any Extraordinary Resolution passed as provided in Article XV;

(c) providing for the issue, as permitted hereby, of Bonds of any one or more series other than or in addition to the Homburg Bond 8 bonds;

(d) making such provisions not inconsistent with this Trust Indenture as may be necessary or desirable with respect to matters or questions arising hereunder or for the purpose of obtaining a listing or quotation of the Bonds on any stock exchange or bourse, provided that such provisions are not, in the opinion of the Trustee, prejudicial to the interests of the Bondholders;

(e) adding to or altering the provisions hereof in respect of the registration and transfer of Bonds; making provision for the issue of Bonds of denominations other than those herein provided for and for the exchange of Bonds of different denominations; and making any modification in the forms of the Bonds which does not affect the substance thereof;

(f) making any addition to, deletion from or alteration of the provisions of this Trust Indenture which the Corporation may deem necessary or advisable and which, in the opinion of the Trustee, does not materially and adversely affect the interest of the holders of the Bonds;

(g) adding to the covenants of the Corporation herein contained for the protection of the Bondholders or adding to the Events of Default herein specified; provided that such further covenants or Events of Default are not, in the opinion of the Trustee, prejudicial to the interests of the Bondholders;

(h) amending Article XVI in such manner as the Corporation and the Trustee (upon the advice of Counsel) may deem necessary or advisable in order to avoid conflict between such Article XVI and indenture legislation; and

(i) for any other purpose required by or not inconsistent with the terms of this Trust Indenture, provided that in the opinion of the Trustee the rights of the Trustee or of the Bondholders are in no way prejudiced thereby.

## **19.2** *Correction of Manifest Errors*

The Corporation and the Trustee may correct typographical, clerical and other manifest errors in this Trust Indenture provided that such correction shall, in the opinion of the Trustee, in no way prejudice the rights of the Trustee or of the Bondholders hereunder, and the Corporation and the Trustee may execute all such documents as may be necessary to correct such errors.

## **ARTICLE XX**

### **EXECUTION**

## **20.1** *Counterparts and Formal Date*

This Trust Indenture may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution shall be deemed to bear date as of June 1, 2006.

**IN WITNESS WHEREOF** the parties hereto have executed these presents under their respective corporate seals and the hands of their proper officers in that behalf.

**HOMBURG INVEST INC.**

Per: \_\_\_\_\_ c.s.\*  
Name:  
Title:

**STICHTING HOMBURG BONDS**

Per: \_\_\_\_\_ c.s.\*

Name:  
Title:

(873857.2)

## APPENDIX A: Form of Homburg Bond 8

1.1 The Homburg Bond 8 bonds, the certificate of the Trustee and the registration panel shall be in both the English language and the Dutch language, in the forms provided in Sections 1.2 and 1.3.

1.2 The English language portions of the text of the Homburg Bond 8 bonds, the certificate of the Trustee and the registration panel shall be substantially as follows:

No.

€15,000

### **HOMBURG INVEST INC.**

(Incorporated under the *Business Corporations Act* (Alberta))

Homburg Bond 8

Due: May 31, 2013.

**HOMBURG INVEST INC.** (hereinafter called the "Corporation"), for value received, hereby acknowledges itself indebted and promises to pay to the registered holder hereof on May 31, 2013, or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Trust Indenture hereinafter mentioned, the principal sum of FIFTEEN THOUSAND EUROS, together with such further amount, if any, as may be payable by way of premium, on presentation and surrender of this Bond at the principal office of Stichting Homburg Bonds (hereinafter called the "Trustee") at Soest, The Netherlands at the holder's option, and to pay interest on the principal amount hereof from June 1, 2006, or from the last interest payment date to which interest has been paid or made available for payment on the outstanding Bonds, whichever is later, at any of the said places, in like money half-yearly on June 30<sup>th</sup> and December 31<sup>st</sup> in each year, at the rate of 7% per annum (except at maturity or on redemption when the 7% interest will be paid after the surrender of the Homburg Bond 8 bond); and should the Corporation at any time make default in the payment of any principal, premium or interest, to pay interest on the amount in default at the same rate after as well as before maturity, default or judgement, in like money, at any of the said places and half-yearly on the same dates. Interest hereon shall be payable (except at maturity or on redemption when interest may at the option of the Corporation be paid on surrender hereof) by cheque or wire transfer to the registered holder hereof as provided in the Trust Indenture and the mailing of such cheque or wire transfer shall satisfy and discharge the liability for interest on this Bond to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold therefrom unless such cheque be not paid on presentation.

This Bond is one of a series designated as Homburg Bond 8 bonds (herein sometimes called the "Homburg Bond 8 bonds") of the Corporation issued and to be issued under and secured by a trust indenture (herein called the "Trust Indenture") dated as of June 1, 2006 made between the Corporation and the Trustee.

The aggregate principal amount of Bonds which may be issued under the Trust Indenture is (subject to the restrictions, conditions and limitations set out in the Trust Indenture) unlimited and may consist of several series payable in different currencies, bearing different rates of interest and varying as to the terms on which they may be redeemed and otherwise as specified in the Trust Indenture. Bonds which have been authorized for issue are:

(a) Euro €35,010,000 up to Euro €50,010,000 aggregate principal amount of Homburg Bond 8 bonds maturing on May 31, 2013 (of which this is one).

This Bond and all other Homburg Bond 8 bonds now or hereafter certified and issued under the Trust Indenture rank *pari passu* and are unsecured obligations of the Corporation. Reference is hereby made to the Trust Indenture for particulars of the rights of the holders of the Bonds and of the Corporation and of the Trustee in respect thereof and the terms and conditions upon which the Bonds are issued and held, to all of which the holder of this Bond by acceptance hereof assents.

The Bonds are issuable in denominations of Euro €15,000.

This Bond is subject to redemption in part (such part being Euro €1,000) and notation of such partial redemption may be made on the reverse hereof all as more fully provided in the Trust Indenture.

Except as hereinafter provided, the Homburg Bond 8 bonds are redeemable at any time on or after May 31, 2011 and prior to maturity, in whole at any time or in part from time to time at the option of the Corporation, on not less than 30 days notice at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption.

The principal amount hereof may also become or be declared due before stated maturity in the events, in the manner and with the effect provided in the Trust Indenture.

The Trust Indenture contains provisions making binding upon all holders of Bonds outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions and instruments in writing signed by the holders of a specified majority of Bonds outstanding.

Upon presentation at the principal office of the Trustee at Soest, The Netherlands, subject to the provisions of the Trust Indenture and upon compliance with the reasonable requirements of the Trustee, Bonds may be transferred by the registered holder thereof or his executors, administrators or other legal representatives or his or their attorney duly appointed in writing but no such transfer of a Bond shall be valid unless it has been duly noted thereon.

This Bond shall not become obligatory for any purpose until it shall have been certified by the Trustee for the time being under the Trust Indenture.

IN WITNESS WHEREOF HOMBURG INVEST INC. has caused its corporate seal to be hereunto affixed and this Bond to be signed by its President and its Secretary as of June 1, 2006.

**HOMBURG INVEST INC.**

by \_\_\_\_\_ c.s.  
\*

#### TRUSTEE'S CERTIFICATE

This Bond is one of the Homburg Bond 8 bonds referred to in the Trust Indenture within mentioned.

\_\_\_\_\_  
\*

(No writing hereon except by the Trustee or other Registrar)

Date and Place  
of Registration

In Whose Name  
Registered

Signature of Trustee  
or Other Registrar

1.3 The Dutch language portions of the text of the Homburg Bond 8 bonds, the certificate of the Trustee and the registration panel shall be substantially as follows:

### **Bijlage A**

#### **Formulier voor Homburg Bond 8**

Nr.

€ 15.000,-

#### **HOMBURG INVEST INC.**

(Gevestigd onder de Business Corporations Act van Alberta)

Homburg Bond 8

Te vervallen op: 31 mei 2013

**HOMBURG INVEST INC.** (hierna te noemen “de Corporation”) erkent voor de hierbij ontvangen waarde schuldplichtig te zijn en belooft om de geregistreerde houder hiervan op 31 mei 2013, of op een eerdere datum waarop de hoofdsom hiervan overeenkomstig de bepalingen van de hierna genoemde Trust Indenture komt te vervallen, op verzoek van die houder de hoofdsom van VIJFTIEN DUIZEND EURO, tezamen met elk aanvullend bedrag voor zover aanwezig, dat in de vorm van een premie betaald dient te worden, te betalen bij aanbidding en overgave van deze Bond ten kantore van de Stichting Homburg Bonds (hierna te noemen: Trustee) te Soest, Nederland, alsmede om de rente over de hoofdsom te betalen vanaf 1 juni 2006, of vanaf de laatste datum van rentebetaling waarop de rente over de uitstaande Bonds is betaald of (als dit later is) voor betaling beschikbaar is gemaakt, op een van de genoemde locaties, in genoemde valuta halfjaarlijks op 30 juni en 31 december van elk jaar, tegen een tarief van 7% per jaar (tenzij deze Bond overeenkomstig de bepalingen van de Trust Indenture vroegtijdig is afgelost); en om, mocht de Corporation op enig moment in gebreke blijven de hoofdsom, premie of rente te betalen, tegen hetzelfde tarief rente te betalen over het bedrag van wanbetaling zowel na als voor de vervaldatum, het verzuim of het vonnis, in genoemde valuta, op een van de genoemde locaties en halfjaarlijks op dezelfde data. Rente hierover dient te worden voldaan (behalve op de vervaldag of bij aflossing, in welk geval de rente naar keuze van de Corporation kan worden betaald bij overgave hiervan) per cheque of elektronische overschrijving aan de geregistreerde houder hiervan zoals bepaald in de Trust Indenture, en de Corporation zal door het versturen van een dergelijke cheque of elektronische overschrijving hebben voldaan aan en zijn gekweten van de renteverplichtingen over deze Bond voor het bedrag als vermeld op de cheque of de elektronische overschrijving plus de belastingen die de Corporation conform verplichting inhoudt, tenzij overgave van de cheque niet tot betaling leidt.

Deze Bond is er één uit de serie die wordt aangeduid als Homburg Bond 8 obligaties (Hierna ook aangeduid als de “Homburg Bond 8 bonds”) van de Corporation welke zijn en zullen worden uitgegeven onder en worden gewaarborgd door een beheerovereenkomst (hier aangehaald als de “Trust Indenture”) gedateerd 31 mei 2006, tussen de Corporation en de Trustee.

De totale hoofdsom van de Bonds die uit hoofde van de Trust Indenture kunnen worden uitgegeven (met inachtneming van de restricties, voorwaarden en beperkingen zoals uiteengezet in de beheerovereenkomst), is onbeperkt en kan bestaan uit diverse series die uitbetaald kunnen worden in verschillende valuta, met verschillende rente tarieven en die kunnen variëren ten aanzien van de voorwaarden waaronder ze kunnen worden afgelost en anderszins zoals uiteengezet in de Trust Indenture. Voor emissie van Homburg Bond 8 obligaties met een totale hoofdsom van minimaal Euro 35.010.000 tot Euro 50.010.000 en een vervaldatum van 31 mei 2013 is toestemming verleend (daarvan is dit er één).

Deze Bond en alle overige Homburg Bond 8 obligaties die hierna uit hoofde van de Trust Indenture worden gecertificeerd en uitgegeven, zijn gelijkwaardig en zijn niet gewaarborgde verplichtingen van de Corporation. Hierbij wordt verwezen naar de Trust Indenture voor de specifieke gegevens met betrekking tot de rechten van de houders van de Bonds en van de Corporation en de Trustee met betrekking daartoe en de voorwaarden waaronder de Bonds zullen worden uitgegeven en gehouden, met al hetwelk de houder van deze Bond door acceptatie hiervan instemt.

De Bonds worden uitgegeven in coupures van EURO 15.000,-.

Deze Bond kan in gedeelten worden afgelost (een gedeelte is Euro 1.000,-) en de aantekening van een dergelijke gedeeltelijke aflossing kan worden gemaakt op de achterzijde hiervan, zoals uitvoeriger in de Trust Indenture uiteen is gezet.

Behalve in de gevallen zoals bepaald in het hierna volgende, kunnen de Homburg Bond 8 obligaties met inachtneming van een termijn van tenminste 30 dagen te allen tijde op of na 31 mei 2011 en voorafgaande aan de vervaldatum naar keuze van de Corporation geheel of gedeeltelijk worden afgelost tegen een koers die gelijk is aan 100% van de hoofdsom daarvan, plus gekweekte, onbetaald gelaten rente tot aan de voor aflossing bepaalde datum.

De hoofdsom hiervan kan ook reeds vóór genoemde vervaldatum vervallen of verschuldigd verklaard worden in de gevallen en op de wijzen en met de gevolgen zoals bepaald in de Trust Indenture.

De Trust Indenture bevat bepalingen die de besluiten die genomen zijn op vergaderingen van houders, welke zijn gehouden overeenkomstig de bepalingen en schriftelijke documenten die bij een specifieke meerderheid van de uitstaande Bonds door de houders zijn ondertekend, bindend maken voor alle houders van uitstaande Bonds.

Met inachtneming van de bepalingen van de Trust Indenture en indien wordt voldaan aan alle redelijke vereisten van de Trustee, kunnen Bonds bij aanbieding op het hoofdkantoor van de Trustee te Soest, Nederland, door de geregistreerde houder daarvan of zijn executeurs, beheerders of overige wetelijke vertegenwoordigers of zijn of hun rechtmatig aangestelde advocaat, schriftelijk worden overgedragen, waarbij echter geldt dat een dergelijke overdracht van een Bond uitsluitend geldig is wanneer het rechtsgeldig daarop staat aangetekend.

Deze Bond zal om geen enkele reden dwingend worden totdat deze uit hoofde van de Trust Indenture voorlopig door de Trustee is gecertificeerd.

TEN GETUIGE WAARVAN HOMBURG INVEST INC. haar vennootschapszegel hieraan heeft gehecht en dat deze Bond is ondertekend door de Vice President Financing en Chief Financial Officer en de Secretaris op 1 juni 2006.



## 7.1 Second Supplemental Indenture (Amendment to the Trust Indenture)

**THIS SECOND SUPPLEMENTAL INDENTURE** made as of the 21<sup>st</sup> day of December, 2006,

BETWEEN:

**HOMBURG INVEST INC.,**

a corporation incorporated under the laws of the Province of Alberta  
(hereinafter called the "Corporation")

- and -

**STICHTING HOMBURG BONDS,**

a foundation incorporated under the laws of The Netherlands  
(hereinafter called the "Trustee")

**WHEREAS** in and by an indenture (hereinafter called the "Principal Indenture") made as of May 31, 2006 between the Corporation and the Trustee, provision was made for the issuance of bonds of the Corporation (hereinafter sometimes called "Bonds") to an unlimited principal amount;

**AND WHEREAS** Section 16.1(b) of the Principal Indenture provides that the Corporation and the Trustee shall observe and comply with the benefits of "indenture legislation" (as defined therein);

**AND WHEREAS** Section 83 of the *Business Corporations Act* (Alberta) (the "Act") requires the appointment of at least one trustee registered under the *Loan and Trust Corporations Act* (Alberta) (the "LTCA") where bonds are to be issued by an Alberta corporation;

**AND WHEREAS** the Trustee is not registered under the LTCA and the Corporation and the Trustee wish to amend the Principal Indenture to delete the requirement that the Corporation comply with Section 83 of the Act;

**AND WHEREAS** the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Trustee;

**NOW THEREFORE THIS SECOND SUPPLEMENTAL INDENTURE WITNESSES** and it is hereby agreed and declared as follows:

### AMENDMENT TO PRINCIPAL INDENTURE

1. The Principal Indenture be and is hereby amended and restated by deleting Section 16.1(b) and substituting therefore the following:

"The Corporation and the Trustee agree that each will at all times in relation to this Trust Indenture and any action to be taken hereunder observe and comply with and be entitled to the benefits of indenture legislation, including Part 7 of the *Business Corporations Act* (Alberta) (the "Act") other than Section 83 of the Act which would require the Trustee to be registered under the *Loan and Trust Corporations Act* (Alberta)."

### EXECUTION AND FORMAL DATE

2. This Second Supplemental Indenture may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument. For the purpose of convenience, this Second Supplemental Indenture may be referred to as bearing formal date the 21<sup>st</sup> day of December, 2006, irrespective of the actual date of execution hereof.

**IN WITNESS WHEREOF** this Second Supplemental Indenture has been duly executed by the parties hereto.

**HOMBURG INVEST INC.**

By: \_\_\_\_\_

Name:

Title:

**STICHTING HOMBURG BONDS**

By: \_\_\_\_\_

Name:

Title:

[985021.1]

## 7.2 Third Supplemental Indenture (Supplement to the Trust Indenture)

**THIS THIRD SUPPLEMENTAL INDENTURE** made as of the 15<sup>th</sup> day of February, 2007,

BETWEEN:

**HOMBURG INVEST INC.,**

a corporation incorporated under the laws of the Province of Alberta  
(hereinafter called the "Corporation")

- and -

**STICHTING HOMBURG BONDS,**

a foundation incorporated under the laws of The Netherlands  
(hereinafter called the "Trustee")

**WHEREAS** in and by an indenture (hereinafter called the "Principal Indenture") made as of May 31, 2006 between the Corporation and the Trustee, provision was made for the issuance of bonds of the Corporation (hereinafter sometimes called "Bonds") to an unlimited principal amount;

**AND WHEREAS** pursuant to the provisions of the Principal Indenture, the Corporation issued Bonds to a minimum of Euro €35,010,000 and a maximum of Euro €50,010,000 designated as Homburg Bond 8 bonds (hereinafter called the "Bond 8 Bonds"), of which Bond 8 Bonds in the aggregate principal amount of Euro €50,010,000 are now outstanding;

**AND WHEREAS** pursuant to the provisions of a Supplemental Indenture dated as of October 31, 2006 (hereinafter called the "First Supplement"), the Corporation issued Bonds to the aggregate principal amount of €60,000,000 designated as Homburg Bond 9 bonds (hereinafter called the "Bond 9 Bonds"), of which Bond 9 Bonds in the aggregate principal amount of €60,000,000 are now outstanding;

**AND WHEREAS** the Corporation is desirous of issuing under the provisions of the Principal Indenture, as a different series, additional Bonds to a maximum of Euro €100,000,000;

**AND WHEREAS** all necessary resolutions have been passed by the Corporation authorizing the issuance of and specifying the particulars and provisions to be expressed in such additional Bonds and authorizing this Third Supplemental Indenture;

**AND WHEREAS** the Principal Indenture as supplemented by the First Supplemental Indenture and this Third Supplemental Indenture is hereinafter sometimes called the "Trust Deed";

**AND WHEREAS** the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Trustee;

**NOW THEREFORE THIS THIRD SUPPLEMENTAL INDENTURE WITNESSES** and it is hereby agreed and declared as follows:

### BOND 10 BONDS

1. The additional Bonds to be issued hereunder shall consist of a maximum of Euro €100,000,000 principal amount of Bonds designated as "Homburg Bond 10 bonds" (hereinafter called the "Bond 10 Bonds"); shall be dated as of the 15<sup>th</sup> day of February, 2007; shall mature on the 14<sup>th</sup> day of February, 2014; shall bear interest at the rate of 7.25% per annum from the 15<sup>th</sup> day of February, 2007, payable half-yearly on the 30<sup>th</sup> day of June and the 31<sup>st</sup> day of December in each year after as well as before maturity and after as well as before default, with interest on overdue interest at the said rate. The principal of the Bond 10 Bonds, interest thereon and premium (if any) shall be payable in Euros at ABN AMRO Bank at its Soest, The Netherlands branch. The Bond 10 Bonds shall be issued as fully registered Bonds in denominations of €15,000. Bond 10 Bonds of any of the denominations and forms herein authorized may be exchanged for other Bonds of the same series as provided in Section 2.12 of the Principal Indenture.

The Bond 10 Bonds and the certificate of the Trustee to be endorsed on the Bond 10 Bonds shall be substantially in the form set forth in Appendix A hereto with such appropriate insertions, omissions, substitutions and variations as may be required or permitted under the terms of the Trust Deed.

#### REDEMPTION AND PURCHASE OF BOND 10 BONDS

2. The Corporation, while not in default under the Trust Deed and subject as hereinafter provided, shall have the right at its option at any time to redeem before maturity all of the outstanding Bond 10 Bonds or from time to time to redeem before maturity any of the outstanding Bond 10 Bonds (in the manner provided and in accordance with and subject to the provisions of Section 4.1 and Sections 4.6 to 4.12 inclusive of the Principal Indenture and the provisions hereinafter set forth, provided that if the provisions of this Third Supplemental Indenture and the Principal Indenture conflict with respect to the redemption of Bond 10 Bonds, the provisions of this Third Supplemental Indenture shall prevail) at 100% of the principal amount thereof, together in all cases with interest on such principal amount of Bond 10 Bonds to be redeemed accrued to the date specified for redemption (the price, including accrued interest, at which Bond 10 Bonds may be redeemed at any given time pursuant to this Section 2 being hereinafter called the “redemption price”); provided always that the Corporation shall not, and the Corporation hereby covenants with the Trustee that it will not, call Bond 10 Bonds for redemption in whole or in part on or before the 16<sup>th</sup> day of February, 2012.

3. The Corporation may redeem all or any of the outstanding Bond 10 Bonds as follows:

(a) the Corporation shall send a notice (the “Redemption Notice”) to all Bond 10 Bond bondholders (the “Bond 10 Bondholders”) by letter or circular sent postage prepaid, addressed to each bondholder at the last address appearing upon one of the registers hereinbefore mentioned, and mailed not less than 45 and not more than 70 days prior to the date specified for redemption (the “Redemption Date”), provided always that the accidental omission to mail any such letter or circular to or the non-receipt of any such letter or circular by any such holder or holders shall not invalidate or otherwise prejudicially affect the redemption of such Bond 10 Bonds;

(b) the Redemption Notice shall:

- (i) state the amount of Bond 10 Bonds which the Corporation shall redeem on the Redemption Date (the “Redemption Amount”);
- (ii) state that each Bond 10 Bondholder must elect to either retain his Bond 10 Bond or to have his Bond 10 Bond redeemed by the Corporation by returning an Election Form (as hereinafter defined) not less than 30 days prior to the Redemption Date;
- (iii) provide an election form on which the Bond 10 Bondholder may elect to either “retain Bond 10 Bond” or “have Bond 10 Bond redeemed by Corporation” (the “Election Form”); and
- (iv) include a postage prepaid envelope addressed to the Corporation;

(c) if the Corporation receives Election Forms indicating Bond 10 Bondholders who have elected to have their Bond 10 Bonds redeemed by the Corporation which total an amount of Bond 10 Bonds which is:

- (i) equal to or in excess of the Redemption Amount, the Corporation shall redeem the Bond 10 Bonds of those bondholders who elected to have the Corporation redeem their Bond 10 Bonds on a pro rata basis in an amount equal to the Redemption Amount; or
- (ii) less than the Redemption Amount, the Corporation shall (A) redeem all of the Bond 10 Bonds of those bondholders who elected to have the Corporation redeem their Bond 10 Bonds in their Election Notices and (B) redeem the Bond 10 Bonds of those bondholders who have not elected to have the Corporation redeem their Bond 10 Bonds in an amount equal to the balance of the Redemption Amount on a pro rata basis, such that the total amount redeemed is equal to the Redemption Amount;

provided that the Corporation shall determine the course of action it shall take under this Section 3(c) not more than 20 days and not less than 12 days prior to the Redemption Date, and further provided that if the Election

Form of a Bond 10 Bondholder has not been received by the date which is not less than 30 days prior to the Redemption Date, such bondholder shall be deemed to have elected not to have the Corporation redeem its Bond 10 Bonds.

4. Where Bond 10 Bonds are to be redeemed on a pro rata basis, the Bond 10 Bonds so to be redeemed shall be selected by the Trustee on a pro rata basis to the nearest multiple of €1,000 in accordance with the principal amount of Bond 10 Bonds registered in the name of each holder.

5. At any time when the Corporation is not in default under the Trust Deed and would be entitled to redeem Bond 10 Bonds under the foregoing provisions of this Third Supplemental Indenture, the Corporation may purchase Bond 10 Bonds in the market or by private contract, provided that the prices at which such Bond 10 Bonds may be purchased shall not exceed the redemption price (including accrued interest) at which such Bond 10 Bonds could, at the time of purchase, be redeemed by the Corporation, plus costs of purchase.

6. Bond 10 Bonds so redeemed or purchased as aforesaid shall be forthwith delivered to the Trustee for cancellation and shall be cancelled and destroyed and no Bonds shall be issued in substitution therefor except as permitted by Section 4.4 of the Principal Indenture. If required by the Corporation, the Trustee shall from time to time furnish to it a destruction certificate setting out the numbers and denominations of the Bond 10 Bonds so destroyed.

#### NO RECOURSE

7. Neither the Trustee nor the holders of the Bond 10 Bonds shall have any claim whatsoever against any of the assets of the Corporation.

#### INDENTURE SUPPLEMENTAL TO PRINCIPAL INDENTURE

8. This Third Supplemental Indenture is supplemental to the Principal Indenture and the Principal Indenture and the Bonds issued thereunder shall henceforth be read in conjunction with this Third Supplemental Indenture and the Principal Indenture and this Third Supplemental Indenture shall henceforth have effect so far as practicable as if all the provisions of the Principal Indenture and of this Third Supplemental Indenture were contained in the one instrument and, unless otherwise herein expressly provided or unless there is something in the subject matter or context hereof inconsistent therewith, the expressions used in this Third Supplemental Indenture and in the Bond 10 Bonds and not otherwise defined shall have the same meaning as is ascribed to corresponding expressions in the Principal Indenture.

#### ACCEPTANCE OF TRUST BY TRUSTEE

9. The Trustee hereby accepts the trusts in this Third Supplemental Indenture declared and created and agrees to perform the same upon the terms and conditions hereinbefore set out, but subject to the provisions of the Principal Indenture.

#### EXECUTION AND FORMAL DATE

10. This Third Supplemental Indenture may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument. For the purpose of convenience, this Third Supplemental Indenture may be referred to as bearing formal date the 15<sup>th</sup> day of February, 2007, irrespective of the actual date of execution hereof.

Appendix A to this Third Supplemental Indenture shall be deemed to be incorporated herein and to form part hereof.

**IN WITNESS WHEREOF** this Third Supplemental Indenture has been duly executed by the parties hereto.

**HOMBURG INVEST INC.**

By: \_\_\_\_\_  
Name:

Title:

**STICHTING HOMBURG BONDS**

By: \_\_\_\_\_

Name:

Title:

[983959.1]

## APPENDIX A: Form of Homburg Bond 10

1.1 The Homburg Bond 10 bonds, the certificate of the Trustee and the registration panel shall be in both the English language and the Dutch language, in the forms provided in Sections 1.2 and 1.3.

1.2 The English language portions of the text of the Homburg Bond 10 bonds, the certificate of the Trustee and the registration panel shall be substantially as follows:

No. €15,000

### **HOMBURG INVEST INC.**

(Incorporated under the *Business Corporations Act* (Alberta))

Homburg Bond 10

Due: February 15, 2014.

HOMBURG INVEST INC. (hereinafter called the “Corporation”), for value received, hereby acknowledges itself indebted and promises to pay to the registered holder hereof on February 15, 2014, or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Trust Indenture hereinafter mentioned, the principal sum of FIFTEEN THOUSAND EUROS, together with such further amount, if any, as may be payable by way of premium, on presentation and surrender of this Bond at ABN AMRO Bank at its Soest, The Netherlands branch at the holder’s option, and to pay interest on the principal amount hereof from February 16, 2007, or from the last interest payment date to which interest has been paid or made available for payment on the outstanding Bonds, whichever is later, at any of the said places, in like money half-yearly on June 30<sup>th</sup> and December 31<sup>st</sup> in each year, at the rate of 7.25% per annum (unless this Bond shall have been previously redeemed in accordance with the provisions of the Trust Indenture); and should the Corporation at any time make default in the payment of any principal, premium or interest, to pay interest on the amount in default at the same rate after as well as before maturity, default or judgement, in like money, at any of the said places and half-yearly on the same dates. Interest hereon shall be payable (except at maturity or on redemption when interest may at the option of the Corporation be paid on surrender hereof) by cheque or wire transfer to the registered holder hereof as provided in the Trust Indenture and the mailing of such cheque or wire transfer shall satisfy and discharge the liability for interest on this Bond to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold therefrom unless such cheque be not paid on presentation.

This Bond is one of a series designated as “Homburg Bond 10 bonds” (herein sometimes called the “Homburg Bond 10 bonds”) of the Corporation issued and to be issued under a Third Supplemental Indenture dated as of February 15, 2007, being supplemental to a Trust Indenture (herein collectively called the “Trust Indenture”) dated as of June 1, 2006, both made between the Corporation and Stichting Homburg Bonds (hereinafter called the “Trustee”), as trustee.

The aggregate principal amount of Bonds which may be issued under the Trust Indenture is (subject to the restrictions, conditions and limitations set out in the Trust Indenture) unlimited and may consist of several series payable in different currencies, bearing different rates of interest and varying as to the terms on which they may be redeemed and otherwise as specified in the Trust Indenture. Bonds which have been authorized for issue are:

- (a) a minimum of €35,010,000 and a maximum of €50,010,000 aggregate principal amount of Homburg Bond 8 bonds maturing on May 31, 2013;
- (b) a maximum of €60,000,000 aggregate principal amount of Homburg Bond 9 bonds maturing on November 1, 2013; and
- (c) a maximum of €100,000,000 aggregate principal amount of Homburg Bond 10 bonds maturing on February 14, 2014 (of which this is one).

This Homburg Bond 10 bond and all other Homburg Bond 10 bonds now or hereafter certified and issued under the Trust Indenture rank pari passu with the Homburg Bond 8 bonds and the Homburg Bond 9 bonds and are unsecured obligations of the Corporation. Reference is hereby made to the Trust Indenture for particulars of the rights of the holders of the Bonds and of the Corporation and of the Trustee in respect thereof and the terms and conditions upon which the Bonds are issued and held, to all of which the holder of this Bond by acceptance hereof assents.

The Bonds are issuable in denominations of €15,000.

This Bond is subject to redemption in part (such part being €1,000 or a multiple thereof) and notation of such partial redemption may be made on the reverse hereof all as more fully provided in the Trust Indenture. Redemption of the Homburg Bond 10 bonds involves a process wherein notice of the redemption is given to the bondholders and an election is provided to bondholders such that bondholders may indicate their preference as to whether they wish to retain or have their Homburg Bond 10 bonds redeemed by the Corporation. The election made by the bondholders may or may not be followed by the Corporation, all as more fully provided in the Trust Indenture.

Except as hereinafter provided, the Homburg Bond 10 bonds are redeemable at any time on or after February 16, 2012 and prior to maturity, in whole at any time or in part from time to time at the option of the Corporation, on not less than 30 and not more than 60 days notice at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption.

The principal amount hereof may also become or be declared due before stated maturity in the events, in the manner and with the effect provided in the Trust Indenture.

The Trust Indenture contains provisions making binding upon all holders of Bonds outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions and instruments in writing signed by the holders of a specified majority of Bonds outstanding.

Upon presentation at the principal office of the Trustee at Soest, The Netherlands, subject to the provisions of the Trust Indenture and upon compliance with the reasonable requirements of the Trustee, Bonds may be transferred by the registered holder thereof or his executors, administrators or other legal representatives or his or their attorney duly appointed in writing but no such transfer of a Bond shall be valid unless it has been duly noted thereon.

This Bond shall not become obligatory for any purpose until it shall have been certified by the Trustee for the time being under the Trust Indenture.

IN WITNESS WHEREOF HOMBURG INVEST INC. has caused its corporate seal to be hereunto affixed and this Bond to be signed by its President and its Secretary as of February 15, 2007.

**HOMBURG INVEST INC.**

By: \_\_\_\_\_

c.s. \*

By: \_\_\_\_\_

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Homburg Bond 10 bonds referred to in the Trust Indenture within mentioned.

**STICHTING HOMBURG BONDS**

By: \_\_\_\_\_

**REGISTRATION PANEL**

(No writing hereon except by the Trustee or other Registrar)



Date and Place of Registration	In Whose Name Registered	Signature of Trustee or Other Registrar
-----------------------------------	-----------------------------	--

1.3 The Dutch language portions of the text of the Homburg Bond 10 bonds, the certificate of the Trustee and the registration panel shall be substantially as follows:

**Formulier voor bond 10**

Nr.

€15,000

**HOMBURG INVEST INC.**

(Gevestigd onder de Business Corporations Act van Alberta)

Homburg Bond 10

Te vervallen op: 14 februari 2014.

**HOMBURG INVEST INC.** (hierna te noemen “de Corporation”) erkent voor de hierbij ontvangen waarde schuldplichtig te zijn en belooft om de geregistreerde houder hiervan op 14 februari 2014 of op een eerdere datum waarop de hoofdsom hiervan overeenkomstig de bepalingen van de hierna genoemde Trust Indenture komt te vervallen, op verzoek van die houder de hoofdsom van VIJFTIEN DUIZEND EURO, tezamen met elk aanvullend bedrag voor zover aanwezig, dat in de vorm van een premie betaald dient te worden, te betalen bij aanbidding en overgave van deze Bond ten kantore van de Stichting Homburg Bonds (hierna te noemen: Trustee) te Soest, Nederland, alsmede om de rente over de hoofdsom te betalen vanaf 15 februari 2007 of vanaf de laatste datum van rentebetaling waarop de rente over de uitstaande Bonds is betaald of (als dit later is) voor betaling beschikbaar is gemaakt, op een van de genoemde locaties, in genoemde valuta halfjaarlijks op 30 juni en 31 december van elk jaar, tegen een tarief van 7,25% per jaar (tenzij deze Bond overeenkomstig de bepalingen van de Trust Indenture vroegtijdig is afgelost); en om, mocht de Corporation op enig moment in gebreke blijven de hoofdsom, premie of rente te betalen, tegen hetzelfde tarief rente te betalen over het bedrag van wanbetaling zowel na als voor de vervaldatum, het verzuim of het vonnis, in genoemde valuta, op een van de genoemde locaties en halfjaarlijks op dezelfde data. Rente hierover dient te worden voldaan (behalve op de vervaldag of bij aflossing, in welk geval de rente naar keuze van de Corporation kan worden betaald bij overgave hiervan) per cheque of elektronische overschrijving aan de geregistreerde houder hiervan zoals bepaald in de Trust Indenture, en de Corporation zal door het versturen van een dergelijke cheque of elektronische overschrijving hebben voldaan aan en zijn gekweten van de renteverplichtingen over deze Bond voor het bedrag als vermeld op de cheque of de elektronische overschrijving plus de belastingen die de Corporation conform verplichting inhoudt, tenzij overgave van de cheque niet tot betaling leidt.

Deze Bond is er één uit de serie die wordt aangeduid als Homburg Bond 10 obligaties (Hierna ook aangeduid als de “Homburg Bond 10 bonds”) van de Corporation welke zijn en zullen worden uitgegeven onder en worden gewaarborgd door een Third Supplemental Indenture gedateerd 14 februari 2014 welke een supplement is bij een Trust Indenture (gezamenlijk te noemen de “Trust Indenture”) gedateerd 1 juni 2006, welke gesloten zijn tussen de Corporation en de Trustee.

De totale hoofdsom van de Bonds die uit hoofde van de Trust Indenture kunnen worden uitgegeven (met inachtneming van de restricties, voorwaarden en beperkingen zoals uiteengezet in de Trust Indenture), is onbeperkt en kan bestaan uit diverse series die uitbetaald kunnen worden in verschillende valuta, met verschillende rente tarieven en die kunnen variëren ten aanzien van de voorwaarden waaronder ze kunnen worden afgelost en anderszins zoals uiteengezet in de Trust Indenture. Bonds welke zijn geautoriseerd voor uitgifte zijn:

- (a) Homburg Bond 8 obligaties met een totale hoofdsom van minimaal Euro 35.010.000 tot Euro 50.010.000 en een vervaldatum van 31 mei 2013;
- (b) Homburg Bond 9 obligaties met een totale hoofdsom van maximaal Euro 60.000.000 en een vervaldatum van 1 november 2013 en
- (c) Homburg Bond 10 obligaties met een totale hoofdsom van maximaal Euro 100.000.000 en een vervaldatum van 14 februari 2014 (waarvan dit er één is).

Deze Homburg Bond 10 obligatie en alle overige Homburg Bond 10 obligaties die nu of hierna uit hoofde van de Trust Indenture worden gecertificeerd en uitgegeven, zijn gelijkwaardig aan de Homburg Bond 8 en Homburg Bond 9 obligaties en zijn niet gewaarborgde verplichtingen van de Corporation. Hierbij wordt verwezen naar de Trust Indenture voor de specifieke gegevens met betrekking tot de rechten van de houders van de Bonds en van de Corporation en de Trustee met betrekking daartoe en de voorwaarden waaronder de Bonds zullen worden uitgegeven en gehouden, met al hetwelk de houder van deze Bond door acceptatie hiervan instemt.

De Bonds worden uitgegeven in coupures van Euro 15.000,-.

Deze Bond kan in gedeelten worden afgelost (een gedeelte is Euro 1.000) en de aantekening van een dergelijke gedeeltelijke aflossing kan worden gemaakt op de achterzijde hiervan, zoals uitvoeriger in de Trust Indenture uiteen is gezet.

Behalve in de gevallen zoals bepaald in het hierna volgende, kunnen de Homburg Bond 10 obligaties met inachtneming van een termijn van tenminste 30 dagen te allen tijde op of na 16 februari 2012 en voorafgaande aan de vervaldatum naar keuze van de Corporation geheel of gedeeltelijk worden afgelost tegen een koers die gelijk is aan 100% van de hoofdsom daarvan, plus gekweekte, onbetaald gelaten rente tot aan de voor aflossing bepaalde datum.

De hoofdsom hiervan kan ook reeds vóór genoemde vervaldatum vervallen of verschuldigd verklaard worden in de gevallen en op de wijzen en met de gevolgen zoals bepaald in de Trust Indenture.

De Trust Indenture bevat bepalingen die de besluiten die genomen zijn op vergaderingen van houders, welke zijn gehouden overeenkomstig de bepalingen en schriftelijke documenten die bij een specifieke meerderheid van de uitstaande Bonds door de houders zijn ondertekend, bindend maken voor alle houders van uitstaande Bonds.

Met inachtneming van de bepalingen van de Trust Indenture en indien wordt voldaan aan alle redelijke vereisten van de Trustee, kunnen Bonds bij aanbieding op het hoofdkantoor van de Trustee te Soest, Nederland, door de geregistreerde houder daarvan of zijn executeurs, beheerders of overige wettelijke vertegenwoordigers of zijn of hun rechtmatig aangestelde advocaat, schriftelijk worden overgedragen, waarbij echter geldt dat een dergelijke overdracht van een Bond uitsluitend geldig is wanneer het rechtsgeldig daarop staat aangetekend.

Deze Bond zal om geen enkele reden dwingend worden totdat deze uit hoofde van de Trust Indenture voorlopig door de Trustee is gecertificeerd.

TEN GETUIGE WAARVAN HOMBURG INVEST INC. haar vennootschapszegel hieraan heeft gehecht en dat deze Bond is ondertekend door de Vice President Finance en Chief Financial Officer en de Secretaris op 15 februari 2007.

## **8. OTHER INFORMATION**

The historical financial information of the Corporation, for each of the two financial years preceding the publication of this Prospectus are available at the Corporations' website; [www.homburg.com](http://www.homburg.com).

The following documents can be obtained at the offices of the Corporation (or can be downloaded from [www.homburginvestoffer.com](http://www.homburginvestoffer.com)) and form an integral part of this Prospectus (incorporated by reference).

- Homburg Invest annual accounts 2004
- Homburg Invest annual accounts 2005
- Homburg Invest third quarter accounts 2006
- Code of Business Conduct
- Dividend Reinvestment Plan

The following additional information may be obtained at the office of Homburg Participaties (or can be downloaded from [www.homburg.nl](http://www.homburg.nl) and [www.homburginvestoffer.com](http://www.homburginvestoffer.com)) for the life of this Prospectus.

- An extract from the Chamber of Commerce concerning Homburg Participaties
- An extract from the Chamber of Commerce concerning the Homburg Trust. (Stichting Homburg Bonds)
- Wft- license of the Corporation

## 8.1 Statements required pursuant to the Wft

In addition to the other statements set out in this Prospectus, the Corporation hereby makes the following representations with respect to the information provided:

(a) The Corporation has a negative working capital position as of September 30, 2006 and therefore currently has insufficient working capital for its present requirements.

The negative working capital is the result of the following:

A significant mortgage with a maturity date of June 2007 which requires inclusion of the mortgage as a current liability at September 2006. The Corporation fully intends and expects to refinance the mortgage for a long term prior to its maturity.

Development projects are classified as non-current assets while the related financing is typically demand in nature requiring the debt to be classified as current. The debt will be replaced with long term financing once the project reaches completion.

With respect to the development properties, the Corporation has committed expenditures amounting to CAD 49 million and uncommitted estimated expenditures of CAD 160 million. The Corporation intends to fund these expenditures with existing cash balances, existing borrowing facilities, new construction financing, and either new bonds or the issuance of new shares.

(b) There have been no significant changes to the financial or trading position of the Corporation which have occurred since the end of the September 30, 2006 the last period for which financial information has been published.

(c) the Corporation will announce a request to AFM under Article 1: 104 lid 1 sub b Wft on its website and in a Dutch newspaper (Het Financieel Dagblad).

(d) the Corporation will announce any proposed amendment (and the execution of the proposed amendment) in its articles of association on its website and in a Dutch newspaper (Het Financieel Dagblad). The (execution of the) proposed amendment will be explained on the website of the Corporation.

(e) Any amendment to the articles of incorporation of the Corporation which would affect rights or securities of shareholders negatively will come into force not earlier than 3 months after the announcement as meant under (d).

(f) Any amendment to the investment policy of the Corporation will come into force not earlier than 3 months after the amendment has been announced as reflected under (d).

(g) The Corporation will announce its shareholders meetings at least 14 days before the meetings by an advertisement in a Dutch newspaper (Het Financieel Dagblad).

(h) The Corporation and its Subsidiaries may invest (in)directly in other (related) investment companies.

(i) The Corporation has not requested or received consent from Grant Thornton LLP for incorporation of their auditors reports in this prospectus, except for the statement provided in section 6.8.8.

(j) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Corporation and its Subsidiaries are aware) during a period covering the previous 12 months which may have, or have had in the recent past significant effects on the financial position or profitability of the Corporation.

(k) over 10% of capital has been paid for with assets other than cash within the period covered by the historical financial information,

(l) there has been no significant change in industry trends since the end of the last financial year. Fair values for investment properties have increased as a result of lower capitalization rates, occupancy rates have remained steady. The Corporation does not expect that this will have a material effect on the prospects for the current financial year.

(m) There are no known past changes in Government regulations or tax regulations in Canada, the US, Germany and the Netherlands that had adversely affect operations of the Corporation and its Subsidiaries or will adversely affect future operations of the Corporation and its Subsidiaries in those countries.

(n) There has been no material adverse change in the prospects of the Corporation since the end of December 31, 2005.

(o) The continuously changing economical conditions in the markets in which the Corporation operates have affected the operations of the Corporation in those markets.

(p) Homburg Invest is exposed to currency risks due to the fact that there is no 100% match between revenues and expenses in the various currencies (currently CAD, USD and EUR). Currency losses (and gains) deriving from uninsured currency exposures have impacted the Corporations' financial condition

## 9. ADVISORS

Auditors with regards to the Homburg Invest annual accounts

Grant Thornton, LLP  
2000 Barrington Street  
Suite 1100 Cogswell Tower  
Halifax, NS, Canada  
B3J 2P8

Of which the individuals within the firm are members of the Canadian Institute of Chartered Accountants

Co-ordinator of the Homburg Bond 10 offer

Homburg Participaties B.V.  
Beckerijngstraat 36  
3762 EX Soest  
The Netherlands

Auditors with regards to the Homburg Participaties annual accounts

Deloitte Accountants B.V.  
Orlyplein 10  
1043 DP Amsterdam  
Netherlands

Legal advisor as to Canadian Law

MacLeod Dixon LLP  
3700 Canterra Tower  
400 Third Ave. S.W.  
Calgary AB, Canada  
T2P 4H2

## **10. TAX-RELATED ASPECTS**

### **A. General**

Investment occurs by acquiring Homburg Bond 10 bonds. Bondholders may be natural or legal persons. The comments below only covers the implications of investing as indicated, and the structure employed in this respect. No rights may be derived from this opinion in respect of any other investments.

The Homburg Bond 10 bonds will be issued by Homburg Invest Inc. (Homburg Invest). Twice a year Homburg Invest will pay interest to the holders of Homburg Bond 10 bonds. The interest rate will amount to 7.25% per year. The tax related aspects mentioned, only relate to investors who are (only) tax resident in The Netherlands. This opinion is based on the legislation and jurisprudence as per December 18, 2006.

### **B. Canadian taxes**

The Homburg Bond 10 bonds represent a 'cross-border' investment. Consequently, two tax authorities are involved, namely, those of Canada and the Netherlands. A tax treaty applies between the Netherlands and Canada to avoid double taxation. Based on this treaty no withholding tax is levied in Canada on earnings derived from an investment of capital from Dutch based natural or legal persons if the following requirements are satisfied:

- the investment in the bond is agreed for a term of no less than five years;
- less than 25% of the amount concerned is repaid within this term of five years;
- the investment in the bond occurs at arm's length, which means that if a Homburg entity participates in the scheme, its actions must be tantamount to those customary between organisations that are not related to each other, and the relevant conditions must stand up to scrutiny based on this.

The Homburg Bond 10 bonds meet the abovementioned requirements. Therefore no withholding tax is levied on earnings that Bondholders derive from their Homburg Bond 10 bonds.

### **C. Levy of Dutch tax**

#### *1. Investment by a natural person*

Any proceeds from the investment in Homburg Bond 10 bonds by a natural person will, in principle, be taxed as income from savings or investments. Consequently, this income will be taxed in Box III (so-called capital yield tax).

Based on the nature of the investment as one made by a natural person (assuming he or she does not have to account for the investment as business asset) one is deemed to have achieved a fictitious yield of 4% of the average of the value of the bond as per January 1 and December 31 of each year. The income tax due amounts to 30% of this fictitious yield. Consequently, income tax of 1.2% on balance is levied on the total average value of the bond. All capital which is taxed in Box III, is subject to a tax-exempt threshold of at least EUR 20,014 in 2007 (this amount is adjusted each year in line with inflation).

A natural person conducting a business who invests in Homburg Bond 10 bonds and is required to account for this investment as assets belonging to his or her business, is required to include any proceeds and costs (by Dutch standards) as part of his business earnings. The latter are taxed in Box I, where income from employment and home ownership are also taxed. In this box tax is levied progressively up to a maximum of 52% in 2007.

Business losses in a specific year can only be set off against income from employment and home ownership (Box 1 income) obtained in the three preceding years and future (up to a maximum of nine years) Box I income. Box I losses cannot be set off against income covered by any of the other boxes.

#### *2. Investment by a legal person*

In principle, an investor or company based in the Netherlands is liable for Dutch company tax over any earnings, including capital gains.

Under the terms of Section 22 of the *Wet op de Vennootschapsbelasting* (Corporation Tax Act) 1969 companies are liable for Dutch company tax amounting to 25.5% (20.0% over the first EUR 25,000 and 23.5% between EUR 25,000 and EUR 60,000) of their earnings in 2007.

### *3. Inheritance and gift tax*

In the event of the death of an investor who is a natural person, or if a Homburg Bond 10 bond is gifted, in principle the value of the bonds concerned are subject to Dutch inheritance or gift tax.

## 11. PRESS RELEASES

News Release  
For Immediate Release



### HOMBURG INVEST INC. ANNOUNCES

#### ACQUISITION OF ASSETS THE NETHERLANDS

Shares issued: Class A – 95,783,724 Class B – 31,514,782

Halifax, Nova Scotia, February 9, 2007 (TSX: HILA & HILB and AEX:HII) – Homburg Invest Inc. ("Homburg Invest" or the "Company") announces that it has finalized the acquisition of five office buildings in The Netherlands.

The transaction completed at an aggregate cost of approximately EURO 24 million (CDN \$35 million) was completed by new long term financing of EURO 19 million, cash and the issue of 1 million Class A Subordinate Voting shares of Homburg Invest at EURO 4.50 each (CDN \$6.62) for a total of EURO 4.5 million.

The properties are located in Venlo, Eindhoven, Gouda and two in Roermond, The Netherlands. They provide a total of approximately 17,600 square metres (173,000 square feet) of quality office space and are leased to substantial tenants.

Homburg Invest Inc., with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO at 902-468-3395 or Mr. Michael Arnold, CA, Vice Chairman at 902-568-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

*Information and statements in this document, other than historical information, should be considered forward-looking and reflect management's current views of future events and financial performance that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions and developments within the real estate industry, competition and the management of growth.*

Toronto Stock Exchange has neither approved nor disapproved of the information contained herein.

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HOMBURG INVEST INC.  
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[www.homburginvest.com](http://www.homburginvest.com)



News Release  
For Immediate Release



**HOMBURG INVEST INC.**  
**ANNOUNCES LAND PURCHASE**

**Shares issued: Class A – 88,415,560 Class B – 31,514,782**

Halifax, Nova Scotia, January 26, 2007 (TSX: HII.A & HII.B and AEX:HII ) – Homburg Invest Inc. announced today that it has entered into an agreement to purchase approximately 39 acres of land in Calgary, Alberta. The purchase price of \$15,350,000 will be satisfied by cash and financing of approximately \$12,650,000 and the issue of 350,000 Class A Subordinates Voting shares of Homburg Invest Inc. at approximately \$6.71 per share for a total of \$2,350,000. The issue of the shares is subject of the approval of Toronto Stock Exchange. The transaction is expected to close on or about February 28, 2007.

The site known as Henderson Farms is located in Northwest Calgary. The site will be developed primarily with single family dwellings and will result in approximately 1,000 units being constructed.

Homburg Invest Inc., with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO at 902-468-3395 or Mr. Michael Arnold, CA, Vice Chairman at 902-566-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

*Information and statements in this document, other than historical information, should be considered forward-looking and reflect management's current views of future events and financial performance that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions and developments within the real estate industry, competition and the management of growth.*

Toronto Stock Exchange has neither approved nor disapproved of the information contained herein.

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## HOMBURG

### NEWS RELEASE

PRESS RELEASE  
For Immediate Release

#### **HOMBURG INVEST ANNOUNCES ACQUISITION OF ADDITIONAL UNITS OF ALEXIS NIHON REAL ESTATE INVESTMENT TRUST**

**Halifax, January 24, 2007** – Homburg Invest Inc. ("Homburg") (TSX: HII.A & HII.B and AEX:HII) announced today that it has entered into a binding agreement to acquire 2,982,244 units of Alexis Nihon Real Estate Investment Trust ("Alexis Nihon"), representing approximately 11% of the issued and outstanding units of Alexis Nihon, pursuant to a private agreement and that Homburg now owns 5,274,539 units of Alexis Nihon, representing approximately 19.5% of the issued and outstanding units of Alexis Nihon.

Homburg acquired the units for investment purposes and may, depending on the market and other conditions, increase or decrease beneficial ownership, control or direction over units of Alexis Nihon through market transactions, private agreements, a take-over bid or otherwise.

In connection with this press release an early warning report will be filed by Homburg on SEDAR in accordance with applicable securities laws.

BMO Capital Markets is providing financial advice to Homburg with respect to Homburg's investment and divestment options related to its Alexis Nihon units.

#### **About Homburg**

Homburg, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO at (902) 468-3395; For information on Homburg Invest Inc., visit our website at [www.homburginvest.com/](http://www.homburginvest.com/).

#### **HOMBURG INVEST INC.**

1741 Underhill Street, Suite 600, Halifax, Nova Scotia B3L 5K8 Telephone: (902) 468-3395; Telex: (902) 468-2467  
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Property Management • Development • Services • Liquidation • Acquisition • Sale



**HOMBURG INVEST INC.**

**ANNOUNCES**

**PRIVATE PLACEMENT**

**Shares issued:      Class A – 6,368,164**

**Halifax, Nova Scotia, January 9, 2007 (TSX: HII.A & HII.B and AEX:HII)** - The board of directors of Homburg Invest Inc. ("Homburg") has approved the issuance of up to 6,368,164 Class A Subordinate Voting Shares ("Class A Shares") of the Corporation at a subscription price of \$5.12 per Class A Share, under a private placement (the "Private Placement") for an aggregate purchase price of \$32,604,999.68 (approximately EUR 21,250,000). The private placement is expected to close on or about the end of January 2007, subject to normal conditions.

All of the 6,368,164 Class A Shares will be purchased by Uni-Invest Holdings N.V. of which Richard Homburg is the President and a director. Richard Homburg is also the Chairman and Chief Executive Officer of Homburg.

Mr. Homburg's purchase of the 6,368,164 Class A Shares constitutes a "related party transaction" as defined in Ontario Securities Commission Rule 61-501 - *Insider Bids, Issuer Bids, Business Combination and Related Party Transactions* ("Rule 61-501") since Mr. Homburg is a director and senior officer of Homburg, who is issuing the Class A Shares.

Rule 61-501 requires, in the case of related party transactions, that issuers obtain a formal valuation and minority shareholder approval, unless an exemption is available. Homburg is exempt from these requirements as both the fair market value of the 6,368,164 Class A Shares being issued under the Private Placement and the fair market value of the consideration to be paid with respect to the 6,368,164 Class A Shares is less than 25% of Homburg's market capitalization, which was approximately CDN\$651,000,000 as at January 8, 2007.

Homburg is subject to the requirement of Rule 61-501 to prepare and file a Material Change Report with securities regulators at least twenty-one days prior to closing of the Private Placement. Copies of the Material Change Report, which Homburg will be filing, will be available to shareholders on the System for Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) or by calling J. Jeffery Coates, Corporate Secretary of Homburg at (902) 468-3395.

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**HOMBURG INVEST INC.**

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The issuance and listing of up to 6,368,164 Class A Shares of Homburg pursuant to the Private Placement is subject to the final approval of the Toronto Stock Exchange (the "TSX").

In view of the related party nature of the Private Placement and the disclosed conflict of interest of Mr. Homburg, the independent members of the Board of Directors of Homburg voted on the Private Placement, while Mr. Homburg abstained from voting.

There are currently 87,089,172 Class A Shares and 30,897,438 Class B Multiple Voting Shares ("Class B Shares") of Homburg issued and outstanding. Prior to the Private Placement, Mr. Homburg beneficially owned (directly or indirectly) or exercised control over 31,489,337 Class A Shares, representing in the aggregate 36.16% of the Class A Shares and 23,761,556 Class B Shares, representing in the aggregate 76.90% of the issued and outstanding Class B Shares.

Following completion of the proposed Private Placement, Mr. Homburg will own or exercise control over a maximum of an additional 6,368,164 Class A Shares. This represents a change in beneficial ownership for Mr. Homburg of about 7.3% in the aggregate of the issued and outstanding Class A Shares and 0% of the issued and outstanding Class B Shares.

The funds received under the Private Placement will be used as general corporation working capital for Homburg.

Homburg, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO at 902-468-3395 or Mr. Michael Arnold, CA, Vice Chairman at 902-566-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

*Information and statements in this document, other than historical information, should be considered forward-looking and reflect management's current views of future events and financial performance that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions and developments within the real estate industry, competition and the management of growth.*

Toronto Stock Exchange has neither approved nor disapproved of the information contained herein.

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**HOMBURG INVEST INC.**

**ANNOUNCES**

**MONTREAL CONDOMINIUM DEVELOPMENT**

**Shares issued: Class A – 87,079,672 Class B – 30,897,438**

Halifax, December 14, 2006 (TSX: HII.A & HII.B and AEX:HII) - Richard Homburg, Chairman and CEO of Homburg Invest Inc. ("Homburg Invest") is pleased to announce that Homburg BPF Canada, a joint venture between Homburg Invest Inc. and SNS Property Finance (formerly Bouwfonds Property Finance) of The Netherlands, has purchased a 66.67% interest in a condominium development in Montreal, Quebec, Canada with the remaining 33.33% interest being held by Les Investissements F.P. S.E.C., (general partner - Telemedia Development I Inc.) of Montreal.

The Homburg-SNS Property Finance joint venture has invested \$3.8 million in the residential condominium development located at 333 Sherbrooke Street East in downtown Montreal. Phase I of the development currently includes working capital and an inventory of 35 completed units available for sale of a 9-storey condominium tower and 4 multiplexes (113 residential units in total), as well as certain development costs relating to Phase II.

Phase II is yet to be constructed but will include one hundred and twelve (112) condominium units and approximately two hundred thirteen (213) parking stalls housed in another nine story tower and another two multiplexes. Construction on Phase II is expected to begin early in the New Year. Construction financing for Phase II will be provided by SNS Property Finance.

Homburg Invest, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

SNS Property Finance (formerly Bouwfonds Property Finance), with its head office in Hoevelaken, The Netherlands, finances and participates in real estate project developments in Europe, United States and Canada. Regarding their activities in Canada, they have recently teamed up with Homburg Invest. This is their second joint project with Homburg Invest Inc., the first being the Viger project announced in May, 2006.

Homburg, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO at 902-468-3395 or Mr. Michael Arnold, CA, Vice Chairman at 902-566-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

*Page 1 of 2*

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**HOMBURG INVEST INC.**  
1741 Brunswick Street, Suite 600, Halifax, NS B3J 3X8  
Tel (902) 468-3395 • Fax (902) 468-2457  
[www.homburginvest.com](http://www.homburginvest.com)



*Information and statements in this document, other than historical information, should be considered forward-looking and reflect management's current views of future events and financial performance that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions and developments within the real estate industry, competition and the management of growth.*

Toronto Stock Exchange has neither approved nor disapproved of the information contained herein.



**HOMBURG INVEST INC.**

**ANNOUNCES**

**APPOINTMENTS TO THE NON-STATUTORY ADVISORY BOARD**

**Shares issued: Class A – 87,079,672 Class B – 30,897,438**

**Halifax, Nova Scotia, December 7, 2006 (TSX: HII.A & HII.B and AEX:HII) –** Richard Homburg, Chairman and CEO of Homburg Invest Inc. ("Homburg Invest"), is pleased to announce two appointments to the company's Non-Statutory Advisory Board effective November 1, 2006.

**Honourable Myra A. Freeman ONS**

The Honourable Myra A. Freeman ONS is the former Lieutenant Governor of the Province of Nova Scotia (2000-2006) and the first Chancellor of the Order of Nova Scotia. A graduate of Dalhousie University, and an educator, Mrs. Freeman is the recipient of a Doctor of Humane Letters and a Doctor of Laws Honoris Causa. In 2004, she was presented with the Woman of Action Humanitarian Award and was also recognized as one of Canada's 100 Outstanding Women by the Richard Ivy School of Business and the Women's Executive Network. Appointed by the Government of Canada, The Hon. Myra A. Freeman currently serves as Hon. Captain (Navy) Maritime Forces Atlantic in Her Majesty's Canadian Forces and as a Director on the Board of Historical Foundation of Canada.

**Karen A. Prentice, Q.C.**

Ms Karen Prentice, Q.C., is currently a member of the Alberta Securities Commission. From 1996 to 2004, she was a member of the senior executive team providing strategic leadership to ENMAX Corporation, an electrical energy company competing in the deregulating Alberta marketplace. Ms Prentice was Executive Vice-President when the company was honoured as one of Macleans magazine's Top 100 Employers in Canada and received three BOMA Calgary Awards for the ENMAX Head Office development.

Ms Prentice is actively involved in the Calgary community, having served on a number of boards including the Southern Alberta Institute of Technology, the Y.W.C.A, the Calgary Opera, and the University of Calgary, Faculty of Law, Dean's Advisory Council.

These two very accomplished women join Mr. Hartmut Fromm, Mr. Evert Brouwers and Dr. Willem Vermeend, all of Europe, on the Advisory Board. Homburg intends to add one more person to the Advisory Board, and discussions are underway with a candidate from

*Page 1 of 2*

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**HOMBURG INVEST INC.**

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the United States. Once this has been concluded the six member Advisory Board will represent all of the company's major geographic markets. This distinguished group will advise the Board of Directors and senior management of Homburg Invest Inc.

Homburg, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO, at 902-468-3395 or Mr. Michael Arnold, CA, Vice Chairman, at 902-566-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

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HOMBURG INVEST INC.

ANNOUNCES

ACQUISITION OF FOUR COMMERCIAL PROPERTIES IN THE NETHERLANDS

Shares issued: Class A – 86,079,672 Class B – 30,897,438

Halifax, Nova Scotia, December 5, 2006 (TSX: HIL.A & HIL.B and AEX:HII) - The board of directors of Homburg Invest Inc. ("Homburg") announces that the acquisition of four commercial properties in The Netherlands has been finalized. The properties were purchased from parties in The Netherlands, one of which is non-arm's length, for an aggregate purchase price of EUR 37,600,000 (approximately CDN\$53,279,200).

The four properties, which include Tarasconweg 2, Franse Baan 606 in Eindhoven, Valkstraat 14 in Stittard, Corkstraat 38-46/Sheffield 21-39/Sutgartstraat 30-44 in Rotterdam and Beelaarts van Bloklandstraat 10-14/Reitse Hoewvenstraat 233-241 in Tilburg (collectively, the Properties), were purchased through limited partnerships controlled by Homburg and for which Homburg L.P. Management Inc. acts as a general partner.

Of the total purchase price and costs, approximately EUR 5,500,000 (approximately CDN\$7,793,500) was paid in cash, EUR 31,000,000 (approximately CDN\$43,927,000) was settled by mortgage financing and approximately EUR 4,500,000 (approximately CDN\$6,376,500) was paid through the issuance of 1,000,000 Class A Subordinate Voting Shares of Homburg (the Class A Shares) at a deemed price of EUR 4.50 (CDN\$6.38) per share.

Homburg, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO at 902-468-3395 or Mr. Michael Arnold, CA, Vice Chairman at 902-568-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

*Information and statements in this document, other than historical information, should be considered forward-looking and reflect management's current views of future events and financial performance that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially include, but are not limited to, the following: general economic conditions and developments within the real estate industry, competition and the management of growth.*

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**HOMBURG INVEST INC.**

**ANNOUNCES**

**THIRD QUARTER FINANCIAL RESULTS**

**Shares issued:      Class A – 86,078,927 Class B – 30,897,438**

**Halifax, Nova Scotia, November 2, 2006 (TSX: HII.A & HII.B and AEX:HII)** - Mr. Richard Homburg, Chairman and CEO is pleased to report that Homburg Invest Inc. (the "Company") has released the September 30, 2006 financial results prepared under both Canadian Generally Accepted Accounting Principles (CDN. GAAP) and International Financial Reporting Standards (IFRS). The complete three-month period financial results and MD&A can be viewed and downloaded from the corporation's web site at [www.homburginvest.com](http://www.homburginvest.com).

The company is pleased to announce a substantial increase in the results under IFRS and Canadian GAAP.

**Increase in IFRS results:**

- Funds from operations increased 196.91% over the same nine month period in 2005.
- Net earnings increased 334.87% over the same nine month period in 2005.
- Earnings per share increased 207.14% over the nine month period in 2005.
- Shareholders' equity increased 59.9% in the first nine months of 2006.

**Increase in Canadian GAAP results:**

- Funds from operations increased 169.28% over the same nine month period in 2005.
- Property net operating income increased by 136.04% over the same nine month period in 2005.
- Property revenue increased by 101.08% over the same nine month period in 2005.
- Shareholders' equity increased 86.1% in the first nine months of 2006.

The company prepares its quarterly and annual statements under both CDN. GAAP and IFRS. This reflects the Board's view that the IFRS presentation most accurately reflects the financial position of a real estate investment company, while at the same time the company continues to comply with requirements to produce its results under CDN. GAAP. This also reflects the company's desire to provide its shareholders with as much information as possible in today's environment of continuing concerns with respect to financial disclosure in the market place.

The most significant differences between IFRS and CDN. GAAP statements are that while the IFRS statements reflect the fixed assets at fair value based on independent assessments and are

without depreciation charges, the CDN. GAAP statements record the fixed assets at historical cost less accumulated depreciation.

The results noted reflect the most profitable nine months in the Company's history based on IFRS and CDN. GAAP reporting and the property revenue and property net operating income reflect only a partial year for the recent acquisitions which occurred in May and June 2006. The Company is poised to continue growing significantly under its strategic plan to expand its revenue base while at the same time take advantage of development opportunities in Canada, Europe and the United States. The operating results are summarized as follows under IFRS and CDN. GAAP.

#### **FINANCIAL HIGHLIGHTS – IFRS**

##### **THIRD QUARTER ENDED SEPTEMBER 30, 2006**

	<b>Nine Months Ended September 30 2006</b>	<b>Nine Months Ended September 30 2005</b>	<b>Increase</b>
Property revenue	\$79,820	\$39,169	103.78%
Property net operating income	\$69,634	\$28,520	144.16%
Other income	\$23,451	\$4,523	
Unrealized valuation change	\$19,632	\$3,170	
Net earnings	\$42,569	\$9,795	334.60%
Earnings per share - basic	\$0.43	\$0.14	
- diluted	\$0.41	\$0.14	
Funds from operations	\$20,487	\$6,900	196.91%
Funds from operations per share - basic	\$0.21	\$0.10	
- diluted	\$0.19	\$0.10	

#### **FINANCIAL HIGHLIGHTS – IFRS**

##### **THIRD QUARTER ENDED SEPTEMBER 30, 2006**

(IN THOUSANDS EXCEPT FOR PER SHARE CALCULATIONS)

	<b>Three Months Ended September 30 2006</b>	<b>Three Months Ended September 30 2005</b>	<b>Increase</b>
Property revenue	\$37,697	\$17,157	119.72%
Property net operating income	\$33,780	\$13,987	141.51%
Other income	\$7,206	\$444	
Unrealized valuation change	\$17,964	\$Nil	
Net earnings	\$23,778	\$3,643	552.70%
Earnings per share - basic	\$0.21	\$0.04	
- diluted	\$0.20	\$0.04	
Funds from operations	\$8,499	\$5,222	62.75%
Funds from operations per share - basic	\$0.08	\$0.06	
- diluted	\$0.07	\$0.06	

IFRS net earnings for the third quarter of 2006 were \$23.8 million or \$0.21 per share compared to \$3.6 million in the third quarter of 2005 or \$0.04 per share. For the nine month period ended

September 30, 2006, net earnings are \$42.6 million or \$0.43 per share compared to \$9.8 million or \$0.14 per share in 2005.

Funds from operations for the third quarter of 2006 was \$8.5 million or \$0.08 per share compared to funds from operations of \$5.2 million in 2005 or \$0.06 per share. The strength of cash flow year over year is very evident in the real estate operations. The two recently acquired European portfolios which were acquired in June 2006 for \$200 million, and in May 2006 for \$600 million will positively impact future cash flows and earnings when they come on stream over the next three quarters. The Company's total assets at September 30, 2006 were \$2.0 billion for IFRS purposes, up from \$1.1 billion at December 31, 2005.

Shareholders' equity has increased from \$259.5 million at December 31, 2005 to \$414.9 million at September 30, 2006.

**FINANCIAL HIGHLIGHTS – CDN. GAAP**  
**THIRD QUARTER ENDED SEPTEMBER 30, 2006**

	<b>Nine Months Ended September 30 2006</b>	<b>Nine Months Ended September 30 2005</b>	<b>Increase</b>
<b>OPERATING</b>			
Property revenue	\$79,820	\$39,695	101.08%
Property net operating income	\$69,634	\$29,501	136.04%
Realized gains on sale of property	\$8,654	\$15,058	
Net earnings	\$17,468	\$11,767	48.45%
Earnings per share - basic	\$0.18	\$0.17	
- diluted	\$0.17	\$0.16	
Funds from operations	\$20,487	\$7,608	169.28%
Funds from operations per share - basic	\$0.21	\$0.11	
- diluted	\$0.19	\$0.11	

**FINANCIAL HIGHLIGHTS – CDN. GAAP**  
**THIRD QUARTER ENDED SEPTEMBER 30, 2006**

	<b>Three Months Ended September 30 2006</b>	<b>Three Months Ended September 30 2005</b>	<b>Increase</b>
<b>OPERATING</b>			
Property revenue	\$37,697	\$17,355	117.21%
Property net operating income	\$33,780	\$14,176	138.29%
Realized gain on sale of property	\$856	\$894	
Net earnings	\$5,679	\$1,698	234.45%
Earnings per share - basic and diluted	\$0.05	\$0.02	
Funds from operations	\$8,562	\$4,320	98.19%
Funds from operations per share - basic	\$0.08	\$0.05	
- diluted	\$0.07	\$0.05	

CDN. GAAP net earnings for the third quarter of 2006 were \$5.7 million or \$0.05 per share compared to \$1.7 million in the third quarter of 2005 or \$0.02 per share. For the nine month period

ended September 30, 2006, net earnings are \$17.5 million or \$0.18 per share compared to \$11.8 million or \$0.17 per share in 2005.

The results for the three months ended September 30, 2006 clearly demonstrates the strength of the continuing operations and the contribution to earnings and funds from operations of the European acquisitions in 2005 and 2006.

Funds from operations for the third quarter of 2006 was \$8.6 million or \$0.08 per share compared to funds from operations of \$4.3 million in 2005 or \$0.05 per share. The strength of cash flow year over year is very evident in the real estate operations. Our two European portfolios which were acquired in June 2006 for \$200 million, and May 2006 for \$600 million, will positively impact future cash flows and earnings when they come on stream over the next three quarters. The Company's total assets at September 30, 2006 were \$1.9 billion for CDN. GAAP purposes, up from \$946.5 million at December 31, 2005.

Shareholders' equity increased from \$150.4 million at December 31, 2005 to \$279.8 million at September 30, 2006.

Homburg Invest Inc., with its head office in Halifax, Nova Scotia, owns a diverse portfolio of quality real estate Homburg Invest, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and C.E.O. at 902-468-3395 or Michael Arnold, CA, Vice Chairman at 902-566-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

The Toronto Stock Exchange has neither approved nor disapproved of the information contained herein.

News Release  
For Immediate Release

**HOMBURG INVEST INC.  
ANNOUNCES  
ACQUISITION OF TWO PROPERTIES IN ALBERTA  
Shares issued: Class A – 86,079,672 Class B – 30,897,438  
Halifax, Nova Scotia, October 31, 2006 (TSX: HILA & HIL.B and AEX:HII) –**

Richard Homburg, Chairman and CEO of Homburg Invest Inc. (“Homburg Invest”) announced that Homburg Invest has entered into a Purchase Agreement for \$2,450,000 to acquire two properties in Alberta occupied by Western Financial Group.

10131-117th Avenue  
Grand Prairie, Alberta

A new custom designed 10,358 square foot building situated on 0.48 acres is fully leased to two tenants. Western Financial Group is the anchor tenant with a new 10 year lease to begin coterminous with the closing of the transaction. The second company which occupies the upper floor is Tempus Microsystems.

5300-47th Avenue  
Taber, Alberta

A new custom designed two storey 7,344 square foot building situated on 0.29 acres is fully leased to Western Financial Group. The lease is for 10 years and will begin coterminous with the closing of the transaction. The property’s central location along Highway 3, Taber’s main throughfare, provides exceptional exposure to high volume of vehicle traffic.

The Western Financial Group is a financial services company based in Western Canada. It provides insurance, investment and banking services and is listed on the Toronto Stock Exchange.

Homburg, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe. For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO at 902-468-3395 or Mr. Michael Arnold, CA, Vice Chairman at 902-566-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

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Toronto Stock Exchange has neither approved nor disapproved of the information contained herein.

**HOMBURG INVEST INC.**  
**ANNOUNCES**  
**ACQUISITION OF FOUR COMMERCIAL PROPERTIES IN THE NETHERLANDS**  
**Shares issued: Class A – 86,079,672 Class B – 30,897,438**  
**Halifax, Nova Scotia, October 27, 2006 (TSX: HILA & HILB and AEX:HII) –**

The board of directors of Homburg Invest Inc. ("Homburg") has approved an agreement with certain parties in the Netherlands, one of which is non-arm's length, whereby Homburg will acquire four (4) commercial properties located in the Netherlands for an aggregate purchase price of EUR 37,600,000 (approximately CDN\$53,279,200). The acquisition is expected to close on or about November 14, 2006, subject to normal conditions.

The four properties, which include Tarasconweg 2, Franse Baan 606 in Eindhoven, Valkstraat 14 in Stittard, Corkstraat 38-46/Sheffield 21-39/Suttgartstraat 30-44 in Rotterdam and Beelaarts van Bloklandstraat 10-14/Reitse Hoewvenstraat 233-241 in Tilburg (collectively, the Properties), will be purchased through limited partnerships controlled by Homburg and for which Homburg L.P. Management Inc. acts as a general partner.

Of the total purchase price and costs, approximately EUR 5,500,000 (approximately CDN\$7,793,500) will be paid in cash, EUR 31,000,000 (approximately CDN\$43,927,000) will be settled by mortgage financing and approximately EUR 4,500,000 (approximately CDN\$6,376,500) will be paid through the issuance of 1,000,000 Class A Subordinate Voting Shares of Homburg (the Class A Shares) at a deemed price of EUR 4.50 (CDN\$6.38) per share.

The acquisition of the Properties (the Acquisition) constitutes a "related party transaction" as defined in Ontario Securities Commission Rule 61-501 - *Insider Bids, Issuer Bids, Business Combination and Related Party Transactions* ("Rule 61-501") as the four Properties are being purchased from Stollburgh B.V. ("Stollburgh") and SUV B.V. Stollburgh is owned by Mr. Richard Homburg, a controlling shareholder and Chairman and Chief Executive Officer of Homburg, and Mr. Richard Stolle, President and Chief Operating Officer of Homburg. Stollburgh owns the Tilburg property and SUV B.V. owns the Stittard, Rotterdam and Eindhoven properties. Stollburgh and Fortress Participaties B.V. (Fortress") each own 50% of SUV B.V. In the aggregate Stollburgh owns a 31% and SUV B.V. owns a 69% interest in the properties which will result in 655,000 and 345,000 shares being issued to Stollburgh and Fortress respectively.

Rule 61-501 requires, in the case of related party transactions, that issuers obtain a formal valuation and minority shareholder approval, unless an exemption is available. Homburg is exempt from these requirements as both the fair market value of the Properties and the fair market value of the consideration to be paid with respect to the Acquisition is less than 25% of Homburg's market capitalization, which was approximately CDN\$566,235,000 as at October 5, 2006.

Homburg is subject to the requirement of Rule 61-501 to prepare and file a material change report with securities regulators at least twenty-one days prior to closing of the Acquisition. Copies of the material change report, which Homburg filed earlier today, are available to shareholders on the System for Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) or by calling J. Jeffery Coates, Corporate Secretary of Homburg at (902) 468-3395.

The issuance and listing of the 1,000,000 Class A Shares of Homburg pursuant to the Acquisition is subject to the final approval of the Toronto Stock Exchange (the "TSX") and will be subject to any conditions imposed by the Toronto Stock Exchange, expected to include among other things, the delivery of the definitive purchase agreement and an opinion of counsel that the shares are validly issued.

In view of the related party nature of the Acquisition and the disclosed conflict of interest of Mr. Homburg, the Board of Directors formed an independent committee comprised of two independent directors (the "Independent Committee") to consider the Acquisition and to determine whether the consideration to be paid by Homburg is fair and whether the Acquisition is in the best interest of Homburg.

In determining the approximate market value of the Properties, the Independent Committee conducted a review of the formal independent appraisal which had been prepared by DTZ Zadelhoff dated August 1, 2006 regarding the commercial properties located in Tilburg, Stittard, Rotterdam and Eindhoven. These independent appraisals valued the Properties in aggregate at EUR 37,600,000. The Independent Committee also reviewed the key terms of the purchase and sale agreements to be entered into by the limited partnerships controlled by Homburg with SUV B.V. and Stollburgh, environmental reports for each of the Properties, lease data, tenant credit information for the

primary tenants in each building, financial documentation and the detailed financial analysis of the Acquisition's impact on Homburg prepared by the Chief Financial Officer prior to formulating a recommendation.

On October 5, 2006, the Independent Committee recommended approval of the Acquisition to the directors of Homburg based upon the following key factors: (i) the fairness of the purchase price based on the independent appraisals which concluded an appraised value before closing costs of EUR 37,825,000 and which indicated a straight return of 6.74% and a full return of 12.2%; (ii) the combination of consideration to be provided which helps Homburg conserve cash; (iii) the available financing; (iv) the accretive nature of the Acquisition and the potential for future capital appreciation; (iv) the trading price of the Class A Shares; and (v) the new revenue opportunities available to Homburg through these Properties.

The board of directors of Homburg received the report and recommendation of the Independent Committee and unanimously voted in favour of the Acquisition (with Mr. Homburg abstaining).

There are currently 86,079,672 Class A Subordinate Voting Shares ("Class A Shares") and 30,897,438 Class B Multiple Voting Shares ("Class B Shares") of Homburg issued and outstanding. Prior to the Acquisition, Mr. Homburg beneficially owned (directly or indirectly) or exercised control over 28,418,995 Class A Shares, representing in the aggregate 33.02% of the Class A Shares and 23,726,238 Class B Shares, representing in the aggregate 76.79% of the issued and outstanding Class B Shares. Mr. Stolle beneficially owned (directly or indirectly) or exercised control over 75,000 Class A Shares, representing in the aggregate 0.09% of the Class A Shares and nil Class B Shares. Following completion of the proposed Acquisition, Mr. Homburg and Mr. Stolle will each own (directly or indirectly) or exercise control over an additional 327,500 Class A Shares. This represents a change in beneficial ownership for Mr. Homburg of about 0.38% in the aggregate of the issued and outstanding Class A Shares and 0.28% of the issued and outstanding Class A Shares and Class B Shares and a change in beneficial ownership for Mr. Stolle of about 0.38% in the aggregate of the issued and outstanding Class A Shares and 0.28% of the issued and outstanding Class A Shares and Class B Shares. The Acquisition of these Properties in the Netherlands fits well within Homburg's strategic plan as outlined in the 2005 Annual Report of Homburg. In 2004 the purchase of quality properties in Canada became much more difficult as competition in the marketplace was prepared to earn lower and lower cap rates thereby pushing up the value of Canadian properties significantly. As a result, the Company moved into the direction of acquiring land for development and existing properties for redevelopment in Canada while looking at investment prospects in Europe and the United States to take advantage of opportunities that make themselves available in those much larger real estate markets. This Acquisition is part of a series of transactions in which Homburg has engaged to meet Homburg's goals over the past year.

Homburg, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO at 902-468-3395 or Mr. Michael Arnold, CA, Vice Chairman at 902-566-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

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Toronto Stock Exchange has neither approved nor disapproved of the information contained herein.



**HOMBURG INVEST INC.**  
**ANNOUNCES**  
**ISSUE OF HOMBURG BOND 9 FOR A MAXIMUM AMOUNT OF EURO 60 MILLION**  
**Shares issued: Class A – 86,078,927 Class B – 30,897,438**  
**Halifax, Nova Scotia, October 10, 2006 (TSX: HILA & HILB and AEX:HII)**

Richard Homburg, Chairman and CEO of Homburg Invest Inc. (“Homburg Invest” or “the Company”) announces that Homburg Invest intends to issue a maximum of 4,000 Homburg Bond 9 bonds, with a par value of Euro 15,000 each for a maximum amount of Euro 60,000,000.

The board of directors has also decided that the Company will not make a further public offer of shares of Homburg Invest Inc. this year. The Company believes that the stock price of the shares does not reflect a true value of the Company today. In June this year Homburg Invest Inc. raised Euro 50 million of equity in difficult market circumstances.

The bonds known as Homburg Bond 9 (the “Bonds”) are to be seven year corporate bonds with a fixed interest rate of 7 % per year payable semi-annually. The Bonds may be redeemed at the option of the Company after the fifth anniversary of the Bonds. It is anticipated that the sale of the Bonds will raise Euro 60,000,000. Bond holders participate by investing in Bonds of Euro 15,000 excluding an issue fee of 3 %.

The proceeds of this bond issue will be used for further acquisition of quality real estate in Germany, Netherlands, United States and Canada.

The Company has grown substantially during the last year. By acquiring three large portfolios in Germany and The Netherlands and its development and investments in Canada the Company grew from an asset base of CAD \$ 1.08 billion at December 31, 2005 to CAD \$ 2.08 billion at June 30, 2006. The Company also has a pipeline of developments in Canada of CAD \$ 2.8 billion. The shareholder’s equity grew during the same period from CAD \$ 259.5 million to CAD \$ 380.9 million.

Also the income of the Company has increased tremendously:

Increase in IFRS results as per June 30, 2006:

- Funds from operations increased 444.7 % compared to the same six months period in 2005
- Net earnings increased 205.9 % compared to the same six month period in 2005
- Earnings per share increase 110.0 % compared to the same six month period in 2005

The company has paid out at September 30, 2006 a semi-annual dividend of CAD \$0.18.

*Corporate strategy*

Our aim is to generate a high rate of return on invested capital, by selecting quality investments. Our vision is to provide our tenants with high quality residential, industrial, office and retail units by holding our property managers to high professional standards and by maintaining our properties to high quality standards. Our mission is to grow our real estate and development property portfolio substantially to CAD \$8 billion. The property we aim to acquire must be accretive by adding to shareholder value. A constant focus is the creditworthiness and predictable quality of cash flows from rentals. Location, traffic count, demographics and current and potential competition are critical factors. Our properties are managed by Homburg Canada incorporated which has a competent and experienced management team with a proven track record of over 35 years of operating in Canada, The Netherlands and the United States.

Unlike many other real estate companies, we seek a spread of commercial office, multi-family residential, retail and industrial properties as well as land assets for development. We seek primarily multi-tenant properties, while also looking for occasional attractive single tenant, net-leased properties.

We also engage in project development and construction in our preferred markets primarily through joint ventures.

*Investment policy*

We have extensive local knowledge of, and expertise and experience in the markets in which we conduct acquisition activities. We have local teams in place in every major geographic region where we are active. We follow an active acquisition policy, whereby we focus on, but will not restrict ourselves to, Canadian, US, Dutch and German properties through both direct and indirect participations.

We follow a diversified investment strategy, focused on a spread in our assets in geography, property type, number of tenants per property and contract duration. We intend to invest in regions where the best results

can be achieved using our standards as a prudent investor, including the quality of the project and the creditworthiness of the tenants. However, we place opportunities above diversification. Homburg, with its head office in Halifax, Nova Scotia, owns and develops a diversified portfolio of quality real estate including office, retail, industrial and residential apartment and townhouse properties throughout Canada, the United States and Western Europe.

For further information on this matter, please contact Mr. Richard Homburg, Chairman and CEO at 902-468-3395 or Mr. Michael Arnold, CA, Vice Chairman at 902-566-1153. For information on Homburg Invest Inc., visit our website at [www.homburginvest.com](http://www.homburginvest.com).

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