

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

## PROSPECTUS

### Initial Public Offering

April 6, 2011



# CHURCHILL 11 REAL ESTATE LIMITED PARTNERSHIP

(the “Limited Partnership”)

# CHURCHILL 11 DEBENTURE CORP.

(the “Debenture Issuer”)

(hereinafter collectively called the “Issuers”)

**Minimum: \$5,000,000 (4,000 Units)**

**Maximum: \$30,000,000 (24,000 Units)**

**\$1,250 per Unit**

**Minimum Subscription: \$5,000**

(the “Offering”)

This prospectus (the “**Prospectus**”) qualifies the distribution of up to 24,000 units (each a “**Unit**”) at a price of \$1,250 per Unit. Each Unit is comprised of one unit of the Limited Partnership (an “**LP Unit**”) having a price of \$250 and one Series A Debenture (a “**Debenture**”) of the Debenture Issuer in the principal amount of \$1,000 maturing on December 31, 2016. The Debentures bear simple interest at a rate of 8.0% per annum, payable quarterly in arrears on the 15th day after the end of each calendar quarter, commencing October 15, 2011. **Each subscriber must purchase a minimum of 4 Units or \$5,000.**

	Price to Public <sup>(1)</sup>	Agents' Discounts or Commissions <sup>(2)</sup>	Proceeds to Issuer <sup>(3)</sup>
<b>Per Unit</b>			
Per LP Unit	\$250	\$20	\$230
Per Debenture <sup>(4) (5)</sup>	\$1,000 <sup>(6)</sup>	\$80	\$920
<b>Minimum Offering<sup>(7)</sup></b>			
4,000 LP Units	\$1,000,000	\$80,000	\$920,000
4,000 Debentures <sup>(4) (5)</sup>	\$4,000,000	\$320,000	\$3,680,000
<b>Maximum Offering</b>			
24,000 LP Units	\$6,000,000	\$480,000	\$5,520,000
24,000 Debentures <sup>(4) (5)</sup>	\$24,000,000	\$1,920,000	\$22,080,000

#### Notes:

- (1) The price to the public was determined by negotiation between the General Partner on behalf of the Limited Partnership, the Debenture Issuer and the Agents.

- (2) The promoter of this Offering, Churchill Real Estate Inc., will co-ordinate the placement of the Units through the Agents and sub-agents in the various jurisdictions where the Units are offered for sale. Sales commissions will be paid to the Agents and any sub-agents in connection with this Offering at a rate equal to 8.0% of the purchase price of the LP Units and the Debentures. In addition, the Lead Agent is entitled to receive an advisory fee of \$25,000. The General Partner has agreed to pay to the Agents, on a quarterly basis, a trailer fee equal to 1/6th of the quarterly asset management fee paid to the General Partner pursuant to the Amended and Restated General Partner Services Agreement. The trailer fee will only be paid by the General Partner if it is collected by the General Partner. The Agents may assign all or part of the trailer fee and other compensation entitlements to sub-agents effecting sales of Units. As a further incentive to the Agents, the General Partner has agreed to pay to the Agents an amount equal to 25% of any amounts realized by the General Partner in respect of its Incentive Management Interest. (Refer to “*Plan of Distribution*” on page 73 herein for further particulars.)
- (3) Before deduction of the expenses of the Offering estimated at \$375,000, which, together with the Agents’ fees, expenses and commissions, will be paid from the proceeds of the Offering.
- (4) The net proceeds raised by the Debenture Issuer from the issuance of Debentures will be loaned to the Limited Partnership by way of the Debenture Issuer Loan. (Refer to “*The Debenture Issuer Loan*” on page 19 for further particulars on the Debenture Issuer Loan.) Therefore all proceeds of this Offering, net of expenses, will ultimately be used by the Limited Partnership in the purchase, ownership and operation of Properties to be acquired by the Limited Partnership.
- (5) The Debentures will be qualified investments for registered retirement savings plans (“RRSP”) and similar plans under the *Income Tax Act* (Canada). (Refer to “*Income Tax Consequences*” on page 75 herein for further particulars.)
- (6) The purchase price of a Debenture paid by an investor at the first closing of a sale of Units to investors under the Offering (the “**Initial Closing**”) will be \$1,000. It is anticipated that the Issuers may have more than one closing (each, a “**Closing**”) of a sale of Units to investors under the Offering. For any subsequent Closing, the purchase price of a Debenture paid by an investor will be \$1,000 plus the proportionate interest earned (the “**Earned Interest**”) on the Debenture between the date of the Initial Closing and the date of a subsequent Closing. On or before the 15th day after the end of the applicable calendar quarter after any subsequent Closing, the Debenture Issuer will pay to the investors the interest earned on the outstanding Debentures from the date of the Initial Closing to the end of the applicable calendar quarter. For greater certainty, an investor who purchased Debentures at a subsequent Closing will receive from the Debenture Issuer the interest earned between the subsequent Closing and the end of the applicable calendar quarter plus the Earned Interest.
- (7) There will be no Initial Closing unless a minimum of 4,000 Units are sold not more than 90 days after the date of the Receipt for the Final Prospectus (as hereinafter defined). **Each subscriber must purchase a minimum of 4 Units or \$5,000.**

The Units offered hereunder are offered on a “best efforts” basis in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario until a date that is no later than 90 days after the date of the issuance of the Receipt for this Final Prospectus, unless an amendment to this Final Prospectus is filed and the British Columbia Securities Commission has issued a receipt for the amendment, subject to: (a) prior sale, if, as and when issued and delivered by the General Partner on behalf of the Limited Partnership in respect of the LP Units and by the Debenture Issuer in respect of the Debentures in accordance with the conditions of the Agency Agreement referred to in “*Plan of Distribution*” on page 73 herein, and (b) the approval of certain legal matters by McCullough O’Connor Irwin LLP on behalf of the Limited Partnership and the Debenture Issuer, and (c) the approval of certain legal matters by Fraser Milner Casgrain LLP, on behalf of Dundee Securities Ltd. (the “**Lead Agent**”), Scotia Capital Inc., Raymond James Ltd. and Macquarie Capital Markets Canada Ltd. (collectively, the “**Agents**”). The Agents may enter into brokerage or selling group agreements with other investment dealers to market the Units offered hereunder.

**This is a “blind pool” offering, meaning the Properties to be acquired with the proceeds of this Offering have not yet been identified. Although the General Partner expects that the available net proceeds of the Offering will be applied to purchase one or more Properties, the specific Properties in which the Limited Partnership will invest have not yet been determined. The Properties to be purchased by the Limited Partnership may include shopping centres, strip malls, multi-tenanted business parks, light industrial buildings or other industrial properties, office buildings, apartment buildings or townhouse complexes. If the Maximum Offering of 24,000 Units is sold, the General Partner expects to cause the Limited Partnership to apply approximately \$27,300,000 (i.e. approximately 91 % of the gross proceeds of the Offering) to the purchase price and other acquisition costs of one or more Properties (including the Financing Fees payable to the General Partner upon the closing of any Property acquisition), and to the creation of working capital**

reserves and reserves for renovations and upgrades. If only the Minimum Offering of 4,000 Units is sold, the General Partner intends to cause the Limited Partnership to apply approximately \$4,375,000 (i.e. approximately 87.5% of the gross proceeds of the Offering) to the purchase price and other acquisition costs of one or more Properties (including the Financing Fees payable to the General Partner), and to the creation of working capital reserves and reserves for renovations and upgrades.

The Offering has been structured with the view to facilitating the following, among others, as primary investment objectives:

- (a) an investment in a diversified portfolio of high quality commercial (including shopping centres, strip malls, multi-tenanted business parks or light industrial, office buildings and retail properties) and multi-tenanted residential properties with positive cash flow and for limited investment in real estate development opportunities;
- (b) a quarterly cash flow distribution targeted to be at an average of 7% to 9% upon full investment of the Limited Partnership's funds (Until the Limited Partnership is wound up, it is not possible to accurately determine how much of the cash flow distributions made by the Limited Partnership are a return of capital rather than a return on capital. See "*Risk Factors*" on page 86); and
- (c) potential for long-term growth of capital through value-added enhancements and organic growth in rental rates with respect to properties acquired by the Limited Partnership as well as a potential increase in the value of the properties at the time the Limited Partnership sells the properties.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "*Risk Factors*" on page 86.

As at the date of this Prospectus, the Issuers do not have any of their securities listed or quoted, have not applied to list or quote any of their securities, and do not intend to apply to list or quote any of their securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America including the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

Commencing January 15, 2015, the LP Units and Debentures have limited retraction rights, not exceeding 5% of the number of LP Units or principal amount of Debentures then outstanding, respectively (Refer to "*Debentures - Limited Retraction Rights*" on page 35 and "*Limited Partnership Units - Limited Retraction Rights*" on page 32). Unless earlier repaid, in whole or in part, the Debentures mature and the outstanding principal and accrued and unpaid interest will become payable on December 31, 2016. The maturity date may, however, be extended to a later date by a 51% vote of Debentureholders (Refer to "*Debentures - Maturity Date, Extension of Maturity Date and Redemption of Debentures*" on page 34). The Debenture Issuer must redeem the Debentures, in whole or in part, prior to the maturity date, if it receives payments from the Limited Partnership from the proceeds of any sale or refinancing of any Properties. The LP Units do not mature and the Limited Partnership is not due to be wound-up or dissolved until 2100, unless earlier terminated by a Special Resolution passed by the Limited Partners (Refer to "*Limited Partnership - Formation and Term of Limited Partnership*" on page 30).

An investment in the securities offered by this Prospectus must be considered speculative as the securities are subject to certain risks as set out under the heading "*Risk Factors*" on page 86 herein. An investment in

Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Given the uncertainties involved in connection with predicting the Limited Partnership's annual earnings and debt servicing requirements, it is difficult to determine the amount of earnings that the Limited Partnership will be required to attain and pay to the Debenture Issuer so that the Debentures would have an earnings coverage ratio of one-to-one with respect to the interest payments contemplated under the Debentures. The Debenture Issuer was incorporated on January 11, 2011, and has not had any earnings to date. If the Maximum Offering of 24,000 Units is sold, the Debenture Issuer will require \$2,069,100 in earnings to attain an earnings coverage ratio of 1.08 to 1.00, based on the certain assumptions discussed in more detail under the heading "*Earnings Coverage Ratios*" on page 27 herein.

The directors and officers of the General Partner and the Debenture Issuer are subject to various conflicts of interest arising from the relationships among and between each of them and their affiliates. (Refer to "*Directors, Officers and Other Management - Potential Conflicts of Interest*" on page 68 herein.)

While the LP Units should not constitute "tax shelter investments", Churchill Real Estate, the promoter of this Offering, has nevertheless obtained from the Canada Revenue Agency a tax shelter identification number for the Limited Partnership. The tax shelter identification number is TS078204 Limited Partners are advised that they must include the tax shelter identification number in any tax return filed by them. The Tax Act requires that the following statement be included with this reference to the tax shelter identification number:

**"The identification number issued for this tax shelter shall be included in any income tax return filed by the Purchaser. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of a Purchaser to claim any tax benefits associated with the tax shelter." (Refer to "*Income Tax Consequences - Tax Shelter Rules*" on page 79 herein for further particulars.)**

No person is authorized by the Issuers to provide any information or to make any representation other than as contained in this Prospectus in connection with this issue and sale of the securities offered by the Issuers.

Registration and transfers of LP Units and Debentures sold through the Agents or its sub-agents will be effected through the book-entry only system administered by CDS Clearing and Depository Services Inc. ("CDS"). A purchaser of Units will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. Beneficial owners of LP Units and Debentures sold through the Agents or their sub-agents will not receive physical certificates evidencing the securities subscribed for. (See "*Plan of Distribution*" on page 73 herein.)

**Dundee Securities Ltd.  
27th Floor, 1 Adelaide Street East  
Toronto, Ontario M5C 2V9  
Fax: 416-350-3312**

**Raymond James Ltd.  
Suite 5300, 40 King Street West  
Toronto, Ontario M5H 3Y2  
Fax: 416-777-2129**

**Scotia Capital Inc.  
Scotia Plaza, 40 King Street West,  
66th Floor  
Toronto, Ontario M5W 2X6  
Fax: 416-863-7117**

**Macquarie Capital Markets  
Canada Ltd.  
Brookfield Place  
181 Bay Street, Suite 3100  
Toronto, Ontario M5J 2T3  
Fax: 416- 861-8484**

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AUDITORS' CONSENT

FINANCIAL STATEMENTS – CHURCHILL 11 REAL ESTATE LIMITED PARTNERSHIP

FINANCIAL STATEMENTS – CHURCHILL 11 DEBENTURE CORP.

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CERTIFICATE OF THE LIMITED PARTNERSHIP

CERTIFICATE OF THE DEBENTURE ISSUER

CERTIFICATE OF THE AGENTS

SCHEDULE A – LIMITED PARTNERSHIP AGREEMENT

SCHEDULE B – AUDIT COMMITTEE'S CHARTER FOR THE GENERAL PARTNER AND THE  
DEBENTURE ISSUER

## FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements within the meaning of that phrase under applicable Canadian securities laws with respect to the Issuers, including their respective views or predictions about possible future events or conditions, results of business operations and strategy, prospective results of operation, financial performance and condition. These statements may be written or graphically presented and generally can be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “forecast”, “believe”, “should” or “continue”, or the negative thereof, or similar variations. Forward-looking statements reflect management’s current views with respect to possible future events and conditions and, by their nature, are based on management’s beliefs and assumptions and subject to known and unknown risks and uncertainties, both general and specific to the Issuers. Actual events, conditions and results could differ materially from those expressed or implied by the forward-looking statements. Although management of each of the Issuers believes that the expectations reflected in such forward-looking statements are reasonable and represent the relevant Issuer’s internal projections, expectations and belief at this time, there can be no assurance whatsoever that those expectations will prove to be correct or as anticipated. In particular, this Prospectus contains forward-looking statements including, but not limited to those relating to, among other things: (i) the General Partner’s view regarding real estate markets, in particular, the expectations regarding revenue, prices and trends; (ii) the availability of Properties for purchase that are consistent with the Issuer’s investment objectives and criteria; (iii) the intention or the ability of the Limited Partnership to identify and complete the acquisition of the Properties; (iv) the estimated portion of the proceeds of this Offering which will be invested in the Properties, and any indications as to the expected future performance of the Limited Partnership, including the potential net operating income of any Property being acquired; (v) the revenue expectations regarding income producing Properties the Issuers may invest in; (vi) the prospects for development of certain Properties the Issuers may invest in; (vii) the anticipated costs to be incurred by the Issuers in relation to the financing, management, re-development or construction; and (viii) the prospects for the future sale, lease or refinancing of the Properties.

Readers are cautioned that the above list is not exhaustive and that risks may change or new risks may emerge. Additional factors are discussed or referenced in the “*Risk Factors*” section commencing on page 86 herein.

The forward-looking statements contained in this document are given as of the date hereof and should not be relied upon as representing the Issuers’ views as of any date subsequent to the date of this Prospectus. Except as otherwise required by law, the Issuers do not intend to and assume no obligation to update or revise these or any other forward-looking statements they may provide, whether as a result of new information, plans or events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements as there can be no assurance that the conditions, events, plans and assumptions on which they are based will occur. Readers should perform their own detailed, independent investigation and analysis of the Issuers before making any investment decision and are encouraged to seek independent professional advice. All of the future looking statements in this document are expressly qualified by the above.

Important factors that could cause actual results to differ materially from a particular Issuer’s expectations include, among other things, the availability of suitable Properties for purchase by the Limited Partnership, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, in addition to those factors discussed or referenced in the “*Risk Factors*” section. Refer to “*Risk Factors*” on page 86 herein.

## PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Reference is made to the "Glossary of Terms" for the meanings of defined terms used in this summary.

<b>Business:</b>	<p>The General Partner is a company engaged in identifying real estate investment opportunities. In order to take advantage of suitable investment opportunities that are identified, the General Partner has established the Limited Partnership for the purposes of acquiring, holding, managing and operating a portfolio of revenue-producing real estate Properties in Canada (or interests in such Properties) and for limited investment in real estate development opportunities.</p> <p>The Debenture Issuer is a company primarily established to make the Debenture Issuer Loan to the Limited Partnership. The Debenture Issuer may also invest its surplus funds, if any, in other loans or interests in real estate properties. The Debenture Issuer's long-term objective in terms of the Debentures is to earn and distribute to the Debentureholders interest income from the Debenture Issuer Loan. (Refer to "Narrative Description of the Business" on page 13 herein.)</p>
<b>The Offering:</b>	<p>The Offering consists of a minimum of 4,000 Units and a maximum of 24,000 Units, at a price of \$1,250 per Unit.</p> <p>Up to 24,000 Units, each Unit comprised of one LP Unit in the amount of \$250 and one RRSP eligible Debenture in the principal amount of \$1,000. (Refer to "Description of Securities to be Distributed" on page 29 herein.)</p>
<b>Minimum Subscription:</b>	4 Units (\$5,000) with additional subscriptions in 1 Unit increments (\$1,250).
<b>LP Units:</b>	Each LP Unit has a price of \$250, issued pursuant to the terms of the Limited Partnership Agreement. The LP Units are retractable in specified circumstances. The General Partner expects to distribute quarterly cash available after the payment of operating expenses, interest and principal on the Debenture Issuer Loan and any holdback for reasonable reserves for expenses and capital expenditures. (Refer to "Description of Securities to be Distributed – Limited Partnership Units" on page 30 herein.)
<b>Debentures:</b>	The Debenture Issuer has been established to issue the Debentures and to make the Debenture Issuer Loan. The Debenture Issuer's long-term objective is to earn and distribute to the Debenture holders interest and principal repayments in respect of the Debenture Issuer Loan. The Debentures will bear simple interest at a rate of 8.0% per annum, payable quarterly in arrears on the 15th day after the end of each calendar quarter, commencing October 15, 2011. The Debentures have a term of approximately 5¾ years and mature on December 31, 2016, unless as set forth in the Trust Indenture. (Refer to "Description of Securities to be Distributed – Debentures" on page 33 herein.)
<b>Use Of Proceeds:</b>	Assuming that the Maximum Offering of 24,000 Units is sold, the gross proceeds to the Issuers will be \$30,000,000. The aggregate gross proceeds of this Offering, plus estimated Mortgage Loans, assuming maximum 70% Loan-to-Value debt financing of any Property to be purchased, in the aggregate principal amount of up to approximately \$53,700,000 will be used to pay the estimated aggregate purchase

price of as yet unidentified Properties with purchase prices of up to approximately \$76,700,000 and to pay due diligence and documentation costs relating to the purchase of such Properties, commissions and fees, estimated third party offering expenses, reserves for renovation and upgrading of such Properties, reasonable working capital reserves for such Properties and an aggregate Financing Fee of approximately \$1,150,500.

Assuming that the Minimum Offering of 4,000 Units is sold, the gross proceeds to the Issuers will be \$5,000,000. The aggregate gross proceeds of this Offering, plus estimated Mortgage Loans, assuming 70% Loan-to-Value debt financing of any Property to be purchased, in the aggregate principal amount of approximately \$8,600,000 will be used to pay the estimated aggregate purchase price of as yet unidentified Properties with purchase prices of up to approximately \$12,300,000 and to pay due diligence and documentation costs relating to the purchase of such Properties, commissions and fees, estimated third party offering costs, reserves for renovation and upgrading such Properties, reasonable working capital reserves for such Properties and a Financing Fee of approximately \$184,500. (Refer to “*Use of Proceeds*” on page 24 herein.)

The net proceeds of the offering will be used to acquire a diversified portfolio of high-quality commercial (including shopping centres, strip malls, mixed-use business parks and light industrial, retail and office properties), multi-tenanted residential properties and for limited investment in real estate development opportunities, to fund certain reserves in the property portfolio and to fund fees and expenses of the Limited Partnership.

**Management:**

The General Partner’s Directors and Officers are Philip J. Langridge and Brad J. Wise. The Debenture Issuer’s Directors and Officers are Philip J. Langridge, Brad J. Wise and Alan Richman. The Limited Partnership is managed by the General Partner and does not have a board of directors. (Refer to “*Directors, Officers and Other Management*” on page 39 herein.)

**Plan Of Distribution:**

There will be no Initial Closing unless a minimum of 4,000 Units are sold. The distribution under this Offering will not continue for a period of more than 90 days after the date of the Receipt for the Final Prospectus if subscriptions representing the minimum number of Units are not obtained within that period, unless each of the persons or companies who subscribed within that period consents to the continuation of the distribution and unless an amendment to this Final Prospectus is filed and the British Columbia Securities Commission has issued a receipt for the amendment. During that 90-day period, funds received from subscriptions will be held by the Agents in trust pending any subsequent Closing of the Offering.

It is anticipated that the Issuers may have more than one Closing. For any subsequent Closing, the purchase price of a Debenture paid by an investor will be \$1,000 plus the Earned Interest. On or before the 15th day after the end of the applicable calendar quarter after any subsequent Closing, the Debenture Issuer will pay to the investors the interest earned on the outstanding Debentures from the date of the Initial Closing to the end of the applicable calendar quarter. For greater certainty, an investor who purchased Debentures at a subsequent Closing will receive from the Debenture Issuer the interest earned between the subsequent Closing and the end of the applicable calendar quarter plus the Earned Interest.

Sales commissions will be paid to the Agents at a rate equal to 8.0% of the purchase price of the LP Units and the Debentures. In addition, the Lead Agent is entitled to receive an advisory fee of \$25,000. The General Partner has agreed to pay to the Agents an amount equal to 25% of any amounts realized by the General Partner in respect of its Incentive Management Interest. As well, the General Partner has agreed to pay to the Agents, on a quarterly basis, a trailer fee equal to 1/6th of the quarterly asset management fee paid to the General Partner pursuant to the Amended and Restated General Partner Services Agreement. The trailer fee will only be paid by the General Partner if it is collected by the General Partner. The Agents may assign all or part of the trailer fee and other compensation entitlements to sub-agents effecting sales of Units. (Refer to “*Plan of Distribution*” on page 73 herein.)

**Risk Factors:**

This is a speculative offering. To date, the Limited Partnership has not closed on the purchase of any real estate assets. Investors should consider the following risk factors, among others, before purchasing Units:

*Blind Pool Offering* - Although the General Partner expects that the available net proceeds of the Offering will be applied to purchase one or more Properties, the specific Properties in which the Limited Partnership will invest have not yet been determined. Depending on the return on investment achieved on the Properties that may be acquired by the Limited Partnership, the investors’ return on their respective investment in the Units will vary.

*Initial Losses and Tax Attributes of the Cash Distributions* - The Issuers may incur losses until the Limited Partnership disposes of all of its Properties and the Limited Partnership’s operations are wound up. Further, the cash flow distributions made by the Limited Partnership may be taxed as a return on capital while being a return of capital. Until the Limited Partnership is wound up, it is not possible to determine accurately how much of the cash flow distributions made by the Limited Partnership are a return of capital rather than a return on capital.

*Reliance on General Partner and its Management* - Prospective purchasers assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the General Partner and its principals to identify, acquire and operate suitable Properties.

*No Market for LP Units or Debentures* – There currently is no market for LP Units or Debentures, and it is expected that there will be no market for the LP Units or the Debentures. In addition, while the Debentures mature on December 31, 2016, the Limited Partnership may continue in existence until December 31, 2100 with the LP Units only being retractable up to 5% per year commencing in 2015. (Refer to “*Description of Securities to be Distributed*” at page 29 herein for further particulars.)

*Less than Full Offering* - There can be no assurance that the Maximum Offering will be sold.

*Risks of Real Estate Ownership* - Investment in real estate is subject to numerous risks. (Refer to “*Risks of Real Estate Ownership*” on page 84 herein.)

*Financing Risks* - There is no assurance that the Limited Partnership will be able to obtain sufficient Mortgage Loans to finance the acquisition of Properties on commercially acceptable terms or at all. There is also no assurance that any Mortgage Loans, if obtained, will be renewed when they mature or renewed on commercially acceptable terms. In the absence of mortgage financing, the number of Properties which the Limited Partnership is able to purchase will decrease and the projected return from the ownership of Properties may be reduced.

*Risk of Mortgage Default* – The Limited Partnership may not be able to generate sufficient funds through the operation of the Properties to make the payments of principal and interest due on the Mortgage Loans, and, upon default, one or more Lenders could exercise its or their rights including, without limitation, foreclosure or sale of the Properties.

*Potential Liability Under Environmental Protection Legislation* – Under various environmental and ecological laws, the Limited Partnership could become liable for the costs of removal or remediation of certain hazardous or toxic substances that may be released on or in one or more of the Properties or disposed of at other locations. The failure to deal effectively with such substances, if any, may adversely affect the Limited Partnership’s ability to sell such Property or to obtain Mortgage Loans using such Property as collateral, and could potentially also result in claims against the Limited Partnership by other parties.

*Uninsured Losses* – The General Partner will arrange for comprehensive insurance of the type and in the amounts customarily obtained for properties similar to those to be owned by the Limited Partnership and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses are either uninsurable or not economically insurable.

*Limited Liability* – Limited Partners may lose their limited liability in certain circumstances prescribed under the *Partnership Act* (British Columbia).

*Limited Retraction Rights* – If, in any given year, from 2014 onwards, the Issuers receive notices requiring the Issuers to retract a number of LP Units or Debentures in excess of 5% of the total number of LP Units or Debentures outstanding, or if insufficient funds are available to retract the number of LP Units or Debentures in respect of which a request for retraction has been made, then the retraction of LP Units or Debentures in that year will be made on a *pro rata* basis. Therefore, there can be no assurance that Investors will be able to retract their LP Units or Debentures when they wish to do so. (Refer to “*Description of Securities to be Distributed*” at page 29 herein for further particulars.)

*Revenue Shortfalls* – Revenues from the Properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the Mortgage Loans or to fund changes in the rates of interest charged in respect of such loans.

*Tax Matters* - The tax treatment of the Units offered herein should be considered before an investment in the Units is made. (Refer to “*Income Tax Consequences*” on page 75 herein.)

*Net Worth of the General Partner* - The General Partner, which has unlimited liability for the obligations of the Limited Partnership, has no material net worth. If the Limited Partnership is not able to generate sufficient funds to meet its obligations, the General Partner will be exposed to bankruptcy or insolvency, which could prevent the General Partner from implementing the Limited Partnership's business strategy.

*Additional Contributions* – The Limited Partnership Agreement provides that the General Partner may, if authorized by Special Resolution, request that additional capital contributions be made by the Limited Partners.

*Reliance on Property Management* – The General Partner intends to rely upon independent management companies to manage the day-to-day affairs of the Properties. The employees of these management companies may have to devote management time, services and functions among other properties and investment or management activities, which may be to the detriment of the Limited Partnership.

*Liability to Pay Interest and Principal Under Debentures* – The Debenture Issuer is the only party liable for the payment of interest or the repayment of principal under the Debentures. Neither the Limited Partnership nor the General Partner is liable for such payments. The only collateral security for the Debentures is the Debenture Issuer's interest in the Debenture Issuer Loan and the security granted by the Limited Partnership to the Debenture Issuer for such loan. As the Debenture Issuer may have no other assets, after realizing on that collateral, the Debentureholder's recovery of any amounts remaining owing will be limited.

For a more complete discussion of the risks associated with an investment in Units, refer to "*Risk Factors*" commencing on page 86 herein, and also to "*Directors and Officers – Potential Conflicts of Interest*" on page 68 herein.

**Summary Financial Information:**

Included in this Prospectus are:

- (i) audited financial statements of Churchill 11 Real Estate Limited Partnership as at January 28, 2011;
- (ii) audited financial statements of Churchill 11 Debenture Corp. as at January 11, 2011; and
- (iii) audited financial statements of Churchill 11 Partners Inc. as at January 11, 2011.

## GLOSSARY OF TERMS

Certain terms and abbreviations used in this Prospectus are defined below:

- (a) **“Administrative Services Agreement”** means the agreement dated as of January 28, 2011 between Knightswood and the Debenture Issuer pursuant to which Knightswood has agreed to provide certain services to the Debenture Issuer in consideration of certain fees to be paid by the Debenture Issuer;
- (b) **“Agency Agreement”** means an agreement dated as of April 6, 2011 between the Issuers, the General Partner, Churchill Real Estate and the Agents;
- (c) **“Agents”** means Dundee Securities Ltd., Scotia Capital Inc., Raymond James Ltd. and Macquarie Capital Markets Canada Ltd.;
- (d) **“Amended and Restated General Partner Services Agreement”** means an agreement dated as of February 14, 2011 between the Limited Partnership and the General Partner pursuant to which the General Partner has agreed to provide certain services to the Limited Partnership;
- (e) **“Authorized Investments”** means interest bearing or discount debt obligations issued or guaranteed by the Government of Canada or a Province of Canada or a Canadian chartered bank; provided that each such obligation is rated at least R-1 (middle) by DBRS Limited or equivalent rating by Moody’s Investors Service, Inc. or Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., and provided further that such debt obligations are expressed to mature within one year after their purchase by the Limited Partnership;
- (f) **“CDS”** means CDS Clearing and Depository Services Inc.;
- (g) **“Churchill International Property Corporation”** means Churchill International Property Corporation, a company incorporated under the *Business Corporations Act* (British Columbia);
- (h) **“Churchill International Securities”** means Churchill International Securities Corporation, a company incorporated under the *Business Corporations Act* (British Columbia);
- (i) **“Churchill Real Estate”** means Churchill Real Estate Inc., a company incorporated under the *Business Corporations Act* (British Columbia);
- (j) **“Closing”** means a closing of a sale of Units to investors under the Offering. **“Initial Closing”** means the first such Closing to occur and **“Final Closing”** means the last such Closing to occur, with any Closings to occur on such dates as may be selected by the Agents and the Issuers provided that the Final Closing shall not occur on a date that is later than 90 days after the date of issuance of the Receipt for this Final Prospectus, unless an amendment to this Final Prospectus is filed and the British Columbia Securities Commission has issued a receipt for the amendment;
- (k) **“CPG”** means CPG Capital Corp.;
- (l) **“CRA”** means the Canada Revenue Agency;
- (m) **“Debenture Issuer”** means Churchill 11 Debenture Corp., a company incorporated under the *Canada Business Corporations Act*;
- (n) **“Debenture Issuer Loan”** means the loan to be made by the Debenture Issuer to the Limited Partnership under the terms of the Loan Agreement in an amount equal to the net proceeds from the

issuance of the Debentures, the proceeds of which loan will be used by the Limited Partnership to finance the purchase, ownership and operation of the Properties;

- (o) **“Debentureholders”** means holders of record of any Debentures;
- (p) **“Debentures”** means Series A Debentures issued by the Debenture Issuer and having the attributes set out in the Trust Indenture;
- (q) **“Disposition Fee”** means a fee payable to the General Partner by the Limited Partnership in the amount of 1.5% of the gross proceeds received or receivable upon the sale of a Property in consideration of the General Partner negotiating and finalizing the sale of such Property on behalf of the Limited Partnership;
- (r) **“DPSP”** means Deferred Profit Sharing Plan;
- (s) **“Earned Interest”** means the proportionate interest earned on the Debentures between the Initial Closing and a subsequent Closing;
- (t) **“Final Prospectus”** means the final version of this prospectus, which will be filed by the Issuers with the Securities Commissions;
- (u) **“Financing Fee”** means a fee payable to the General Partner for financing services, in an amount equal to 1.5% of the gross purchase price of a Property and payable to the General Partner upon the completion of the purchase of each Property;
- (v) **“Founding Limited Partner”** means CIPC First Partner Corp., a company incorporated under the *Business Corporations Act* (British Columbia);
- (w) **“General Partner”** means Churchill 11 Partners Inc., a company incorporated under the *Canada Business Corporations Act*;
- (x) **“General Security Agreement”** means the general security agreement dated as of January 28, 2011 made by the Limited Partnership in favour of the Debenture Issuer as security for the Debenture Issuer Loan;
- (w) **“GST”** means the goods and services tax imposed under Part IX of the *Excise Tax Act* (Canada) or, if the context requires, any similar sales or value added tax;
- (x) **“HST”** means the harmonized sales tax imposed under the *Excise Tax Act* (Canada) on July 1, 2010 in the Provinces of Ontario and British Columbia;
- (y) **“Incentive Management Interest”** means the distribution and/or allocation to be made, subject to the payment of the Limited Partners Minimum Return and certain other amounts, to the General Partner from the Limited Partnership in an amount equal to 25% of the aggregate of (a) the total payments made to Limited Partners in respect of the Limited Partners Minimum Return and (b) an amount equal to the interest the Debenture Issuer has determined is payable to the Debentureholders pursuant to the terms of the Trust Indenture, thereby providing the General Partner with an amount equal to 20% of the total of the interest paid on the Debenture Issuer Loan and the amounts allocated and distributed by the Limited Partnership up to such date;
- (z) **“IRR”** means internal rate of return;

- (aa) **“Issuers”** mean collectively, Churchill 11 Real Estate Limited Partnership and Churchill 11 Debenture Corp.;
- (bb) **“Knightswood”** means Knightswood Financial Corp., a company incorporated under the *Business Corporations Act* (British Columbia), the common shares of which are listed and posted for trading on the TSX Venture Exchange (Tier 2 Company), and which is at arm’s length to the Limited Partnership;
- (cc) **“Lead Agent”** means Dundee Securities Ltd.;
- (dd) **“Lender”** means a lender and mortgagee of any of the Mortgage Loans;
- (ee) **“Limited Partners”** means holders of record of any LP Units;
- (ff) **“Limited Partners Minimum Return”** means a minimum return to the Limited Partners of 8.0% per annum, cumulative but not compounded, calculated on the Limited Partners’ Net Equity in the Limited Partnership;
- (gg) **“Limited Partnership”** means Churchill 11 Real Estate Limited Partnership, a British Columbia limited partnership;
- (hh) **“Limited Partnership Agreement”** means the limited partnership agreement dated as of January 18, 2011 between the General Partner, the Founding Limited Partner and all persons who subscribe for LP Units establishing the Limited Partnership as the same may be amended or restated from time to time;
- (ii) **“Loan Agreement”** means the loan agreement dated as of January 28, 2011 between the Limited Partnership and the Debenture Issuer pursuant to which the Debenture Issuer Loan will be made;
- (jj) **“Loan-to-Value”** means, on a percentage basis, the amount of the Mortgage Loan as a percentage of the purchase price of a Property;
- (kk) **“LP Units”** means units of the Limited Partnership issued pursuant to the terms of the Limited Partnership Agreement;
- (ll) **“Mortgage Loans”** means one or more mortgages on the Properties granted or to be granted by the Limited Partnership (or, if a Property is held by a nominee entity on behalf of the Limited Partnership, by such entity) to the Lenders, the proceeds of which will be used to finance the purchase, ownership and operation of the Properties;
- (mm) **“Net Asset Value”** means the greater of: (a) the total gross cash proceeds from this Offering; and (b) the total purchase price of the Properties including all fees and expenses and cash reserves, less the outstanding Mortgage Loans;
- (nn) **“Net Equity”** of an LP Unit means the cash paid by a Limited Partner in respect of its LP Units, being \$250 per LP Unit, less the aggregate of any distributions made to the Limited Partner arising from a refinancing, sale or expropriation of a Property and any amount paid on partial redemption or partial retraction;
- (oo) **“Notice Date”** means on or before November 1 in each year, commencing November 1, 2014;
- (pp) **“Offering”** means the offering under this Prospectus of a minimum of 4,000 Units at a price of \$1,250 per Unit for gross proceeds of \$5,000,000 and a maximum of 24,000 Units at a price of \$1,250 per Unit for gross proceeds of \$30,000,000. Each subscriber must purchase a minimum of 4 Units or \$5,000;

- (qq) **“Offering Price”** means \$1,250 per Unit;
- (rr) **“Option Agreement”** means the option agreement dated as of January 28, 2011 between Churchill Real Estate, Knightswood and the Debenture Issuer;
- (ss) **“Properties”** means the lands and premises in Canada to be purchased, owned and operated by the Limited Partnership, or interests therein;
- (tt) **“Property”** means one or more of the Properties to be acquired by the Limited Partnership;
- (uu) **“Proportionate Share”** of any amount, in respect of a Limited Partner, means the portion thereof that is in the same proportion to the total amount thereof as such Limited Partner’s Net Equity is to the total Net Equity of the Limited Partnership;
- (vv) **“Prospectus”** means this Final Prospectus and any amendments thereto;
- (ww) **“Purchasers”** means, collectively, the purchasers of Units;
- (xx) **“Qualifying Provinces”** means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario;
- (yy) **“RDSP”** means Registered Disability Savings Plan;
- (zz) **“Receipt”** means a receipt issued by the British Columbia Securities Commission, as principal regulator, for the Final Prospectus pursuant to Multilateral Instrument 11-102 *Passport System* and evidences a receipt issued for the Final Prospectus by, among others, the Ontario Securities Commission;
- (aaa) **“Registered Plans”** means RRSPs, RRIFs, RESPs, DPSPs, RDSPs or TFSAs;
- (bbb) **“Regulations”** means the Regulations to the Tax Act;
- (ccc) **“RESP”** means Registered Education Savings Plan;
- (ddd) **“Retraction Date”** means January 15 in each year, commencing January 15, 2015;
- (eee) **“Retraction Notice”** means a notice delivered to the Limited Partnership, on or before the Notice Date, setting out the intention of a Limited Partner to retract some or all of its LP Units (including any fractional LP Units held by it), which notice will specify the number of LP Units which the Limited Partner wishes to retract and the Retraction Price;
- (fff) **“Retraction Price”** means, with respect to any LP Unit, the Net Equity of such LP Unit as of the date of the Retraction Notice together with the Limited Partners Minimum Return accrued but remaining unpaid in respect of such LP Unit as of the Retraction Date;
- (ggg) **“RRIF”** means Registered Retirement Income Fund;
- (hhh) **“RRSP”** means Registered Retirement Savings Plan;
- (iii) **“Securities”** means the Units, the LP Units and the Debentures being offered pursuant to this Offering;
- (jjj) **“Securities Commission”** means any one of the Securities Commissions;

- (kkk) **“Securities Commissions”** means, collectively, the securities commission or other securities regulatory authority in each of the Qualifying Provinces;
- (lll) **“Special Resolution”** means a resolution approved by not less than 75% of the votes cast by those Limited Partners who vote in person or by proxy at a duly convened meeting of Limited Partners, or a written resolution signed by Limited Partners entitled, in the aggregate, to not less than 75% of the aggregate number of votes of the Limited Partners;
- (mmm) **“sub-agents”** means selling groups of other licensed dealers, brokers and investment dealers, who may or may not be offered part of the commissions to be received by the Agents pursuant to the Agency Agreement;
- (nnn) **“Tax Act”** means the *Income Tax Act* (Canada) and any regulations thereto, as amended from time to time;
- (ooo) **“TFSA”** means Tax Free Savings Account;
- (ppp) **“Trust Indenture”** means the trust indenture dated as of January 28, 2011 between the Trustee, and the Debenture Issuer pursuant to which the Debentures will be issued;
- (qqq) **“Trustee”** means Computershare Trust Company of Canada, in its capacity as trustee under the Trust Indenture; and
- (rrr) **“Units”** means the securities to be offered by the Issuers pursuant to the Prospectus and each such Unit consisting of one LP Unit and one Debenture.

## **1. CORPORATE STRUCTURE**

### **1.1 Name, Address and Incorporation**

#### ***Limited Partnership - Churchill 11 Real Estate Limited Partnership***

The Limited Partnership was formed by a certificate filed pursuant to the *Partnership Act* (British Columbia) on January 28, 2011 under number 0548243-11.

The head office and address for service of the Limited Partnership is located at Suite 1010 - 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1. The Limited Partnership's registered and records office is located at Suite 2610, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

#### ***The General Partner - Churchill 11 Partners Inc.***

The General Partner of the Limited Partnership was incorporated pursuant to the *Canada Business Corporations Act* on January 11, 2011 under incorporation number 773738-6.

The head office and address for service of the General Partner is located at Suite 1010 - 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1. The General Partner's registered and records office is located at Suite 2610 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

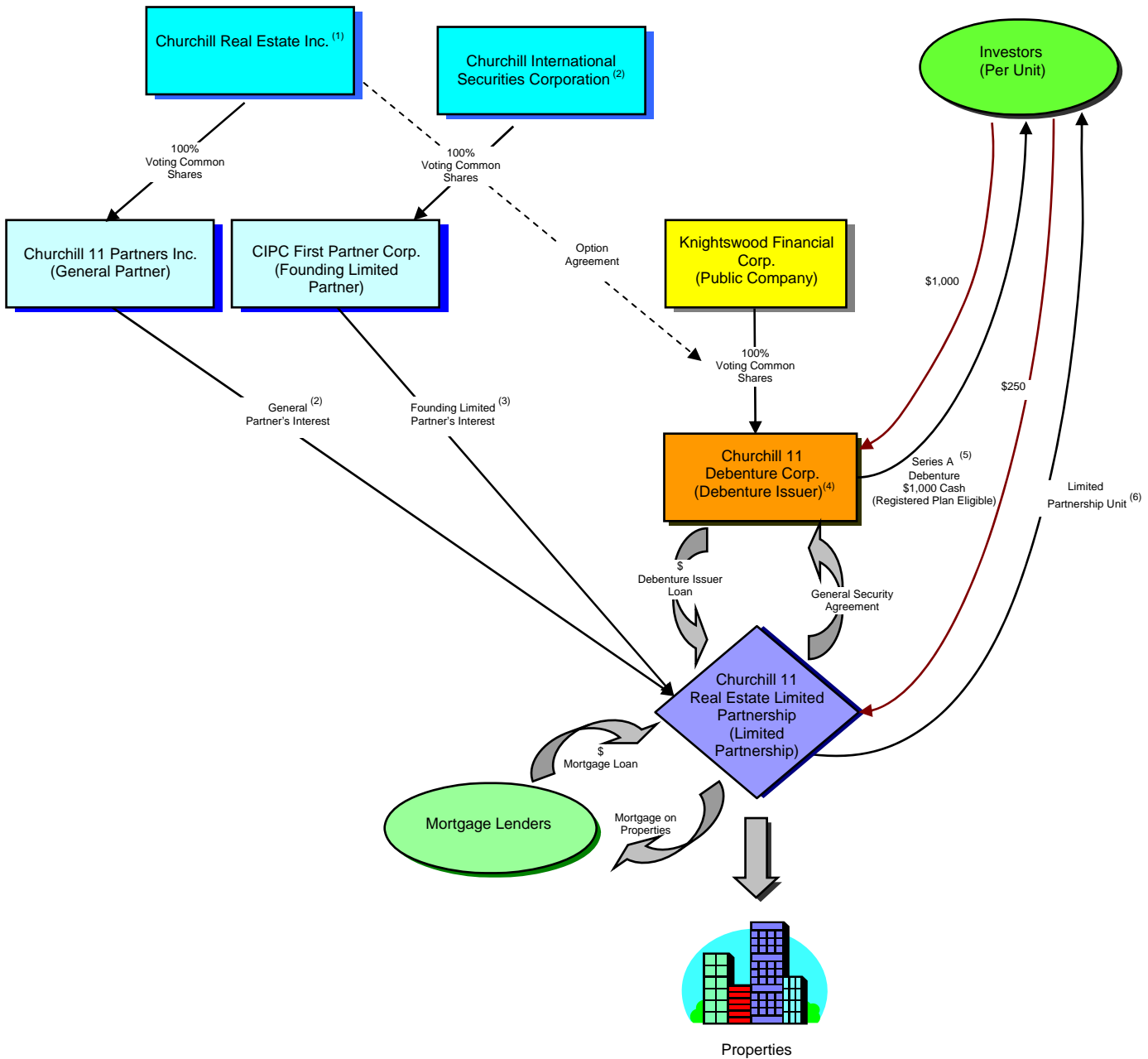
#### ***The Debenture Issuer - Churchill 11 Debenture Corp.***

The Debenture Issuer was incorporated pursuant to the *Canada Business Corporations Act* on January 11, 2011 under incorporation number 773739-4. The Debenture Issuer is a subsidiary of Knightswood, a public company which is at arm's length to Churchill International Property Corporation and the Limited Partnership.

The head office and address for service of the Debenture Issuer is located at Suite 1010 - 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1. The Debenture Issuer's registered and records office is located at Suite 2610, 1066 West Hastings Street, Vancouver, British Columbia, V6E 4X1.

### **1.2 Intercorporate Relationships**

The following chart sets forth the relationships among the General Partner, the Limited Partnership, the Debenture Issuer and Churchill Real Estate. The chart also illustrates the means by which funds invested under this Offering will be utilized by the Limited Partnership.



**Notes:**

- (1) Churchill Real Estate is directly or indirectly owned by Philip J. Langridge and Brad J. Wise. Philip J. Langridge is the sole director and he and Brad J. Wise are the officers of Churchill Real Estate.
- (2) Churchill International Securities is wholly-owned by Churchill International Property Corporation. Philip J. Langridge is the sole director and officer, and he and the Langridge Family Trust are the sole shareholders of Churchill International Property Corporation.
- (3) The General Partner has made a capital contribution of \$10 to the Limited Partnership, and has no further obligation to contribute capital. The General Partner is entitled to receive 0.005% of the distributable cash of the Limited Partnership to a maximum of \$100 per annum plus its Incentive Management Interest. (Refer to "Description of Securities to be Distributed - Limited Partnership Units" at page 30 herein.) The General Partner has also agreed to provide certain services to the Limited

Partnership pursuant to the Amended and Restated General Partner Services Agreement, as described in more detail under the heading "*Executive Compensation - Management Agreements*" on page 69 herein.

- (4) The Founding Limited Partner has made a capital contribution of \$10 to the Limited Partnership, and except as otherwise provided under the Limited Partnership Agreement, has no further obligation to contribute capital. The Founding Limited Partner will receive the return of its capital account and the balance in its current account, if any, and will cease to be a partner upon LP Units being issued to Purchasers. Until such time, the Founding Limited Partner is entitled to receive 0.005% of the distributable cash of the Limited Partnership to a maximum of \$100 per annum. (Refer to "*Description of Securities to be Distributed - Limited Partnership Units*" at page 30 herein.)
- (5) The Debenture Issuer will loan to the Limited Partnership by way of the Debenture Issuer Loan an amount equal to the net proceeds received by the Debenture Issuer from subscriptions for Debentures.

Assuming that the Maximum Offering of 24,000 Units are sold pursuant to the Maximum Offering, and that the aggregate expenses of the Maximum Offering will be \$375,000 (which is comprised of offering expenses of \$300,000, the advisory fee of \$25,000 to the Lead Agent and Agents' expenses of \$50,000), and which, together with the Agents' fees, expenses and commissions, will be paid from the proceeds of the Offering, the net proceeds from the sale of each Debenture available to the Debenture Issuer to advance to the Limited Partnership by way of the Debenture Issuer Loan will be \$907.50 (calculated by deducting from the gross proceeds of \$1,000 per Debenture): (a) the Agents' selling commission of 8% or \$80 per Debenture; and (b) the proportionate expenses of the Offering allocable to each Debenture in the amount of \$12.50).

Assuming that the Minimum Offering of 4,000 Units are sold pursuant to the Minimum Offering, and that the aggregate expenses of the Minimum Offering will be \$225,000 (which is comprised of offering expenses of \$150,000, the advisory fee of \$25,000 to the Lead Agent and the Agents' expenses of \$50,000), and which, together with the Agents' fees, expenses and commissions, will be paid from the proceeds of the Offering, the net proceeds from the sale of each Debenture available to the Debenture Issuer to advance to the Limited Partnership by way of the Debenture Issuer Loan will be \$875 (calculated by deducting from the gross proceeds of \$1,000 per Debenture): (a) the Agents' 8% selling commission of \$80 per Debenture; and (b) the proportionate expenses of the Offering allocable to each Debenture in the amount of \$45). (Refer to "*Narrative Description of the Business - Business Objectives of the Debenture Issuer - The Debenture Issuer Loan*" at page 19 herein.)

- (6) The terms and conditions attaching to each Debenture are summarized in "*Description of Securities to be Distributed - Debentures*" at page 33 herein.
- (7) The terms and conditions attaching to each LP Unit are summarized in "*Description of Securities to be Distributed - Limited Partnership Units*" at page 30 herein.

## **2. NARRATIVE DESCRIPTION OF THE BUSINESS**

### **2.1 Commercial Real Estate Investment**

Churchill Real Estate and the General Partner have taken the initiative of organizing the Offering as a means by which individual investors may pool their funds to allow them to invest in the same types of medium to large scale, revenue-producing real estate opportunities as are available to institutional investors, pension plans, insurance companies and high net worth individuals.

These real estate properties targeted for acquisition by the Limited Partnership may consist of office buildings, retail shopping centres or strip malls, multi-tenanted business parks and light industrial buildings, multi-unit residential apartment buildings and/or industrial properties with a range of users and lease expiries. In the case of commercial properties, including office, retail and industrial assets, these properties would be leased to a variety of tenants in different specialties and industry segments and often having a range of lease expiry dates to minimize vacancies. One of the objectives of owning multi-tenanted commercial and residential properties such as those targeted to be purchased by the Limited Partnership is to minimize the risk of vacancy and provide a stable cash flow while preserving the capital invested. Further, real estate as an asset class may provide diversification to a Purchaser's portfolio and may increase the risk adjusted return of a portfolio over the long term. Historically, real estate values have been positively correlated with general market inflation over the long term, providing a hedge against inflation.

The total return on real estate investments includes current income, which is leasing income net of operating expenses and any capital expenditures, as well as the increase or decrease in the value of the underlying asset.

For revenue producing properties, a large portion of the investment return is typically generated by current income.

The consistent and stable cash flow from revenue producing properties provides the ability to pay interest on the debt incurred to purchase such properties while reducing the mortgage principal, thereby increasing the investors' net equity interest in the Properties over time. Excess cash flow can then be distributed to the investors or utilized to pay down the mortgage debts on such properties.

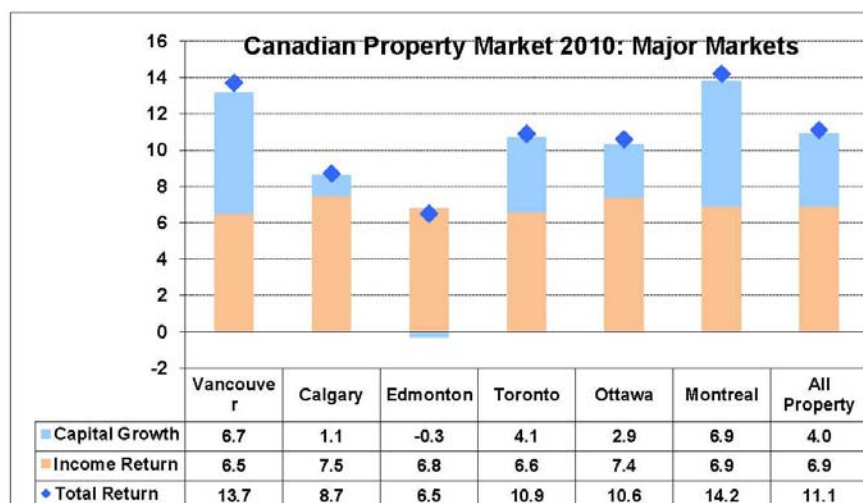
Well-located properties with strong real estate fundamentals have historically appreciated in value over time, which is one of the primary benefits of real estate ownership. Today's continued low interest rate environment enables real estate owners to obtain historically low mortgage rate financing when conservative loan-to-value ratios are employed. This low interest rate mortgage financing, when combined with the acquisition of properties at capitalization rates above the mortgage interest rate, provides investors in commercial real estate assets with attractive levered yields not available in many other investment alternatives.

Real estate investment may also provide an opportunity for greater returns through capital appreciation and increases in a property's current income. At times, properties can be acquired at an attractive price as a result of market inefficiencies, sub-optimal management practices or incompatibility with the current owner's investment strategy, but which, through proper management, can generate higher returns over time. Such value can be exploited through the use of a variety of techniques including restructuring, refinancing, re-merchandising in the case of a retail property, re-leasing space and re-negotiating existing leases, change of use, capital improvements, renovations or anticipating market shifts (location, demographic or otherwise).

In the presence of the strengthening Canadian economic environment, the General Partner considers that, in relation to other developed economies across the globe, the current Canadian commercial real estate sector will provide continued opportunities to acquire quality income-producing assets in the near term. The General Partner believes that such opportunities will be even more prevalent to organizations experienced and well capitalized to take advantage of such opportunities. The General Partner believes that the Canadian commercial real estate sector will provide attractive investment opportunities in 2011.

The General Partner has in excess of 57 years of collective experience in acquiring, owning, managing and operating assets in an array of economic cycles. The operational platform currently implemented by the General Partner in managing other commercial real estate assets will provide a competitive advantage to obtain access to otherwise unavailable non-marketed real estate assets and optimally manage these newly acquired assets in this current economic environment. The General Partner's ability to identify problems and implement corrective measures is enhanced by its hands-on management style employed in its current portfolio of assets. Furthermore, the General Partner is actively engaged in asset and property management, providing it with an insight into operational challenges and proven methods of maximizing asset value.

The General Partner believes the current commercial real estate market provides for acquisition opportunities at fair market pricing levels with an ability to take advantage of the continued economic recovery in 2011 and beyond. The graph and chart below represents the statistical evidence supporting increasing real estate asset prices in the Canadian property market by virtue of declining capitalization rates towards the end of 2010:



Source: REALpac / IPD Canada Annual Property Index

## 2.2 Business Objectives of the Limited Partnership

The Limited Partnership has been established for the purpose of acquiring, owning and operating a portfolio of revenue-producing real estate properties in Canada (or interests in such properties) and for limited investment in real estate development opportunities.

The General Partner intends to use the aggregate net proceeds realized from this Offering, along with Mortgage Loans, to purchase revenue-producing commercial and residential real estate Properties. Commercial properties may include shopping centres, malls, multi-tenanted business parks, light industrial buildings or other industrial properties. Residential properties may include apartment buildings or townhouse complexes. The General Partner will focus on purchasing properties which, in the opinion of the General Partner, are undervalued. The General Partner intends to concentrate on identifying properties for possible acquisition in geographic markets that display relative strength in demographic characteristics, including population growth, household income growth and investment in infrastructure development, and to aggressively manage and reposition the Properties with the view to preserving the Limited Partnership's capital, providing quarterly cash returns and enhancing the potential for increased income and capital gains through organic growth in asset income and a simultaneous reduction in mortgage principal balances.

The General Partner will be focusing primarily on commercial properties for investment by the Limited Partnership as they typically offer an attractive cash yield and a diversified tenant mix with a reduced lease renewal exposure. As well, the General Partner believes that in the current market there are opportunities to acquire individual commercial properties from the owners or managers of larger property portfolios such as pension plans or real estate investment trusts, where such properties do not fit the current asset mix of the vendor's portfolio or have reached a predetermined time horizon for disposition.

In identifying these opportunities, the General Partner believes it can improve investor yield and potential long term capital appreciation, while minimizing the risks associated with real estate ownership. Preservation of capital and consistent cash flow is the ultimate business objective of the Limited Partnership.

The General Partner will have a detailed engineering and environmental inspection report prepared by an independent inspection firm for each property that is proposed for acquisition by the Limited Partnership, and will have any such property appraised by a qualified third-party independent appraiser that is recognized as an Accredited Appraiser, Canadian Institute.

The General Partner may also invest up to that amount which is equal to 40% of the net proceeds from a Maximum Offering (being the gross proceeds less the Agents' commissions and the expenses of this Offering) in the development of a residential or commercial property or properties. The General Partner intends that any such investment will be by way of participation in a joint venture, partnership, or other similar investment vehicle through which the Limited Partnership will join with established developers which have local knowledge and experience in the marketplace in which the developments will be located. The General Partner intends that any such developments will be in strong growth markets that display relative strength in demographic characteristics, including population growth, household income growth and investment in infrastructure investment, and will have a significant level of pre-sales or pre-leasing prior to commencement. Before the General Partner would make any commitment to a development, the prospective development would undergo extensive review to ensure that all attributes of the project were addressed including solid financing commitments covering the entire duration of the development, pre-leasing and/or pre-sales to mitigate market risk and a conservative contingency budget to manage uncontrollable variables. Finally, the forecasted financial return on the project needed to support the General Partner's commitment to such venture would need to be sufficient to provide the Limited Partnership with reasonable return on investment to warrant such participation.

The General Partner would target such limited investment in development opportunities in order to enhance the return on the Limited Partnership's capital and the overall investor yield, while retaining a diversified portfolio and conservative risk profile for the Limited Partnership as a whole.

### ***Investment Objectives***

The Offering has been structured with the view to facilitating the following as primary investment objectives:

- (a) to provide an investment in a diversified portfolio of high-quality commercial (including shopping centres, strip malls, mixed-use business parks, light industrial and retail properties) and multi-tenanted residential properties with positive cash flow;
- (b) to provide an opportunity to enhance the Limited Partnership's return on capital and the Purchaser's yield through limited investment in real estate development opportunities;
- (c) to provide quarterly cash flow distributions targeted at an average of 7% to 9% (on a combined basis of the distributions under the LP Units and the Debentures) upon full investment of the net proceeds allocated to the purchase price of the Properties (Until the Limited Partnership is wound up, it is not possible to accurately determine how much of the cash flow distributions made by the Limited Partnership are a return of capital rather than a return on capital. See "*Risk Factors*" on page 86);
- (d) to enhance the potential for long-term growth of capital through value-added improvements to the Properties and increases in rental rates. The General Partner believes that Properties located in growth markets should increase in value over time as the Mortgage Loans are paid down with some of the income generated by such Properties, resulting in increasing owners' equity; and
- (e) if and when appropriate, upon the successful sale of the Properties, such sales to be negotiated on terms and conditions the General Partner, in its sole discretion, deems to be in the best interests of the Limited Partnership, the General Partner will, upon the authorization of a special resolution of the Limited Partners, arrange for the orderly windup of the Limited Partnership in accordance with the Limited Partnership Agreement.

### ***Guidelines for Property Acquisitions***

The General Partner intends to identify Properties for purchase by the Limited Partnership where, upon purchase of the Property, each Property would be expected to generate a positive cash return, exclusive of the payment of

principal on the Mortgage Loans for such Property, of not less than 6% per annum on the Limited Partnership's invested capital in the Property, with a target range of 7% to 9% per annum. The General Partner may consider Properties where this minimum requirement is not met if the General Partner believes the revenue from the Property can be improved or if the Property provides significant capital appreciation opportunities under the General Partner's intended capital improvement programs. The Issuers may incur losses until the Limited Partnership disposes of all of its Properties and the Limited Partnership is wound-up. Until the Limited Partnership is wound-up, it is not possible to determine accurately how much of the cash flow distributions made by the Limited Partnership are a return of capital rather than a return on capital. See "*Risk Factors*" on page 86.

Assuming the Maximum Offering of 24,000 Units is sold pursuant to this Offering and the full amount of the Debenture Issuer Loan is advanced to the Limited Partnership, the General Partner intends to invest not more than 40% of the net proceeds (gross proceeds less the Agents' commission and the expenses of this Offering) to the acquisition of any single Property. In the event that less than the Maximum Offering is sold, it may be necessary to apply more than 40% of the net proceeds to the acquisition of any one Property, and, if the number of Units sold is at or close to the Minimum Offering of 4,000 Units, it may be necessary to apply up to 100% of the net proceeds to the acquisition of one Property (after the creation of a reasonable reserve for renovation and upgrading of the Property, and the creation of a reasonable working capital reserve for the Property). The General Partner may deviate from these guidelines if it considers that it is in the best interests of the Limited Partnership to do so.

All Properties will be purchased at prices and on terms negotiated with arm's length third party vendors. In some cases, the Properties will be acquired pursuant to agreements of purchase and sale entered into by Churchill International Property Corporation, or its nominee, with arm's length third party vendors, which agreements of purchase will then be assigned to the Limited Partnership at no cost other than reimbursement of any deposits (some of which may be refundable to the Limited Partnership) and due diligence or other out-of-pocket expenses incurred by Churchill International Property Corporation prior to such assignment.

### ***Management Incentive***

This Offering has been structured to attempt to align the interests of the General Partner with those of the Limited Partners. The Limited Partnership will distribute to the General Partner an Incentive Management Interest equal to 25% of the aggregate, to the date of such distribution, of the total distributions made to the Limited Partners in respect of their 8.0% Limited Partners Minimum Return plus the amount of interest that the Debenture Issuer has determined is payable to the Debentureholders pursuant to the terms of the Trust Indenture. Consequently, the General Partner will only be entitled to earn any of its Incentive Management Interest if the Limited Partners are distributed the Limited Partners Minimum Return and all accrued interest is paid on the Debentures. In the event of any capital transaction in respect of the Properties, including a sale or a refinancing of the Properties, the General Partner will be entitled to receive any undistributed Incentive Management Interest only after all Net Equity has been returned to the Limited Partners, and the Limited Partners have received full distribution of the Limited Partners Minimum Return and all accrued interest on the Debentures has been paid. (Refer to "*Description of Securities to be Distributed - Limited Partnership Units - Net Proceeds from Refinancing or Sale of Properties*" at page 31 herein.)

### ***Title to the Properties***

The Limited Partnership intends to have title to each of the Properties registered in the name of a nominee company of the Limited Partnership, which will own such title as bare trustee for and on behalf of the Limited Partnership.

### ***Management of Properties***

The Limited Partnership intends to engage reputable third party property managers for the ongoing day-to-day management of the operation of the Properties. The General Partner intends to structure each third party property

management contract such that the manager will be rewarded for increases in operating income that the manager achieves through good management of a Property, thereby aligning the interests of the manager with that of the Limited Partnership. The General Partner expects that the fee payable to a Property Manager will be between 3% and 5% of the gross revenue from the managed Property or Properties. A portion of this fee may be recoverable from the tenants of a commercial Property under the lease terms.

The General Partner may decide that it is in the best interest of the Limited Partnership to manage the Properties directly in which case the property management fee to be paid to the General Partner or an affiliate of the General Partner would be comparable to, and competitive with, the fees charged by arm's length property managers for management of properties of a like kind.

### ***Mortgage Loans***

The General Partner intends to cause the Limited Partnership to finance a part of the purchase price and the operating cost of the Properties by way of Mortgage Loans from third party Lenders such as banks, trust companies, mortgage syndicates or other providers of mortgage funding. The General Partner will target the overall Loan-to-Value ratio of the Mortgage Loans at not more than 70% of the purchase price of the Properties as a whole, plus the amount of any property management reserve account which may be required by the Lenders. However, if deemed appropriate by the General Partner, having regard to all of the circumstances including the potential value of the Properties identified for acquisition by the Limited Partnership, the General Partner may cause the overall Loan-to-Value ratio of the Mortgage Loans to exceed this threshold.

### ***Cash Distributions***

The cash flow of the Limited Partnership will be applied towards the operating expenses, provision of reasonable reserves for working capital, renovations and upgrades, and the payment of interest and annual principal payments on the Mortgage Loans and on account of interest which has accrued on the Debenture Issuer Loan. After payment of such amounts and 0.005% to the General Partner, subject to the Limited Partners' right to receive the Limited Partners Minimum Return and the General Partner's right to receive the Incentive Management Interest, cash distributions of the Limited Partnership will be made 80% to the Limited Partners and 20% to the General Partner. Until the Limited Partnership is wound up, it is not possible to determine accurately how much of the cash distributions made by the Limited Partnership are a return of capital rather than a return on capital. See "*Risk Factors*" on page 86.

## **2.3 Business Objectives of the Debenture Issuer**

The primary business of the Debenture Issuer is the offering of the Debentures and making the Debenture Issuer Loan to the Limited Partnership to allow for the acquisition of Properties. The Debenture Issuer may also invest its surplus funds, if any, in other loans or interests in real estate properties. The Debenture Issuer's long-term objective in terms of the Debentures is to earn interest income from the Debenture Issuer Loan, to distribute that interest income to holders of the Debentures in accordance with the terms of the Debentures, and to repay the Debentures upon the repayment of the Debenture Issuer Loan by the Limited Partnership.

### ***The Debenture Issuer Loan***

Immediately upon a Closing of the Offering, the Debenture Issuer will loan to the Limited Partnership by way of the Debenture Issuer Loan an amount equal to the net proceeds received by the Debenture Issuer from subscriptions for Debentures comprising part of the Units.

The Debenture Issuer Loan bears simple interest at the annual rate of 9.0%, payable quarterly in arrears on the last business day of each calendar quarter, commencing October 15, 2011, in respect of the interest accrued during such calendar quarter. Interest on the Debenture Issuer Loan may be deferred by the Debenture Issuer to the extent it does not have available cash to make the interest payments contemplated under the Debenture Issuer

Loan. Deferred interest will accrue but will not compound or otherwise bear interest and will be payable at such time as the Debenture Issuer has available cash. The Debenture Issuer Loan will be due in full on December 15, 2016.

In addition to interest, the Limited Partnership will pay to the Debenture Issuer:

- (a) an annual loan fee in an amount to be determined by the Debenture Issuer and the Limited Partnership, which fee is expected over the term of the Debenture Issuer Loan to aggregate to an amount equal to the total Agents' selling commissions and fees and offering costs incurred by the Debenture Issuer in respect of the offering of the Debentures. This fee will be payable on December 31 in each year, commencing December 31, 2011; and
- (b) an ongoing loan commitment fee, calculated and payable as follows:
  - (i) on the last day of each calendar quarter until the Final Closing of the Offering, the Limited Partnership will pay to the Debenture Issuer an amount equal to one quarter of 0.5% of the average daily principal amount of the Debenture Issuer Loan outstanding from the date of the initial advance of the Debenture Issuer Loan to and including June 30, 2011; and
  - (ii) thereafter, the Limited Partnership will pay to the Debenture Issuer quarterly in arrears on the last day of each calendar quarter during the term of such loan an amount equal to one quarter of 0.5% of the principal amount of such loan outstanding on the first business day of each such calendar quarter.

The Debenture Issuer Loan will be secured by a charge on the present and future personal property (but not real property) of the Limited Partnership pursuant to the General Security Agreement. Notice of this security interest will be registered in each province in which the Limited Partnership commences to carry on business. Pursuant to the Loan Agreement, the charge under the General Security Agreement will be subject to the prior charge of the Mortgage Loans and other permitted liens and encumbrances.

The Debenture Issuer Loan will also provide that the Limited Partnership shall pay to the Debenture Issuer any net proceeds realized from the refinancing or sale of any of its Properties.

***Proceeds Available for Debenture Issuer Loan***

The net proceeds available to the Debenture Issuer from the sale of the Debentures to advance to the Limited Partnership by way of the Debenture Issuer Loan will be approximately as follows:

	<b>Assuming Minimum Offering and related Expenses</b>	<b>Assuming Maximum Offering and related Expenses</b>
Gross Proceeds	\$4,000,000	\$24,000,000
Expenses of the Offering borne by Debenture Issuer	\$180,000	\$300,000
Agents' selling commission	\$320,000	\$1,920,000
Net Proceeds available to lend to Limited Partnership under the Debenture Issuer Loan	\$3,500,000	\$21,780,000

## ***Debentures***

The Debentures forming part of this Offering are secured by the Debenture Issuer's interest in the Debenture Issuer Loan and the security therefor, will bear interest at a fixed simple rate of 8.0% per annum and, unless extended, will mature on December 31, 2016. Further details on the terms and conditions of the Debentures can be found under "*Description of Securities to be Distributed - Debentures*" on page 33 herein.

**Recourse for the payment of interest and the repayment of the principal under the Debentures will be limited to the Debenture Issuer's interest in the Debenture Issuer Loan and the security held by the Debenture Issuer for the Debenture Issuer Loan.**

## ***Investment Eligibility of Debentures***

As described under the heading "*Income Tax Consequences*" on page 75 herein, the Debentures would be qualified investments under the Tax Act for Registered Plans provided that, at all times, the Debenture Issuer is controlled, directly or indirectly, by a corporation whose shares are listed on a designated stock exchange in Canada. If the individual contributes non-qualified investments or prohibited investments to a TFSA, then the holder will be subject to a penalty tax as set out in the Tax Act. A prohibited investment includes a share of capital stock of a corporation or interest in a partnership in which the holder has a significant interest or does not deal at arm's length. Similar rules apply if a TFSA acquires or the assets become a non-qualified investment or prohibited investment. **Individual Purchasers should consult their own tax advisors in this regard.**

The common shares of Knightswood, which controls the Debenture Issuer, are listed on the TSX Venture Exchange, a designated stock exchange in Canada for these purposes. If the Debenture Issuer is no longer controlled directly or indirectly by a corporation whose shares are listed on a designated stock exchange in Canada, the Debentures will cease to be qualified investments for Registered Plans unless otherwise qualified. In order to maintain the eligibility of the Debentures for investment by such plans, Knightswood, Churchill Real Estate and the Debenture Issuer have entered into the Option Agreement to permit Churchill Real Estate or a third party purchaser listed on a Canadian stock exchange nominated by Churchill Real Estate, to acquire all of the shares in the capital of the Debenture Issuer owned by Knightswood at an aggregate purchase price of \$100. Under the Option Agreement, the Debenture Issuer may, in certain circumstances, require Churchill Real Estate to purchase or cause a third party purchaser to purchase all of the outstanding common shares of the Debenture Issuer within 90 days of notice thereof. If this option were to be exercised, Churchill Real Estate intends to find a purchaser for such shares so that the Debentures remain a qualified investment for Registered Plans or to otherwise qualify the Debentures.

Under the Option Agreement, the board of directors of the Debenture Issuer is to consist of three directors, one of whom is to be nominated by Churchill Real Estate.

## **2.4 Milestones**

The General Partner intends to utilize the full amount made available to the Limited Partnership by way of subscriptions for LP Units, the Debenture Issuer Loan and the Mortgage Loans to acquire Properties. The General Partner's ability to do so will depend in large part on identifying suitable Properties and completing negotiations with the owners of any properties, which are judged by the General Partner to be suitable for acquisition by the Limited Partnership.

The General Partner has not yet identified *any* properties for possible acquisition by the Limited Partnership. The General Partner intends to apply to the aggregate purchase price of as yet unidentified Properties the net proceeds of this Offering up to approximately \$23,000,000, assuming that the Maximum Offering of 24,000 Units is sold (calculated by subtracting the total expenses of approximately \$7,000,000 as set out in the table labeled "*Use of Available Funds*" on page 24 herein under the heading "*Use of Proceeds*" from the Maximum Offering of \$30,000,000), or up to approximately \$3,700,000, if only the Minimum Offering of 4,000 Units is sold

(calculated by subtracting the total expenses of approximately \$1,300,000 as set out in the table labeled “*Use of Available Funds*” on page 24 herein under the heading “*Use of Proceeds*” from the Minimum Offering of \$5,000,000).

In acquiring Properties, the General Partner proposes to pursue the business objectives set forth under the heading “*Narrative Description of the Businesses - Business Objectives of the Limited Partnership*” on page 15 herein.

The General Partner is currently reviewing, and intends to continue to review, prospective properties to determine their suitability for investment by the Limited Partnership with a view to identifying a Property or Properties, conducting the necessary due diligence and completing the purchase of one or more Properties on or before December 31, 2011.

Any subscription proceeds for Units which are not invested in Properties or applied to the Limited Partnership’s working capital needs, and any subscription proceeds for Debentures that are used to fund the Debenture Issuer Loan and are not then invested in Properties or applied to the Limited Partnership’s working capital needs, will be retained by the Limited Partnership. Pursuant to the Loan Agreement, any funds retained by the Limited Partnership until such time as such proceeds are invested in Properties or applied to the Limited Partnership’s working capital needs will be invested in Authorized Investments.

## 2.5 Summary of Fees

The following is a summary of the fees that are anticipated to be incurred by the Limited Partnership prior to the maturity date of the Debentures:

	<b>Estimated Costs</b>	
	<b>Assuming Minimum Offering</b>	<b>Assuming Maximum Offering</b>
Loan Commitment Fee to the Debenture Issuer <sup>(1)(3)(4)(9)</sup>	\$17,500	\$108,900
Annual Loan Fee to the Debenture Issuer <sup>(1)(3)(6)(9)</sup>	\$100,000	\$444,000
Asset Management Fee to the General Partner <sup>(5)(8)(9)</sup>	0.375% multiplied by the Net Asset Value at the commencement of each calendar quarter	
Trailer Fee to the Agents <sup>(2)(8)(9)</sup>	1/6th of the quarterly asset management fee paid to the General Partner	
Financing Fee to the General Partner <sup>(5)(7)(8)</sup>	\$184,500	\$1,150,500
Disposition Fee to the General Partner <sup>(5)(8)</sup>	1.5% of the gross proceeds received or receivable by the Limited Partnership from the sale of Property	

### Notes:

- (1) The specific amount of these fees will depend on the size of the Offering.
- (2) As set out in the Agency Agreement. The Lead Agent is entitled to receive an advisory fee of \$25,000. The Limited Partnership will pay 20%, and the Debenture Issuer will pay 80%, of the fees, selling commissions and offering costs.
- (3) As set out in the Loan Agreement.

- (4) The Debenture Issuer will have advanced to the Limited Partnership by way of the Debenture Issuer Loan net proceeds of approximately \$21,780,000 assuming the Maximum Offering and \$3,500,000 assuming the Minimum Offering. Based on an average outstanding Debenture Issuer Loan balance during a 12 month period (assuming no repayment of the Debenture Issuer Loan), the Debenture Issuer will be entitled to a loan commitment fee equal to 0.5% of the outstanding principal amount or \$108,900 assuming the Maximum Offering or \$17,500 assuming the Minimum Offering.
- (5) As set out in the Amended and Restated General Partner Services Agreement.
- (6) The Debenture Issuer is entitled to an annual loan fee in an amount to be determined by the Debenture Issuer and the Limited Partnership, which fee is expected to aggregate, over the term of the Debenture Issuer Loan, the total selling commissions and offering expenses incurred by the Debenture Issuer in respect of the Offering of the Debentures. The Lead Agent is entitled to an advisory fee of \$25,000 and the Agents are entitled to an 8.0% commission, which is \$2,400,000 assuming the Maximum Offering, and \$400,000 assuming the Minimum Offering. The Issuers have also agreed to bear all of the Agents' expenses, (currently estimated to be \$50,000) of or incidental to the issue, sale and delivery of the Units pursuant to this Offering, including, without limitation, the reasonable fees and disbursements of legal counsel for the Agents and the reasonable out-of-pocket expenses (including applicable taxes) of the Agents.

Assuming the Maximum Offering, the total estimated costs incurred by the Debenture Issuer are comprised of the agent's commission of \$1,920,000 and other estimated offering expenses of \$300,000, which is approximately 80% of the total offering expenses of \$375,000 (which is comprised of offering expenses of \$300,000, the advisory fee of \$25,000 to the Lead Agent and Agents' expenses of \$50,000), and which, together with the Agents' fees, expenses and commissions, will be paid from the proceeds of the Offering, to be borne by the Debenture Issuer. The above information assumes that this amount is repaid in equal annual payments of \$444,000 over the five year term of the Debentures.

Assuming the Minimum Offering, the total estimated costs incurred by the Debenture Issuer are comprised of the agent's commission of \$320,000 and other estimated offering expenses of \$180,000, which is approximately 80% of the total offering expenses of \$225,000 (which is comprised of offering expenses of \$150,000, the advisory fee of \$25,000 to the Lead Agent and the Agents' expenses of \$50,000), and which, together with the Agents' fees, expenses and commissions, will be paid from the proceeds of the Offering, to be borne by the Debenture Issuer. The above information assumes that this amount is repaid in equal annual payments of \$100,000 over the five year term of the Debentures.

The annual loan fee is accrued and recaptured upon repayment of the Debenture Issuer Loan and, therefore, is not paid out on an annual basis or included in this calculation.

- (7) The General Partner will be paid a Financing Fee equal to 1.5% of the gross purchase price of each Property for the provision of certain financial services to the Limited Partnership, which, assuming a 70% leveraged purchase, may amount to a maximum 5% fee on the capital contributed by the Limited Partnership to the purchase price of the Property.
- (8) These fees will fluctuate depending on the size of the Offering, the Net Asset Value of the Units, the value of the Properties under management and the purchase price and disposition price of the Properties.
- (9) The Limited Partnership may use the revenue it receives from the Properties, the working capital reserves for the Properties and/or, in the interim, the proceeds from the sale of the Properties, to pay the Loan Commitment Fee and the Annual Loan Fee to the Debenture Issuer. Further, the Limited Partnership will use the working capital reserves and the operating income from the Properties to pay the Asset Management Fee to the General Partner and then the General Partner uses that Asset Management Fee to pay the Trailer Fee to the Agents.

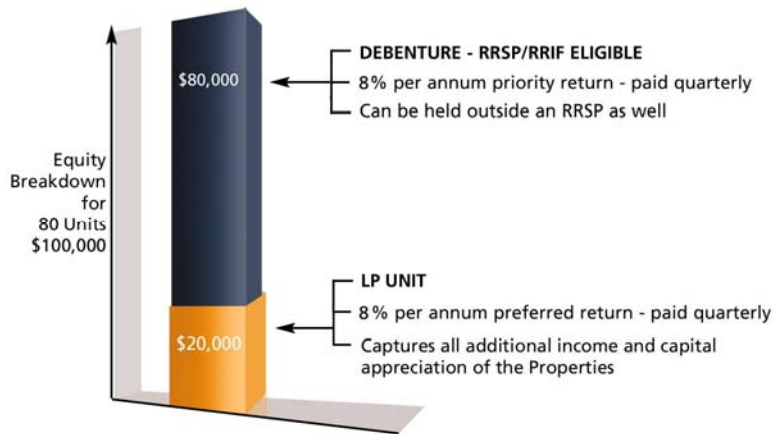
### **3. GENERAL DEVELOPMENT OF THE BUSINESSES OF THE ISSUERS**

#### **3.1 Description and General Development Since Inception**

Churchill International Property Corporation and its principals are actively engaged in the acquisition, financing, management and operation of numerous successful commercial real estate enterprises. Churchill Real Estate took the initiative of structuring and organizing the Limited Partnership and the Debenture Issuer to allow individual investors to invest in revenue-producing real estate, under the experience and direction of the General Partner. The Limited Partnership was formed by the General Partner and the Founding Limited Partner on January 28, 2011 for the purpose of acquiring, holding, managing and operating a portfolio of revenue-producing real estate Properties in Canada (or interests in such Properties) and for limited investment in real estate development opportunities. The Limited Partnership does not have an operating history.

The Debenture Issuer was incorporated on January 11, 2011 for the purpose of making the Debenture Issuer Loan. The Debenture Issuer does not have an operating history.

The Offering has been structured with the view to facilitating a tax-efficient investment in real estate, as described under the heading “Income Tax Consequences” on page 75 herein and as illustrated in the diagram below:



### 3.2 Significant Acquisitions

The Limited Partnership has not made any significant property acquisitions or dispositions to date.

### 3.3 Trends

The General Partner believes that the current stabilizing Canadian economic environment has created attractive investment opportunities in the Canadian commercial real estate asset class. As evidenced by the chart in Section 2.1, it is the general perspective that real estate prices declined off their recent highs and have showed resilience and signs of pricing recovery in 2010. This trend will allow purchasers of quality commercial real estate assets to generate solid current cash flow yield, while benefiting from a medium-term investment horizon as property values continue to stabilize and increase in the future. The Issuers investment time horizon of four to five years is consistent with several market observers' view of the economic recovery and inflationary environment and may provide an opportunity to capitalize on this stabilization trend. The General Partner believes its experience in asset and property management during various economic cycles will be a valuable resource in maintaining and creating capital value. Further, the current activity in the capital markets will provide real estate investment owners with liquidity not available in recent years. The General Partner believes that access to off-market investment opportunities and the increased liquidity for investment sales combined will result in a greater array of opportunistic investment options that will meet the investment criteria of the Limited Partnership and yield higher property valuations over time after acquisition.

The capitalization rate generally refers to the expected unlevered return calculated as a property's expected net operating income for the following twelve months, which is based on the property's expected cash rental income minus the property's expected net cash operating expenses, divided by its purchase price. With constant revenue, a declining capitalization rate implies an expected increase in the value of the underlying property and an increasing capitalization rate implies an expected decrease in the value of the underlying property. The terminal capitalization rate would be the rate determined based on the sale price of a property. As well, long-term mortgage interest rates continue to remain at or near historically low levels, in the range of 4.0% to 6.0% per annum for commercial real estate assets comprised of office buildings, retail shopping centres and/or multi-tenanted industrial buildings. Mortgage financing for multi-tenanted residential assets, including apartment buildings, can be arranged at rates approaching 3.0% for conservatively financed properties with Loan-to-Value ratios in the 50-60% range for five year mortgage terms when insured under the CMHC program. Many high

quality real estate properties are available to be acquired at prices which provide an initial return, on an unleveraged basis, of 7% to 8% per annum. The differential between the interest rate obtained on commercial mortgage debt and the capitalization rates provided on property acquisitions in the current environment will offer the Limited Partnership the potential for immediate positive financial leverage, increasing the current cash return on investment.

Construction and development loans are becoming more available as the economic recovery builds momentum. Should the General Partner decide it is prudent to undertake a development project, it would likely be for a parking lot or “pad” tenant in a shopping center. Historically, construction financing for small developments such as a pad tenant development can be arranged at rates of approximately 1.5% to 3% over prime with Loan-to-Value ratios in the range of 60-65%, ignoring any land value for a pre-leased building. The General Partner only intends to make these types of investments where it would enhance the return on the Limited Partnership’s capital and overall investment yield, while retaining a diverse portfolio and conservative risk profile for the Limited Partnership as a whole. See “*Business Objectives of the Limited Partnership*” on page 15 herein.

Real estate investments are subject to a number of risks, some of which are outlined under the heading “*Risk Factors*” at page 86 herein.

#### 4. USE OF PROCEEDS

The General Partner has not yet identified any properties for possible acquisition by the Limited Partnership. Set out below are illustrative examples of how the proceeds from the Offering would, based on the General Partner’s experience and the assumption of the maximum Mortgage Loan debt of 70% Loan-to-Value, be applied towards the purchase of the kinds of properties to be acquired by the Limited Partnership:

	Sources of Funds	Assuming Minimum Offering <sup>(1)</sup>	Assuming Maximum Offering <sup>(2)</sup>
	Gross cash proceeds of this Offering		
	Subscription price for LP Units	\$1,000,000	\$6,000,000
	Subscription price for Debentures	\$4,000,000	\$24,000,000
A	Total Subscription Proceeds	\$5,000,000	\$30,000,000
B	Mortgage Loans	\$8,600,000	\$53,700,000
C	Total Sources of Funds: C = A + B	\$13,600,000	\$83,700,000

The following illustrates the Issuers’ intended use of the gross proceeds of this Offering:

Use of Available Funds	Assuming Minimum Offering <sup>(1)</sup>	Assuming Maximum Offering <sup>(2)</sup>
Purchase Price of the Properties <sup>(3)</sup>	\$12,300,000	\$76,700,000
<b>plus</b>		
Agent’s commissions <sup>(4)</sup>	\$400,000	\$2,400,000
Agent’s fees and expenses <sup>(5)</sup>	\$75,000	\$75,000
Expenses of this Offering (legal, accounting and audit, tax advice, printing, securities filings)	\$150,000	\$300,000

Use of Available Funds	Assuming Minimum Offering <sup>(1)</sup>		Assuming Maximum Offering <sup>(2)</sup>	
Estimated closing costs for purchase of Properties (including transfer fees, legal and due diligence costs) <sup>(6)</sup>	\$243,500		\$1,540,500	
Creation of reserve for renovation and upgrading of Properties <sup>(7)</sup>	\$123,500		\$767,000	
Creation of reasonable working capital reserves for the Properties <sup>(8)</sup>	\$123,500		\$767,000	
Financing Fee <sup>(9)</sup>	\$184,500		\$1,150,500	
<b>Estimated Total Expenses</b>		\$1,300,000		\$7,000,000
<b>Estimated Total</b>		\$13,600,000		\$83,700,000

**Notes:**

- (1) There will be no Initial Closing unless a minimum of 4,000 Units are sold not more than 90 days after the date of the Receipt for the Final Prospectus.
- (2) The Maximum Offering is 24,000 Units.
- (3) The purchase price of Properties shown is an estimate only, and may not be the actual aggregate price payable pursuant to the agreements of purchase and sale made between the Limited Partnership and arm's-length third party vendors.
- (4) The Agents will be paid a commission equal to 8.0% of the subscription price of the Units.
- (5) The Lead Agent is entitled to receive an advisory fee of \$25,000. The Issuers have also agreed to bear all of the Agents' expenses (currently estimated to be \$50,000) of or incidental to the issue, sale and delivery of the Units pursuant to this Offering, including, without limitation, the reasonable fees and disbursements of legal counsel for the Agents and the reasonable out-of-pocket expenses (including applicable taxes) of the Agents.
- (6) The amount incurred in respect of the purchase of Properties by the Limited Partnership will include, without limitation, all due diligence inspections and reviews of the Properties, third party consultant's fees, closing adjustments, legal and accounting fees, financing fees paid to third party mortgage lenders, insurers and brokers, other closing costs and transfer fees and taxes. The amount shown is an estimate of such costs that are likely to be incurred based on the experience of the General Partner and its principals.
- (7) The General Partner may undertake a refurbishment program in respect of one or more of the Properties. The amount shown is an estimate of the amount which may be required to establish a reserve for the payment of the anticipated and unanticipated costs of such programs for all of the Properties based on the experience of the General Partner and its principals.
- (8) The General Partner will establish working capital reserves for the Limited Partnership, to help ensure sufficient funds are on hand from time to time to pay anticipated and unanticipated operating and capital expenses of the Properties. The Limited Partnership may use the working capital reserves for the Properties, the revenue it receives from the Properties and/or, in the interim, the proceeds from the sale of the Properties, to pay the Loan Commitment Fee and the Annual Loan Fee to the Debenture Issuer. Further, the Limited Partnership will use the working capital reserves and the operating income from the Properties to pay the Asset Management Fee to the General Partner and then the General Partner uses that Asset Management Fee to pay the Trailer Fee to the Agents.
- (9) The General Partner will be paid a Financing Fee equal to 1.5% of the gross purchase price of each Property for the provision of certain financial services to the Limited Partnership, which, assuming a 70% leveraged purchase, may amount to a maximum 5% fee on the capital contributed by the Limited Partnership to the purchase price of the Property.

In acquiring Properties, the General Partner intends to implement the Limited Partnership's general business strategy outlined under the heading "*Narrative Description of the Businesses - Business Objectives of the Limited Partnership*" (see page 15 herein) and the guidelines discussed under the heading "*Narrative Description of the Business - Business Objectives of the Limited Partnership - Guidelines for Property Acquisitions*" (see page 17 herein).

In determining what would constitute “reasonable reserves” for renovation and upgrading and working capital reserves for such Properties, the General Partner will generally obtain and rely on a comprehensive third party due diligence report that will be produced for each Property. The amount of a renovation and upgrading reserve for a given Property will be assessed by the General Partner having regard to, among other things, the Property’s age, general state of repair, and an assessment of whether anticipated revenues would be sufficient to cover all or a portion of the repairs or upgrades identified as reasonably necessary or desirable.

In determining how much of a working capital reserve would be reasonable for a given Property, the General Partner will generally target a working capital reserve of at least 0.5% of the purchase price of the Property. Accordingly, the targeted working capital reserves in the event of a Maximum Offering is approximately \$767,000, and the targeted working capital reserves in the event of a Minimum Offering is approximately \$123,000. However, for any given Property, the General Partner could allocate a larger or smaller amount to working capital reserves than the targeted amount of 0.5% of the purchase price of the Property, based on property-specific considerations such as the anticipated revenues from the Property.

The proceeds of this Offering will also be used from time to time by the Limited Partnership to make refundable and non-refundable deposits on account of the purchase price of Properties, to pay mortgage application fees and to pay property due diligence and inspection costs. These payments and costs will include amounts paid to arm’s length third parties and all out-of-pocket costs incurred by the General Partner in the conduct of property inspection and due diligence. Some Properties in respect of which non-refundable deposits, mortgage application fees and property due diligence and inspection costs are paid may not be acquired by the Limited Partnership, resulting in a possible loss of such deposits, fees or costs.

The Issuers intend to spend the funds available to them as stated in this Prospectus. There may be circumstances, however, where, for sound business reasons, the assumptions above may not apply and a reallocation of funds may be necessary or other costs may be incurred.

The General Partner has agreed to provide certain services to the Limited Partnership pursuant to the Amended and Restated General Partner Services Agreement, as described in more detail under the heading “*Executive Compensation - Management Agreements*” on page 69. The general and administrative expenses of the Limited Partnership are to be funded and paid for by the General Partner out of the fees payable to it under the Amended and Restated General Partner Services Agreement or from the General Partner’s other funds.

## **5. SELECTED FINANCIAL INFORMATION**

### ***Limited Partnership***

The audited financial statements of the Limited Partnership as at January 28, 2011 are included in this Prospectus. The Limited Partnership was only recently formed and capitalized with nominal capital. As the Limited Partnership has not carried on any business to date, it has no material assets or cash flow from financing or from operations. As the Limited Partnership was only recently registered, Management’s Discussion & Analysis (“**MD&A**”) has not been provided.

### ***Debenture Issuer***

The audited financial statements of the Debenture Issuer as at January 11, 2011 are included in this Prospectus. The Debenture Issuer was only recently formed and capitalized with nominal capital. As the Debenture Issuer has not carried on any business to date, it has no material assets or cash flow from financing or from operations. As the Debenture Issuer was only recently incorporated, MD&A has not been provided.

## General Partner

The audited financial statements of the General Partner as at January 11, 2011 are included in this Prospectus. The General Partner was only recently formed and capitalized with nominal capital. As the General Partner has not carried on any business to date, it has no material assets or cash flow from financing or from operations. As the General Partner was only recently incorporated, MD&A has not been provided.

## 6. EARNINGS COVERAGE RATIOS

### 6.1 Limited Partnership

The Limited Partnership has not had any earnings to date, and currently has no outstanding long-term debt. However, in the event of the maximum amount being sold under this Offering, it is anticipated that the Limited Partnership may incur Mortgage Loans in the aggregate principal amount of up to approximately \$53,700,000 and the aggregate amount of up to approximately \$21,780,000 under the Debenture Issuer Loan. In the event of the minimum amount being sold under this Offering, the Limited Partnership intends to incur Mortgage Loans in the aggregate principal amount of up to approximately \$8,600,000 and the aggregate amount of up to \$3,500,000 under the Debenture Issuer Loan.

In acquiring Properties, the General Partner intends to cause the Limited Partnership to follow the guidelines discussed under the heading “*Narrative Description of the Business - Business Objectives of the Limited Partnership - Guidelines for Property Acquisitions*” (see page 17 herein), including the expectation that each Property generate a positive cash return, exclusive of the payment of principal on the Mortgage Loans for such Property, on the Limited Partnership’s invested capital in the Property of not less than 6% per annum, with a target range of 7% to 9% per annum. However, the General Partner may acquire Properties where this minimum requirement is not met if it considers that doing so is in the best interests of the Limited Partnership.

Given the uncertainties involved in connection with predicting the Limited Partnership’s annual earnings and debt servicing requirements, it is difficult to determine the amount of earnings that the Limited Partnership will require to attain an earnings coverage ratio of one-to-one on the Debenture Issuer Loan. The following is an estimated earnings coverage table with respect to payment of interest on the Debenture Issuer Loan and Mortgage Loans based on the Minimum or Maximum Offering:

	Assuming Minimum Offering	Assuming Maximum Offering
Annual Interest on Debenture Issuer Loan <sup>(1)</sup>	\$315,000	\$1,960,200
Debenture Issuer Fees		
Loan Commitment Fee <sup>(2)</sup>	\$17,500	\$108,900
Annual Loan Fee <sup>(3)</sup>	\$100,000	\$444,000
<b>Required Earnings for 1:1 ratio on Debenture Issuer Loan</b>	\$432,500	\$2,513,100
Annual Interest on Mortgage Loans <sup>(4)</sup>	\$516,000	\$3,222,000
<b>Total Required Earnings for 1:1 ratio</b>	<b>\$948,500</b>	<b>\$5,735,100</b>

#### Notes:

- (1) The Debenture Issuer will have advanced to the Limited Partnership by way of the Debenture Issuer Loan net proceeds of approximately \$3,500,000 if the Minimum Offering is achieved and \$21,780,000 if the Maximum Offering is achieved. The Debenture Issuer Loan bears simple interest at a rate of 9.0% per annum resulting in interest owing of \$315,000 (Minimum Offering) or \$1,960,200 (Maximum Offering) for a 12 month period.
- (2) Based on an average outstanding Debenture Issuer Loan balance during a 12 month period (assuming no repayment of the Debenture Issuer Loan), the Debenture Issuer will be entitled to a loan commitment fee equal to 0.5% of the outstanding principal amount or \$17,500 assuming the Minimum Offering or \$108,900 assuming the Maximum Offering.

- (3) The Debenture Issuer is entitled to an annual loan fee in an amount to be determined by the Debenture Issuer and the Limited Partnership, which fee is expected to aggregate, over the term of the Debenture Issuer Loan, the total selling commissions and offering expenses incurred by the Debenture Issuer in respect of the Offering of the Debentures. The Lead Agent is entitled to an advisory fee of \$25,000 and the Agents are entitled to an 8.0% commission, which is \$2,400,000 assuming the Maximum Offering, and \$400,000 assuming the Minimum Offering. The Issuers have also agreed to bear all of the Agents' expenses, (currently estimated to be \$50,000) of or incidental to the issue, sale and delivery of the Units pursuant to this Offering, including, without limitation, the reasonable fees and disbursements of legal counsel for the Agents and the reasonable out-of-pocket expenses (including applicable taxes) of the Agents.

Assuming the Maximum Offering, the total estimated costs incurred by the Debenture Issuer are comprised of the agent's commission of \$1,920,000 and other estimated offering expenses of \$300,000, which is approximately 80% of the total offering expenses of \$375,000 (which is comprised of offering expenses of \$300,000, the advisory fee of \$25,000 to the Lead Agent and Agents' expenses of \$50,000), and which, together with the Agents' fees, expenses and commissions, will be paid from the proceeds of the Offering, to be borne by the Debenture Issuer. The above information assumes that this amount is repaid in equal annual payments of \$444,000 over the five year term of the Debentures.

Assuming the Minimum Offering, the total estimated costs incurred by the Debenture Issuer are comprised of the agent's commission of \$320,000 and other estimated offering expenses of \$180,000, which is approximately 80% of the total offering expenses of \$225,000 (which is comprised of offering expenses of \$150,000, the advisory fee of \$25,000 to the Lead Agent and the Agents' expenses of \$50,000), and which, together with the Agents' fees, expenses and commissions, will be paid from the proceeds of the Offering, to be borne by the Debenture Issuer. The above information assumes that this amount is repaid in equal annual payments of \$100,000 over the five year term of the Debentures.

The annual loan fee is accrued and recaptured upon repayment of the Debenture Issuer Loan and, therefore, is not paid out on an annual basis or included in this calculation.

- (4) Based on the assumption of the maximum Mortgage Loan debt of 70% Loan-to-Value, the Limited Partnership will finance a maximum of approximately \$8,600,000 if the Minimum Offering is achieved and approximately \$53,700,000 if the Maximum Offering is achieved. See "Use of Proceeds" at page 24 herein. The interest calculated is assuming an average simple interest rate on the Mortgage Loans of 6.0%. See "Trends" at page 23 herein.

## 6.2 Debenture Issuer

The Debenture Issuer was incorporated on January 11, 2011, and has not had any earnings to date. Based on the assumptions below, the Debenture Issuer will require \$2,069,100 in earnings to attain an earnings coverage ratio of 1.08 to 1.00, assuming the maximum amount is raised under this Offering.

		<b>Assuming Maximum Offering</b>
Advanced to Limited Partnership under the Debenture Issuer Loan <sup>(1)</sup>		\$21,780,000
Annual Interest earned under the Debenture Issuer Loan <sup>(2)</sup>		\$1,960,200
Debenture Issuer Fees		
Loan commitment fee <sup>(3)</sup>		\$108,900
Annual loan fee <sup>(4)</sup>	\$444,000	
Debenture Issuer estimated annual earnings before interest and income taxes <sup>(5)</sup>	(A)	\$2,069,100
Debenture Interest	(B)	\$1,920,000
Estimated Earnings Coverage	(A/B)	1.08

### Notes:

- (1) Assuming the Debenture Issuer will have 24,000 Debentures outstanding each with a principal amount of \$1,000, bearing interest at a rate of 8.0% per annum. Although the Debentures mature on December 31, 2016 for the purpose of calculating the Debenture Issuer's earnings coverage ratio, it is assumed that the Debentures will have a term of 60 months.

- (2) The Debenture Issuer will have advanced to the Limited Partnership by way of the Debenture Issuer Loan net proceeds of approximately \$21,780,000. The Debenture Issuer Loan bears simple interest at a rate of 9.0% per annum resulting in interest income of \$1,960,200 for a 12 month period.
- (3) Based on an average outstanding Debenture Issuer Loan balance of \$21,780,000 during a 12 month period (assuming no repayment of the Debenture Issuer Loan), the Debenture Issuer will be entitled to a loan commitment fee equal to 0.5% of the outstanding principal amount or \$108,900.
- (4) The Debenture Issuer is entitled to an annual loan fee in an amount to be determined by the Debenture Issuer and the Limited Partnership, which fee is expected to aggregate, over the term of the Debenture Issuer Loan, the total selling commissions and offering expenses incurred by the Debenture Issuer in respect of the Offering of the Debentures. The Lead Agent is entitled to an advisory fee of \$25,000 and the Agents are entitled to an 8.0% commission, which is \$2,400,000 assuming the Maximum Offering. The Issuers have also agreed to bear all of the Agents' expenses (currently estimated to be \$50,000) of or incidental to the issue, sale and delivery of the Units pursuant to this Offering, including, without limitation, the reasonable fees and disbursements of legal counsel for the Agents and the reasonable out-of-pocket expenses (including applicable taxes) of the Agents.

Assuming the Maximum Offering, the total estimated costs incurred by the Debenture Issuer are comprised of the agent's commission of \$1,920,000 and other estimated offering expenses of \$300,000, which is approximately 80% of the total offering expenses of \$375,000 (which is comprised of offering expenses of \$300,000, the advisory fee of \$25,000 to the Lead Agent and Agents' expenses of \$50,000), and which, together with the Agents' fees, expenses and commissions, will be paid from the proceeds of the Offering, to be borne by the Debenture Issuer. The above information assumes that this amount is repaid in equal annual payments of \$444,000 over the five year term of the Debentures. The annual loan fee is accrued and recaptured upon repayment of the Debenture Issuer Loan and, therefore, is not paid out on an annual basis or included in this calculation.

- (5) No other expenses or income sources have been assumed for the Debenture Issuer.

## **7. DESCRIPTION OF SECURITIES TO BE DISTRIBUTED**

The Issuers are offering a minimum of 4,000 Units and a maximum of 24,000 Units, at a purchase price of \$1,250 per Unit. Each Unit is comprised of one LP Unit and one Debenture having a principal amount of \$1,000. The Debenture and LP Unit must initially be purchased by a subscriber together as a Unit. However, the Debenture and LP Unit are separate and distinct securities of the Debenture Issuer and the Limited Partnership, respectively.

**Each Subscriber must purchase a minimum of 4 Units or \$5,000. There is no maximum amount a subscriber may purchase subject to the maximum amount being sold under the Offering.**

### **7.1 Limited Partnership Units**

The rights and obligations of the Limited Partners and the General Partner are governed by the Limited Partnership Agreement dated for reference January 18, 2011 between the General Partner and the Founding Limited Partner. The following is a summary of certain material provisions of the Limited Partnership Agreement. **This summary does not purport to be complete and reference should be to the complete text of the Limited Partnership Agreement, a copy of which is attached to this Prospectus.**

**Capitalized terms in this summary which are not defined in this Prospectus are defined in the Limited Partnership Agreement.**

#### ***Formation and Term of Limited Partnership***

The Limited Partnership was formed solely for the business of acquiring, holding, managing and operating a portfolio of revenue-producing real estate properties in Canada (or interests in such Properties) and for limited investment in real estate development opportunities and conducting other business which is ancillary or incidental thereto.

The Limited Partnership is to continue in existence until December 31, 2100, unless earlier dissolved by a Special Resolution of the Limited Partners or if the Limited Partnership no longer has any interest in the Properties or any other material assets.

### ***The General Partner***

*Management and Control of the Limited Partnership.* Under the terms of the Limited Partnership Agreement, the General Partner is given full power and authority to manage, control, administer and operate the business of the Limited Partnership, subject to certain matters being subject to votes of the Limited Partners. No Limited Partner is permitted to take part in the management of the business of the Limited Partnership. The General Partner has unlimited liability for the debts, liabilities and obligations of the Limited Partnership as provided in the *Partnership Act* (British Columbia) and other applicable legislation. A Limited Partner will not be liable for any debts, liabilities or obligations of the Limited Partnership in excess of such Limited Partner's paid capital contributions and any unpaid capital contributions agreed to be paid in respect of such Limited Partner's LP Units, provided such Limited Partner does not take part in the control or management of the business of the Limited Partnership.

In addition to its general duties, the General Partner has agreed to provide certain other services to the Limited Partnership under the terms of the Amended and Restated General Partner Services Agreement (see "*Executive Compensation - Management Agreements*" on page 69 herein).

*Voting.* The holder of each LP Unit is entitled to exercise one vote at meetings of the Limited Partnership. Certain powers, relating generally to the existence and fundamental powers of the Limited Partnership, are specified in the Limited Partnership Agreement to be exercisable only by way of a Special Resolution.

### ***Capital of the Limited Partnership***

The capital of the Limited Partnership consists of 50,000 LP Units, plus the respective interests held by the Founding Limited Partner and the General Partner. The Limited Partnership is offering up to 24,000 LP Units at a total price of \$6,000,000 pursuant to this Offering. The General Partner can issue the balance of LP Units not sold pursuant to this Offering in certain circumstances but only if offered on terms substantially similar to the terms of this Offering.

The General Partner and the Founding Limited Partner have each made a capital contribution of \$10 to the Limited Partnership, and have no further obligation to contribute capital. Limited Partners will contribute to the Limited Partnership \$250 in capital per LP Unit purchased under this Offering and can be required to make additional capital contributions if approved by Special Resolution. (See "*Additional Capital Contributions and Partner Loans*" on page 32 herein).

### ***Allocation of Income***

Subject to certain adjustments in the event of losses, the General Partner is entitled to be allocated 0.005% of the net income of the Limited Partnership to a maximum of \$100 per annum, plus its Incentive Management Interest, after allocation to the Limited Partners of the Limited Partners Minimum Return (see below). The Founding Limited Partner is entitled to be allocated 0.005% of the net income of the Limited Partnership to a maximum of \$100 per annum. Thereafter, each of the LP Units is entitled to be allocated a Proportionate Share in 80% of the income of the Limited Partnership with the remaining 20% allocated to the General Partner.

### ***Cash Flow from Operations***

In each fiscal year of the Limited Partnership, the Limited Partnership will pay and distribute all available cash flow from operations of the Properties in that year after the creation of a reasonable working capital and capital improvement reserve as determined by the General Partner.

Such distributions will be made as follows:

- (a) firstly, 0.005%, up to \$100 annually, to each of the General Partner and the Founding Limited Partner;
- (b) secondly, to the Limited Partners, the Limited Partners Minimum Return. The General Partner will not be entitled to share in cash flow, proceeds of sale or surplus proceeds from refinancing until the Limited Partners Minimum Return has been paid. The Limited Partners Minimum Return will be calculated on a non-compounded, cumulative basis such that in the years when the Limited Partners Minimum Return is not available from cash flow, it will accumulate and be paid from cash flow in subsequent years;
- (c) thirdly, to the General Partner, the Incentive Management Interest thereby providing the General Partner with a 25% share of the total of the interest paid on the Debenture Issuer Loan and the amounts distributed to the Limited Partners by the Limited Partnership to date; and
- (d) fourthly, the balance will be paid out, as to 80%, to the Limited Partners in accordance with their Proportionate Shares and, as to 20%, to the General Partner.

The Issuers may incur losses until the Limited Partnership disposes of all of its Properties and the Limited Partnership's operations are wound up. Until the Limited Partnership is wound up, it is not possible to determine accurately how much of the cash flow distributions made by the Limited Partnership are a return of capital rather than a return on capital. See "*Risk Factors*" on page 86.

#### ***Net Proceeds from Refinancing or Sale of Properties***

All net proceeds received by the Limited Partnership from any refinancing or sale of the Properties or an interest therein after the creation of such reserves as the General Partner considers appropriate and payment of the Mortgage Loans, or on account of the accrued but unpaid interest on the Debenture Issuer Loan or repayment of principal thereon, will be distributed as follows:

- (a) to pay to the Limited Partners the amount of their Net Equity;
- (b) to pay to the Limited Partners the amount, if any, of their accumulated Limited Partners Minimum Return which remains unpaid;
- (c) to pay to the General Partner the amount, if any, of the Incentive Management Interest which remains unpaid; and
- (d) to pay the balance, as to 80%, to the Limited Partners in accordance with their Proportionate Shares and, as to 20%, to the General Partner.

#### ***Additional Capital Contributions and Partner Loans***

**No Limited Partner is required to make capital contributions to the Limited Partnership in addition to the Offering Price, unless authorized by Special Resolution.** If the Limited Partnership requires additional funding, the General Partner may also request that one or more Limited Partners voluntarily loan funds to the Limited Partnership. If a Limited Partner elects to make a loan to the Limited Partnership, the Limited Partnership will be required to repay such loan, together with interest thereon, in priority to any distributions of amounts in respect of cash flow from the operations of the Properties and any distributions of net proceeds received by the Limited Partnership from any capital transaction in respect of the Properties.

### ***Limited Retraction Rights***

Under the Limited Partnership Agreement, Limited Partners will have a limited right to require the Limited Partnership to retract LP Units as follows:

- (a) a Limited Partner may, by delivering notice (the “**Retraction Notice**”) in writing to the Limited Partnership on or prior to November 1 in each year (the “**Notice Date**”), commencing on November 1, 2014, along with the certificate of the LP Units to be retracted, if such certificate has been issued by the Limited Partnership to the Limited Partner, request the retraction of some or all of their LP Units (including fractions). Once given to the Limited Partnership, such notice of retraction may not be revoked by the Limited Partner;
- (b) the obligation of the Limited Partnership to retract LP Units will be subject to the General Partner determining, in its sole discretion, that sufficient funds are available to the Limited Partnership for the purposes of retraction;
- (c) the number of Units which will be retracted on January 15 in each year, commencing January 15, 2015 (each, a “**Retraction Date**”), will not exceed 5% of the number of Units issued and outstanding on the applicable Notice Date;
- (d) if by any Notice Date the Limited Partnership has received notices requiring the retraction of a number of LP Units in excess of 5% of the number of LP Units eligible to being retracted, or if on a Retraction Date the General Partner determines that sufficient funds are not available to the Limited Partnership to retract the number of LP Units in respect of which retraction notices have been given, then the retraction of LP Units will be made *pro rata* according to the Net Equity of the LP Units in respect of which retraction notices have been given;
- (e) on the Retraction Date, the Limited Partnership will pay (the “**Retraction Price**”) the Net Equity of such LP Unit as of the date of the Retraction Notice together with the Limited Partners Minimum Return accrued but remaining unpaid in respect of such LP Unit as of the Retraction Date for each LP Unit or fraction thereof in respect of which retraction will be made; and
- (f) upon retraction, the retracted LP Units will cease to be outstanding and the Limited Partners Minimum Return in respect of such LP Units will cease to accrue.

### ***Distributions on Wind-up***

Upon the wind-up of the Limited Partnership, the General Partner will satisfy the Limited Partnership’s liabilities, including an accounting of any fees due to the General Partner, and will establish such reserves as it considers necessary. Thereafter:

- (a) each Limited Partner will receive such Limited Partner’s Net Equity;
- (b) the balance in the General Partner’s capital account will be returned to the General Partner;
- (c) the Limited Partners will be entitled to any unpaid portion of their Limited Partners Minimum Return;
- (d) the General Partner will be entitled to any unpaid portion of the Incentive Management Interest; and
- (e) the balance will be paid, as to 80%, to the Limited Partners and, as to 20%, to the General Partner.

## ***Residency***

Under the terms of the Limited Partnership Agreement, LP Units may only be held by persons or entities that are residents of Canada for Canadian income tax purposes. Prior to any Limited Partner ceasing to be a resident of Canada for Canadian income tax purposes, such Limited Partner shall transfer its LP Units to a resident of Canada or such LP Units may be redeemed by the Limited Partnership.

## **7.2 Debentures**

### ***Trust Indenture***

The Debentures will be issued under, and the interest, rights and obligations of Debentureholders will be set out in, the Trust Indenture between the Debenture Issuer and Computershare Trust Company of Canada. Under the Trust Indenture, the Debentureholders may make certain amendments to the Trust Indenture and Debentures, which changes will be binding on all Debentureholders, upon receipt of the consent of holders representing a specified percentage of the principal amount of the Debentures then outstanding (with the specific percentage being determined based on the type of amendment, pursuant to the Trust Indenture).

### ***Debentures***

Under the Trust Indenture, the Debenture Issuer is authorized to issue up to \$60,000,000 of debentures, issuable in series, such debentures having the attributes described in the Trust Indenture and any indenture supplemental thereto with respect to any particular series of debentures. The first series of debentures to be issued under the Trust Indenture are the Debentures offered under, and having the attributes described in, this Prospectus. The Debentures will rank equally with one another and will be secured equally under the Trust Indenture.

Under this Offering, the Debenture Issuer is offering up to 24,000 Debentures of \$1,000 each for total gross proceeds of \$24,000,000.

### ***Interest***

The Debentures will bear interest at a fixed, simple rate of 8.0% per annum. Interest will be paid quarterly in arrears on the 15th day of January, April, July and October of each year commencing on October 15, 2011. Interest will be paid when cash is available to the Debenture Issuer from interest payments and other amounts received by it from the Limited Partnership under the Debenture Issuer Loan. **If the cash flow from the Debenture Issuer Loan is insufficient to permit the Debenture Issuer to pay the full amount of the interest in any period, interest will continue to accrue (but not compound or bear interest) and be payable in subsequent quarters. If the cash flow from the Debenture Issuer is insufficient to pay the full amount of interest over the term of the Debentures, the Debentureholders' only collateral security in respect of any unpaid interest is the interest of the Debenture Issuer in the Debenture Issuer Loan and the security granted by the Limited Partnership to the Debenture Issuer for such Loan. (Refer to "Debentures - Security" below.)**

### ***Maturity Date, Extension of Maturity Date and Redemption of Debentures***

The Debentures have a term of approximately five and three-quarters (5 3/4) years, expiring December 31, 2016, whereupon all principal and accrued interest will become due and payable. The term of the Debentures may be extended by agreement of the Debentureholders owning Debentures representing not less than 51% of the principal amount of Debentures then outstanding. The Debenture Issuer must redeem all outstanding Debentures within 30 business days after the date on which the Debenture Issuer Loan and all interest thereon is repaid in full by the Limited Partnership. The Debenture Issuer must redeem the Debentures, in whole or in part, prior to the maturity date, if it receives payments from the Limited Partnership on account of the Debenture Issuer Loan from the proceeds of a sale or refinancing of any Properties. The Limited Partnership is obligated to repay the

Debenture Issuer Loan under certain terms and conditions as set out in the Loan Agreement. The Debenture Issuer may also redeem Debentures, in part, at any time it has available cash to do so as a result of principal or other payments it may receive from the Limited Partnership under the Debenture Issuer Loan.

### *Security*

The Debentures will be secured by a security interest contained in the Trust Indenture granting to the Trustee on behalf of the Debentureholders security on the Debenture Issuer's interest in the Debenture Issuer Loan and the security held by the Debenture Issuer therefor. Notice of this security interest will be registered in the personal property security registry in each province in which the Debenture Issuer or the Limited Partnership carries on business.

**The Debenture Issuer is the only party liable for the payment of interest or the repayment of the principal under the Debentures. Neither the Limited Partnership nor the General Partner are liable for such payments. The only collateral security under the Debentures is the Debenture Issuer's interest in the Debenture Issuer Loan and the security granted by the Limited Partnership to the Debenture Issuer for such loan.**

The Debenture Issuer Loan will be secured by the General Security Agreement charging the present and future personal property (but not real property) of the Limited Partnership and notice of such charge will be registered in the personal property security registry in each of the provinces in which the Limited Partnership carries on business. It is contemplated that Mortgage Loan advanced by financial institutions may have priority over the Debenture Issuer Loan.

The Debenture Issuer presently has no assets other than its interest in the Debenture Issuer Loan. If a deficiency remains in the payment of interest or principal under the Debentures after realizing on the collateral security contained in the Trust Indenture, the Debentureholders will have no further security interest in or recourse against any other assets of the Debenture Issuer, if any, and consequently further recovery of any amounts remaining owing under the Debentures will be limited. In particular, the Debentures are not secured by and the Debentureholders do not have an interest in the Properties held by the Limited Partnership.

### *Events of Default*

Upon the occurrence of an event of default, subject to certain terms and conditions set out in the Trust Indenture, the Trustee may, on behalf of the Debentureholders, and shall, upon the written request of Debentureholders owning Debentures representing not less than 25% of the principal amount of Debentures then outstanding, demand payment of all monies evidenced by the Debentures and enforce the security interest created by the Trust Indenture. The only collateral security granted to the Debentureholders for payment of such amounts is the interest of the Debenture Issuer in the Debenture Issuer Loan and the security held by the Debenture Issuer for such loan.

### *Limited Retraction Rights*

Under the Trust Indenture, and in addition to the Debenture Issuer's rights to redeem the Debentures in whole or in part, the Debentureholders will have a limited right to require the Debenture Issuer to retract their Debentures as follows:

- (a) a Debentureholder wishing to have Debentures retracted may, by delivering a notice in writing to the Trustee on or prior to November 1 in each year (a "**Notice Date**"), commencing on November 1, 2014, request the retraction of all or part of their Debentures, along with the certificate representing their Debentures, if such certificate has been issued by the Debenture Issuer to the Debentureholder. Once given to the Trustee, such notice of retraction may not be revoked by the Debentureholder;

- (b) the obligation of the Debenture Issuer to retract Debentures in whole or in part will be subject to the board of directors of the Debenture Issuer determining, in their sole discretion, that funds are available to the Debenture Issuer for the purposes of retraction;
- (c) unless otherwise determined by the board of directors of the Debenture Issuer, the number of Debentures that will be retracted on any Retraction Date will be limited in each year to 5% of the total principal amount of Debentures outstanding on the Notice Date;
- (d) if by any Notice Date the Trustee has received notices requiring the retraction of Debentures in excess of the 5% of Debentures eligible to be retracted, or if the board of directors of the Debenture Issuer determine that sufficient funds will not be available to the Debenture Issuer to retract the Debentures in respect of which a request for retraction has been made, then the retraction will be made *pro rata* based on the amount of the requests for retractions that have been made; and
- (e) on each Retraction Date, commencing on January 15, 2015, the Debenture Issuer will provide for the payment of the Retraction Price for each Debenture or part thereof in respect of which retraction is to be made, being an amount equal to the principal amount thereof being retracted together with accrued and unpaid interest on such principal amount to December 31 immediately preceding such Retraction Date.

**The foregoing is a summary only of certain of the material provisions of the Trust Indenture. This summary does not purport to be complete and reference should be made to the complete text of the Trust Indenture, a copy of which is available from the Debenture Issuer, upon request.**

## **8. CONSOLIDATED CAPITALIZATION**

### **8.1 Existing and Proposed Share Capital**

#### ***Limited Partnership***

The following table summarizes information about outstanding securities of the Limited Partnership since the date of the Limited Partnership's financial statements for its most recently completed financial period included in the Prospectus:

Description of security	Number authorized to be issued	Number outstanding and carrying value as at April 6, 2011	Number outstanding and carrying value after Offering	
			Assuming Minimum Offering	Assuming Maximum Offering
Founding Limited Partner's Interest	1	1 (\$10)	Nil	Nil
Initial General Partner's Interest	1	1 (\$10)	1 (\$10)	1 (\$10)
LP Units	50,000	Nil	4,000 (\$1,000,000) <sup>(1)</sup>	24,000 (\$6,000,000) <sup>(1)</sup>

**Note:**

- (1) Gross proceeds before issuance costs.

**General Partner**

The following table summarizes information about outstanding common shares of the General Partner since the date of the General Partner's financial statements for its most recently completed financial period included in the Prospectus:

<b>Description of security</b>	<b>Number authorized to be issued</b>	<b>Number outstanding and carrying value as at April 6, 2011</b>	<b>Number outstanding and carrying value after Offering</b>
Common Shares	unlimited (no par value)	100 (\$100)	100 (\$100)

**Debenture Issuer**

The following table summarizes information about outstanding common shares of the Debenture Issuer since the date of the Debenture Issuer's financial statements for its most recently completed financial period included in the Prospectus:

<b>Description of security</b>	<b>Number authorized to be issued</b>	<b>Number outstanding and carrying value as at April 6, 2011</b>	<b>Number outstanding and carrying value after Offering</b>
Common Shares	unlimited (no par value)	100 (\$100)	100 (\$100)

**8.2 Long-Term Debt**

Neither the Limited Partnership nor the Debenture Issuer has any long-term debt.

The Debenture Issuer is offering up to 24,000 Debentures of \$1,000 each for total proceeds of \$24,000,000. The Debentures have a term of approximately five and three-quarters (5 3/4) years, expiring December 31, 2016, unless extended as provided in the Trust Indenture. The Debentures will be secured by way of a security interest to be granted by the Debenture Issuer in favour of the Trustee for the benefit of the Debentureholders pursuant to the Trust Indenture. Refer to "*Description of Securities to be Distributed - Debentures*" on page 33 herein for further particulars of the terms and conditions of the Debentures.

The net proceeds raised by the Debenture Issuer from the issuance of Debentures will be loaned to the Limited Partnership by way of the Debenture Issuer Loan, to be secured by way of a security interest granted by the Limited Partnership in favour of the Debenture Issuer over its present and future personal property. Assuming the maximum of 24,000 Units is sold pursuant to this Offering, the Debenture Issuer Loan will be in the principal amount of approximately \$21,780,000. (Refer to "*Narrative Description of the Business - Business Objectives of the Debenture Issuer - The Debenture Issuer Loan*" on page 19 herein for further particulars on the Debenture Issuer Loan.)

In addition to the Debenture Issuer Loan, the Limited Partnership intends to borrow funds by way of the Mortgage Loans, the terms and conditions of which will vary in the case of each Property to be purchased.

## 9. PRIOR SALES

The following table summarizes information about the issuance of interests in and securities of the Limited Partnership, General Partner and Debenture Issuer during the last 12 months:

Entity	Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Gross Proceeds
Limited Partnership	January 28, 2011	General Partner's Interest	1	\$10	\$10
Limited Partnership	January 28, 2011	Founding Limited Partner's Interest	1	\$10	\$10
General Partner	January 11, 2011	Common Share	100	\$1	\$100
Debenture Issuer	January 11, 2011	Common Share	100	\$1	\$100

## 10. PRINCIPAL SHAREHOLDERS

### *Limited Partnership*

As of the date of this Prospectus, the following are the persons who have direct or indirect beneficial ownership of, control or direction over, or a combination thereof of, partnership units which constitute more than 10% of the issued and outstanding partnership units of the Limited Partnership:

Name and Municipality of Residence	Class	Ownership	Number of Securities	Percentage of Class Prior to the Offering	Percentage of Class After the Offering
Churchill 11 Partners Inc. <sup>(1)</sup> Vancouver, BC	General Partner's Interest	Direct	1 <sup>(3)</sup>	100%	100%
Churchill First Partner Corp. <sup>(2)</sup> Vancouver, BC	Founding Limited Partner's Interest	Direct	1 <sup>(3)</sup>	100%	Nil <sup>(4)</sup>

#### Notes:

- (1) The shares of Churchill 11 Partners Inc. are owned 100% by Churchill Real Estate, which is in turn directly or indirectly owned by Phillip J. Langridge and Brad J. Wise.
- (2) The shares of CIPC First Partner Corp. are owned by Churchill International Securities Corporation.
- (3) These shares are owned both of record and beneficially by Churchill 11 Partners Inc. and Churchill First Partner Corp., respectively.
- (4) Upon the issuance of any LP Units under this Offering, the Founding Limited Partner will receive the return of its capital account and the balance of its current account, if any, and will cease to be a limited partner of the Limited Partnership.

### *Debenture Issuer*

As of the date of this Prospectus, the following are the persons who have direct or indirect beneficial ownership of, control or direction over, or a combination thereof of, common shares which constitute more than 10% of the issued and outstanding common shares of the Debenture Issuer:

<b>Name and Municipality of Residence</b>	<b>Class</b>	<b>Ownership</b>	<b>Number of Securities</b>	<b>Percentage of Class Prior to the Offering</b>	<b>Percentage of Class After the Offering</b>
Knightswood Financial Corp. <sup>(1)</sup> Vancouver, BC	Common	Direct	100 <sup>(2)</sup>	100%	100%

**Notes:**

- (1) The shares of Knightswood are listed on the TSX Venture Exchange. To the knowledge of the directors and officers of Knightswood, the only persons who, as of December 31, 2010, beneficially own, directly or indirectly, more than 10% of the issued and outstanding shares of Knightswood are Stephen McCoach, who beneficially owns 647,028 shares or 21.48% of the outstanding shares of Knightswood, Maurice Levesque, who beneficially owns 897,027 shares or 29.79% of the outstanding shares of Knightswood and Hugh Cartwright, who beneficially owns 385,537 or 12.80% of the outstanding shares of Knightswood.
- (2) These shares are owned both of record and beneficially by Knightswood Financial Corp.

***The General Partner***

As of the date of this Prospectus, the following are the persons who have direct or indirect beneficial ownership of, control or direction over, or a combination thereof of, common shares which constitute more than 10% of the issued and outstanding common shares of the General Partner:

<b>Name and Municipality of Residence</b>	<b>Class</b>	<b>Number of Securities</b>	<b>Percentage of Class Prior to the Offering</b>	<b>Percentage of Class After the Offering</b>
Churchill Real Estate <sup>(1)</sup> Vancouver, BC	Common	100 <sup>(2)</sup>	100%	100%

**Notes:**

- (1) Churchill Real Estate is directly or indirectly owned by Philip J. Langridge and Brad J. Wise. Philip J. Langridge is the sole director and he and Brad J. Wise are officers of Churchill Real Estate.
- (2) These shares are owned both of record and beneficially by Churchill Real Estate.

## 11. DIRECTORS, OFFICERS AND OTHER MANAGEMENT

### 11.1 Name, Address, Occupation and Security Holding

#### The General Partner

Name, Age, Municipality of Residence and Position Held	Principal Occupation during the five preceding years	Periods Served as a Director and Officer	Securities of the Debenture Issuer Beneficially Owned or Directly Controlled	Percentage of Class Outstanding	Percentage of Class Outstanding After Giving Effect to this Offering
Philip J. Langridge West Vancouver, British Columbia, Canada President, Chief Executive Officer and Director	Business Executive, Director and Chief Executive Officer of Churchill Property Group Inc. (“ <b>Churchill Property Group</b> ”) from January 2002 to present; Chairman and Chief Executive Officer of Churchill International Property Corporation from March 2001 to present.	President, Chief Executive Officer and Director since January 11, 2011	Nil	N/A	Nil
Brad J. Wise North Vancouver, British Columbia, Canada Executive Vice President, Chief Financial Officer and Director	Executive Vice President of Churchill International Property Corporation from January 2004 to October 2009 and President from October 2009 to present; Business Executive, Consultant to Trez Capital Corporation from October 2002 to January 2004; Senior Vice President of Investor First Financial from July 1998 to September 2002.	Executive Vice President, Chief Financial Officer and Director since January 11, 2011	Nil	N/A	Nil
Kathryn M. Tuulos Port Moody, British Columbia, Canada Vice-President, Asset Management	VP, Property Management of Churchill Property Corp. from September 2007 to present; General Manager of Lonsdale Quay Market Corp. from August 2003 to August 2007.	Since January 25, 2011	Nil	N/A	Nil
Christian C. Madsen Vancouver, British Columbia, Canada Vice-President - Finance	Senior Staff Accountant at Ernst & Young, LLP from September 2005 until November 2009.	Since January 25, 2011	Nil	N/A	Nil

**Philip J. Langridge, FRICS, RI. (B.C.)**

Mr. Langridge, 63, resides in West Vancouver, British Columbia and is the Chairman and President of Churchill 11 Partners Inc., the President and Chief Executive Officer of Churchill 11 Debenture Corp., the Chairman and Chief Executive Officer of Churchill International Property Corporation, the Chairman and Chief Executive Officer of Churchill Real Estate and a founder and Chairman of Churchill Property Group. Mr. Langridge has 40 years experience in real estate investment, development, finance and management, and has been involved in the acquisition, ownership, operations, and disposition of over \$1 billion in real estate properties, representing over 2,603 residential apartment or retirement living units, 3,767,249 square feet of commercial space, 10 acres of commercial land for a new shopping centre and 210 acres of undeveloped industrial land. The following table sets forth the principal projects in which Mr. Langridge has been involved:

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>3395 Tennyson Avenue and 602 Barbon Place, Victoria, BC:</b> In March 2011, Churchill 10 Real Estate Limited Partnership (“<b>Churchill 10</b>”) acquired a 100% beneficial interest in this property. The total purchase price was \$10,660,000, which was funded with cash. The subject property consists of over 100,000 square feet of retail and industrial space on two levels with a third level of underground parking below. The property sits on two acres of land on the south side of Boleskine Street, half a block west of Douglas Street and immediately east of Tennyson Avenue in the District of Saanich, BC. Immediately across the street from the property is the new 850,000 square foot Uptown mixed-use development, which will feature tenants such as Wal-Mart, Shoppers Drug Mart, Whole Foods Market and Best Buy Canada and will be the largest mixed-use retail complex on Vancouver Island when complete.</p> <p>Currently, this property is vacant. However, Churchill 10 has five firm offers to purchase partial ownerships for retail and showroom use from retailers including End of the Roll Carpets and Gabriel Ross Canada. Churchill 10 intends to rent the balance of the retail and industrial space.</p>	<p>\$10,660,000</p>	<p>100,000 sq. ft. of retail and industrial space</p>	<p>2011</p>

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>Intersection of Highway 97 and Nancee Drive, Kelowna, BC:</b> In March 2011, Churchill 10 acquired a 22.5% beneficial interest in this property. The total purchase price was \$3,885,000, which was funded with cash. The subject property consists of 10 acres of land alongside Highway 97 in Westbank, Kelowna and is currently being developed into a shopping centre by Property Development Group, which is a 5% owner of the land. The land has been leased from the Westbank First Nations, which owns 50% of the land, for 99 years, commencing on March 31, 2011. The land is currently pre-leased to 70% of available capacity to tenants including Royal Bank of Canada, TD Canada Trust, Tim Hortons, Subway, Shoppers Drug Mart, Dollarama and an eight screen Landmark Cinema.</p> <p>The Westbank First Nations has approved of the development and building permits for this shopping centre at the local level. No other municipal authorities are involved. Currently, all of the offsite infrastructure is in place and the trees have been removed.</p> <p>For the development of the shopping centre, Churchill 10 will be obtaining a new first mortgage loan for \$28,200,000 with Valley First Credit Union, bearing interest at a rate of Prime +1.5% per annum and maturing 18 months from the funding date. Churchill 10 expects Valley First Credit Union to fund this mortgage in May 2011.</p>	\$3,885,000	10 acres of land	2011
<p><b>2381, 2401 &amp; 2421 Bristol Circle Drive, Oakville, ON:</b> In December 2010, Churchill 10 acquired a 100% beneficial interest in this property. The total purchase price was \$17,400,000. The subject properties consist of three separate business park style Class B office buildings totaling an aggregate of 117,496 square feet of rentable area. The buildings are leased to an array of office tenants. A total of 19,864 square feet is available for lease. The purchase of these properties was funded by cash and a new first mortgage loan for \$12,000,000 with CIBC Commercial Mortgages (“CIBC”), bearing interest at a rate of 4.385% per annum and maturing in January 2016.</p>	\$17,400,000	117,496 sq. ft. of Class B office buildings	2010

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>1900 Richmond Avenue, Victoria, BC:</b> In December 2010, Churchill 10 acquired a 50% beneficial interest in this property. The total purchase price was \$10,725,000. The subject property consists of a 35,056 square foot medical office building known as the Fort Royal Medical Centre. The Fort Royal Medical Centre is ideally located in the heart of Victoria’s medical district, on the north side of the Jubilee Neighbourhood, bordering the municipality of Oak Bay. The property is only seven minutes from Downtown Victoria, and is directly across the street from Royal Jubilee Hospital, one of the only two hospitals serving Greater Victoria. This property also benefits from being in close proximity to the Sandringham Care Centre, a large, newly renovated facility providing psychogeriatric rehabilitative care.</p> <p>Fort Royal Medical Centre is conveniently situated at the intersection of two major traffic routes – Richmond Road and Fort Street, giving the property great exposure and easy accessibility to Downtown Victoria and the surrounding communities that make up Greater Victoria. Directly across the street is a Pharmasave, making it easy for customers in Fort Royal Medical Centre to fill their prescriptions. Also just a short walk from this property is Royal Oak Shopping Centre, a new commercial plaza featuring tenants such as Safeway, Shoppers Drug Mart, TD Bank, other smaller shops, and a variety of restaurants.</p> <p>Churchill 10 funded their 50% beneficial interest in this property with cash and the assumption of the existing first mortgage loan with Coast Capital Savings Credit Union in the approximate amount of \$6,000,000, bearing interest at a rate of 5.25% per annum and maturing on January 1, 2012.</p>	<p>\$10,725,000</p>	<p>35,056 sq. ft. medical office building</p>	<p>2010</p>

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>199 Four Valley Drive, Vaughan, ON:</b> In May 2010, Churchill VI Real Estate Limited Partnership (“<b>Churchill VI</b>”) acquired a 25% beneficial interest in this property and Churchill VII Real Estate Limited Partnership (“<b>Churchill VII</b>”) acquired a 50% beneficial interest in this property. The total purchase price was \$34,750,800. The subject property consists of a 100,398 square foot Class A office building in Vaughan, Ontario. The building is leased to Cara Operations Limited on a long-term lease expiring December 2028, with rental escalations every five years commencing 2013. The purchase of this property was funded with cash and a new first mortgage loan for \$24,325,000 with CDPQ Mortgage Investment Corporation (“<b>CDPQ</b>”), bearing interest at a rate of 5.44% per annum with interest only payments for three years and maturing in June 2013.</p> <p>Churchill VI and Churchill VII have entered into an unconditional contract to sell 50% of their respective interests in the property and closing is scheduled for mid-April 2011 for gross proceeds of \$21,000,000. Under the terms of this unconditional contract, the purchaser has also agreed to assume 50% of the liability obligations under the first mortgage loan of \$24,325,000 with CDPQ.</p>	\$34,750,800	100,398 sq. ft. Class A office building	2010
<p><b>1015 6th Street, East Saskatoon, SK:</b> In June 2009, on behalf of Churchill VII, a 50% beneficial interest in this property was acquired, with the remaining interest acquired by Churchill VI. The total purchase price was \$21,006,000. The building has a leasable area of approximately 163,418 square feet. The building consists of 140,000 square feet of freezer and cooler space and 23,418 square feet of office space. The facility is currently occupied by Maple Leaf Foods on a 20 year lease with regular rent steps ever five years. This property was successfully sold in January 2010 for \$25,500,000.</p>	\$21,006,000	163,418 sq. ft. state-of-the-art refrigerated distribution centre in an established industrial park on 18 acres of industrial land	2009

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>709, 719 &amp; 725 Yates Street, Victoria, BC:</b> In July 2008, on behalf of Churchill VI, a 50% beneficial interest in this property was acquired, with the remaining 50% interest being acquired by Churchill V Real Estate Limited Partnership (“<b>Churchill V</b>”). The total purchase price was \$5,400,000, and was financed with cash and a new first mortgage loan with Coast Capital Savings Credit Union in the amount of \$2,625,000 with an interest rate of prime + 1.25%, with a minimum rate of 5.25%. The buildings have a leaseable area of approximately 58,000 square feet. The properties benefit from visual exposure to vehicles travelling south along Yates Street, a well-travelled one-way thoroughfare in Downtown Victoria. In addition, the properties are prominently situated just blocks from numerous downtown attractions, some of which include; The Bay Shopping Centre, Market Square, the Inner Harbour, and St. Andrew’s Square. The properties are currently undergoing a redevelopment incorporating 40 residential rental apartment units and the addition of two floors to one property and one floor to the adjacent property.</p>	\$5,400,000	58,000 sq. ft. commercial office/retail space among three separate buildings	2008
<p><b>40 Holly Street, Toronto, ON:</b> In June 2008, on behalf of Churchill VI, this property was acquired for \$11,800,000 and was financed with cash and a new first mortgage loan with Laurentian Bank of Canada in the amount of \$8,000,000 at prime + 1.25%. The subject property consists of a 70,331 square foot, 9-storey, Class ‘A’ office property located at 40 Holly Street, Toronto, Ontario. 40 Holly Street is strategically located within the Yonge-Eglinton Centre, which is located in the City of Toronto’s midtown area. The area benefits from an excellent location being at the crossroads of two major intersections and enjoys easy access to the Yonge Street subway line and surface level transit. This property was successfully sold in April 2010 for \$14,000,000</p>	\$11,800,000	70,331 sq. ft. Class ‘A’ office building	2008
<p><b>428-436 Westmount Road, Sudbury, ON:</b> In April 2008, on behalf of Churchill VI, this collection of properties was acquired for a total purchase price of \$7,100,000 and was financed along with the other Sudbury property acquisitions with cash and a new first mortgage loan with Royal Bank of Canada in the amount of \$7,740,000 at prime + 1.75% and maturing in August 2011. The subject properties consist of one single level commercial strip retail plaza with 19,152 square feet of leaseable area and a collection of four separate buildings totaling 47,756 square feet of a multi-tenanted industrial mall.</p>	\$7,100,000	19,152 sq. ft. commercial retail plaza  and  47,756 square feet multi-tenanted industrial mall	2008

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<b>754 Falconbridge Road, Sudbury, ON:</b> In April 2008, on behalf of Churchill VI, this property was acquired for \$1,500,000. The subject property is located on 1.18 acres and is improved with a single-level industrial/commercial strip plaza containing 12,658 of leaseable area.	\$1,500,000	12,658 sq. ft. industrial/commercial strip plaza	2008
<b>555 Barrydowne Road, Sudbury, ON:</b> In April 2008, on behalf of Churchill VI, this property was acquired for \$4,300,000. The subject property is located on 3.4 acres and is improved with a single-level strip commercial plaza containing 38,381 of leaseable area.	\$4,300,000	38,381 sq. ft. commercial retail plaza	2008
<b>501-505 Bryne Drive, Barrie, ON:</b> In January 2008, on behalf of Churchill V, this property was acquired for \$3,500,000 and has a leaseable area of 18,506 square feet. The purchase price, along with the other Barrie property acquisitions, was financed with cash and a new first mortgage loan in the amount of \$7,140,000 at an interest rate of 6% with Alterna Savings and Credit Union, which matured on February 1, 2011. This mortgage has been renewed by Alterna Savings and Credit Union and matures on February 5, 2016.	\$3,500,000	18,506 sq. ft. commercial retail plaza	2008
<b>508-510 Bryne Drive, Barrie, ON:</b> In January 2008, on behalf of Churchill V, this property was acquired for \$2,700,000 and has a leaseable area of 16,580 square feet. The subject property benefits from exposure as well as access to Highway 400. Furthermore, the property is located in a well located and developing business park.	\$2,700,000	16,580 sq. ft. commercial retail plaza	2008
<b>512-516 Bryne Drive, Barrie, ON:</b> In January 2008, on behalf of Churchill V, this property was acquired for \$4,000,000 and has a leaseable area of 29,510 square feet. The subject property is newly constructed circa 2000 and maintains exposure as well as access to Highway 400.	\$4,000,000	29,510 sq. ft. commercial retail plaza	2008
<b>2140 Regent Street, Sudbury, ON:</b> In January 2008, on behalf of Churchill V, this property was acquired for \$3,550,000 and was financed, along with the other Sudbury acquisitions, with a new first mortgage loan in the amount of \$9,630,000 at prime + 0.75% with the Royal Bank of Canada and maturing in June 2011. The subject property is improved with a single level strip commercial plaza containing 33,196 of leaseable area.	\$3,550,000	33,196 sq. ft. commercial retail plaza	2008

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>1895-1899 Lasalle Boulevard, Sudbury, ON:</b> In January 2008, on behalf of Churchill V, this property was acquired for \$2,250,000 and has a leaseable area of 30,380 square feet. The property was acquired with cash and the assumption of an existing first mortgage loan with Midland Loan Services in the amount of approximately \$800,000 at an interest rate of 6.59% and maturing in January 2013. The immediate area supports a wide range of commercial light/service industrial users and has access to Highway 17 off of Falconbridge Road.</p>	\$2,250,000	30,380 sq. ft. industrial/commercial multi-tenanted plaza	2008
<p><b>2141 Lasalle Boulevard, Sudbury, ON:</b> In January 2008, on behalf of Churchill V, this property was acquired for \$1,600,000 and has a leaseable area of 17,309 square feet. The subject property has ten tenants, benefits from good exposure to Lasalle Boulevard, and has access to Highway 17 off Falconbridge Road.</p>	\$1,600,000	17,309 sq. ft. industrial/commercial multi-tenanted plaza	2008
<p><b>43 Elm Street, Sudbury, ON:</b> In January 2008, on behalf of Churchill V, this attractive two-storey red brick building was acquired for \$5,000,000 and has a leaseable area of 37,988 square feet. The subject property is located in the heart of downtown Sudbury, benefits from exposure to Elm Street, and has access to Highway 17 off Elm Street. Two major tenants occupy the property with 14,873 being leased to TD Canada Trust and 17,869 square from a large external parking area in downtown foot being leased to RX Plus Ltd./Claims Secure. The property also benefits from a large external parking area in downtown.</p>	\$5,000,000	37,988 sq. ft. commercial office & retail building	2008
<p><b>122-126 Dell Street, Sudbury, ON:</b> In January 2008, on behalf of Churchill V, this property was acquired for \$4,000,000 and has a leaseable area of 48,008 square feet. Tenants include Canada Post and the site has access to Highways 17 and 69 via Kingsway Boulevard.</p>	\$4,000,000	48,008 sq. ft. three building multi-tenanted industrial complex	2008
<p><b>1390 Kingsway, Sudbury, ON:</b> In January 2008, on behalf of Churchill V, this property was acquired for \$1,700,000 and has a leaseable area of 9,029 square feet. The subject property benefits from exposure to the Kingsway, access to Highway 17, and was recently constructed circa 2005.</p>	\$1,700,000	9,029 sq. ft. commercial retail plaza	2008

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>236 - 246 Victoria Street, North Kitchener, ON:</b> In November 2007, on behalf of Churchill V, this property was acquired for \$8,700,000 and was financed with cash and a new first mortgage loan in the amount of \$6,300,000 at an interest rate of 5.71% and maturing in December 2012. The Kitchener/Waterloo area is enjoying solid economic performance as the “tech” centre for Canada. The demographics of this area are excellent. The property was improved with a new 31,600 square foot state of the art LA Fitness Centre, together with a renovated three storey commercial office building which comprises a total rentable area of approximately 22,276 square feet.</p>	\$8,700,000	53,876 sq. ft. office building & sports complex	2007
<p><b>Paris Building, Winnipeg, MB:</b> In September 2007, on behalf of Churchill V, a 75% interest in this 11-storey heritage office building in the centre of downtown Winnipeg at Portage and Garry Street (just off Portage &amp; Main) was acquired and a 25% interest in this property was acquired by Churchill IV Real Estate Limited Partnership (“<b>Churchill IV</b>”). This property was purchased for \$11,000,000. It has a gross building area of 128,822 square feet and a net rentable area of 91,000 square feet. An attractive first mortgage loan of approximately \$8,400,000 was assumed with 9 years remaining on a 10-year term at a blended rate of 6.23%. This property was successfully sold in April 2010 for \$12,900,000.</p>	\$11,000,000	91,000 sq. ft. heritage office building	2007
<p><b>126 - 128 Wellington Street, Barrie, ON :</b> In May 2007, on behalf of Churchill Wellington Square Limited Partnership, this property was acquired for \$15,000,000. This property consists of two Class A office buildings and is located adjacent to Highway 400 in Barrie, Ontario, approximately one and a quarter hours drive north of Pearson International Airport. The property is anchored by strong national tenants, which include Royal Bank of Canada, CIBC World Markets, London Life Insurance and Investors Group.</p>	\$15,000,000	84,182 sq. ft. Class “A” office building	2007

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>1945 Dundas Street East, Mississauga, ON:</b> on April 2, 2007, Churchill IV completed the acquisition of a 44,663 square foot mixed-use plaza located at 1945 Dundas Street East. The property is located in the south-eastern portion of the City of Mississauga, on the north side of Dundas Street East, just west of Summerville Court, between Highway 427 and Dixie Road. Dundas Street is a major east-west arterial road and is a four-lane two way traffic artery that extends eastward into the City of Toronto. The volume of traffic along Dundas Street East averages in excess of 58,000 vehicles per day. This \$5,700,000 transaction was completed with cash and a new \$4,100,000 first mortgage loan in favour of the Insurance Corporation of British Columbia, bearing an interest rate of 5.26% per annum and maturing in May 2012.</p>	\$5,700,000	44,663 sq. ft. office/retail	2007
<p><b>Denison Square, Markham, ON:</b> On March 15, 2007, Churchill IV completed the acquisition of a 37,245 square foot grocery anchored neighbourhood retail plaza in Markham, Ontario known as Denison Square. The site is located in close proximity to Highway 407 and is surrounded by existing and new residential development growth. This \$7,788,000 transaction was completed with cash and the assumption of an existing first mortgage loan with Manulife Financial in the principal amount of \$3,635,000 with an interest rate of 5.61% per annum and vendor financing. This property was successfully sold in December 2010 for \$8,000,000.</p>	\$7,788,000	37,245 sq. ft. grocery anchored shopping centre	2007
<p><b>The Barrie Portfolio, Barrie, ON:</b> In March 2007, on behalf of Churchill IV, this five property portfolio was purchased for \$21,550,000. The portfolio consists of two multi-tenanted industrial buildings, one single level retail property, a newly constructed multi-tenanted office building and a state-of-the-art fourteen screen Galaxy Cineplex theatre complex. The two multi-tenanted industrial buildings were acquired for \$5,500,000 and successfully sold in January 2011 for \$6,170,000.</p>	\$21,550,000	152,929 sq. ft. office/retail/industrial buildings	2007

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>Brampton Executive Centre, Brampton, ON:</b> In January 2007, on behalf of Churchill IV, this 6-storey, 79,000 square foot office building was purchased for \$11,188,000. The property is located within close proximity to the best amenities Brampton offers, including banks, cafes, restaurants, fitness facilities, parks, medical and other services. The major tenants include the Corporation of the City of Brampton and Brampton Transit, the Ontario Realty Corporation (Ministry of Health) and the YMCA. The Brampton GO TRAIN station is next to the building and the Bus Terminal is partially next to and under the property. This property was successfully sold in April 2010 for \$14,000,000.</p>	\$11,188,000	79,000 sq. ft. office buildings	2007
<p><b>St. Anthony's Medical Centre, Langford, BC:</b> In December 2006, on behalf of Churchill IV, this 24,185 square foot three-storey office building was purchased for \$5,700,000. The building is located on the north side of Goldstream Avenue, one lot east of Grainger road, in the City of Langford. It has a Pharmacy, an MDS Lab and X-ray facilities. It is a full service established professional medical building with 20 tenants. This property was successfully sold on April 1, 2010 for a sale price of \$6,470,000.</p>	\$5,700,000	24,185 sq. ft office buildings	2006
<p><b>Stroud Retail Plaza, Stroud, ON:</b> In November 2006, on behalf of Churchill IV, this 32,307 square foot single strip retail plaza was purchased for \$5,100,000. Stroud is located a short distance (less than 5 kilometres) south of City of Barrie on Highway 11 (Yonge Street); Barrie is positioned approximately 75 kilometres north of the City of Toronto along Highway 400. The plaza is anchored by tenancies of Pharma Plus Drugmart and TD Canada Trust.</p>	\$5,100,000	32,307 sq. ft. retail plaza	2006
<p><b>1310 Dundas Street East, Mississauga, ON:</b> In October 2006, on behalf of Churchill IV, the property was purchased for \$11,000,000. This property is a 101,310 square foot, 2-storey, mixed-use property featuring ground floor retail and second storey office space. The property is well located in the busy southeast portion of the City of Mississauga, a suburban community located in the western part of the GTA. This property has recently undergone a major exterior renovation and upgrade.</p>	\$11,000,000	101,310 sq.& office/retail	2006

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<b>Airdrie Industrial Land, Airdrie, AB:</b> On behalf of Churchill Mountainview Industrial Park Limited Partnership, this 160 acre parcel of land, twenty minutes north of Calgary Airport, was purchased in May 2006 for \$9,300,000. This property was subsequently re-sold in March 2007 for \$11,750,000.	\$9,300,000	160 acre land	2006
<b>Prince George Industrial, Prince George, BC:</b> In April 2006, on behalf of Eastern Avenue Industrial Limited Partnership, this established multi-tenant industrial property totaling 43,220 square feet was purchased for \$2,088,000. The property is located in the BCR Rail Park area, just east of the Fraser River, and southeast of central Prince George. The property is well located within close proximity to the Cariboo Highway (Highway #97) and the Prince George airport to the southeast. This property was successfully sold in August 2010 for \$2,600,000.	\$2,088,000	43,200 sq. ft. multi-tenant industrial property	2006
<b>Long Lake Plaza, Nanaimo, BC:</b> On behalf of Churchill III Real Estate Limited Partnership (“ <b>Churchill III</b> ”), this 38,405 square foot retail/office plaza was acquired for \$5,100,000. The property is a mixed-use retail commercial plaza and office complex along the Island Highway in Nanaimo, BC. The property is 100% leased to a cross-section of office and retail tenants.	\$5,100,000	38,405 sq. ft. office/retail plaza	2005
<b>Westbrook Shopping Centre, Langford, BC:</b> In October 2005, this 58,056 square foot food anchored retail strip plaza was acquired on behalf of Churchill III for \$8,075,000 and it was rebranded Langford Centre. The property was successfully sold in July 2009 for \$9,200,000.	\$8,075,000	58,056 sq. ft. retail	2005
<b>West Park Mall, Quesnel, BC:</b> On behalf of Churchill III, this property was acquired in July 2005 for \$6,000,000, representing less than \$56 per square foot. The property was approximately 30% vacant at the time of purchase. Since acquiring the property, Churchill III has increased its occupancy to 91.35%.	\$6,000,000	108,000 sq. ft. retail	2005

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>Royal Windsor Industrial, Mississauga, ON:</b> In April 2005, a 75% interest in this property was acquired for \$9,187,500 on behalf of Churchill II Real Estate Limited Partnership (“<b>Churchill II</b>”) and a 15% interest in this property was acquired on behalf of Churchill III for \$1,837,500. Mr. Langridge was instrumental in negotiating the terms of acquisition, and coordinating the assumption of the first mortgage loan. The property was repositioned and successfully sold in November 2007 for \$14,760,000 to a US based real estate company.</p>	\$12,250,000	205,404 sq. ft. industrial	2005
<p><b>Garibaldi Village Shopping Centre, Squamish, BC:</b> In February 2005, this newly constructed retail plaza was acquired on behalf of the Garibaldi Village Property Limited Partnership for \$9,225,000. The property is 39,154 square feet and includes such tenants as Starbucks, M&amp;M Meats, Subway, Boston Pizza and North Shore Credit Union. Mr. Langridge was actively involved in negotiating with the developer to acquire the property upon completion, and has played a key role in financing the acquisition. The property is currently 100% leased.</p>	\$9,225,000	39,154 sq. ft. retail	2005
<p><b>570 Dunsmuir Street, Vancouver, BC:</b> On behalf of Churchill II, this property was acquired in December 2004 for \$11,188,000. As a principal in Churchill International Property Corporation, Mr. Langridge was instrumental in implementing and completing the strategy to acquire the asset through a court-ordered sale. The property was successfully sold in April 2006 for \$15,000,000.</p>	\$11,188,000	76,725 sq. ft. office	2004
<p><b>Penticton Power Centre, Penticton, BC:</b> A 78.8% interest in this property was acquired in December 2004 for \$14,578,000 on behalf of Churchill II. As a principal in Churchill International Property Corporation, Mr. Langridge was instrumental in the identification of Lougheed Super Centre, rebranded as Penticton Power Centre, as an opportunity to provide a stable stream of investment income, while concurrently providing an opportunity to add value to the property by adding additional retail space from the construction of an additional retail pad site on the property. The property was successfully sold to Calloway Real Estate Investment Trust for \$29,750,000 in May 2006.</p>	\$18,500,000	175,182 sq. ft retail shopping centre on an overall site of 14.752 acres.	2004

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>Parkway Mall, Toronto, ON:</b> This property was acquired in 2003 for \$30,000,000 on behalf of the Churchill Institutional Real Estate Limited Partnership (“<b>Churchill I</b>”). As one of the three principals of Churchill Property Group, Mr. Langridge was instrumental in the identification of Parkway Mall as an opportunity to add value to the property through strategic management, upgrades to the property and certain re-leasing. This property was successfully sold in January 2004 for \$37,800,000.</p>	\$30,000,000	280,000 sq. ft enclosed mall	2003
<p><b>Queensway Business Park, Toronto, ON:</b> A 50% interest in this property was acquired in 2003 for \$11,250,000 on behalf of Churchill I. As a principal of Churchill Property Group, Mr. Langridge was instrumental in the identification of Queensway Business Park as a stable revenue-producing property with the opportunity to increase revenues through pro-active lease management and a small redevelopment. The one-half interest in this property was sold for \$12,800,000 in March 2004.</p>	\$22,500,000	334,200 sq. ft of gross building area on an overall site of 20.73 acres	2003
<p><b>Four Seasons Mobile Home Park, Atlanta, Georgia:</b> This property was acquired by Four Seasons Mobile Home Park LP, a Georgia limited partnership in which Mr. Langridge was a limited partner. The general partner of the limited partnership was MHC Capital Corp. of which Mr. Langridge was the sole shareholder. Mr. Langridge negotiated the financing and acquisition of this property. The property was managed at all material times by a private property management company. Mr. Langridge negotiated a direct sale of the property at a profit to a U.S. real estate investment trust (REIT).</p>	U.S. \$2,400,000	216 home sites	2000
<p><b>Cambridge Grand, Cambridge, ON:</b> Mr. Langridge was a principal in the acquisition, refurbishment and resale of this property as individual condominium units to the general public. Resale proceeds totaled \$16,965,000.</p>	\$12,500,000	169 apartments	2000
<p><b>Meadowglen, Atlanta, Georgia:</b> Mr. Langridge, as President of Churchill Property Corporation, a private Georgia corporation of which he was the sole shareholder and employee, identified this property and negotiated its purchase. After undertaking the due diligence and appraisal work, Mr. Langridge arranged for Churchill Property Corporation (Georgia) to acquire the property as a joint venture project with Julien LeCraw &amp; Co. The property was successfully resold in 2006.</p>	U.S. \$30,000,000	646 apartments	1997

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>710 Peachtree, Atlanta, Georgia:</b> Mr. Langridge, as President of Churchill Property Corporation (Georgia), identified the opportunity to acquire this high-rise apartment building. Mr. Langridge negotiated the acquisition of the property through a limited partnership constituted with Churchill Property Corporation (Georgia) as general partner, and effected a U.S. Department of Housing and Urban Development financing on the property. Nine months later, after the property had been refurbished, Churchill Property Corporation (Georgia) and five limited partners sold their respective interests in the property to the remaining limited partner at a significant profit.</p>	U.S. \$14,200,000	535 apartments	1997
<p><b>Thrashers Meadow, Seattle, Washington:</b> Mr. Langridge was retained by Strand Development Corporation to locate and negotiate suitable apartment acquisitions for syndication to Strand Development Corporation's clients. Mr. Langridge identified this property and undertook the due diligence and appraisal work leading to its acquisition by Strand Development Corporation.</p>	U.S. \$7,000,000	120 apartments	1997
<p><b>British Pacific Centre, La Jolla, California:</b> From 1990 until 1996, Mr. Langridge was Vice President, Development of British Pacific Properties Corporation. In such capacity, he located this property at a time when it had a 50% vacancy rate. Mr. Langridge negotiated the acquisition of the property and oversaw its management until it was fully leased.</p>	U.S. \$12,000,000	100,000 sq. ft. office	1993
<p><b>Marlborough Court, Burnaby, BC:</b> As Vice President, Development of British Pacific Properties Corporation, Mr. Langridge located this property at a time when it had a 25% vacancy rate. He negotiated the acquisition of the property and oversaw its management until it was fully leased, at which time it was sold.</p>	\$6,300,000	84,000 sq. ft. office	1992
<p><b>Peachtree Dunwoody, Atlanta, Georgia:</b> As Executive Vice President of North American Property Corporation, Mr. Langridge identified this building at a time when it had a 25% vacancy rate. He negotiated its financing and purchase, and facilitated a shift in the building's emphasis from general office uses to a medical office building. The building is still owned by North American Property Corporation.</p>	U.S. \$11,500,000	126,000 sq. ft. office	1990

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>Hampton Ridge Apartments, Atlanta, Georgia:</b> Mr. Langridge identified this property, undertook all due diligence, and negotiated the financing to facilitate its acquisition. The building was purchased by Mr. Langridge and Macdonald Developments, a private company, as a joint venture project, and resold at a profit.</p>	U.S. \$12,600,000	300 apartments	1989
<p><b>Anglo Gibraltar Building, London, ON:</b> As Vice President of Development of First Equities Corporation, Mr. Langridge arranged the financing for the acquisition of this property by a joint venture in which First Equities Corporation was a party.</p>	\$7,200,000	80,000 sq. ft. office	1986
<p><b>Continental Building, London, ON:</b> As Vice President of Development of First Equities Corporation, Mr. Langridge arranged the financing for the acquisition of this property by a joint venture in which First Equities Corporation was a party.</p>	\$3,200,000	42,000 sq. ft. office	1985
<p><b>Hartsfield International Airport Park, Atlanta, Georgia:</b> As Vice President of Development of First Equities Corporation, Mr. Langridge located 42 acres of land near an airport for acquisition by First Equities Corporation. Mr. Langridge oversaw the construction of the main road and sewers on this property. The property was subsequently sold to Peterson Properties, an industrial building developer.</p>	U.S. \$2,300,000	42 acres	1985
<p><b>Fulton Industrial Business Park, Atlanta, Georgia:</b> As Vice President of Development of First Equities Corporation, Mr. Langridge was directly involved in negotiating the financing and acquisition of this property when it consisted of an eight-acre parcel of raw land. Mr. Langridge subsequently oversaw the development of the property into a 150,000 square-foot, multi-tenant business park. The property was fully leased in 18 months and then sold.</p>	U.S. \$6,000,000	150,000 sq. ft. industrial business park, development	1985
<p><b>Coral Gables, Coral Gables, Florida:</b> As Vice President of Development of First Equities Corporation, Mr. Langridge identified this property, undertook due diligence, and negotiated the financing and acquisition. The property was still owned by First Equities Corporation at the time of Mr. Langridge's departure from that company.</p>	U.S. \$10,250,000	166 hotel rooms	1985

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<p><b>Parklane Townhomes, Atlanta, Georgia:</b> From 1978 until 1983, Mr. Langridge was Executive Vice President of North American Property Corporation, a private real estate investment company based in Vancouver, British Columbia. In such capacity, Mr. Langridge participated in the purchase of this property and oversaw its conversion from rental townhouses to condominium townhouses. The townhouses were sold individually within nine months of their acquisition by North American Property Corporation.</p>	U.S. \$2,400,000	70 townhouses	1982
<p><b>3281 Marjan Drive, Atlanta, Georgia:</b> As Executive Vice President of North American Property Corporation, Mr. Langridge negotiated the financing and acquisition of this property, which was subsequently sold.</p>	U.S. \$580,000	42,000 sq. ft. warehouse	1981
<p><b>Cornwall Court, Vancouver, BC:</b> As Executive Vice President of North American Property Corporation, Mr. Langridge participated in the purchase and redevelopment of this property. Two houses were demolished and replaced with twelve townhouses which were subsequently sold.</p>	\$2,400,000	12 townhouses	1980
<p><b>Lamplighter Apartments, Seattle, Washington:</b> As Executive Vice President of North American Property Corporation, Mr. Langridge participated in the purchase and reclassification of this property as condominium townhouses. At the time of its acquisition, it was a rental property that was the subject of a 40-year lease. Mr. Langridge negotiated the purchase of both the freehold and leasehold interests, and facilitated the filing of a condominium conversion declaration. The property was subsequently sold by North American Property Corporation to a condominium conversion company headquartered in Calgary.</p>	U.S. \$8,000,000	178 townhouses	1979
<p><b>3176 Marjan Drive, Atlanta, Georgia:</b> As Executive Vice President of North American Property Corporation, Mr. Langridge negotiated the financing and acquisition of this property, which was subsequently sold.</p>	U.S. \$650,000	64,000 sq. ft. warehouse	1979
<p><b>Centerview Apartments, Atlanta, Georgia:</b> As Executive Vice President of North American Property Corporation, Mr. Langridge oversaw the purchase and renovation of this property, and its sale two years later.</p>	U.S. \$2,300,000	128 apartments	1978

<b>COMMERCIAL PROPERTIES</b>			
<b>Property</b>	<b>Purchase Price</b>	<b>Description</b>	<b>Year</b>
<b>Cambridge Industrial Park, Cambridge, United Kingdom:</b> Mr. Langridge served as Vice President of Coral Estates of Bond Street from 1973 to 1975. In such capacity, he oversaw the construction of industrial buildings on this property for lease. The property was still owned by Coral Estates of Bond Street at the time of Mr. Langridge's departure from that company in 1975.	\$24,500,000	industrial	1973

In addition to his 40 years of real estate experience, Mr. Langridge is the Chairman and Chief Executive Officer and a founder of Churchill Property Group. In 2003, Churchill Property Group organized Churchill I, which along with CPG Capital Corp. ("CPG"), raised total cash proceeds from its joint offering of \$14,967,500.

On January 22, 2003, Churchill I acquired Parkway Mall in Scarborough, Ontario for an effective purchase price of \$30,000,000 (before acquisition costs). Parkway Mall was a 282,000 square foot enclosed mall situated in a predominantly residential neighbourhood with a mix of single and multi-tenanted homes. It serves as this neighbourhood's main centre for shopping and medical, dental and professional services. A significant percentage of Parkway Mall's revenue is derived from major tenants with strong financial covenants, including at that time Dominion Food Stores, Liquor Control Board of Ontario, Shoppers Drug Mart, Zeller's, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, TD Canada Trust, a branch of the Scarborough Library, McDonald's Restaurant, Kentucky Fried Chicken, Payless Shoes, Home Hardware and 116 other stores and services. Churchill I subsequently sold the Parkway Mall on January 30, 2004 for gross proceeds of \$37,800,000.

As Chairman and Chief Executive Officer of Churchill Property Group, Mr. Langridge was instrumental in the identification and acquisition of Parkway Mall as an investment for Churchill I having the potential for improved cash flow and increased value by more effective management and refurbishment.

Churchill I also acquired an undivided 50% interest in Queensway Business Park on October 8, 2003 for an effective purchase price to it of \$11,500,000 (before acquisition costs), with a total cost of the property of \$22,500,000. Queensway Business Park is located within close proximity to Toronto's downtown core and the Lester B. Pearson International Airport. Queensway Business Park is an unenclosed business park consisting of 10 industrial/office buildings totaling 334,200 square feet of gross building area and 332,594 of net leasable area. The overall site is 20.73 acres. The property was leased to a diverse number of tenants with staggered lease expiry dates. Churchill I subsequently sold its interest in the Queensway Business Park for total gross proceeds of \$12,800,000 less than six months later on March 1, 2004.

Mr. Langridge was instrumental in the identification of Queensway Business Park as a stable revenue-producing property that would preserve capital invested and add annual income by detailed attention to lease negotiations, thereby increasing capital value.

In 2004, Churchill International Securities organized Churchill II, which along with Churchill Debenture Corp., raised total cash proceeds of \$13,750,000.

On December 3, 2004, Churchill II acquired a modern 8-storey office building located at 570 Dunsmuir Street in downtown Vancouver for an effective purchase price of \$11,188,000 (before acquisition costs). 570 Dunsmuir Street is a completely renovated office building with a gross building area of approximately 76,725 square feet with a diverse mix of tenants, primarily catering to educational facilities. Churchill II financed the acquisition of 570 Dunsmuir with cash and an \$8,391,000 first mortgage loan in favour of Column Canada Financial. The mortgage has a 10-year term with a fixed interest rate of 5.80%. The building was rebranded as "The Churchill Building". The Churchill Building was sold in April of 2006 for \$15,000,000.

In addition, on December 22, 2004, Churchill II acquired the Lougheed Super Centre in Penticton, British Columbia. The shopping centre is located on 14.752 acres and encompassed a combined leaseable floor area of approximately 175,182 square feet. Following the acquisition, the shopping centre was re-branded the "Penticton Power Centre" and was further enhanced by the addition of a 26,000 square foot stand alone building leased for 15 years to Winners International. The property is located on the main retail corridor in Penticton and is home to a number of well-recognized national tenants with strong financial covenants, including at that time Zellers, Staples Business Depot, Petcetera, TD Canada Trust, and Sleep Country Canada. The purchase price of the shopping centre was \$18,500,000, and Churchill II entered into a co-ownership agreement to own a 78.8% undivided interest in the property. The Penticton Power Centre was sold to Calloway Real Estate Investment Trust for \$29,750,000 on May 24, 2006.

In April 2005, Churchill II acquired a 75% undivided interest in the Royal Windsor Industrial multi-tenanted industrial complex. This industrial property consisted of 204,166 square feet of industrial storage and office space and was fully leased to six tenants. The asset was acquired for a purchase price of \$12,250,000, representing a cost per square foot of \$60.00, well below replacement cost. The Royal Windsor Industrial buildings were sold to a United States based institutional investment fund for \$14,760,000 in November 2007.

In 2005, Churchill International Securities organized the Churchill III which, along with Churchill III Debenture Corp., raised total cash proceeds of \$9,487,500.

In April 2005, along with Churchill II, Churchill III acquired a 10% undivided interest in the above-mentioned Royal Windsor Industrial multi-tenanted industrial complex. The Royal Windsor Industrial buildings were sold to a United States based institutional investment fund for \$14,760,000 in November 2007.

On July 25, 2005, Churchill III acquired a 100% undivided interest in the West Park Mall shopping centre located in Quesnel, BC. West Park Mall is a 108,749 square foot neighbourhood mall located on the west side of the City of Quesnel. The property includes such recognizable tenants as Save-On-Foods, Fields Department Store, Lensmasters, The Source, Ardene's, Warehouse One and other notable local tenants. West Park Mall has a good location central to the majority of Quesnel's regional population base. Churchill III funded the acquisition with cash and a new \$4,200,000 first mortgage loan on the property in favour of GMAC Commercial Mortgage, bearing an interest rate of 5.2% per annum and maturing in 2015.

On October 5, 2005, Churchill III acquired the Westbrook Shopping Centre. Westbrook Shopping Centre is a 58,056 square foot food-anchored neighbourhood convenience centre located in the centre of Langford, BC, the fastest growing community in Greater Victoria. The property is anchored by Western Foods, which has served the local community for some 30 years and has a loyal local customer base. Westbrook Centre benefits from a central location in the centre of Langford on Goldstream Avenue west of Veterans Memorial Parkway, two local arterial roads. Further, the site is close to the major regional highways Island Highway #1 and Highway #14. Churchill III funded the acquisition with cash and a new \$6,112,500 first mortgage loan on the property in favour of Column Financial Canada, bearing an interest rate of 4.39% per annum and maturing in 2010. The Westbrook Shopping Centre was rebranded "Langford Centre". Churchill III added value to the property by constructing a stand-alone Starbucks retail store on the property and entered into a 15 year lease with Starbucks Corporation. The Langford Centre was successfully sold to a public real estate company in July 2009 for gross proceeds of \$9,200,000.

In addition, Churchill III acquired the Long Lake Plaza on November 25, 2005. Long Lake Plaza is a 38,405 square foot retail and office convenience centre located adjacent to the Island Highway and other major retail complexes in Nanaimo, British Columbia. The property's major tenant is Timberwest Forest Products, a publicly listed fully integrated forest products company. Other notable tenants include Taco Time, Jordans Rugs and Coldwell Banker Real Estate. The property is currently 100% leased and is performing according to forecast. Churchill III funded the acquisition with cash and a new \$3,825,000 first mortgage loan on the property in favour of Coast Capital Savings Credit Union, bearing an interest rate of 5.23% per annum. This mortgage was recently renewed at 5.7% maturing in 2014. In 2010, Churchill III Debenture Corp. held a special extraordinary meeting

of its Series A Debentureholders to extend the maturity date of its Series A Debentures. The Series A Debentureholders voted 98.06% in favour of extending the maturity date of the Series A Debentures of Churchill III Debenture Corp. to December 31, 2013.

In 2006, Churchill International Securities organized the Churchill IV which, along with Churchill IV Debenture Corp., raised total cash proceeds of \$30,000,000.

In October 2006, Churchill IV completed the purchase of a 101,310 square foot mixed-use plaza located at 1310 Dundas Street East, Mississauga, Ontario. The purchase price was \$11,000,000, plus standard closing costs and adjustments. Churchill IV funded the acquisition with cash and a new \$7,800,000 first mortgage loan on the property in favour of Manulife Financial, bearing an interest rate of 4.99% per annum and maturing in 2011. During the recent economic recession, Churchill IV experienced a higher than average level of tenant defaults at this property. Consequently, Churchill IV increased its marketing and advertising of the vacant space, with the objective being to re-lease the vacant space in a timely fashion. In addition, Churchill IV has undertaken a major exterior renovation and upgrade to the property. This capital reinvestment in the property is designed to attract higher quality tenants at increased rental rates. This property is currently 93.22% leased.

In November 2006, Churchill IV completed the purchase of a 32,307 square foot retail plaza located at 7975 Yonge Street, Innisfil, Ontario. The purchase price was \$5,100,000, plus standard closing costs and adjustments. Churchill IV funded the acquisition with cash and a new \$3,575,000 first mortgage loan on the property in favour of CIBC Mortgages bearing an interest rate of 4.97% per annum and with a maturity date of December 2011. The property located at 7975 Yonge Street is comprised of a single level strip retail plaza containing 32,307 square feet of net leaseable area on a site of approximately three acres. Two large tenants have recently exited the complex and these spaces have not yet been re-leased. Consequently, the complex is presently 69.31% leased. The existing tenants include TD Canada Trust and Pharma Plus Drugmart. Churchill IV is currently designing an exterior upgrade to the plaza to attract new complementary tenants.

In December 2006, Churchill IV completed the purchase of a 26,930 square foot three story medical office building located at 592 Goldstream Avenue, Langford, British Columbia. The purchase price was \$5,700,000, plus standard closing costs and adjustments. Churchill IV funded the acquisition with cash and a new \$4,200,000 first mortgage loan bearing interest at 5.397% on the property in favour of Colliers International Mortgage Corporation with a maturity date of January 2012. This property was successfully sold on April 1, 2010 for a sale price of \$6,470,000.

In January 2007, Churchill IV completed the purchase of a 76,451 square foot Class 'A' suburban office building located at 8 Nelson Street West, Brampton, Ontario on the northwest corner of Main Street North (Highway #10) and Nelson Street West within the Brampton office node. The purchase price was \$11,188,000, plus standard closing costs and adjustments. Churchill IV funded the acquisition with cash and a new \$8,391,000 first mortgage loan at a 5.46% annual rate on the property in favour of General Electric Capital Canada with a maturity date of February 2012. The property is comprised of a six story multi-tenant office building with a total of 76,451 square feet, constructed in 1990 and situated on approximately 1.03 acres. The building is attached to the Brampton Bus Terminal, and is within a short walking distance to the Brampton GO station. In 2008, the building's anchor tenant, Hub Group Insurance ("**Hub**") notified the landlord that they would be vacating its premises before the expiry of its lease term in August 2010. Consequently, Churchill IV engaged in negotiations with other prospective tenants to backfill the vacated Hub space. Churchill IV entered into a new 15-year lease with the Corporation of the City of Brampton (the "**City of Brampton**") to lease 100% of the space vacated by Hub. Churchill IV is required to outfit the space to the City of Brampton's design standards and provide a one year base rental free period on a portion of the occupied premises. Currently, the building is 98.5% leased to a high quality calibre tenant roster including the City of Brampton and Brampton Transit, the Ontario Realty Corporation (Ministry of Health) ("**Ontario Realty**") and the YMCA. More importantly, these three largest tenants occupy over 75% of the total building and contribute 74% of the total gross rental revenue. This property was successfully sold in April 2010 for \$14,000,000.

On March 8, 2007, Churchill IV completed the purchase of a five property portfolio in Barrie, Ontario. The portfolio consists of two multi-tenanted industrial buildings, one single-level retail property, a newly constructed multi-tenanted office building, and a state-of-the-art fourteen screen Galaxy Cineplex theatre complex. This \$21,550,000 transaction was funded with cash and new mortgages totaling \$16,117,500 at an annual rate of 5.342% with a maturity date of April 2012. The two multi-tenanted industrial buildings within the portfolio represented \$5,500,000 of the total portfolio purchase price. In January 2011, these two buildings were successfully sold for \$6,170,000.

On March 15, 2007, Churchill IV completed the acquisition of a 37,245 square foot grocery anchored neighbourhood retail plaza in Markham, Ontario known as Denison Square. The site is located in close proximity to Highway 407, and is surrounded by existing and new residential development growth. This \$7,788,000 transaction was financed with cash and the assumption of an existing first mortgage loan with Manulife Financial with an interest rate of 5.61% per annum and vendor financing. This property was successfully sold in December 2010 for \$8,000,000.

On April 2, 2007, Churchill IV completed the acquisition of a 44,643 square foot mixed-use plaza located at 1945 Dundas Street East. The property is located in the south-eastern portion of the City of Mississauga, on the north side of Dundas Street East, just west of Summerville Court, between Highway 427 and Dixie Road. Dundas Street is a major east-west arterial road, and is a four-lane two way traffic artery that extends eastward into the City of Toronto. The volume of traffic along Dundas Street East averages in excess of 58,000 vehicles per day. This \$5,700,000 transaction was completed with cash-on-hand and a new \$4,100,000 first mortgage in favour of the Insurance Corporation of British Columbia, bearing an interest rate of 5.26% per annum and maturing in 2012. As a result of a large office tenant vacating its premises at the end of its lease term in the last quarter of 2008 and two retail tenants defaulting on their lease obligations, Churchill IV experienced a higher than average level of vacancy at this property. Similar to the strategy employed at the 1310 Dundas Street East property, Churchill IV will be completing a major exterior renovation and upgrade to the property. This capital reinvestment in the property is designed to attract higher quality tenants at increased rental rates. This property is currently 52.72% leased.

Finally, Churchill IV completed its final asset purchase on September 11, 2007. Churchill IV acquired a 25% beneficial interest in a 91,071 square foot heritage office building located at 259 Portage Avenue, Winnipeg, Manitoba known as the Paris Building. The total purchase price for the building was \$11,000,000 plus standard closing costs and adjustments, representing a \$2,750,000 purchase price for Churchill IV. The Paris Building has a high profile and has been a historic landmark asset in Winnipeg's central business district for decades. Situated one block west of Winnipeg's most heavily trafficked intersection of Portage Avenue and Main Street and fronting the city's principal traffic artery, Portage Avenue, the Paris Building has enjoyed a strategic locational advantage throughout its history. Churchill IV funded the acquisition with cash and the assumption of the existing first mortgage loan in the amount of approximately \$8,425,000 at a blended rate of 6.23% on the property in favour of Computershare Trust Company of Canada with a maturity date of August 1, 2016. During its ownership, Churchill IV replaced a tenant on the 6th floor of the Paris Building with a new tenant, the Province of Manitoba. Churchill IV entered into a new 15-year lease with the Province of Manitoba which took occupancy of the 6th floor of the Paris Building on June 1, 2009. The negotiation of this lease and the tenancy of the Provincial Government was instrumental in adding value to this property. This property was successfully sold in April 2010 for \$12,900,000.

As a result of the operational events contracted on the Dundas properties and the landlord's obligations at the Brampton and Paris buildings, Churchill IV Partners Inc., Churchill IV's general partner, elected to temporarily suspend distributions on the Churchill IV units and defer interest on its Series A Debentures for the first two quarters of 2009. With results obtained throughout 2009 and 2010, Churchill IV Debenture Corp. reinstated partial interest payments (4%) on the Series A Debentures in the third quarter of 2009, with full interest payments (8%) reinstated in the final quarter of 2009. Churchill IV's objective was to allocate all available cash flow towards the capital requirements necessary to meet the re-leasing obligations at the Brampton Executive Centre

and the Paris Building, along with allocating sufficient capital to the re-leasing and refurbishment efforts of its two Dundas Street properties and the Stroud Plaza. Churchill IV believes that this decision is in the best long-term interests of its limited partners and preserved the long-term capital value of the assets within its portfolio. In May 2010, Churchill IV Debenture Corp. made an interest payment to its Series A Debentureholders that brought current all accrued and outstanding interest on its Series A Debentures. For the remainder of 2010, Churchill IV Debenture Corp. paid all interest in full and on time and has partially redeemed the principal amount of \$2,400,000 of the Series A Debentures. Further, Churchill IV made a special distribution to its limited partners to bring current their minimum return and for the remainder of 2010 paid the minimum return in full and on time.

In 2007, Churchill International Securities organized Churchill V which, along with Churchill V Debenture Corp., raised total gross cash proceeds of \$25,561,250.

On September 11, 2007, Churchill V completed its first asset purchase. Churchill V acquired a 75% beneficial interest in the 91,071 square foot heritage office building located at 259 Portage Avenue, Winnipeg, Manitoba known as the Paris Building. As referenced above, Churchill IV acquired the remaining 25% interest in the Paris Building. The total purchase price for the building was \$11,000,000 plus standard closing costs, taxes and adjustments related to the purchase and mortgage financing. Based on the building's purchase price, this represented a \$8,250,000 proportional purchase price for Churchill V. The combined acquisition was funded by the assumption of the existing first mortgage loan in the amount of approximately \$8,425,000 at a blended rate of 6.23% on the property in favour of Computershare Trust Company of Canada with a maturity date of August 1, 2016 with the balance of the purchase price and related expenses paid in cash, based on their respective proportional ownership interests, by Churchill IV and Churchill V. At the time of purchase, the property was 95% leased to a broad array of tenants. During its ownership, Churchill IV and Churchill V increased the occupancy to 100%. This property was successfully sold in April 2010 for \$12,900,000.

In November 2007, Churchill V completed the purchase of 236 & 246 Victoria Street, Kitchener Street, Waterloo, Ontario for a combined purchase price of \$8,700,000 plus standard closing costs, taxes and adjustments related to the purchase and mortgage financing. These assets are located within a geographic region which continues to benefit from being one of Canada's leading technology centres. The first building, 264 Victoria Street, consists of a modern, high quality purpose-built 31,600 square foot LA Fitness facility which is 100% leased and occupied. The facility includes a 25,000 square foot ground floor area together with two mezzanines totaling approximately 6,600 square feet. Established in 1984 and headquartered in Texas, LA Fitness is an internationally recognized member fitness facility provider with locations in major metropolitan areas throughout North America. The second building, 236 Victoria Street, consists of a 22,276 square foot three storey walk-up commercial office building and is fully leased to three tenants. The property is in very good condition, with no sign of deferred maintenance, and is an attractive high quality commercial office building constructed with quality materials and features well designed finished office space areas which are attractive to a mix of office space users. Churchill V funded the acquisition with a new first mortgage loan in the amount of \$6,300,000 at an annual interest rate of 5.719% on the property in favour of Laurentian Bank of Canada with a maturity date of December 1, 2012, with the balance of the purchase price and related expenses paid in cash by Churchill V.

In January 2008, Churchill V completed the purchase of a portfolio of three retail buildings in Barrie, Ontario and six mixed use multi-tenanted buildings in Sudbury, Ontario for a total combined purchase price of \$28,500,000 plus standard closing costs, taxes and adjustments related to the purchase and mortgage financing.

Barrie is one of the fastest growing cities in Canada with an average annual household income of \$75,000. The subject properties benefit from exposure and access to Highway 400 and are in a well located and developing business park. The subject properties are of relatively new construction circa 2000.

The immediate area around the Sudbury properties supports a wide range of commercial light/service industrial users and has access to Highway 17 off of Falconbridge Road, Elm Street or Kingsway Boulevard. The

properties are well located in the heart of downtown Sudbury and benefit from good exposure to Lasalle Boulevard. Major tenants within the property portfolio include such notable names as TD Canada Trust, TD Waterhouse, Canada Post Corporation and RX Pharma Plus Ltd./Claims Secure.

Churchill V funded the acquisitions of five of the Sudbury properties with a new first mortgage loan from the Royal Bank of Canada, with the balance of the purchase price and related expenses paid in cash by Churchill V. The remaining property acquired in Sudbury was funded with the assumption of an existing first mortgage loan in favour of Midland Loan Services in the amount of approximately \$800,000 at an annual interest rate of 6.59% with the balance of the purchase price and related expenses paid in cash by Churchill V. The portfolio of Barrie properties was funded with a new first mortgage loan from Alterna Savings and Credit Union Limited in the amount of \$7,140,000 at an annual interest rate of 6.0% with the balance of the purchase price and related expenses paid in cash by Churchill V. Churchill V is currently in discussions with various prospective lenders to refinance this maturing first mortgage loan. Churchill V expects to replace the existing mortgage loan at a reduced interest rate.

In 2008, Churchill International Securities organized Churchill VI which, along with Churchill VI Debenture Corp., raised total gross cash proceeds of \$25,501,250.

In April 2008, Churchill VI completed its first asset purchase. Churchill VI acquired a portfolio of assets located in Sudbury, Ontario for a combined purchase price of \$12,900,000 plus standard closing costs, taxes and adjustments related to the purchase and mortgage financing. The City of Greater Sudbury is a regional shopping destination serving north-eastern Ontario, with approximately 300,000 people living within a 100 kilometre radius. The assets consist of a collection of retail and industrial properties with a combined gross leasable floor area of approximately 117,947 square feet. The properties are in excellent physical condition, with no major signs of deferred maintenance. Churchill VI funded the acquisition with a new first mortgage loan in the amount of \$7,740,000 at an annual interest rate of Prime +1.75% on the property in favour of Royal Bank of Canada with the balance of the purchase price and related expenses paid in cash by Churchill VI.

In June 2008, Churchill VI acquired a 70,331 square foot, 9-storey, Class 'A' office property located at 40 Holly Street, Toronto, Ontario for \$11,800,000. 40 Holly Street is strategically located within the Yonge-Eglinton Centre, which is located in the City of Toronto's midtown area. The area benefits from an excellent location being at the crossroads of two major intersections and enjoys easy access to the Yonge Street subway line and surface level transit. The property was over 25% vacant at the time of purchase. Since the acquisition, Churchill VI successfully leased virtually all vacant space (nearly 18,500 square feet) at contractually escalating rental rates. The property was 100% leased at the time it was sold in 2010. Churchill VI funded the acquisition with a new first mortgage loan in the initial amount of \$6,000,000 with Laurentian Bank of Canada. The loan provided the ability to make additional advances, to a maximum of \$8,500,000, as the property was leased up. The loan had a floating rate of interest at prime +1.25%, with a maturity date of July 1, 2011. This property was successfully sold in April 2010 for \$14,000,000 and the Laurentian Bank loan was repaid in full.

In July 2008, Churchill VI acquired a 50% beneficial interest in the properties located at 709, 719 and 721 Yates Street, Victoria, British Columbia for \$5,400,000, with the remaining interest acquired by Churchill V. The buildings have a leasable area of approximately 58,000 square feet. The properties benefit from visual exposure to vehicles travelling south along Yates Street, a well-travelled one-way thoroughfare in downtown Victoria. In addition, these properties are prominently situated only blocks from numerous downtown attractions, some of which include The Bay shopping centre, Market Square, the Inner Harbour and St. Andrew's Square. The properties are currently undergoing a redevelopment incorporating 40 residential rental apartment units and the addition of two floors to one property and one floor to the adjacent property. The redevelopment is scheduled to be completed in the second quarter of 2011, at which time the residential rental apartment units are expected to be rented at market rates.

In June 2009, Churchill VI acquired a 50% beneficial interest in a 163,418 square foot industrial building in Saskatoon, Saskatchewan for \$21,006,000. The building consists of 140,000 square feet of freezer and cooler

space and 23,418 square feet of office space. The building is occupied by Maple Leaf Foods on a 20 year lease with regular rent steps every five years. Canadian Western Bank advanced a \$13,653,900 first mortgage loan at 6.5% with a term of five years and an amortization period of 20 years. The property was successfully sold in January 2010 for gross proceeds of \$25,500,000.

In January 2010, Churchill VI Partners Inc., Churchill VI's general partner, achieved a re-financing term from Canadian Western Bank for a new loan amount of \$17,300,000 at an annual interest rate of 5% for the balance of the five year term and a new 25 year amortization. This mortgage re-financing was primarily undertaken to facilitate the sale of the property to the new owner. Nonetheless, Churchill VI Partners Inc. considered this refinancing to be a positive event for the ownership of the property in the unlikely event the sale did not conclude.

In May 2010, Churchill VI acquired a 25% beneficial interest in a 100,398 square foot Class A office building in Vaughan, Ontario for \$34,750,800. The building is leased to Cara Operations Limited on a long-term lease expiring December 2028, with rental escalations every five years commencing 2013. The purchase of this property was funded with cash and a new first mortgage loan in the amount of \$24,325,000 with CDPQ, bearing interest at a rate of 5.44% per annum and interest only payments for three years.

Churchill VI and Churchill VII have entered into an unconditional contract to sell 50% of their respective interests in the property and closing is scheduled for mid-April 2011 for gross proceeds of \$21,000,000. Under the terms of this unconditional contract, the purchaser has also agreed to assume 50% of the liability obligations under the first mortgage loan of \$24,325,000 with CDPQ.

In 2009, Churchill International Securities organized Churchill VII, which, along with Churchill VII Debenture Corp., raised total gross proceeds of \$13,351,250.

In June 2009 contemporaneously with the purchase by Churchill VI of a 50% beneficial interest, Churchill VII acquired a 50% beneficial interest in a 163,418 square foot industrial building in Saskatoon, Saskatchewan for \$21,006,000. The building consists of 140,000 square feet of freezer and cooler space and 23,418 square feet of office space. The building is occupied by Maple Leaf Foods on a 20 year lease with regular rent steps every five years. Canadian Western Bank advanced a \$13,653,900 first mortgage loan at 6.5% with a term of five years and an amortization period of 20 years. The property was successfully sold in January 2010 for gross proceeds of \$25,500,000.

In January 2010, Churchill VII Partners Inc., Churchill VII's general partner, achieved a re-financing term from Canadian Western Bank for a new loan amount of \$17,300,000 at an annual interest rate of 5% for the balance of the five year term and a new 25 year amortization. This mortgage re-financing was primarily undertaken to facilitate the sale of the property to the new owner. Nonetheless, Churchill VII Partners Inc. considered this refinancing to be a positive event for the ownership of the property in the unlikely event the sale did not conclude.

In May 2010, Churchill VII acquired a 50% beneficial interest in a 100,398 square foot Class A office building in Vaughan, Ontario for \$34,750,800. The building is leased to Cara Operations Limited on a long-term lease expiring December 2028, with rental escalations every five years commencing 2013. The purchase of this property was funded with cash and a new first mortgage loan in the amount of \$24,325,000 with CDPQ, bearing interest at a rate of 5.44% per annum and interest only payments for three years.

In 2010, Churchill Real Estate organized Churchill 10, which along with Churchill 10 Debenture Corp., raised total gross proceeds of \$26,513,750.

In December 2010, Churchill 10 acquired three separate business park style Class B office buildings totaling 117,496 square feet of rentable area located at 2381, 2401 and 2421 Bristol Circle Drive, Oakville, Ontario. The total purchase price for the three properties was \$17,400,000 plus standard closing costs, taxes and adjustments

related to the purchase and mortgage financing. Churchill 10 funded the acquisition with cash and a new first mortgage loan with CIBC Commercial Mortgages in the amount of \$12,000,000 at an interest rate of 4.385%, maturing in 2016. The properties are strategically located adjacent to Winston Churchill Boulevard, south of Dundas Street, in the City of Oakville. The properties were 83.11% occupied at the time of purchase, providing Churchill 10 with the opportunity to lease the remaining vacant space and increase the properties net operating income over time.

In December 2010, Churchill 10 acquired a 50% beneficial interest in a 35,056 square foot medical office building located at 1900 Richmond Avenue, Victoria, British Columbia known as the Fort Royal Medical Centre. The Fort Royal Medical Centre is ideally located in the heart of Victoria's medical district, on the north side of the Jubilee Neighbourhood, bordering the municipality of Oak Bay. The property is only seven minutes from Downtown Victoria, and is directly across the street from Royal Jubilee Hospital, one of the only two hospitals serving Greater Victoria. The property also benefits from being in close proximity to the Sandringham Care Centre, a large, newly renovated facility providing psychogeriatric rehabilitative care.

Fort Royal Medical Centre is conveniently situated at the intersection of two major traffic routes, Richmond Road and Fort Street, giving the property great exposure and easy accessibility to Downtown Victoria and the surrounding communities that make up Greater Victoria. Directly across the street is a Pharmasave, making it easy for customers in Fort Royal Medical Centre to fill their prescriptions. Also just a short walk from the property is Royal Oak Shopping Centre, a new commercial plaza featuring tenants such as Safeway, Shoppers Drug Mart, TD Bank, other smaller shops, and a variety of restaurants.

The total purchase price for the property was \$10,725,000, plus standard closing costs. Churchill 10 funded their 50% beneficial interest in the property with cash and the assumption of the existing first mortgage loan with Coast Capital Savings Credit Union in the approximate amount of \$6,000,000 at an interest rate of 5.25% per annum, maturing on January 1, 2012.

In March 2011, Churchill 10 acquired a 100% beneficial interest in 100,000 square feet of retail and industrial space on two levels with a third level of underground parking below located at 3395 Tennyson Avenue and 602 Barbon Place, Victoria, British Columbia known as the SYSCO Foods / North Douglas Foods Building. This property sits on two acres of land on the south side of Boleskine Street, half a block west of Douglas Street and immediately east of Tennyson Avenue in the District of Saanich, British Columbia. Immediately across the street from the property is the new 850,000 square foot Uptown mixed-use development, which will feature tenants such as Wal-Mart, Shoppers Drug Mart, Whole Foods Market and Best Buy Canada and will be the largest mixed-use retail complex on Vancouver Island when complete. Currently, this property is vacant. However, Churchill 10 has five firm offers to purchase partial ownerships for retail and showroom use from retailers including End of the Roll Carpets and Gabriel Ross Canada. Churchill 10 intends to rent the balance of the retail and industrial space.

The total purchase price for the property was \$10,660,000, plus standard closing costs. Churchill 10 funded its 100% beneficial interest in the property with cash.

Also, in March 2011, Churchill 10 acquired a 22.5% beneficial interest in 10 acres of land alongside Highway 97 in Westbank, Kelowna, which is currently being developed into a shopping centre by Property Development Group, which is a 5% owner of the land. The land has been leased from the Westbank First Nations, which owns 50% of the land, for 99 years, commencing on March 31, 2011. The land is currently pre-leased to 70% of available capacity to tenants including Royal Bank of Canada, TD Canada Trust, Tim Hortons, Subway, Shoppers Drug Mart, Dollarama and an eight screen Landmark Cinema. The Westbank First Nations has approved of the development and building permits for this shopping centre at the local level. No other municipal authorities are involved. Currently, all of the offsite infrastructure is in place and the trees have been removed. The total purchase price for the property was \$3,885,000, plus standard closing costs.

For the development of the shopping centre, Churchill 10 will be obtaining a new first mortgage loan for \$28,200,000 with Valley First Credit Union, bearing interest at a rate of Prime +1.5% per annum and maturing 18 months from the funding date. Churchill 10 expects Valley First Credit Union to fund this mortgage in May 2011.

To date, Churchill 10 has deployed all of its net proceeds raised from its offering.

For the duration of Churchill I, the internal rate of return (the “**IRR**”) was approximately 18% and, for the duration of Churchill II, the IRR was approximately 12%. As Churchill III, Churchill VI, Churchill V, Churchill VI, Churchill VII and Churchill 10 continue to hold a significant number of properties, it is not possible to calculate the IRR for these limited partnerships.

#### **Brad J. Wise, MBA**

Mr. Wise, 41, a North Vancouver, British Columbia resident, brings with him over 16 years of experience in finance and business. From January 2004 to October 2009, Mr. Wise was Executive Vice President of Churchill International Property Corporation. In 2009, Mr. Wise assumed the role of President of Churchill International Property Corporation. In this role, Mr. Wise has been involved in all aspects of real estate due diligence related to development, management, acquisition, financing and profitable dispositions. As Executive Vice President and President of Churchill International Property Corporation, Mr. Wise is instrumental in the identification and acquisition of real estate assets as an investment for the Churchill funds having the potential for improved cash flow and increased value by more effective management and refurbishment. Mr. Wise has successfully structured equity, first mortgage financing and property dispositions for asset values of nearly \$500,000,000 during such tenure. From October 2002 to January 2004, Mr. Wise was a consultant with Trez Capital Corporation, a company engaged in the real estate finance sector. Mr. Wise was involved in capital raising initiatives and asset financing arrangements, securing in excess of \$13,000,000 during his tenure. Prior to his employment with Trez Capital Group, from July 1998 to September 2002, Mr. Wise served as Senior Vice President with Investor First Financial Inc., a boutique venture capital and investment banking firm in Vancouver. During his tenure, Mr. Wise successfully developed and secured financing in excess of \$100,000,000. From 1992 to 1998, Mr. Wise was a business development manager for a family run industrial organization and was previously employed by a Canadian chartered bank. Mr. Wise graduated from Simon Fraser University with a Master of Business Administration in 1996 and a Bachelor of Business Administration, specializing in finance in 1992. Mr. Wise has successfully completed the Canadian Securities Course and the Investment Funds in Canada Course.

#### **Kathryn M. Tuulos, BBA**

Ms. Tuulos, 34, a Port Moody, British Columbia resident, was appointed as Vice-President, Asset Management on January 25, 2011 and has been working with Churchill Property Corporation since September 2007. In her role as Vice-President, Property Management, for Churchill Property Corporation, Ms. Tuulos directs the leasing administration, including new leases and lease renewals, and has ensured focused asset management for all properties managed by Churchill Property Corporation or managed by third party property management companies. From August 2003 until August 2007, Ms. Tuulos was the general manager of Lonsdale Quay Market Corp., a company that owns, manages and operates Lonsdale Quay Market, a retail facility with approximately 80 tenants. Ms. Tuulos graduated from Simon Fraser University with a Bachelor of Business Administration and holds a British Columbia property management license.

#### **Christian C. Madsen, CA**

Mr. Madsen, 27, a Vancouver, British Columbia resident, was appointed as the Vice-President, Finance on January 25, 2011. He has been working with Churchill International Property Corporation since June 2010 and has been leading its conversion from Canadian GAAP to IFRS. From September 2005 until November 2009, Mr. Madsen was a senior staff accountant in the audit group at Ernst & Young, LLP where he spent the majority of his time working with real estate clients, most notably several large real estate investment funds managed by

Bentall LP. Mr. Madsen graduated from Mount Allison University with a Bachelor of Commerce in 2005. He is also a Chartered Accountant and a member of the Institute of Chartered Accountants of British Columbia.

***Limited Partnership***

The Limited Partnership is managed by the General Partner and does not have a board of directors or officers.

***Debenture Issuer***

The following are the names of and other information regarding the directors and executive officers of the Debenture Issuer:

<b>Name, Age, Municipality of Residence and Position Held</b>	<b>Principal Occupation during the preceding five years</b>	<b>Periods Served as a Director and Officer</b>	<b>Securities of the Debenture Issuer Beneficially Owned or Directly Controlled<sup>(1)</sup></b>	<b>Percentage of Class Outstanding</b>	<b>Percentage of Class Outstanding After Giving Effect to this Offering</b>
Philip J. Langridge West Vancouver, British Columbia, Canada President, Chief Executive Officer and Director	Business Executive, Director and Chief Executive Officer of Churchill Property Group Inc. from January 2002 to present; President and Chief Executive Officer of Churchill International Property Corporation from March 2001 to October 2009 and Chairman and Chief Executive Officer since then.	President, Chief Executive Officer and Director since January 11, 2011	Nil	N/A	Nil
Brad J. Wise North Vancouver, British Columbia, Canada Chief Financial Officer, Secretary and Director	Executive Vice President of Churchill International Property Corporation from January 2004 to October 2009 and President since then; Business Executive, Consultant to Trez Capital Corporation from October 2002 to January 2004; Senior Vice President of Investor First Financial from July 1998 to September 2002.	Executive Vice President, Chief Financial Officer and Director since January 11, 2011	Nil	N/A	Nil

Name, Age, Municipality of Residence and Position Held	Principal Occupation during the preceding five years	Periods Served as a Director and Officer	Securities of the Debenture Issuer Beneficially Owned or Directly Controlled <sup>(1)</sup>	Percentage of Class Outstanding	Percentage of Class Outstanding After Giving Effect to this Offering
Alan Richman Vancouver, British Columbia, Canada Director	Retired chartered accountant, Mr. Richman has over 45 years of business experience. He is a member of the Canadian Institute of Chartered Accountants, and more recently, has been involved in tax-advantaged resource flow through investments and select real estate investments and since March 2003, as President and CEO of Alrich Financial Inc. Previously he served as Vice President of Finance and Leasing for a Calgary real estate development company, and subsequently as principal of a Calgary commercial real estate agency. He has successfully completed the Canadian Securities course and the Professional Financial Planning course.	Director since January 11, 2011	Nil	N/A	Nil

## 11.2 Corporate Cease Trade Orders

Other than as disclosed below, no director or executive officer of the General Partner or the Debenture Issuer is, as at the date of this Prospectus, or was, within ten years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company, that: (a) was subject to a cease trade or similar order or an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the General Partner or the Debenture Issuer, or a shareholder holding a sufficient number of securities of the General Partner or the Debenture Issuer to affect materially the control of the General Partner or the Debenture Issuer, as applicable: (a) is, as at the date of this Prospectus, or has been within the 10 years before the date of this Prospectus, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement; or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director, or executive officer of the General Partner or the Debenture Issuer, or a shareholder holding a sufficient number of securities of the General Partner or the Debenture Issuer to affect materially the control of the General Partner or the Debenture Issuer, as applicable, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Philip Langridge, a director and officer of the Debenture Issuer and the General Partner, was a director and an officer of CPG. CPG became a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the “**Jurisdictions**”) by obtaining a receipt for its final prospectus on April 17, 2003. CPG, together with Churchill I, completed an offering of Series A Debentures of CPG and limited partnership units of Churchill I. On March 11, 2004, all of the Series A Debentures of CPG were redeemed, and therefore CPG determined to make application to obtain non-reporting issuer status in each of the Jurisdictions. Prior to such applications being filed, cease trade orders were issued against CPG by the Executive Director of the British Columbia Securities Commission on June 10, 2004, by the Director of the Manitoba Securities Commission on July 8, 2004 and by the Director of the Ontario Securities Commission on June 28, 2004 for the failure by CPG to file its interim financial statements for the financial period ended March 31, 2004. CPG was granted non-reporting issuer status in British Columbia on July 23, 2004 and in the other Jurisdictions on December 15, 2004, and the cease trade order remained in effect. As of September 28, 2007, Philip Langridge resigned as a director of CPG and CPG was dissolved by the Registrar of Companies on December 17, 2007.

### **11.3 Potential Conflicts of Interest**

The General Partner, through Churchill Real Estate, is indirectly owned by Philip J. Langridge and Brad J. Wise. The General Partner will be receiving various fees and payments from the Limited Partnership in respect of the acquisition and disposition of Properties, will be participating in the profits of the Limited Partnership, and is entitled to be allocated, to the extent earned, the Incentive Management Interest. All such fees will be paid to the General Partner for its own account and the General Partner will not have any obligation to account to the Limited Partnership or any Limited Partner for any such amounts.

The Limited Partnership will be obligated to pay interest and to repay principal to the Debenture Issuer under the Debenture Issuer Loan and to pay an annual loan fee and an ongoing loan commitment fee to the Debenture Issuer.

Mr. Langridge and Mr. Wise are directors of the Debenture Issuer. Under the Option Agreement, Churchill Real Estate has the right to acquire all of the issued and outstanding common shares of the Debenture Issuer.

None of the General Partner, Mr. Langridge or Mr. Wise is in any way limited or affected in its or his ability to carry on other business ventures for their own accounts and for the accounts of others, and are now, and intend in the future to be, engaged in the development of, investment in and management of other real estate properties. None of these persons will have any obligation to account to the Limited Partnership, the Limited Partners, the Debenture Issuer or the Debentureholders for profits made in such other activities.

## **12. EXECUTIVE COMPENSATION**

### **12.1 Compensation**

#### ***Limited Partnership***

The Limited Partnership does not have any directors or executive officers as it is managed by the General Partner.

### ***General Partner***

No compensation has been paid by the General Partner to Philip J. Langridge, President and Chief Executive Officer, or Brad J. Wise, Executive Vice-President and Chief Financial Officer, since the formation of the General Partner.

### ***Debenture Issuer***

No compensation has been paid to the directors or officers of the Debenture Issuer since its formation. The Debenture Issuer intends to pay to Alan Richman, an independent director of the Debenture Issuer, \$1,000 per calendar quarter following the Final Closing of the Offering.

## **12.2 Management Agreements**

Under the Amended and Restated General Partner Services Agreement, the General Partner has agreed to provide the following services to the Limited Partnership, for which it will be paid the fees set out below:

- (a) for structuring the Limited Partnership and this Offering, overseeing the preparation of this Prospectus, the offering and sale of Units, the completion of all matters related to the closing of subscriptions, the financing of each of the Properties and structuring, negotiating and arranging Mortgage Loans, the General Partner will be paid a Financing Fee in an amount equal to 1.5% of the gross purchase price of each Property, plus GST or HST, if applicable, which will be paid to the General Partner upon the completion of the funding of the financing required for the purchase of each such Property;
- (b) when necessary or advisable for negotiating and completing the sale of a Property on such terms and conditions and at such time as the General Partner may determine, the General Partner will be paid a fee upon disposition of each Property equal to 1.5% of the gross sales price received or receivable by the Limited Partnership in respect of the Property, plus GST or HST, if applicable; and
- (c) for overseeing and supervising property management of the Properties, overseeing the overall management, financial and business planning for the Limited Partnership, establishing appropriate legal and accounting systems for the Limited Partnership, reporting to the Limited Partners on an ongoing basis, liaising with the Lenders of the Mortgage Loans, attending to investor communications and providing overall management, financial and business planning, the General Partner will be paid a quarterly asset management fee of 0.375% of the Net Asset Value, plus any applicable taxes.

In addition, the General Partner will be entitled to be reimbursed for any deposits paid, all out-of-pocket expenses incurred by the General Partner in completing any of the above duties and a reasonable allocation of overhead and general and administrative expenses.

The Debenture Issuer has entered into the Administrative Services Agreement with Knightswood pursuant to which Knightswood has agreed to maintain: (i) its good standing under applicable securities legislation; and (ii) the listing of Knightswood shares on a designed stock exchange in Canada. In consideration therefor, and in consideration for the other covenants in the Administrative Services Agreement, the Debenture Issuer will pay to Knightswood a fee of \$5,000 for each calendar quarter. Under the Administrative Services Agreement the Debenture Issuer may also be required to pay an amount reflecting any excess out-of-pocket charges and expenses that Knightswood may incur as a result of additional work performed by Knightswood's auditor in preparing its consolidated financial statements as it relates to accounting and auditing matters pertaining to the Debenture Issuer.

### **12.3 Long-Term Incentive Plans-Awards**

None of the Limited Partnership, the Debenture Issuer or the General Partner has a long-term incentive plan so that none of them has made awards under any such plan in the period from the date of its respective formation to the date of this Prospectus.

### **12.4 Option/SAR Grants**

None of the Limited Partnership, the Debenture Issuer or the General Partner has issued or intends to issue options to purchase, or share appreciation rights with respect to, the securities of the Debenture Issuer or the Limited Partnership.

### **12.5 Compensation Committee**

None of the Limited Partnership, the Debenture Issuer or the General Partner has a compensation committee.

### **12.6 Indebtedness of Directors and Executive Officers**

None of the directors or executive officers of the Limited Partnership, the Debenture Issuer or the General Partner is indebted to any of the Limited Partnership, the Debenture Issuer or the General Partner.

## **13. AUDIT COMMITTEE AND CORPORATE GOVERNANCE**

### **13.1 Audit Committee**

#### ***Limited Partnership and the General Partner***

The audit committee of the General Partner (the “**General Partner Audit Committee**”) will be comprised of Philip J. Langridge and Brad J. Wise. Neither of Messrs Langridge nor Wise is “independent” within the meaning of National Instrument 52-110 - *Audit Committees* (“**NI 52-110**”). Both Messrs Langridge and Wise are financially literate within the meaning of applicable securities laws. See the biographies of Messrs Langridge and Wise above under the heading “*Directors, Officers and Other Management*” commencing on page 39 herein for a description of the experience that is relevant to the performance of their responsibilities as General Partner Audit Committee members.

The General Partner Audit Committee will assist the General Partner in fulfilling its responsibilities of oversight and supervision of the Limited Partnership’s accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements.

In addition, the General Partner Audit Committee will be responsible for directing the auditors’ examination of specific areas, for the selection of the Limited Partnership’s independent auditors and for the approval of all non-audit services for which its auditors may be engaged.

At no time since the establishment of the General Partner has the General Partner Audit Committee relied on the exemptions in Sections 2.4, 3.2, 3.3(2), 3.4, 3.5, 3.6, 3.8 or Part 8 of NI 52-110. At no time since the establishment of the General Partner has a recommendation of the General Partner Audit Committee to nominate or compensate an external auditor been adopted by the directors. The General Partner Audit Committee has not yet adopted specific policies and procedures for the engagement of non-audit services.

The Limited Partnership is newly established and has not yet had a fiscal year end. As a result, there have been no fees billed to the Limited Partnership by its auditors, KPMG LLP.

### ***Debenture Issuer***

The audit committee of the Debenture Issuer (the “**Debenture Issuer Audit Committee**”) will be comprised of Philip J. Langridge, Brad J. Wise and Alan Richman. Neither of Messrs Langridge nor Wise is “independent” within the meaning of NI 52-110. Mr. Richman is independent. All members of the Debenture Issuer Audit Committee of the Debenture Issuer are financially literate within the meaning of applicable securities laws. See the biographies of Messrs Langridge, Wise and Richman above under the heading “*Directors, Officers and Other Management*” commencing on page 39 herein for a description of the experience that is relevant to the performance of their responsibilities as Debenture Issuer Audit Committee members.

The Debenture Issuer Audit Committee will assist the Debenture Issuer in fulfilling its responsibilities of oversight and supervision of the Debenture Issuer’s accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the Debenture Issuer Audit Committee will be responsible for directing the auditors’ examination of specific areas, for the selection of the Debenture Issuer’s independent auditors and for the approval of all non-audit services for which its auditors may be engaged.

At no time since the establishment of the Debenture Issuer has the Debenture Issuer Audit Committee relied on the exemptions in Sections 2.4, 3.2, 3.3(2), 3.4, 3.5, 3.6, 3.8 or Part 8 of NI 52-110. At no time since the establishment of the Debenture Issuer has a recommendation of the Debenture Issuer Audit Committee to nominate or compensate an external auditor been adopted by the directors. The Debenture Issuer Audit Committee has not yet adopted specific policies and procedures for the engagement of non-audit services.

The Debenture Issuer is newly established and has not yet had a fiscal year end. As a result, there have been no fees billed to the Debenture Issuer by its auditors, KPMG LLP.

### **13.2 Audit Committee Charter**

The text of the audit committee’s charter for the General Partner and the Debenture Issuer is attached as Schedule “B” to this Prospectus.

### **13.3 Corporate Governance**

#### ***Limited Partnership and General Partner***

Neither of Messrs Langridge nor Wise is an independent director of the General Partner as Mr. Langridge is the President and Chief Executive Officer of the General Partner and Mr. Wise is the Executive Vice President and Chief Financial Officer of the General Partner. Messrs Langridge and Wise are directors and officers of the following reporting issuers: Churchill III Debenture Corp., Churchill III Real Estate Limited Partnership, Churchill IV Real Estate Limited Partnership, Churchill IV Debenture Corp., Churchill V Real Estate Limited Partnership, Churchill V Debenture Corp., Churchill VI Real Estate Limited Partnership, Churchill VI Debenture Corp., Churchill VII Real Estate Limited Partnership, Churchill VII Debenture Corp., Churchill 10 Debenture Corp. and Churchill 10 Real Estate Limited Partnership.

The board of directors of the General Partner has not yet appointed a chair of the board. The board of directors of the General Partner has not held any meetings since the establishment of the Limited Partnership. The board of directors of the General Partner does not have a written mandate. Its role and responsibilities will be to direct all aspects of the business and affairs of the General Partner.

The board of directors of the General Partner has not developed written position descriptions for *any* committee chairs or the President. The board will delineate the roles and responsibilities of any chair of the board or of committee chairs by consensus among the directors from time to time.

New directors will attend a briefing with existing directors on all aspects of the nature and operation of the General Partner's business from senior management of the General Partner. Directors will be afforded the opportunity to attend and participate in seminars and continuing education programs. Outside experts may be retained as appropriate to provide directors with ongoing education on ongoing and/or specific subject matters.

The board of directors of the General Partner has not yet adopted a written code of ethics for the directors, officers and employees of the General Partner. Directors who have or may be reasonably perceived to have a personal interest in a transaction or agreement being contemplated by the General Partner are required to declare such interest at any meeting at which the matter is being considered and, where appropriate, leave the meeting during discussion and abstain from voting on such matter. The General Partner encourages and promotes a culture of ethical business conduct by expecting each director and officer to act in a manner that exemplifies ethical business conduct.

If and when a director resigns or is unwilling to stand for re-election as a director, the remaining director will identify potential candidates for nomination to the board, with a view to ensuring overall diversity of experience and skill.

No compensation is expected to be paid to the directors of the General Partner. The board does not have a compensation committee. The board has no committees other than the audit committee. The directors will annually assess their effectiveness and contribution.

#### ***Debenture Issuer***

Alan Richman is an independent director of the Debenture Issuer within the meaning of applicable securities laws. Neither of Messrs Langridge nor Wise is an independent director of the Debenture Issuer as Mr. Langridge is the President and Chief Executive Officer of the Debenture Issuer and Mr. Wise is the Chief Financial Officer and Secretary of the Debenture Issuer. Messrs. Langridge and Wise are directors and officers of the following reporting issuers: Churchill III Real Estate Limited Partnership, Churchill III Debenture Corp., Churchill IV Real Estate Limited Partnership, Churchill IV Debenture Corp., Churchill V Real Estate Limited Partnership, Churchill V Debenture Corp., Churchill VI Real Estate Limited Partnership, Churchill VI Debenture Corp., Churchill VII Real Estate Limited Partnership, Churchill VII Debenture Corp., Churchill 10 Real Estate Limited Partnership and Churchill 10 Debenture Corp.

The board of directors of the Debenture Issuer has not held any meetings and does not have a written mandate. Its role and responsibilities will be to direct all aspects of the business and affairs of the Debenture Issuer.

The board of directors of the Debenture Issuer has not appointed a chair nor developed written position descriptions for any committee chair or the President. The board will delineate the roles and responsibilities of any chair of the board or of a committee chair by consensus among the directors from time to time. New directors will attend a briefing with existing directors on all aspects of the nature and operation of the Debenture Issuer's business from senior management of the Debenture Issuer. Directors will be afforded the opportunity to attend and participate in seminars and continuing education programs. Outside experts may be retained as appropriate to provide directors with ongoing education on ongoing and/or specific subject matters.

The board of directors of the Debenture Issuer has not yet adopted a written code of ethics for the directors, officers and employees of the Debenture Issuer. Directors who have or may be reasonably perceived to have a personal interest in a transaction or agreement being contemplated by the Debenture Issuer are required to declare such interest at any meeting at which the matter is being considered and, where appropriate, leave the meeting during discussion and abstain from voting on such matter. The Debenture Issuer encourages and promotes a culture of ethical business conduct by expecting each director and officer to act in a manner that exemplifies ethical business conduct.

If and when a director resigns or is unwilling to stand for re-election as a director, the remaining directors will identify potential candidates for nomination to the board, with a view to ensuring overall diversity of experience and skill.

No compensation is expected to be paid to the directors of the Debenture Issuer, other than to Mr. Richman. The Debenture Issuer will pay to Mr. Richman \$1,000 per calendar quarter following the Final Closing of the Offering. The board does not have a compensation committee. The board has no committees other than the audit committee. The directors will annually assess their effectiveness and contribution.

## **14. PLAN OF DISTRIBUTION**

### **14.1 Maximum Offering**

Churchill Real Estate will co-ordinate, through the Agents, the offer to sell to the public in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, on a continuing basis, up to a maximum of 24,000 Units at a price of \$1,250 per Unit. Each Unit consists of one LP Unit having a price of \$250 and one Debenture at a price of \$1,000 per Debenture. **Each subscriber must purchase a minimum of 4 Units or \$5,000. There is no maximum amount a subscriber may purchase subject to the maximum amount being sold under the Offering.**

It is anticipated that the Issuers may have more than one Closing. For any subsequent Closing, the purchase price of a Debenture paid by an investor will be \$1,000 plus the Earned Interest. On or before the 15th day after the end of the applicable calendar quarter after any subsequent Closing, the Debenture Issuer will pay to the investors the interest earned on the outstanding Debentures from the date of the Initial Closing to the end of the applicable calendar quarter. For greater certainty, an investor who purchased Debentures at a subsequent Closing will receive from the Debenture Issuer the interest earned between the subsequent Closing and the end of the applicable calendar quarter plus the Earned Interest.

### **14.2 Minimum Offering**

**There will be no Initial Closing unless a minimum of 4,000 Units is sold pursuant to this Offering. The distribution under this Offering will not continue for a period of more than 90 days after the date of the Receipt for the Final Prospectus if subscriptions representing the minimum number of Units are not obtained within that period, unless each of the persons who subscribed within that period consents to the continuation. During such 90-day period, funds received from subscriptions will be held by the Agents, in trust, pending a Closing. If the minimum number of Units is not sold during the 90-day period, these funds will be returned to the subscribers unless the subscribers have otherwise instructed the Agents.**

### **14.3 Agency Agreement**

Pursuant to an Agency Agreement made as of April 6, 2011 between the Limited Partnership, the Debenture Issuer, the General Partner, Churchill Real Estate and the Agents, the Agents have agreed to offer the Units for sale on a "best efforts" basis on a date that is no later than 90 days after the issuance of the Receipt for this Final Prospectus, unless an amendment to this Final Prospectus is filed and the British Columbia Securities Commission has issued a receipt for the amendment, in consideration of a commission equal to 8.0% of the aggregate purchase price of the LP Units and the Debentures. In addition, in consideration of the advisory services to the Issuers provided by the Lead Agent under the Agency Agreement, the Lead Agent is entitled to receive an advisory fee of \$25,000.

The Agents reserve the right to offer selling group participation, in the normal course of the brokerage business, to selling groups of other licensed dealers, brokers and investment dealers ("sub-agents"), who may or may not be offered part of the commissions to be received by the Agents pursuant to the Agency Agreement.

The General Partner has agreed to pay to the Agents an amount equal to 25% of any amounts realized by the General Partner in respect of its Incentive Management Interest. As well, the General Partner has agreed to pay to the Agents, on a quarterly basis, a trailer fee equal to 1/6th of the quarterly asset management fee paid to the General Partner pursuant to the Amended and Restated General Partner Services Agreement. The trailer fee will only be paid by the General Partner if it is collected by the General Partner. The Agents may assign all or part of the trailer fee and other compensation entitlements to sub-agents effecting sales of Units.

Under the Agency Agreement, the Issuers have granted the Lead Agent the right to act as agent in connection with any further equity financings that the Issuers may carry out within 15 months from the Final Closing of the Offering.

The Issuers, the General Partner and Churchill Real Estate have also agreed to bear all expenses of or incidental to the issue, sale and delivery of the Units, including, without limitation, the reasonable fees and disbursements of legal counsel for the Agents and the reasonable out-of-pocket expenses (including applicable taxes) of the Agents.

The obligations of the Agents under the Agency Agreement may be terminated at any time at the Agents' discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events.

Currently, none of the Agents beneficially own, directly or indirectly, any securities of the Issuers.

Other than as disclosed in this section, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or any other person or company in connection with this Offering.

The price of the LP Units and Debentures was arrived at by negotiation between the Agents and the Issuers.

Registration and transfer of LP Units and Debentures sold by the Agents or their sub-agents will be effected solely through the book entry only system administered by CDS. A certificate representing the LP Units and Debentures will be issued in registered form only to CDS or its nominee, and will be deposited with CDS on a Closing of the Offering. A purchaser of Units through the Agents or a sub-agent will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. Beneficial owners of LP Units and Debentures purchased through the Agents or sub-agents will not have the right to receive physical certificates evidencing their ownership of such securities on Closing.

As at the date of this Prospectus, neither the Limited Partnership nor the Debenture Issuer have any of their respective securities listed or quoted, have not applied to list or quote any of their respective securities, and do not intend to apply to list or quote any of their respective securities on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America including the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

#### **14.4 Subscription**

The acceptance of an offer to purchase, whether by allotment in whole or in part, by the Issuers shall constitute a subscription agreement between the Purchaser and the Issuers upon the terms and conditions set out in this Prospectus, the Limited Partnership Agreement and the Trust Indenture, whereby the Purchaser, among other things:

- (a) irrevocably authorizes and directs the Agents to provide certain information to the Issuers, including such Purchaser's full name, residential address, telephone number, social insurance, business or corporation account number, as the case may be, and the name and registered representative number of the Agents, and covenants to provide such information to the Agents;

- (b) acknowledges that he, or she or it, as the case may be, is bound by the terms of the Limited Partnership Agreement as from time to time amended and in effect and is liable for all obligations of a Limited Partner;
- (c) agrees to be bound as a party to the Trust Indenture, as from time to time amended and in effect;
- (d) makes the representations and warranties, including without limitation, the respective representations and warranties set out in the Limited Partnership Agreement and the Trust Indenture;
- (e) irrevocably nominates, constitutes and appoints the General Partner as the Purchaser's true and lawful attorney and agent with the full power and authority as set out in the Limited Partnership Agreement; and
- (f) irrevocably nominates, constitutes and appoints the Trustee as the trustee for the Purchaser as a holder of Debentures with full power and authority as set out in the Trust Indenture.

The foregoing subscription agreement will be evidenced by delivery of this Prospectus to the Purchaser and the acceptance of the subscription by the Issuers.

A Purchaser whose subscription is accepted by the Issuers will become a Limited Partner of the Partnership upon the amendment of the record of Limited Partners maintained by the General Partner and upon issuance of a Debenture and entry of the Purchaser's name in the register of Debentureholders maintained by the Trustee. If a subscription is withdrawn, in the time permitted for rescission pursuant to applicable securities laws, or is not accepted by the General Partner, all documents will be returned to the Purchaser within 15 days following such withdrawal or rejection.

## **15. INCOME TAX CONSEQUENCES**

**You should consult your own professional advisors to obtain advice on the tax consequences that apply to you.**

KPMG LLP has prepared the following summary of the principal Canadian federal income tax consequences generally applicable to a Purchaser who is an individual resident in Canada, holds the Units as capital property and the Limited Partnership's Properties are held on capital account. The income tax consequences will not be the same for all Purchasers and will vary depending on a number of factors, including the province in which the Purchaser resides or carries on business, whether the Units acquired by the Purchaser will be characterized as capital property, whether the Purchaser is an individual, trust or corporation, the nature and amount of the Purchaser's income from other sources and whether the Debentures are purchased in the Purchaser's Registered Plan. The following discussion of the federal income tax consequences of an investment in Units is, therefore, of a general nature only, and is not intended to constitute an exhaustive analysis of those federal income tax consequences.

**This summary does not constitute, and should not be construed to constitute legal or tax advice to any particular Purchaser. Each prospective Purchaser should obtain independent tax advice as to both the federal and provincial income tax consequences of an investment in Units.**

This summary is based upon KPMG LLP's understanding of the provisions of the Tax Act as they currently exist, on the assumption that all specific amendments to the Tax Act proposed by the Minister of Finance prior to the date hereof ("**Proposed Amendments**") will be enacted as proposed, and on the current public administrative and assessing practices of the Canada Revenue Agency (the "**CRA**"). No assurance can be given that any of the Proposed Amendments will be enacted substantially as proposed, or at all, or that the Tax Act will not otherwise

be amended in a manner that will fundamentally alter the income tax consequences to a Purchaser of Units. This summary does not otherwise take into account or anticipate any changes in laws whether by judicial, governmental, or legislative decision or action nor does it take into account provincial or foreign income tax legislation or considerations.

This summary outlines the Canadian federal income tax consequences of investing in Units to a Purchaser based on the following assumptions:

- (a) the Purchaser is an individual resident in Canada as defined by the Tax Act;
- (b) the Purchaser acquires Units pursuant to this Prospectus and holds the LP Units and Debentures as capital property for the purpose of earning income from the Units;
- (c) all members of the Limited Partnership are residents of Canada as defined by the Tax Act;
- (d) the Limited Partnership will hold its interest in the Properties as capital property;
- (e) the LP Units, the Debentures, the Debenture Issuer Loan and any other “investments” in the Limited Partnership will not be listed or traded on any stock exchange or other “public market” as those terms are defined by the Tax Act (see “SIFT distributions” below);
- (f) the Units will not constitute “tax shelter investments” as defined by the Tax Act (see “Tax Shelter Rules” below);
- (g) the Purchaser deals at arm’s length and is not affiliated with the Limited Partnership as defined by the Tax Act;
- (h) the Debenture Issuer is a Canadian corporation as defined by the Tax Act; and
- (i) the sole shareholder of the Debenture Issuer is Knightswood, a corporation whose shares are listed on Tier 2 of the TSX Venture Exchange.

Unless otherwise stated, this summary is based on the facts and assumptions contained in the Prospectus and on the assumption that the final form of all material contracts will accurately reflect the summary thereof in the Prospectus.

#### ***Taxation of “specified investment flow-through” (SIFT) distributions***

The “SIFT Measures” in the Tax Act apply to a publicly-listed or traded trust or partnership that is a specified investment flow-through entity (a “SIFT”) and its investors. Under SIFT Measures, “SIFT partnerships” will be required to pay a tax on “taxable non-portfolio earnings” which is defined to include income from certain property (referred to as “taxable non-portfolio property”), gains from the disposition of non-portfolio properties and on income from business carried on by it in Canada.

As summarized below, provided the LP Units, the Debentures, the Debenture Issuer Loan and any other “investments” in the Limited Partnership are not listed or traded on a stock exchange or other “public market”, the Limited Partnership would not be subject to the tax on SIFTs. We understand that there is no current intention to seek to list or trade the LP Units, the Debentures, the Debenture Issuer Loan and any other investment in the Limited Partnership on a stock exchange or other public market.

One of the conditions required for a partnership to be a SIFT partnership throughout a taxation year is if, at any time in the year, investments in the partnership (including partnership units and debts) are listed on a stock exchange or other “public market”. A public market is defined to include any trading system or other organized

facility on which securities that are qualified for public distribution are listed or traded. Excluded from the definition, however, is any facility that operates solely to carry out the issuance of a security or its redemption, acquisition or cancellation by its issuer. Provided the LP Units, the Debentures, the Debenture Issuer Loan and any other investments in the Limited Partnership are not listed or traded on a stock exchange or other public market, the Limited Partnership would not be considered a SIFT Partnership.

If the Limited Partnership were to be considered to be a SIFT partnership, the Limited Partnership would be liable to pay tax on its taxable non-portfolio earnings as that term is defined in the Tax Act and the difference between the Limited Partnership's taxable non-portfolio earnings and the tax payable by the SIFT partnership would be deemed to be a dividend received by the SIFT partnership from a taxable Canadian corporation. This deemed dividend would be allocated to the members of the Limited Partnership along with any income of the Limited Partnership that does not constitute "non-portfolio earnings". The tax payable by the SIFT Partnership would reduce the amount of cash available for distribution to the holder of LP Units.

### ***Reasonable Expectation of Cumulative Profit***

On October 31, 2003, the Department of Finance announced proposed amendments to the Tax Act, which may impact on the ability of a Purchaser to deduct losses allocated by the Limited Partnership and interest on funds borrowed to acquire Units in 2011 and subsequent years. Under the proposed amendments, a Purchaser will be able to deduct a loss from a source that is business or property, including losses allocated by the Limited Partnership and interest paid on funds borrowed to acquire the Units, only if it is reasonable to expect that the Purchaser will realize a "cumulative profit" from such source. The proposed amendments specify that capital gains (and losses) are not included in the computation of cumulative profit. If a loss is denied by virtue of these proposed rules, there is no provision to claim the loss in a future year. These proposed amendments have been released for public comment and there is no assurance that they will be adopted as proposed. The issue of whether a Purchaser has a reasonable expectation of cumulative profit will be a question of fact.

The Department of Finance has proposed to make changes to the proposed amendments. On November 27, 2007, the Department of Finance advised the "work on it has not advanced" and as of the date of this Prospectus, the revised legislation has not been released for comment. There is no assurance that any such revised legislation will either favourably or adversely affect Purchasers' tax positions.

### ***Eligibility for Investment by Registered Plans***

#### **(a) LP Units**

The LP Units are not qualified investments under the Tax Act for Registered Plans.

#### **(b) Debentures - Qualified Investment**

The Debentures issued by the Debenture Issuer would be qualified investments under the Tax Act for Registered Plans provided that, at all times, the Debenture Issuer is controlled directly or indirectly by a corporation whose shares are listed on a "designated stock exchange" in Canada. Tier 2 of the TSX Venture Exchange is a designated stock exchange in Canada. The Debenture Issuer is wholly owned and controlled by Knightswood, a corporation whose shares are listed on Tier 2 of the TSX Venture Exchange. Accordingly, the Debentures will be a qualified investment for such Registered Plans (subject to ceasing to be a qualified investment as discussed below).

#### **(c) Ceasing to be a Qualified Investment**

A Debenture may cease to be a qualified investment for a Registered Plan if either the shares of Knightswood cease to be traded on a stock exchange designated by the Minister; or the Debenture Issuer ceases to be a Canadian corporation.

Adverse tax consequences will arise if a Registered Plan holds an investment which is not a qualified investment.

### ***Debentures Held by RRSP***

#### **(a) RRSP Contribution Limits**

An individual may contribute cash or property that is a qualified investment to an RRSP in a calendar year or within 60 days thereafter, and deduct in the computation of income for that calendar the amount contributed, within certain contribution limits provided by the Tax Act. The amount of the contribution will be equal to the fair market value of any property contributed as of the date of the contribution.

In general, the maximum contribution that an individual may make in respect of 2011 is restricted to \$22,450 and any unused RRSP deduction room from prior years. The amount that any individual may deduct in computing his or her income depends on a number of factors including, earned income in the preceding year, the individual's pension adjustment for the preceding year, the unused RRSP deduction room from prior years, and the age of the individual or the individual's spouse. **Individual Purchasers should consult their own tax advisors in this regard.**

#### **(b) Investment by an RRSP**

Subject to the specific rules in the Tax Act, a Purchaser that is an individual may cause his or her RRSP to acquire a Debenture directly. Alternatively, a Purchaser that is an individual may acquire a Debenture directly and, subject to certain contribution limits (see "RRSP Contribution Limits" above), may contribute a Debenture so acquired to an RRSP. If the Debenture is transferred to the RRSP immediately after its acquisition, then no income tax will arise provided the fair market value of the Debenture at the time of transfer is equal to its adjusted cost base.

#### **(c) Withdrawals / Interest Income and Capital Gains Earned by an RRSP**

Interest income earned on the Debentures by the Purchaser's RRSP will generally not be subject to tax under the Tax Act. However, funds withdrawn from an RRSP will be taxable to the annuitant under the RRSP in the year of withdrawal.

Gains (or losses) realized by an RRSP on the disposition of a Debenture are generally not taxable to (or deductible by) the RRSP or annuitant thereunder. Where any proceeds of disposition are ultimately distributed by the RRSP to its annuitant, the full amount distributed will be included in the income of the annuitant.

#### **(d) Benefits under an RRSP**

The total of all amounts received in a year by a person as a benefit out of or under his or her RRSP (other than certain excluded withdrawals) is included in computing his or her income. If the amount paid by an RRSP to acquire a Debenture exceeds the fair market value of that Debenture, then a Purchaser may be considered to have received a benefit out of or under his or her RRSP.

#### **(e) Potential Future Changes to the Tax Act**

On March 22, 2011, the Department of Finance announced proposed amendments to the Tax Act, which are intended to limit the use of RRSPs and other deferred plans in "certain tax planning schemes undertaken by a small number of taxpayers". The proposed amendments introduced concepts for a "RRSP Advantage", a "RRSP Strip", "prohibited investments" and "non-qualified investments". The "prohibited investment" and "non-qualified investment" concept for RRSPs are based on rules similar to those that apply to TFSAs, which are discussed in the commentary under "TFSA Contribution Limit" below.

Similar to the “TFSA Advantage” rules, the intent of the “RRSP Advantage” concept is to stop transactions that “exploit the tax attributes of” an RRSP. The “RRSP Strip” concept is intended to stop taxpayers from “schemes which purport to enable RRSP annuitants to access their RRSP funds without including the appropriate amount in income”.

If a future government chooses to table the proposed amendments under the Tax Act, the legislation for these concepts could apply to a broad range of transactions including an acquisition of a Debenture by an annuitant of an RRSP and, if applicable, could result in a special tax payable by the annuitant of the RRSP. The Issuers have used the allocation of the total subscription price for a Unit between the price to the public for Debentures and the price to the public for LP Units. The Issuers believe such allocation has been made on a reasonable basis to reflect fair market value of the respective securities. There are no assurances that the CRA will accept this premise if the legislation is implemented at some time in the future, as it was originally proposed. As Parliament was dissolved before the proposed legislation was enacted there are no assurances that such legislation will be tabled again, implemented or be adopted or passed into law as originally proposed.

**(f) Security Arrangements**

The Tax Act includes in the income of a taxpayer who is an annuitant under an RRSP the value of property in his or her RRSP that is used as security for a loan. This provision will not apply to Purchasers if the Debentures are not used as security for any loan.

***Debentures Held Outside RRSP***

**(a) Interest Income**

An individual Purchaser is required to include in his or her income for a taxation year any interest received in the year in respect of a Debenture as well as such interest accrued to the anniversary date of the Debenture (if the individual still holds the Debenture on that date) to the extent that it has not already been included in income in a preceding taxation year. An “anniversary date” of the Debenture is the day that is one year after the day immediately preceding the issue date of the Debenture and each anniversary of the day immediately preceding the issue date of the Debenture. **Purchasers who hold the Debentures other than through an RRSP should consult their own tax advisors regarding the requirement to accrue interest annually for income tax purposes.**

Purchasers who dispose of Debentures in a particular year may be considered to receive a portion of their proceeds as accrued but unpaid interest earned on the Debentures. This accrued interest will be required to be included in the Purchaser’s income to the extent that it has not already been included in computing income in a previous taxation year, and will reduce the proceeds of disposition for purposes of calculating any gain or loss which may arise on a disposition of the Debentures (see commentary under “Disposition of Debentures” below).

**(b) Disposition of Debentures**

Circumstances in which a disposition of a Debenture may be considered to occur for income tax purposes include a sale or gift of the Debenture, redemption of the Debenture by the Debenture Issuer, emigrating from Canada or the death of an individual who owns a Debenture. Furthermore, an individual who acquires a Debenture and subsequently transfers it to an RRSP under which the individual or the individual’s spouse is the annuitant will be considered to have disposed of the Debenture for purposes of the Tax Act for proceeds of disposition equal to the fair market value of the Debenture at the time of the transfer. If the Debenture is transferred to the RRSP immediately after its acquisition, then no income tax will arise provided the fair market value of the Debenture at the time of transfer is equal to its adjusted cost base (see “Debentures Held by RRSP” above).

Where Debentures are held by a Purchaser as capital property, the Purchaser (other than an RRSP, see commentary under “Withdrawals / Interest Income and Capital Gains Earned by an RRSP” above) will generally

realize a capital gain (or sustain a capital loss) on the disposition of a Debenture to the extent that the proceeds of disposition received or deemed to have been received in respect of a Debenture exceed (or are less than) the Purchaser's adjusted cost base and costs incurred for the purpose of making the disposition. An individual may not, however, realize a capital loss on the disposition of a Debenture to an RRSP of which the individual or his or her spouse is the annuitant.

Where a Purchaser assigns or transfers a Debenture, interest that accrued thereon for a period prior to the assignment or transfer and that is not payable until after that time will generally be included as interest income for the Purchaser's taxation year (to the extent not previously included in computing income) in which the transfer occurred and will not be included in computing the Purchaser's proceeds of disposition.

One-half of any capital gain is included in the income of a taxpayer as a taxable capital gain. One-half of a capital loss will be available to offset taxable capital gains realized in the current year and net taxable capital gains realized in future years and in the three immediately preceding years. **Purchasers should consult their own tax advisors in this regard.**

### ***Debentures Held by TFSA***

#### **(a) Eligibility**

An individual who is at least 18 years old may establish a TFSA. Unlike RRSPs, contributions to a TFSA are not deductible for income tax purposes and any withdrawals from a TFSA are not subject to tax in the hands of the recipient. The investment income (including interest income and capital gains) earned in the TFSA is tax-free.

#### **(b) TFSA Contribution Limit**

An individual may contribute cash or property that is a qualified investment to a TFSA within certain contribution limits provided by the Tax Act. The amount of contribution will be equal to the fair market value of any property contributed as of the date of contribution. However, the individual may not realize a capital loss on the disposition of a Debenture to a TFSA of which the individual is a beneficiary or immediately after the disposition becomes a beneficiary.

For 2011, the TFSA account holder can contribute qualified investments up to \$5,000 and any unused TFSA contribution room from the prior year.

If the individual contributes non-qualified investments or prohibited investments, the holder will be subject to a penalty tax as set out in the Tax Act. A prohibited investment includes a share of capital stock of a corporation or interest in a partnership in which the holder has a significant interest or does not deal at arm's length. Similar rules apply if a TFSA acquires or the assets become a non-qualified investment or prohibited investment. **Individual Purchasers should consult their own tax advisors in this regard.**

### ***Limited Partners Income (Loss)***

#### **(a) Fiscal Period**

The fiscal period of the Limited Partnership will be the calendar year as adopted pursuant to the Limited Partnership Agreement. The Limited Partnership was formed on January 28, 2011 and therefore its first fiscal period ending on December 31, 2011 will be a short fiscal period consisting of 337 days. Capital cost allowance and the deductible portion of the selling commissions and financing fee must be prorated to allow for the lesser number of days in the short fiscal period ending December 31, 2011.

**(b) Allocation of Income or Loss**

The Limited Partnership Agreement provides for the allocation of the income or loss of the Limited Partnership for any fiscal period. Generally, the income or loss of the Limited Partnership for a particular fiscal period will be allocated among the Purchasers who are Limited Partners at the end of that fiscal period according to their respective Proportionate Share, with adjustments for prior income, issue costs and certain other items where a Purchaser purchases an LP Unit during a fiscal year.

Where a Purchaser assigns an LP Unit prior to the end of a fiscal period of the Limited Partnership, no portion of the income or loss of the Limited Partnership in respect of the LP Unit will be allocated to the withdrawing Purchaser. Rather, the portion of the income or loss of the Limited Partnership that would have been allocated in respect of the LP Unit to the withdrawing Purchaser will be allocated to the person that holds the LP Unit at the end of the Limited Partnership's fiscal period.

The profit or loss of the Limited Partnership for accounting purposes may differ from the income or loss for federal income tax purposes. For example, amortization rates under generally accepted accounting principles may differ from capital cost allowance rates prescribed by the Tax Act and Regulations, and certain items which are capitalized for accounting purposes may be deducted for income tax purposes. For this reason, cash distributions to a Purchaser on account of his or her share of Limited Partnership profits for any particular fiscal period may differ from income allocated to the Purchaser for the purposes of the Tax Act.

Under the Tax Act, notwithstanding the allocation provided in the Limited Partnership Agreement, where the principal reason for the agreement to share income or loss in a certain manner may reasonably be considered to be the reduction or postponement of tax that might otherwise have been or become payable under the Tax Act, a Limited Partner's share of the income or loss of the Limited Partnership may be reallocated by CRA to be the amount that is reasonable having regard to all the circumstances.

**(c) At-Risk Rules**

The Tax Act contains "at-risk rules" which may, in certain circumstances, restrict the deduction of a Limited Partner's share of losses of the Limited Partnership to his or her "at-risk amount". A Limited Partner's at-risk amount will generally be the "adjusted cost base" (see "Adjusted Cost Base of LP Units" below) of his or her LP Units, plus where the particular time is the end of the fiscal period of the Limited Partnership his or her share of any Limited Partnership income for the fiscal period, less any amount owing by the Limited Partner to the Limited Partnership or to persons who do not deal at arm's length with the Limited Partnership and any amount or benefit granted to reduce the impact, in whole or in part, of any loss the Limited Partner may sustain by virtue of being a member of the Limited Partnership or of holding or disposing of LP Units.

**(d) Adjusted Cost Base of LP Units**

The cost to a Limited Partner of his or her LP Units, plus or minus adjustments required under the Tax Act, will be the adjusted cost base of the LP Units, against which a capital gain or capital loss is measured on a sale or other disposition of the LP Units. The adjustments required include additions to the adjusted cost base for income and 100% of capital gains allocated to a Limited Partner and reductions to the adjusted cost base for cash distributions received by, and for losses and 100% of capital losses allocated to, the Limited Partner.

If, at the end of a fiscal period of the Limited Partnership, these reductions exceed the cost plus the additions to the adjusted cost base of a Limited Partner's LP Units, (hereafter referred to as a "**negative adjusted cost base**"), the Limited Partner will realize an immediate capital gain to the extent of the excess. If LP Units are disposed of in mid-year, the amount by which the adjusted cost base is negative at the time the LP Units are disposed of by a Limited Partner is added in computing the capital gain on the disposition of the LP Units.

**(e) Disposition of LP Units by Purchasers**

Generally, a Purchaser will realize a capital gain, or sustain a capital loss, equal to the amount by which the proceeds received or deemed to have been received on the disposition of an LP Unit exceed, or are exceeded by, the adjusted cost base of the LP Unit. The amount by which a Limited Partner's adjusted cost base is negative at the time of the disposition will be included in computing the Limited Partner's capital gain. Limited Partners will include one-half of a capital gain in computing taxable income as a "taxable capital gain". One-half of a capital loss will be an "allowable capital loss" that may be used to offset taxable capital gains in the year that the capital loss is sustained. To the extent the allowable capital loss is not offset against taxable capital gains in that year, it may be carried back three years and forward indefinitely to offset taxable capital gains realized in those years.

**(f) Alternative Minimum Tax**

The Tax Act imposes an alternative minimum tax that may require an individual to pay a minimum federal income tax of 15% prior to any surtax on "adjusted taxable income" in excess of \$40,000 (there is no basic exemption for certain trusts) if that amount exceeds the individual's federal tax otherwise payable for the taxation year. Adjusted taxable income is computed under specific rules that essentially disregard deductions for certain amounts that would otherwise be deductible in computing taxable income. To the extent that the alternative minimum tax of an individual exceeds income tax otherwise payable for a particular taxation year, the difference may be deducted in the seven taxation years following that taxation year from the excess of the individual's tax otherwise payable over the individual's alternative minimum tax for any such taxation year. A Purchaser's share of the losses allocated by the Limited Partnership and the Purchaser's carrying charges will be added back in computing the adjusted taxable income of the Purchaser. Similarly, 80% of any capital gain arising upon disposition by a Purchaser of LP Units (including a disposition arising from a negative adjusted cost base of the LP Units) or of a Debenture must be included in computing adjusted taxable income.

**(g) Dissolution of the Limited Partnership**

Generally upon the dissolution or termination of the Limited Partnership, all property of the Limited Partnership that is distributed to the Limited Partners will be deemed to have been disposed of by the Limited Partnership at that time at its fair market value and acquired by the Limited Partners at a cost equal to the same amount. Each Limited Partner will also be deemed to have disposed of his or her LP Units at that time for proceeds of disposition equal to the amount of money plus the fair market value of other property, if any, received from the Limited Partnership in satisfaction of his or her LP Units.

***Other Partnership Reporting Matters***

**(a) Partnership Returns**

Each Limited Partner is required by the Tax Act to file a partnership return for each year with CRA. However, this obligation is satisfied where any partner files the partnership return. The General Partner has undertaken to file the partnership return for each year.

**(b) Tax Shelter Rules**

The Tax Act contains "tax shelter rules" that reduce the amount of any cost or expense in respect of a "tax shelter investment", or any expenditure of a partnership interest which is a tax shelter investment by the amount of any "limited-recourse amount" and by the value of certain benefits to which the taxpayer may be entitled that reasonably relate to the expenditure.

A "tax shelter investment" includes a partnership interest where it can reasonably be considered, having regard to statements or representations made in connection with the partnership interest, that within four years after the day on which the interest is acquired, the losses and other amounts in respect of the partnership interest represented to

be deductible in computing income will equal or exceed the cost of the partnership interest to the partner. The Tax Act provides for onerous penalties to a promoter and disallows deductions in respect of a tax shelter where tax shelter investments are sold before a tax shelter identification number is obtained. Accordingly, while the LP units may not constitute “tax shelter investments”, the Promoter has nevertheless obtained a tax shelter identification number for the Limited Partnership. The tax shelter identification number is TS078204. The issuance of an identification number by CRA does not in any way confirm that the Limited Partners will be entitled to the tax benefits described herein. The Regulations require that the following statement be included with this reference to the tax shelter identification number:

**“The identification number issued for this tax shelter shall be included in any income tax return filed by the Purchaser. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of a Purchaser to claim any tax benefits associated with the tax shelter.”**

If the LP Units constitute properties that are “tax shelter investments” as defined by the Tax Act, then the cost of the Properties would be reduced to the extent that the Debenture Issuer Loans, Mortgage Loans and any other funding of the acquisition cost of the Properties are considered to be “limited-recourse amounts”, or to the extent that the Limited Partnership has received an amount or benefit granted for the purpose of reducing the impact, in whole or in part, of any loss that the Limited Partnership may sustain in respect of the Properties. Any reduction in the cost of the Properties would result in reduced capital cost allowance deductions. In the case of a loan that is a “limited-recourse amount”, the cost of the Properties funded by the loan would be reinstated on the repayment of the loan (provided that the repayment is not funded by another “limited-recourse amount”).

A “limited-recourse amount” includes the unpaid principal amount of any indebtedness for which recourse is limited, including indebtedness of a partnership where recourse against any member of the partnership in respect of the indebtedness is limited. In addition, the unpaid principal of an indebtedness is deemed to be a limited-recourse amount unless written arrangements are made to repay the indebtedness and all interest on the indebtedness within 10 years, the interest is payable at least annually at a rate equal to or greater than the rate prescribed under the Regulations, and interest is paid no later than 60 days after the end of the debtor’s taxation year.

As the recourse against Limited Partners in respect of the Debenture Issuer Loan and Mortgage Loans may be limited, the Debenture Issuer Loan and Mortgage Loans may be considered limited-recourse amounts. If the Debenture Issuer Loan and Mortgage Loans are limited recourse amounts and if the LP Units were found to constitute tax shelter investments, the cost of the Properties would be reduced by the amount of the Debenture Issuer Loan and Mortgage Loans.

### ***Computation of Partnership Income or Loss***

In the following discussion, references to income or loss mean income or loss determined for purposes of the Tax Act.

#### **(a) General**

The income or loss of the Limited Partnership will be computed as if the Limited Partnership was a separate person resident in Canada. However, the Limited Partnership is not subject to federal income tax under the Tax Act. Rather, each Purchaser will be required to include, in computing his or her income for a taxation year, his or her share of income allocated by the Limited Partnership for the Limited Partnership’s fiscal period ending in that taxation year whether or not any cash or other property is distributed to the Purchaser on account of the income for that year. Subject to the “at-risk” rules (see “At-Risk Rules” above), and the “Reasonable Expectation of Cumulative Profit” rules (see “Reasonable Expectation of Cumulative Profit” above), in computing his or her income for a taxation year, each Purchaser will also be entitled to deduct his or her share of any loss allocated by the Limited Partnership for the Limited Partnership’s fiscal period ending in that taxation year from any income

from other sources. To the extent that the share of such loss exceeds the Purchaser's other income for that year, the loss may be carried back three years and forward twenty years to reduce the Purchaser's income in those years.

**(b) Capital Cost Allowance**

In computing the income or loss of the Limited Partnership, deductions will be claimed in respect of "capital cost allowance" to the extent permitted under the Tax Act and the Regulations. Such deductions may not exceed the net income of the Limited Partnership from the operation of the Properties. Further, the deductions in respect of a Property will be restricted in the Limited Partnership's fiscal period in which the Property is acquired to one-half of the amount otherwise allowable. Also, for any taxation year less than 12 months, allowable deductions must be pro-rated by the number of days in that fiscal period over 365 days. The deductible portion of these costs will be prorated in 2011 due to the Limited Partnership's short fiscal period (see "Fiscal Period" above). Subject to such restrictions, annual deductions will be allowed on a declining balance basis at the rates of 4% per annum on the "undepreciated capital cost" (generally, initial capital cost less prior capital cost allowance deductions) of each class of property which includes the buildings and their component parts (an additional 2% per annum will be allowed on eligible non-residential buildings where the Limited Partnership elects in its tax return for the year in which the eligible non-residential building is acquired), 8% for the class of property which includes sidewalks, roads and parking areas, 20% for the class of property which includes the appliances and equipment, and 55% for the class of property which includes computer equipment acquired after February 2011. No deduction may be claimed in respect of the cost of the land. Each building with a cost of \$50,000 or more will comprise a separate class of property.

For the purposes of determining the annual permitted deductions, the Limited Partnership will allocate the acquisition cost of the Property among the land, buildings, appliances and equipment, sidewalks and roads, and computer equipment. There is no assurance that the CRA will agree with the allocation and any reallocation of the acquisition cost of a Property imposed by the CRA may affect the capital cost allowance deductions claimable by the Limited Partnership.

**(c) Interest Deductibility**

The Limited Partnership generally should be entitled to deduct in computing income for a fiscal period a reasonable amount of interest (including interest on the Debenture Issuer Loan) paid in the year or payable in respect of the year provided there is a legal obligation to pay interest on the borrowed money and the borrowed money is used for the purpose of earning income from a business or property. Compound interest is deductible when paid.

The Tax Act limits the deduction of interest expense and property taxes incurred in connection with vacant land and of interest expense and other soft costs attributable to the period of construction, renovation or alteration of a building.

**(d) Organization Costs**

Three quarters of the cost of the initial organization of the Limited Partnership are deductible at 7% per year on a declining balance basis as eligible capital expenditures.

**(e) Selling Commissions, Offering Costs and Costs of Borrowing**

The Limited Partnership will pay 20%, and the Debenture Issuer will pay 80%, of the selling commissions and offering costs. Selling commissions, other offering costs, and costs of borrowing money (other than interest) incurred by the Limited Partnership in the course of the marketing and issuance of the Units or in the course of borrowing money should be deductible rateably over a five-year period, provided and to the extent that the amount of the commissions and other expenses is reasonable in the circumstances and that no portion of the

amount can reasonably be allocated to the cost of the Properties or to the initial organization of the Limited Partnership. The deductible portion of these costs will be prorated in 2011 due to the Limited Partnership's short fiscal period (see "Fiscal Period" above). The undeducted balance of the commissions and offering costs which relate to the issue of the LP Units will be deductible directly by the Purchasers rateably over the remainder of the five-year amortization period if the Limited Partnership is dissolved or terminated prior to the end of the period. The reasonableness and allocation of the amount of the selling commissions and offering costs are questions of fact. There is no assurance that CRA will agree to the reasonableness and allocation of the selling commission and offering costs.

**(f) Annual Loan Fees**

The annual loan fees paid by the Limited Partnership to the Debenture Issuer should be deductible in each year by the Limited Partnership to the extent that the fees are reasonable in the circumstances and can reasonably be considered to relate solely to the particular year.

**(g) Asset Management Fee**

The asset management fee payable by the Limited Partnership to the General Partner should be deductible in each year by the Limited Partnership provided and to the extent that the fee is reasonable in the circumstances and that no portion of the fee can reasonably be allocated to the cost of the Properties.

**(h) Refurbishments**

Any amount paid by the Limited Partnership on account of refurbishments must be allocated on a reasonable basis among the items included in the refurbishments. Amounts allocated to landscaping and to repairs and maintenance should generally be deductible in the year the expenses are incurred provided that they are reasonable. Amounts, if any, allocated to the acquisition and installation of capital assets will generally be added to the undepreciated capital cost of the class of property to which the assets belong.

**(i) Disposition of the Properties**

On the sale or other disposition of all or some of the Properties by the Limited Partnership, the net proceeds (gross proceeds less costs of disposition including the Disposition Fee) must be allocated on a reasonable basis among the land, buildings, sidewalks and roads, appliances and equipment, and computer equipment. No such allocation is binding on CRA, and there is no assurance that the CRA will agree that such allocation is reasonable. Any reallocation imposed by CRA may affect adversely the income tax liability arising on a disposition of Properties.

The lesser of the proceeds allocable to a particular class of property, and the original cost of the property is deducted from the undepreciated balance of the respective class. If the deduction causes the class to have a negative balance, that balance is included in the income of the Limited Partnership, resulting in a recapture of prior capital cost allowance claims. If, after the deduction, the class has a positive balance, and there are no assets of the class remaining, the balance can be deducted from the income of the Limited Partnership as a terminal loss. As long as the class has a positive balance and remaining assets, that balance will be used in computing future capital cost allowance claims.

A capital gain will be realized to the extent that the net proceeds allocated to the buildings, sidewalks and roads, appliances and equipment, and computer equipment (depreciable property) exceed the capital cost of the property. No capital loss can be realized on depreciable property. A capital gain (or capital loss) will be realized to the extent that the net proceeds allocated to the land exceed (or are exceeded by) the adjusted cost base of the land.

If the allocation of proceeds on a disposition results in a terminal loss on a building and a capital gain on the related land, provisions in the Tax Act would reallocate sufficient proceeds to the building to eliminate the terminal loss.

### ***General Anti Avoidance Rule (“GAAR”)***

Notwithstanding the specific provisions of the Tax Act discussed above, subsection 245(2) of the Tax Act provides that “where a transaction is an avoidance transaction, the tax consequences to a person shall be determined as is reasonable in the circumstances in order to deny a tax benefit that... would result... from the transaction or a series of transactions”. A transaction that results in a tax benefit will be an avoidance transaction unless it may reasonably be considered to have been undertaken for bona fide business purposes, other than to obtain the tax benefit. GAAR will not apply to a transaction where it may reasonably be considered that the transaction, or series of transactions, does not result in a misuse or abuse of the provisions of the Tax Act.

The term “tax benefit” means a “reduction, avoidance, or deferral of tax or other amount payable”. Even if a tax benefit were determined to be the primary purpose of the structure, it would then be necessary to determine whether the transaction could be considered an abuse or misuse of the provisions of the Tax Act and Regulations read as a whole.

There is no assurance that the CRA will not attempt to apply GAAR to alter the tax consequences to the Limited Partnership of the acquisition and operation of the Properties or to a Purchaser of an investment in Units or to any other aspect of the tax consequences discussed above.

## **16. RISK FACTORS**

The purchase of the securities offered hereunder involves a number of risks. The risks described below are not the only risks involved with an investment in the Units. If any of the following risks occur, or if others occur, each Issuer’s business, operating results and financial condition could be seriously harmed and Purchasers may lose all of their investment. In addition to the risk factors set forth elsewhere in this Prospectus, prospective purchasers should consider the following risks associated with a purchase of securities distributed under the Offering.

*This is a Blind Pool Offering* - Although the General Partner expects that the available net proceeds of the Offering will be applied to purchase one or more Properties, the specific Properties in which the Limited Partnership will invest have not yet been determined. In any event, if the Maximum Offering of 24,000 Units is sold, the General Partner expects to cause the Limited Partnership to apply approximately \$27,300,000 (i.e., approximately 91% of the gross proceeds of the Offering) to the purchase price and other acquisition costs of one or more Properties (including the Financing Fees payable to the General Partner upon the closing of any Property acquisitions) and to the creation of working capital reserves and reserves for renovations and upgrades. If only the Minimum Offering of 4,000 Units is sold, the General Partner intends to cause the Limited Partnership to apply approximately \$4,375,000 (i.e. approximately 87.5% of the gross proceeds of the Offering) to the purchase price and other acquisition costs of one or more Properties (including the Financing Fees payable to the General Partner), and to the creation of working capital reserves and reserves for renovations and upgrades. Depending on the return on investment achieved on any Properties that may be acquired by the Limited Partnership, the investors return on their respective investments in the Units will vary.

*Initial Losses and Tax Attributes of the Cash Distributions* - The Issuers may incur losses until the Limited Partnership disposes of all of its Properties and the Limited Partnership’s operations are wound up. Further, the cash flow distributions made by the Limited Partnership may be taxed as a return on capital while being a return of capital. Until the Limited Partnership is wound up, it is not possible to determine accurately how much of the cash flow distributions made by the Limited Partnership are a return of capital rather than a return on capital.

*Reliance on General Partner and its Management* - Prospective purchasers assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the General Partner and its principals and management team, Philip J. Langridge and Brad J. Wise. In particular, Purchasers will rely on the discretion and ability of the General Partner and its principals in determining the composition of the portfolio of Properties and in negotiating the pricing and other terms of the agreements leading to the acquisition of Properties. The ability of the General Partner to successfully implement the Limited Partnership's business strategy will depend in large part on the continued employment of Messrs. Langridge and Wise. Neither the General Partner nor the Limited Partnership maintains key person life insurance for any of these individuals. If the General Partner loses the services of one or more of these individuals, the business, financial condition and results of operations of the Limited Partnership may be materially adversely affected.

*No Market for the LP Units or Debentures* - There currently is no market whatsoever for the LP Units or Debentures, and it is not expected that a market will develop. Consequently, holders of such securities may not be able to sell them readily in the marketplace, and LP Units and Debentures may not be readily accepted as collateral for a loan. The LP Units and the Debentures are also subject to restrictions on transfer contained in the Limited Partnership Agreement and the Trust Indenture, respectively. Purchasers should be prepared to hold these securities indefinitely and cannot expect to be able to liquidate their investment even in the case of an emergency. In addition, while the Debentures mature on December 31, 2016, the Limited Partnership may continue in existence until December 31, 2100 with the LP Units only being retractable up to 5% per year commencing in 2015. Accordingly, an investment in the LP Units or Debentures is suitable solely for persons able to make and bear the economic risk of a long-term investment.

*Less than Full Offering* - There can be no assurance that this Offering will be completely sold out. If less than all of the 24,000 Units are sold pursuant to this Offering, then less than the maximum proceeds will be available to the Limited Partnership and, consequently, its business development plans and prospects could be adversely affected, as fewer Properties will be purchased, owned and operated by the Limited Partnership.

*Risks of Real Estate Ownership* - Investment in real estate is subject to numerous risks, including the highly competitive nature of the real estate industry, changes in general or local conditions, failure of tenants to pay rent, changes in property values, interest rates, availability of mortgage funds, increases in real estate tax rates and other operating expenses, the possibility of competitive overbuilding and of the inability to obtain full occupancy of the properties, governmental rules and fiscal policies, including rent control legislation, which limit potential rent increases, and other events and factors which are beyond the control of the Limited Partnership including:

- (a) *Interest Rate Fluctuations* - The Mortgage Loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Limited Partnership's cost of borrowing.
- (b) *Competition for Real Property Investments* - The Limited Partnership competes for suitable real property investments with individuals, corporations, real estate investment trusts and similar vehicles, and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future real property investments similar to those sought by the Limited Partnership. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments.
- (c) *Fluctuations in Capitalization Rates* - As interest rates fluctuate in the lending market, so too do capitalization rates which affects the underlying value of real estate. As such, when interest rates rise, so too do capitalization rates. Over the period of investment, capital gains and losses at the time of disposition can occur due to the movement of these capitalization rates.
- (d) *Economic Conditions* - The yields available from investments in real estate depend upon the amount of revenues generated and expenses incurred. These risks include changes in general

economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, the attractiveness of properties to tenants, and the ability of the owner to provide adequate maintenance at an economic cost. The performance of the economy in each of the areas in which Properties are located affects occupancy, market rental rates and expenses. These factors consequently can have an impact on revenues from the Properties and their underlying values. The financial results and labour decisions of major local employers may also have an impact on the revenues from, and value of, certain Properties.

- (e) *Tenancy Risks* - The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and upon the vacancy rates in each of the Properties acquired. Revenue would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Properties were not able to be leased on economically favourable lease terms. In addition, revenue would be adversely affected by increased vacancies in the Properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting an investment in the Properties may be incurred. Furthermore, at any time, a tenant of any of the Properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available. The ability to rent unleased space in Properties will be affected by many factors. Delays in re-leasing properties and/or units of properties as vacancies arise would reduce the revenues and could adversely affect operating performance. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a Property is producing any income. If the Limited Partnership is unable to meet mortgage payments on any Property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.
- (f) *Illiquidity* - Real property investments tend to be relatively illiquid with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the Limited Partnership's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Limited Partnership were to be required to liquidate its real property investments, the proceeds to the Limited Partnership might be significantly less than the aggregate carrying value of its Properties.
- (g) *Current Financial Conditions* - Current financial conditions globally have been subject to unprecedented volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by both sub prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Limited Partnership to obtain Mortgage Loans and other credit facilities and, if obtained, on terms favourable to the Limited Partnership. As well, these conditions may also negatively affect the real estate market.
- (h) *Development Risks* - The Limited Partnership's potential involvement in development activities brings with it the following related risks: (a) the potential insolvency of a developer; (b) the developer's failure to use advanced funds in payment of construction costs; (c) construction or unanticipated delays; (d) incurring construction costs before ensuring rental revenues will be earned from the project; (e) cost over-runs on the project; and (f) the failure of tenants to occupy

*Financing Risks* - There is no assurance that the Limited Partnership will be able to obtain sufficient Mortgage Loans to finance the acquisition of Properties, or, if available, that the Limited Partnership will be able to obtain Mortgage Loans on commercially acceptable terms. Further, there is no assurance that any Mortgage Loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same or commercially reasonable terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of Properties which the Limited Partnership is able to purchase will decrease and the projected return from the ownership of Properties will be reduced. Even if the Limited Partnership is successful in obtaining adequate Mortgage Loans, the Limited Partnership may not be able to generate sufficient funds through the operation of the Properties to service the Mortgage Loans. If a default occurs under any of the Mortgage Loans, one or more of the Lenders could exercise its right including, without limitation, foreclosure or sale of the Properties.

The Mortgage Loans and/or other credit facilities obtained by the Limited Partnership will contain covenants, including limitations on the Limited Partnership's ability to incur secured and unsecured indebtedness, sell all or substantially all of its assets and engage in mergers and consolidations and various acquisitions. In addition, mortgage indebtedness and other credit facilities will contain limitations on the Limited Partnership's ability to transfer or encumber the mortgaged properties without lender consent. These provisions may restrict the Limited Partnership's ability to pursue business initiatives or acquisition transactions that may be in its best interests. They also may prevent the Limited Partnership from selling Properties at times when, due to market conditions, it may be advantageous to do so. In addition, failure to meet any of the covenants could cause an event of default under and/or acceleration of some or all of the Limited Partnership's indebtedness, which would have an adverse effect on the Limited Partnership.

*Potential Liability under Environmental Protection Legislation* - Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, the Limited Partnership could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the Properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect the Limited Partnership's ability to sell such Property or to borrow using the Property as collateral, and could potentially also result in claims against the Limited Partnership by private parties.

*Uninsured Losses* - The General Partner will arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those to be owned by the Limited Partnership and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the Properties, the Limited Partnership could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of the Properties.

*Limited Liability* - The limited liability of a Limited Partner may be lost if a Limited Partner takes part in the management of the business of the Limited Partnership or through non-compliance with the *Partnership Act* (British Columbia).

*Limited Retraction Rights* - If by any Notice Date the Issuers have received notices requiring the Issuers to redeem a number of LP Units or Debentures in excess of the total number of LP Units or Debentures entitled to be retracted, or if on a Retraction Date the General Partner or the directors of the Debenture Issuer, as the case may be, determine that funds are not available to the Limited Partnership or the Debenture Issuer, respectively, to retract the number of LP Units or Debentures in respect of which a request for retraction has been made, then the retraction of LP Units or Debentures, as the case may be, may not be made or may be made *pro rata* to the number of LP Units or Debentures in respect of which requests for retraction have been made. Therefore, there can be no assurance that investors will be able to retract any or all of their LP Units or Debentures when they

wish to do so. (Refer to “*Description of Securities to be Distributed - Limited Partnership Units - Limited Retraction Rights*” at page 32 herein and “*Description of Securities to be Distributed - Debentures - Limited Retraction Rights*” on page 35 herein for further particulars.)

*Revenue Shortfalls* - Revenues from the Properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the Mortgage Loans or to fund changes in the variable rates of interest charged in respect of such loans.

*Tax Matters* - As set out under the heading “*Income Tax Consequences*” on page 75 hereof, the tax treatment of real estate activities and of the Limited Partnership has a material effect on the advisability of an investment in the Units. Should the Debenture Issuer no longer be controlled directly or indirectly by a corporation whose shares are listed on a designated stock exchange in Canada, the Debentures will cease to be qualified investments for Registered Plans and a holder will be subject to significant penalty taxes. Provided the LP Units, the Debentures, the Debenture Issuer Loan and any other “investments” in the Limited Partnership are not listed or traded on a stock exchange or other “public market”, the Limited Partnership would not be subject to the tax on SIFTS. If the Limited Partnership were to be considered to be a SIFT partnership, the Limited Partnership would be liable to pay tax on its taxable non-portfolio earnings. This tax would reduce the amount of cash available for distribution to the holder of LP Units.

*Net Worth of the General Partner* - The General Partner, which has unlimited liability for the obligations to the Limited Partnership, has no material net worth. Therefore, if the Limited Partnership is not able to generate sufficient funds through the operation of the Properties to meet its obligations, the General Partner will be exposed to bankruptcy or insolvency. Bankruptcy or insolvency will impair or remove entirely the ability of the General Partner to successfully implement the Limited Partnership’s business strategy, carry out a restructuring of the business and affairs of the Limited Partnership, if required, or satisfy certain limited obligations of the General Partner to the Limited Partnership.

*Additional Contributions* - The Limited Partnership Agreement provides that the General Partner may, if authorized by Special Resolution, request that additional capital contributions be made by Limited Partners.

*Reliance on Property Management* - The General Partner may not have the management personnel to manage the Properties, but may rely upon independent management companies to perform this function. The employees of the management companies will be expected to devote so much of their time to the management of the Properties as in their judgment is reasonably required. However, they may have conflicts in allocating their time, services and functions among the Properties and their other development, investment and/or management activities.

*No Independent Liability to Repay Debentures* - The Debenture Issuer will not be independently liable for the payment of interest or the repayment of principal under the Debentures and in the event of default in payment under the Debentures, no recourse will be available to the assets of the Debenture Issuer other than its interest in the Debenture Issuer Loan and the security held by the Debenture Issuer therefor.

**For all of the aforesaid reasons and others set forth herein, the Units involve a high degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in this Prospectus and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.**

## **17. PROMOTER**

Churchill Real Estate may be considered to be the promoter of the Issuers by reason of its initiative in organizing the respective businesses of the Issuers and taking the steps necessary for the public distribution of the Units.

Churchill International Property Corporation owns all of the issued and outstanding common shares of Churchill Real Estate. Churchill Real Estate will not receive any direct or indirect benefit from the Issuers.

## 18. LEGAL PROCEEDINGS

There are no outstanding legal proceedings to which the Limited Partnership, the Debenture Issuer or the General Partner is a party, nor are any such proceedings known to be contemplated.

## 19. INTERESTS OF MANAGEMENT AND OTHER MATERIAL TRANSACTIONS

The Issuers were only recently formed and have not carried on any business to date. Neither Churchill Real Estate nor any of its directors, executive officers or shareholders, or any of their associates or affiliates has a material interest in any transaction carried out by the Issuers within three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Issuers.

## 20. AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Limited Partnership and the Debenture Issuer are KPMG LLP of Vancouver, British Columbia.

Pursuant to the Limited Partnership Agreement, the General Partner acts as the registrar and transfer agent for the Limited Partnership. Pursuant to the Trust Indenture, Computershare Trust Company of Canada acts as the registrar and transfer agent for the Debentures.

Registration and transfer of LP Units or Debentures purchased through the Agents or their sub-agents will be effected only through the book entry only system administered by CDS. A purchaser of Units will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. See "*Plan of Distribution*" on page 73 herein.

## 21. MATERIAL CONTRACTS

The following are the only material agreements, other than contracts entered into in the ordinary course of business, which either of the Issuers have entered into during the last two years, and the material agreements to which Purchasers will be required to become a party. **Copies of these agreements are available for inspection during regular business hours at the offices of the General Partner, located at Suite 1010, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1.**

1. ***Limited Partnership Agreement*** - described in "*Description of Securities to be Distributed - Limited Partnership Units*" on page 30 herein and attached as Appendix 1 hereto.
2. ***Trust Indenture*** - described in "*Description of Securities to be Distributed - Debentures*" on page 33 herein.
3. ***Debenture Issuer Loan Agreement*** - described in "*Narrative Description of the Business - Business Objectives of the Debenture Issuer - The Debenture Issuer Loan*" on page 19 herein.
4. ***General Security Agreement executed by the Limited Partnership in favour of the Debenture Issuer*** - described in "*Narrative Description of the Business - Business Objectives of the Debenture Issuer - The Debenture Issuer Loan*" on page 19 herein.

5. ***Amended and Restated General Partner Services Agreement*** - described in “*Use of Proceeds*” on page 24 herein and in “*Executive Compensation - Management Agreements*” on page 69 herein.
6. ***Agency Agreement between the Limited Partnership, the Debenture Issuer, the General Partner, Churchill Real Estate and the Agents*** - described in “*Plan of Distribution - Agency Agreement*” on page 68 herein.
7. ***Administrative Services Agreement between the Debenture Issuer and Knightswood*** - described in “*Executive Compensation - Management Agreements*” on page 69 herein.
8. ***Option Agreement between Churchill Real Estate and Knightswood*** - described in “*Narrative Description of the Business - Business Objectives of the Debenture Issuer - Investment Eligibility of Debentures*” on page 20 herein.

## **22. EXPERTS**

No professional person providing an opinion in this Prospectus expects to be elected, appointed or employed as a director, senior officer or employee of the Issuers or the General Partner or of an associate of the Issuers or the General Partner, or is a promoter of the Issuers or the General Partner or of any associate of the Issuers or the General Partner.

## **23. LEGAL MATTERS**

Certain legal matters in connection with this Offering will be passed upon by McCullough O’Connor Irwin LLP, on behalf of the Issuers and by Fraser Milner Casgrain LLP, on behalf of the Agents.

As at April 6, 2011, partners and associates of McCullough O’Connor Irwin LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Issuers and their respective associates and affiliates.

As at April 6, 2011, partners and associates of Fraser Milner Casgrain LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Issuers and their respective associates and affiliates.

## **24. PURCHASERS’ STATUTORY RIGHTS**

Securities legislation in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario provides Purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a Purchaser with remedies for rescission or, in some jurisdictions, damages if the Prospectus and any amendment contains a misrepresentation or is not delivered to the Purchaser, provided that the remedies for rescission or damages are exercised by the Purchaser within the time limit prescribed by the securities legislation of the Purchaser’s province. The Purchaser should refer to any applicable provisions of the securities legislation of the Purchaser’s province for the particulars of these rights or consult with a legal adviser.



**KPMG LLP**  
**Chartered Accountants**  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada

Telephone (604) 691-3000  
Fax (604) 691-3031  
Internet [www.kpmg.ca](http://www.kpmg.ca)

### **AUDITORS' CONSENT**

We have read the prospectus of Churchill 11 Real Estate Limited Partnership (the "Limited Partnership") and Churchill 11 Debenture Corp (the "Debenture Issuer") dated April 6, 2011 relating to the sale and issue of up to 24,000 units at a price of \$1,250 per unit. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of Churchill 11 Partners Inc. in its capacity as general partner of the Limited Partnership on the financial statements of the Limited Partnership as at January 28, 2011. Our report is dated April 6, 2011.

We consent to the use in the above-mentioned prospectus of our report to the directors of Churchill 11 Partners Inc. on the financial statements of Churchill 11 Partners Inc. as at January 11, 2011. Our report is dated April 6, 2011.

We consent to the use in the above-mentioned prospectus of our report to the directors of Churchill 11 Debenture Corp. on the financial statements of Churchill 11 Debenture Corp. as at January 11, 2011. Our report is dated April 6, 2011.

**"KPMG LLP"**

Chartered Accountants

Vancouver, Canada  
April 6, 2011

Financial Statements of

**CHURCHILL 11 REAL ESTATE  
LIMITED PARTNERSHIP**

As at January 28, 2011



**KPMG LLP**  
**Chartered Accountants**  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada

Telephone (604) 691-3000  
Fax (604) 691-3031  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **INDEPENDENT AUDITORS' REPORT**

To the Directors of Churchill 11 Partners Inc. in their capacity as general partner of Churchill 11 Real Estate Limited Partnership

We have audited the accompanying financial statements of Churchill 11 Real Estate Limited Partnership, which comprise the balance sheet and statement of changes in partners' capital as at January 28, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of Churchill 11 Real Estate Limited Partnership as at January 28, 2011, in accordance with International Financial Reporting Standards.

**"KPMG LLP"**

Chartered Accountants

April 6, 2011

Vancouver, Canada

# CHURCHILL 11 REAL ESTATE LIMITED PARTNERSHIP

## Balance Sheet

As at January 28, 2011

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### Assets

Due from general partner (note 3)	\$	10
Due from founding limited partner (note 3)		10
	<hr/> \$	<hr/> 20

### Partners' Capital

Partners' capital (note 3)	\$	20
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Nature of business and basis of presentation (note 1)  
Subsequent event (note 4)

See accompanying notes to financial statements.

Approved on behalf of the Board of the General Partner:

(signed) "*Brad J. Wise*" \_\_\_\_\_ Director      (signed) "*Philip J. Langridge*" \_\_\_\_\_ Director

# CHURCHILL 11 REAL ESTATE LIMITED PARTNERSHIP

## Statement of Changes in Partners' Capital

As at January 28, 2011

	General partner's capital	Limited partner's capital	Total
Opening balance	\$ -	\$ -	\$ -
Transactions with partners, recorded directly in partners' capital			
<i>Contributions by partners</i>			
Issuance of general partner's units	10	-	10
Issuance of limited partners' units	-	10	10
Balance at January 28, 2011	\$ 10	\$ 10	\$ 20

See accompanying notes to financial statements.

# CHURCHILL 11 REAL ESTATE LIMITED PARTNERSHIP

Notes to Financial Statements

As at January 28, 2011

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## 1. Nature of business and basis of presentation:

Churchill 11 Real Estate Limited Partnership (the "Limited Partnership") was formed under the Partnership Act (British Columbia) on January 28, 2011. The Limited Partnership's registered office is located at 2610 – 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X1. The Limited Partnership was established for the purpose of acquiring, holding, managing and operating a portfolio of income-producing real estate properties in Canada. The term of the Limited Partnership is until December 31, 2100 unless dissolved earlier by special resolution or otherwise in accordance with the Limited Partnership Agreement.

The general partner of the Limited Partnership is Churchill 11 Partners Inc. ("General Partner").

The financial statements of the Limited Partnership have been prepared in accordance with International Financial Reporting Standards. The financial statements reflect the financial position of the Limited Partnership and do not include the assets, liabilities, revenues and expenses of the Partners. The Limited Partnership has not engaged in any operating activities and, accordingly, no statements of comprehensive income or cash flows have been presented.

## 2. Significant accounting policy:

Income taxes:

The Limited Partnership is not subject to income taxes. The income or loss of the Limited Partnership will be allocated to the individual partners for taxation purposes.

## 3. Partners' capital:

(a) Authorized:

The Limited Partnership's authorized partners' capital consists of 50,000 Limited Partners' units, one unit issued to CIPC First Partner Corp. (the "Founding Limited Partner") and one General Partner's unit.

(b) Issued:

On January 28, 2011, the Limited Partnership issued the General Partner's unit and the Founding Limited Partner's unit in the amount of \$10 each. The amounts receivable from the General Partner and the Founding Limited Partner are non-interest bearing with no specified terms of repayment.

# CHURCHILL 11 REAL ESTATE LIMITED PARTNERSHIP

Notes to Financial Statements

As at January 28, 2011

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### 3. Partners' capital (continued):

(c) Allocation of net income or loss:

The net income or loss of the Limited Partnership will be allocated 0.005% to the General Partner to a maximum of \$100 per annum plus its Incentive Management Interest (as defined in the partnership agreement), 0.005% to the Founding Limited Partner to a maximum of \$100 per annum, and to the limited partners as to 8% of net equity of the unit with the balance allocated 20% to the General Partner and 80% to the Limited Partners. Loss is allocated 0.005% to the General Partner, secondly, 0.005% to the Founding Limited Partner, with the balance to the Limited Partners.

### 4. Subsequent event:

On April 6, 2011, the Limited Partnership, along with Churchill 11 Debenture Corp. (the "Debenture Issuer"), filed a prospectus for an initial public offering to sell a minimum of 4,000 units and a maximum of 24,000 units at a price of \$1,250 per unit. Each unit consists of one unit of the Limited Partnership and one Series A Debenture from the Debenture Issuer in the principal amount of \$1,000, bearing interest at 8.0% per annum, maturing on December 31, 2016.

Pursuant to an Agency Agreement dated April 6, 2011, the Agents will receive a commission equal to 8% of the purchase price of the units sold and the Lead Agent will receive an advisory fee of \$25,000. In addition, the General Partner has agreed to assign 25% of its incentive management interest to the Agents and pay a trailer fee equal to 1/6<sup>th</sup> of the asset management fee paid to the General Partner pursuant to an Amended and Restated General Partner Services Agreement.

The Debenture Issuer will loan to the Limited Partnership, by way of a Debenture Issuer Loan, an amount equal to the net proceeds received from the issuance of the Series A Debentures. The Debenture Issuer Loan will bear interest at 9.0% per annum, will mature on December 15, 2016, and will be secured by a general security agreement with the Limited Partnership in favour of the Debenture Issuer.

The Limited Partnership will pay the Debenture Issuer an annual loan fee, to be determined over the term of the Debenture Issuer Loan, which, in aggregate, is expected to equal the total commissions, fees and offering expenses to be incurred by the Debenture Issuer in respect of the debenture offering payable annually commencing December 31, 2011. The Debenture Issuer will also receive an ongoing loan commitment fee equal to one quarter of 0.5% of the average daily principal amount of the Debenture Issuer Loan outstanding from the date of the initial advance to and including the last day of such calendar quarter, and thereafter an amount equal to one quarter of 0.5% of the principal amount of such loan outstanding on the first business day of such calendar quarter.

Pursuant to the Amended and Restated General Partner Services Agreement, the Limited Partnership will pay the General Partner a financing fee equal to 1.5% of the gross purchase price of each real estate property acquired, a disposition fee equal to 1.5% of the gross sale price of each property disposed and an annual asset management fee equal to 0.375% per annum of the net asset value of the Limited Partnership, payable quarterly.

Financial Statements of

**CHURCHILL 11 DEBENTURE CORP.**

As at January 11, 2011



**KPMG LLP**  
**Chartered Accountants**  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada

Telephone (604) 691-3000  
Fax (604) 691-3031  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

To the Directors of Churchill 11 Debenture Corp.

We have audited the accompanying financial statements of Churchill 11 Debenture Corp., which comprise the balance sheet and statement of changes in equity as at January 11, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of Churchill 11 Debenture Corp. as at January 11, 2011 in accordance with International Financial Reporting Standards.

### **"KPMG LLP"**

Chartered Accountants

April 6, 2011

Vancouver, Canada

# CHURCHILL 11 DEBENTURE CORP.

Balance Sheet

As at January 11, 2011

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## Asset

Due from shareholder (note 2)	\$	100
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## Shareholder's Equity

Capital stock (note 2)	\$	100
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Nature of business (note 1)

Subsequent event (note 3)

See accompanying notes to financial statements.

Approved on behalf of the Board:

(signed) "Brad J. Wise" Director

(signed) "Philip J. Langridge" Director

# CHURCHILL 11 DEBENTURE CORP.

## Statement of Changes in Equity

As at January 11, 2011

	Share capital	Total equity
Opening balance	\$ -	\$ -
Transactions with owners, recorded directly in equity		
<i>Contributions by owners</i>		
Issuance of capital stock	100	100
Balance at January 11, 2011	\$ 100	\$ 100

See accompanying notes to financial statements.

# CHURCHILL 11 DEBENTURE CORP.

Notes to Financial Statements

As at January 11, 2011

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## 1. Nature of business:

Churchill 11 Debenture Corp. (the "Company") was formed under the Canada Business Corporations Act on January 11, 2011. The Company's registered office is located at 2610 – 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X1. The Company was established for the purpose of offering debentures and loaning the proceeds of these debentures to Churchill 11 Real Estate Limited Partnership (the "Limited Partnership") for the purpose of acquiring income-producing commercial real estate properties in Canada.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards. The Company has not engaged in any operating activities and, accordingly, no statements of comprehensive income or cash flows have been presented.

## 2. Capital stock:

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Authorized:

Unlimited common shares without par value

Issued on incorporation, but not fully paid:

100 common shares	\$	100
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As the Company was formed on January 11, 2011, there were no shares outstanding prior to that date. All the common shares have been issued to the Company's parent entity, Knightswood Financial Corp. ("Knightswood"), and the amount due from shareholder is a non-interest bearing receivable from Knightswood with no specified terms of repayment.

## 3. Subsequent event:

On April 6, 2011, the Limited Partnership, along with the Company, filed a prospectus for an initial public offering to sell a minimum of 4,000 units and a maximum of 24,000 units at a price of \$1,250 per unit. Each unit consists of one unit of the Limited Partnership and one Series A Debenture from the Company, in the principal amount of \$1,000, bearing interest at 8.0% per annum, maturing on December 31, 2016.

Pursuant to an Agency Agreement dated April 6, 2011, the Agents will receive a commission equal to 8% of the purchase price of the units sold and the Lead Agent will receive an advisory fee of \$25,000. In addition, Churchill 11 Partners Inc. (the "General Partner") has agreed to assign 25% of an Incentive Management Interest to the Agents and pay a trailer fee equal to 1/6<sup>th</sup> of the quarterly asset management fee paid to the General Partner pursuant to an Amended and Restated General Partner Services Agreement.

The Company will loan to the Limited Partnership by way of a Debenture Issuer Loan an amount equal to the net proceeds received from the issuance of the Series A Debentures. The Debenture Issuer Loan will bear interest at 9.0% per annum, mature on December 15, 2016 and

# CHURCHILL 11 DEBENTURE CORP.

Notes to Financial Statements (continued)

As at January 11, 2011

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### 3. Subsequent event (continued):

will be secured by a general security agreement with the Limited Partnership in favour of the Company.

The Limited Partnership will pay the Company an annual loan fee, to be determined over the term of the Debenture Issuer Loan which, in aggregate, is expected to equal the total commissions, fees and offering expenses to be incurred by the Company in respect of the debenture offering payable annually, commencing December 31, 2011. The Company will also receive an ongoing loan commitment fee equal to one quarter of 0.5% of the average daily principal amount of the Debenture Issuer Loan outstanding from the date of the initial advance to and including the last day of such calendar quarter, and thereafter an amount equal to one quarter of 0.5% of the principal amount of such loan outstanding on the first business day of such calendar quarter.

Pursuant to the Amended and Restated General Partners Services Agreement, the Limited Partnership will pay the General Partner a financing fee equal to 1.5% of the gross purchase price of each real estate property acquired, a disposition fee equal to 1.5% of the gross sale price of each property disposed and an annual asset management fee equal to 0.375% per annum of the net asset value of the Limited Partnership, payable quarterly.

The Company has entered into an administrative services agreement with Knightswood, whereby the Company will pay a quarterly fee of \$5,000. In addition, the Company will pay certain reasonable out-of-pocket charges and expenses incurred by Knightswood.

Financial Statements of

**CHURCHILL 11 PARTNERS INC.**

As at January 11, 2011



**KPMG LLP**  
**Chartered Accountants**  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada

Telephone (604) 691-3000  
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## INDEPENDENT AUDITORS' REPORT

To the Directors of Churchill 11 Partners Inc.

We have audited the accompanying financial statements of Churchill 11 Partners Inc., which comprise the balance sheet and statement of changes in equity as at January 11, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of Churchill 11 Partners Inc. as at January 11, 2011 in accordance with International Financial Reporting Standards.

### **"KPMG LLP"**

Chartered Accountants

April 6, 2011

Vancouver, Canada

# CHURCHILL 11 PARTNERS INC.

## Balance Sheet

As at January 11, 2011

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### Asset

Due from shareholder (note 2)	\$	100
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### Shareholder's Equity

Capital stock (note 2)	\$	100
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Nature of business (note 1)  
Subsequent events (note 3)

See accompanying notes to financial statements.

Approved on behalf of the Board:

(signed) "*Brad J. Wise*" \_\_\_\_\_ Director

(signed) "*Philip J. Langridge*" \_\_\_\_\_ Director

# CHURCHILL 11 PARTNERS INC.

## Statement of Changes in Equity

As at January 11, 2011

	Share capital	Total equity
Opening balance	\$ -	\$ -
Transactions with owners, recorded directly in equity		
<i>Contributions by owners</i>		
Issuance of capital stock	100	100
Balance at January 11, 2011	\$ 100	\$ 100

See accompanying notes to financial statements.

# CHURCHILL 11 PARTNERS INC.

Notes to Financial Statements

As at January 11, 2011

---

## 1. Nature of business:

Churchill 11 Partners Inc. (the "Company") was formed under the Canada Business Corporations Act on January 11, 2011. The Company's registered office is located at 2610 – 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X1. The Company was established for the purpose of owning and operating income-producing commercial real estate properties in Canada through Churchill 11 Real Estate Limited Partnership (the "Limited Partnership") in its capacity as General Partner of the Limited Partnership.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards.

The Company has not engaged in any operating activities and, accordingly, no statements of comprehensive income or cash flow have been presented.

## 2. Capital stock:

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Authorized:

Unlimited common shares without par value

Issued on incorporation, but not fully paid:

100 common shares	\$	100
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As the Company was formed on January 11, 2011, there were no shares outstanding prior to that date. All the common shares have been issued to the Company's parent entity, Churchill Real Estate Inc. ("REIC"), and the amount due from shareholder is a non-interest bearing receivable from REIC with no specified terms of repayment.

## 3. Subsequent events:

### (a) Initial public offering:

On April 6, 2011, the Limited Partnership, along with Churchill 11 Debenture Corp. (the "Debenture Issuer"), filed a prospectus for an initial public offering to sell a minimum of 4,000 units and a maximum of 24,000 units at a price of \$1,250 per unit. Each unit consists of one unit of the Limited Partnership and one Series A Debenture from Churchill 11 Debenture Corp. in the principal amount of \$1,000 bearing interest at 8.0% per annum, maturing on December 31, 2016.

Pursuant to an Agency Agreement dated April 6, 2011, the Agents will receive a commission equal to 8% of the purchase price of the units sold and the Lead Agent will receive an advisory fee of \$25,000. In addition, the Company has agreed to assign 25% of its Incentive Management Interest to the Agents and pay a trailer fee equal to 1/6<sup>th</sup> of the quarterly asset management fee paid to the Company pursuant to an Amended and Restated General Partner Services Agreement.

# CHURCHILL 11 PARTNERS INC.

Notes to Financial Statements (continued)

As at January 11, 2011

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### 3. Subsequent events (continued):

(a) Initial public offering (continued):

The Debenture Issuer will loan to the Limited Partnership, by way of a Debenture Issuer Loan, an amount equal to the net proceeds received from the issuance of the Series A Debentures. The Debenture Issuer Loan will bear interest at 9.0% per annum, will mature on December 15, 2016, and will be secured by a general security agreement with the Limited Partnership in favour of the Debenture Issuer.

The Limited Partnership will pay the Debenture Issuer an annual loan fee, to be determined over the term of the Debenture Issuer Loan, which, in aggregate, is expected to equal the total commissions, fees and offering expenses to be incurred by the Debenture Issuer in respect of the debenture offering payable annually, commencing December 31, 2011. The Debenture Issuer will also receive an ongoing loan commitment fee equal to one quarter of 0.5% of the average daily principal amount of the Debenture Issuer Loan outstanding from the date of the initial advance to and including the last day of such calendar quarter, and thereafter an amount equal to one quarter of 0.5% of the principal amount of such loan outstanding on the first business day of such calendar quarter.

Pursuant to the Amended and Restated General Partners Services Agreement, the Limited Partnership will pay the General Partner a financing fee equal to 1.5% of the gross purchase price of each real estate property acquired, a disposition fee equal to 1.5% of the gross sale price of each property disposed and an annual asset management fee equal to 0.375% per annum of the net asset value of the Limited Partnership, as defined in the prospectus, payable quarterly.

(b) Investment in Churchill 11 Real Estate Limited Partnership:

On January 28, 2011, the Company subscribed for one General Partner's unit of Churchill 11 Real Estate Limited Partnership with a cost of \$10.

The net income or loss of the Limited Partnership will be allocated 0.005% to the Company to a maximum of \$100 per annum plus its incentive management interest (as defined in the partnership agreement), 0.005% to CIPC First Partner Corp. (the "Founding Limited Partner") to a maximum of \$100 per annum, and to the limited partners as to 8% of net equity of the unit with the balance allocated 20% to the Company and 80% to the Limited Partners. Loss is allocated 0.005% to the Company, secondly, 0.005% to the Founding Limited Partner, with the balance to the Limited Partners.

**CERTIFICATE OF THE LIMITED PARTNERSHIP**

DATED: April 6, 2011

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

**CHURCHILL 11 REAL ESTATE LIMITED PARTNERSHIP  
by its General Partner, CHURCHILL 11 PARTNERS INC.**

(signed) "Philip J. Langridge"  
Philip J. Langridge, President and Chief  
Executive Officer

(signed) "Brad J. Wise"  
Brad J. Wise, Executive Vice-President and  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) "Philip J. Langridge"  
Philip J. Langridge, Director

(signed) "Brad J. Wise"  
Brad J. Wise, Director

**PROMOTER**

**CHURCHILL REAL ESTATE INC.**

(signed) "Philip J. Langridge"  
Philip J. Langridge, Director

**CERTIFICATE OF THE DEBENTURE ISSUER**

DATED: April 6, 2011

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

**CHURCHILL 11 DEBENTURE CORP.**

(signed) "Philip J. Langridge"  
Philip J. Langridge, President and Chief  
Executive Officer

(signed) "Brad J. Wise"  
Brad J. Wise, Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) "Philip J. Langridge"  
Philip J. Langridge, Director

(signed) "Brad J. Wise"  
Brad J. Wise, Director

(signed) "Alan Richman"  
Alan Richman, Director

**CERTIFICATE OF THE AGENTS**

DATED: April 6, 2011

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

**DUNDEE SECURITIES LTD.**

By: (signed) "Onorio Lucchese"  
Onorio Lucchese, Managing Director

**RAYMOND JAMES LTD.**

**SCOTIA CAPITAL INC.**

By: (signed) "J. Graham Fell"  
J. Graham Fell, Senior Managing Director

By: (signed) "Bryce Stewart"  
Bryce Stewart, Director

**MACQUARIE CAPITAL MARKETS CANADA LTD.**

By: (signed) "John Bartkiw"  
John Bartkiw, Managing Director

**SCHEDULE A**  
**LIMITED PARTNERSHIP AGREEMENT**

**CHURCHILL 11 REAL ESTATE  
LIMITED PARTNERSHIP**

**LIMITED PARTNERSHIP AGREEMENT**

**JANUARY 18, 2011**

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## LIMITED PARTNERSHIP AGREEMENT

THIS LIMITED PARTNERSHIP AGREEMENT is dated for reference the 18th day of January, 2011.

AMONG:

**CHURCHILL 11 PARTNERS INC.**, a corporation incorporated under the *Canada Business Corporations Act*, having an office at Suite 1010 - 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1

(hereinafter called the “General Partner”)

OF THE FIRST PART

AND:

**CIPC FIRST PARTNER CORP.**, a corporation incorporated under the laws of the Province of British Columbia, having an office at Suite 1010 - 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1

(hereinafter called the “Founding Limited Partner”)

OF THE SECOND PART

AND:

Each party who from time to time is accepted as a limited partner in the **CHURCHILL 11 REAL ESTATE LIMITED PARTNERSHIP**, or who is a successor of any such person and who becomes a limited partner upon being entered into the register of limited partners

(hereinafter individually called a “Limited Partner” and collectively with the Founding Limited Partner called the “Limited Partners”)

OF THE THIRD PART

WHEREAS:

- A. The General Partner and the Founding Limited Partner have agreed to establish the Limited Partnership pursuant to the terms of this Agreement;
- B. The Limited Partnership intends to acquire a beneficial interest in the Properties;

- C. The General Partner has determined to offer Units of the Limited Partnership by way of public offering in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, and in such other jurisdictions where it may be permitted to do so, for the purposes of financing the acquisition of its interest in the Properties and will admit subscribers for Units as Limited Partners; and
- D. It is considered necessary and desirable to enter into this Agreement to set out the terms and conditions upon which the Limited Partnership is to be established and operated.

NOW THEREFORE in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

## **ARTICLE 1 DEFINITIONS**

### **1.1 Definitions**

In this Agreement, unless the context otherwise requires, the following words or expressions will have the following meanings:

- (a) **Act** means the *Partnership Act* of British Columbia, R.S.B.C. 1996, c. 348, as amended.
- (b) **Affiliate or Associate** means, where used to indicate a relationship with any person,
  - (i) a partner, other than a limited partner, of that person,
  - (ii) a trust or estate in which that person has a substantial beneficial interest or for which that person serves as trustee or in a similar capacity,
  - (iii) an entity in respect of which that person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the entity, or
  - (iv) a relative, including the spouse, of that person or a relative of that person's spouse, where the relative has the same home as that person,

and for the purpose of this definition "spouse" includes a man or woman not married to that person but who is living with that person and has lived with that person as husband or wife for a period of not less than 6 months.

- (c) **Agreement** means this Agreement, as amended from time to time.
- (d) **Auditors** means KPMG LLP or such other firm of chartered accountants as may be appointed by the General Partner as auditor for the Limited Partnership.

- (e) **Beneficial Owner** means a person that has a beneficial interest in a Unit that is represented by a Global Certificate.
- (f) **Book Entry Only System** means the system of recording Depository Participants holding securities operated by or on behalf of the Depository.
- (g) **Cash Proceeds** means the Subscription Price for Units, being \$250 per Unit sold.
- (h) **Clearing Agency** means a “clearing agency” as defined in the *Securities Act* (British Columbia).
- (i) **Date of Closing** means in respect of a Unit, the date upon which the sale of such Unit is closed.
- (j) **Debenture Issuer** means Churchill 11 Debenture Corp., a corporation incorporated under the *Canada Business Corporations Act*.
- (k) **Debenture Issuer Loan** means the loan to be made by the Debenture Issuer to the Limited Partnership under the terms of the Debenture Issuer Loan Agreement in an amount equal to the net proceeds from the issuance of Series A Debentures by the Debenture Issuer, the proceeds of which loan will be used by the Limited Partnership to finance the purchase, ownership and operation of the Properties.
- (l) **Debenture Issuer Loan Agreement** means an agreement made between the Limited Partnership and the Debenture Issuer in respect of the Debenture Issuer Loan.
- (m) **Debenture Issuer Loan Interest** means the interest paid by the Limited Partnership to the Debenture Issuer pursuant to the Debenture Issuer Loan Agreement.
- (n) **Depository** means with respect to Units of any series issuable in whole or in part in the form of one or more Global Certificates, a Clearing Agency that is designated to act as a depository for such Units.
- (o) **Depository Participants** means participants in the depository service holding securities operated by or on behalf of the Depository.
- (p) **Distributable Cash** means, at any time, the amount, if any, which the General Partner determines to be the amount by which (i) the amount of cash funds of the Partnership from any source, other than Extraordinary Net Cash Receipts, available for distribution after payment of all accrued amounts payable by the Limited Partnership at such time, exceeds (ii) such amount as the General Partner determines to be reasonable to withhold from distribution as a reserve having regard to the current and anticipated cash requirements of the Limited Partnership in respect of capital improvement projects and other working capital requirements.

- (q) **Disposition Fee** means a fee payable pursuant to the Services Agreement to the General Partner by the Limited Partnership from the proceeds of a Sale equal to 1.5% of the gross proceeds received or receivable by the Limited Partnership on the Sale to compensate the General Partner for services rendered in connection with such Sale.
- (r) **Extraordinary Distributions** means distributions as returns of capital to the partners of the Limited Partnership of funds received by the Limited Partnership on account of matters other than revenues arising from the ordinary course of operations of the Properties, including Net Proceeds from Sale and Net Proceeds from Refinancing but excluding distributions of Distributable Cash.
- (s) **Extraordinary Net Cash Receipts** means, collectively, Net Proceeds from Sale and Net Proceeds from Refinancing, as the case may be.
- (t) **Financing Fee** means a fee payable pursuant to the Services Agreement to the General Partner upon the completion of the funding of the financing required for the purchase of a Property equal to 1.5% of the gross purchase price of the Property.
- (u) **Fiscal Year** means the fiscal year of the Limited Partnership from time to time, as established by the General Partner.
- (v) **Founding Limited Partner** means CIPC First Partner Corp.
- (w) **General Partner** means Churchill 11 Partners Inc., in its capacity as the general partner of the Limited Partnership, or any person who is from time to time admitted as the general partner of the Limited Partnership in accordance with the terms of this Agreement.
- (x) **Global Certificate** means a global certificate representing the Units delivered to and registered in the name of the Depository.
- (y) **IFRS** means International Financial Reporting Standards.
- (z) **Incentive Management Interest**, at any time, means 25% of the aggregate of (i) the total payments made to Limited Partners in respect of the Minimum Return prior to such time and (ii) an amount equal to the amount of interest that the Debenture Issuer has determined pursuant to the terms of the Trust Indenture at such time to be payable by the Debenture Issuer in respect of Series A Debentures issued under the Trust Indenture.
- (aa) **Investor** means a person, firm, corporation or other entity who subscribes for Units, subject to acceptance or rejection by the General Partner in accordance with this Agreement.
- (bb) **Limited Partner** means any Investor whose Subscription is accepted by the General Partner and any person, firm, corporation or other entity who acquires

Units on a subsequent transfer from a Limited Partner in accordance with the terms of this Agreement and, subject to Section 2.12, includes the Founding Limited Partner.

- (cc) **Limited Partnership** means the Churchill 11 Real Estate Limited Partnership, a limited partnership formed under the Act and pursuant to the terms of this Agreement.
- (dd) **Management Agreement** means an agreement or agreements to be entered into by the Limited Partnership and third party property managers or property management companies for the provision of property management services to the Limited Partnership in respect of the Properties.
- (ee) **Minimum Return** means, in respect of each Unit, an annual amount equal to 8% of the Net Equity of such Unit, calculated and accumulated on a non-compounded basis from the Date of Closing in respect of such Unit.
- (ff) **Mortgage** means the mortgage or mortgages charging the Properties and securing the repayment of the Mortgage Loans, recorded or to be recorded against title to the Properties.
- (gg) **Mortgage Loans** means loans, which may be provided under one or more separate financing facilities, to be borrowed or assumed by the Limited Partnership to fund the costs of the acquisition, ownership and operation of the Properties.
- (hh) **Net Equity**, at any time, means:
  - (i) the aggregate Cash Proceeds received by the Limited Partnership as at such time, less
  - (ii) the aggregate of all Extraordinary Distributions made by the Limited Partnership prior to such time and all amounts paid pursuant to Section 7.2(d),

and, in respect of a Unit, means the Cash Proceeds received by the Limited Partnership from the Subscription for such Unit less the aggregate of all Extraordinary Distributions made by the Limited Partnership to the date in question in respect of such Unit and, in the event of redemption or retraction of a fraction of such Unit, any amount paid pursuant to Section 7.2(d).

- (ii) **Net Income** or **Net Loss**, as applicable, in respect of any Fiscal Year means, respectively, the amount of income or loss of the Limited Partnership for such Fiscal Year as determined by the General Partner in accordance with Canadian generally accepted accounting principles, including the net gain or net loss of the Limited Partnership for such Fiscal Year where “gain” or “loss” means the amount of the gain or loss, respectively, of the Limited Partnership from the

disposition of any of the Properties after deducting all expenses of the Limited Partnership in connection with such disposition.

- (jj) **Net Proceeds from Refinancing** means all proceeds of the Limited Partnership arising from a Refinancing, after deduction of amounts paid to discharge or pay down other encumbrances on the Properties, the payment of all costs and expenses associated with the Refinancing, any other amounts required to be paid out of such receipts and any amounts which the General Partner in its discretion has determined to pay on account of the principal amount then outstanding of the Debenture Issuer Loan.
- (kk) **Net Proceeds from Sale** means, on a sale of a Property, all proceeds of the Limited Partnership arising from the Sale, including any principal and interest payments received by the Limited Partnership on any vendor financing taken back on such Sale, less the costs and expenses of the Sale and the Disposition Fee in respect of such Sale.
- (ll) **Notice Date** means on or before November 1 in each year, commencing November 1, 2014.
- (mm) **Ordinary Resolution** means a resolution approved by more than 50% of the votes cast by those Limited Partners who vote and who are entitled to vote in person or by proxy at a duly convened meeting of Limited Partners, or at any adjournment thereof, called in accordance with the Agreement, or a written resolution in one or more counterparts distributed to all Limited Partners and signed by Limited Partners holding in the aggregate more than 50% of the aggregate number of votes held by those Limited Partners who are entitled to vote with respect to such resolution at such meeting.
- (nn) **Prime Rate** means the rate of interest declared by the Limited Partnership's principal bankers from time to time at its main branch in Vancouver, British Columbia, as a reference rate for interest charged to its commercial customers for unsecured short term loans in Canadian funds which reference rate is commonly referred to as the "prime rate".
- (oo) **Properties** means the various direct and indirect interests in revenue-producing real estate situate in Canada acquired from time to time by the Limited Partnership and includes any loans made by the Limited Partnership to third parties secured by a mortgage or charge on real property.
- (pp) **Proportionate Share** of any amount, at any time, in respect of a Limited Partner means the portion thereof that is in the same proportion to the total amount thereof as the Net Equity of the Units of such Limited Partner at such time is to the total Net Equity of the Limited Partnership at such time.
- (qq) **Prospectus** means the prospectus qualifying the Public Offering (and any amendment thereto), in respect of which a receipt is issued by the securities commissions having jurisdiction over the Public Offering.

- (rr) **Public Offering** means the initial public offering of a minimum of 4,000 Units and a maximum of 24,000 Units (together with debentures issued by the Debenture Issuer to the Investors) contemplated by a Prospectus to be filed by the Limited Partnership and the Debenture Issuer with respect thereto with the securities commissions of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.
- (ss) **Refinancing** means any renewal, extension, increase or refinancing of all or any part of any financing permitted by a lender in respect of the Properties, but excluding any ordinary course borrowing by the Limited Partnership for operating purposes.
- (tt) **Register** means the records of the Limited Partnership in which are recorded the names and addresses of the Limited Partners, the particulars of the registration of Units held by each Limited Partner and particulars of transfers of Units, and such other records as are required by applicable law.
- (uu) **Registrar and Transfer Agent** means the General Partner, or such other person who may be appointed from time to time by the General Partner to act as registrar and transfer agent for the Limited Partnership.
- (vv) **Retraction Date** means January 15 in each year, commencing January 15, 2015.
- (ww) **Retraction Notice** means a notice delivered to the Limited Partnership, on or before the Notice Date, setting out the intention of a Limited Partner to retract some or all of its Units (including any fractional Units held by it), which notice will specify the number of Units which the Limited Partner wishes to retract and the Retraction Price.
- (xx) **Retraction Price** means, with respect to any Unit, the Net Equity of such Unit as of the date of the Retraction Notice together with the Minimum Return accrued but remaining unpaid in respect of such Unit as of the Retraction Date.
- (yy) **Sale** means the sale by the Limited Partnership of all or part of its interest in a Property or the Properties, the receipt by the Limited Partnership of compensation for the expropriation of, condemnation of or injurious affection to a Property or the Properties or any part thereof or interest therein, or the recovery by the Limited Partnership of damage awards or insurance proceeds (other than business or rental interruption insurance proceeds) in respect thereof.
- (zz) **Services Agreement** means an agreement made between the Limited Partnership and the General Partner in respect of services provided to the Limited Partnership by the General Partner.
- (aaa) **Special Resolution** means a resolution approved by not less than 75% of the votes cast by those Limited Partners who vote and are entitled to vote in person or by proxy at a duly convened meeting of Limited Partners, or at any adjournment thereof, called in accordance with the Agreement, or a written resolution in one or

more counterparts distributed to all Limited Partners and signed by Limited Partners holding in the aggregate not less than 75% of the aggregate number of votes held by those Limited Partners who are entitled to vote with respect to such resolution at such meeting.

- (bbb) **Subscription** means a subscription for Units made by an Investor.
- (ccc) **Subscription Price** means the amount of \$250 payable upon Subscription for a Unit.
- (ddd) **Tax Act** means the *Income Tax Act* (Canada), together with all the rules, regulations and policies made pursuant thereto, as amended from time to time.
- (eee) **Taxable Income** or **Tax Loss**, as applicable, in respect of any Fiscal Year, means, respectively, the amount of income or loss of the Limited Partnership for such Fiscal Year as determined by the General Partner in accordance with the provisions of the Tax Act (including the amount of the taxable capital gain or allowable capital loss from the disposition of each capital property of the Partnership as determined by the General Partner) and, if considered by the General Partner to be in the best interests of the Limited Partners, in accordance with the following principles:
  - (i) deductions will be taken at the earliest time and to the maximum extent permitted by the Tax Act; and
  - (ii) the recognition of income will be deferred to the maximum extent permitted by the Tax Act.
- (fff) **Trust Indenture** means the Trust Indenture to be made between the Debenture Issuer and Computershare Trust Company of Canada, as trustee.
- (ggg) **Unit** means the interest of a Limited Partner in the Limited Partnership consisting of a right to participate in the income and losses of the Limited Partnership, to participate in the distribution of the net assets of the Limited Partnership upon a liquidation or winding up of the Limited Partnership, and such other rights as are prescribed under the Agreement.
- (hhh) **Unit Certificate** means a certificate issued by the Limited Partnership in the name of or as directed by a Limited Partner following the Date of Closing in respect of the Units issued to such Limited Partner to evidence ownership of such Units.

## **ARTICLE 2 THE LIMITED PARTNERSHIP**

### **2.1 Formation, Status and Name of Limited Partnership**

The General Partner and the Founding Limited Partner hereby agree to form the Limited Partnership to carry on business with a view to profit until termination in accordance with this Agreement.

Subject to all applicable laws, the Limited Partnership will carry on business under the name “**Churchill 11 Real Estate Limited Partnership**” or such other name or names as the General Partner may determine from time to time, provided that the General Partner files a revised certificate as required under the Act.

### **2.2 Maintaining Status of Limited Partnership**

The General Partner will be the general partner of the Limited Partnership, will do all things and will cause to be executed and filed such certificates, declarations, instruments and documents as may be required under the laws of the Province of British Columbia or the laws of any other province or state having jurisdiction, to reflect the constitution of the Limited Partnership from time to time. The General Partner and each Limited Partner will execute and deliver as promptly as possible any documents that may be necessary or desirable to accomplish the purposes of this Agreement or to give effect to the formation of the Limited Partnership under any and all applicable laws. The General Partner will take all necessary actions on the basis of information available to it in order to maintain the status of the Limited Partnership as a limited partnership under the Act.

### **2.3 Fiscal Period**

The fiscal period of the Limited Partnership will end in each and every year on a day to be determined by the General Partner, having reference to the requirements of the Tax Act and the best interests of the Limited Partners, or on such other date as the Limited Partners may determine by Special Resolution.

### **2.4 Business and Powers of the Limited Partnership**

The business of the Limited Partnership will be restricted to directly or indirectly acquiring, holding, managing and operating revenue producing real estate properties, the provision of loans that are secured by mortgages or charges against real property and to limited investment in real estate development opportunities in Canada, or any direct or indirect interests therein, which may include the Properties, conducting other business which is ancillary or incidental thereto, and deriving income therefrom with a view to making a profit. The Limited Partnership will purchase Properties only at prices and on terms negotiated with arm's length third party vendors.

The Limited Partnership will not carry on any other business. The Limited Partnership will have the power to do any and every act and thing necessary, proper, convenient or incidental to the accomplishment of its business and purposes including, without limitation,

owning or disposing of partnership interests, shares or other securities whereby the Limited Partnership holds an indirect interest in real property or interests therein.

## **2.5 Principal Place of Business**

The principal place of business and mailing address of the Limited Partnership and the General Partner will be Suite 1010 - 1040 West Georgia Street, in the City of Vancouver, in the Province of British Columbia, V6E 4H1. The General Partner may change the principal place of business, the registered office or the mailing address of the Limited Partnership or the General Partner from time to time by giving notice to that effect to all Limited Partners.

## **2.6 Term**

The Limited Partnership will be formed upon the filing and recording of the certificate required under the Act and any other applicable legislation and will continue until terminated upon the earlier of:

- (a) December 31, 2100;
- (b) the passage of a Special Resolution approving the dissolution of the Limited Partnership; and
- (c) if the Limited Partnership no longer has any interest in the Properties or any other material assets, whether real or personal, then on thirty (30) days' written notice to the Limited Partners; and,

in any case, after the completion of the liquidation of the Limited Partnership and distribution of all funds remaining after payment of all of the debts, liabilities and obligations of the Limited Partnership to its creditors, in accordance with the provisions of this Agreement and upon compliance with the requirements of the Act and any other applicable legislation.

## **2.7 Status of the General Partner**

The General Partner represents and warrants and covenants to each Limited Partner that it:

- (a) is and will continue to be a corporation incorporated under the *Canada Business Corporations Act*;
- (b) has and will continue to have the requisite capacity and corporate authority to act as General Partner of the Limited Partnership and to perform its obligations under this Agreement, and such obligations do not and will not conflict with or breach its memorandum, articles of incorporation or any agreement by which it is bound;
- (c) will not, and will not permit any Affiliate or Associate of the General Partner to, borrow from the Limited Partnership;

- (d) will carry out its powers and authorities and manage and operate the Limited Partnership and the undertaking, property and assets thereof in a reasonable and prudent manner and will act honestly, in good faith and in the best interests of the Limited Partners;
- (e) will act in utmost fairness and good faith towards the Limited Partners in respect of the business of the Limited Partnership;
- (f) has contributed Ten Dollars (\$10) as a capital contribution to the Limited Partnership; and
- (g) will not carry on any business of the Limited Partnership other than for the purposes set forth or as contemplated herein.

The General Partner represents and warrants to and agrees with the Limited Partners that the General Partner has and will continue to have the intention, and will not change its intention, to carry on business of the Limited Partnership in common with a view to profit with the Limited Partners, notwithstanding any change in the Limited Partners pursuant to the provisions of the Agreement and will execute and deliver to the Limited Partnership a certificate of an officer of the General Partner certifying so upon request from any Limited Partner in connection with a change in the Limited Partners.

## **2.8 Status of Each Limited Partner**

Each Limited Partner represents and warrants and covenants to each other Limited Partner and to the General Partner that such Limited Partner:

- (a) is acting as a principal;
- (b) if an individual, has the capacity and competence to enter into and be bound by this Agreement and all other agreements contemplated hereby;
- (c) if a corporation, partnership, unincorporated association or other entity, is legally competent to execute this Agreement and all other agreements contemplated hereby and to take all actions required pursuant hereto, and further certifies that all necessary approvals of directors, shareholders, partners, members or otherwise have been given;
- (d) is a resident of Canada under the Tax Act and is not a “non-Canadian” person under the *Investment Canada Act*;
- (e) will promptly provide such evidence of the legal status of such Limited Partner as the General Partner may reasonably request; and
- (f) is purchasing the Units for investment purposes only.

Prior to any Limited Partner ceasing to be resident of Canada for purposes of the Tax Act, such Limited Partner shall transfer the Units of such Limited Partner to a resident of

Canada. In the event that such Limited Partner fails to transfer his Units to a resident of Canada who qualifies to hold Units within thirty (30) days of the giving of a notice to such non-resident Limited Partner to so transfer his Units, the General Partner will be entitled to sell such Units on behalf of such non-resident Limited Partner on such terms and conditions as it deems reasonable in its sole discretion and may itself become the purchaser of such Units. On any such sale by the General Partner the price will be the fair market value for such Units as determined by an independent appraiser appointed by the General Partner, whose appraisal will be final and binding on the Limited Partnership, the General Partner and the Limited Partners so affected. The cost of such appraisal will be borne by those Limited Partners whose Units are sold by the General Partner and may be deducted from the proceeds of such sale together with any other expenses incurred in connection therewith.

Further, the Limited Partner recognizes and acknowledges that the failure to provide notice to the General Partner in accordance with this Section 2.8 or transfer its Units prior to the Limited Partner being unable to make the representation and warranty in paragraph 1(d) above shall be an event of default and shall result in the Limited Partner ceasing to be a Limited Partner of the Limited Partnership on that day which is one day before the Limited Partner is unable to make the representation and warranty in paragraph 1(d) above, or if such person was never able to make the representation and warranty in paragraph 1(d) above, then that person shall be deemed to have never been a Limited Partner, and shall result in the Limited Partner having liability to the Limited Partnership and the General Partner for any and all adverse tax consequences arising out of his change of status.

Each Limited Partner represents and warrants to and agrees with each other Limited Partner and the General Partner that such Limited Partner has and will continue to have the intention, and will not change such intention, to carry on the business of the Limited Partnership in common with a view to profit with the other Limited Partners and the General Partner, notwithstanding any change in the General Partner or the Limited Partners pursuant to the provisions of this Agreement and will execute and deliver to the Limited Partnership a certificate certifying so upon request from the General Partner in connection with a change in the Limited Partners or the General Partner.

## **2.9 Compliance with Laws**

Each Limited Partner will, on request by the General Partner, immediately execute all certificates, declarations, instruments and documents necessary to comply with any law or regulation of any jurisdiction in Canada in regard to the formation, continuance, operation or dissolution of the Limited Partnership.

## **2.10 Limitation on Authority of Limited Partners**

A Limited Partner may from time to time inquire as to the state and progress of the business of the Limited Partnership and may provide comment as to its management; however, no Limited Partner will:

- (a) take part in the control or management of the business of the Limited Partnership;

- (b) transact any business on behalf of the Limited Partnership or execute any document which binds or purports to bind the Limited Partnership, the General Partner or any other Limited Partner as such;
- (c) hold itself out as having the power or authority to bind the Limited Partnership, the General Partner or any Limited Partner as such;
- (d) have any authority to undertake any obligation or responsibility on behalf of the Limited Partnership (except that the General Partner may act on behalf of the Limited Partnership notwithstanding that it may also be a Limited Partner); or
- (e) bring any action for partition or sale in connection with the Limited Partnership's interest in the Properties or any other assets of the Limited Partnership, whether real or personal, or register or permit any lien or charge in respect of the Units of such Limited Partner to be filed or registered or remain undischarged against the Limited Partnership's interest in the Properties in respect of such Limited Partner's interest in the Limited Partnership.

The Limited Partners will comply with the provisions of all applicable legislation, including the Act, in force or in effect from time to time and will not take any action which will jeopardize or eliminate the status of the Limited Partnership as a limited partnership.

#### **2.11 Number of Partners**

The Limited Partnership will at all times have at least one General Partner and one or more Limited Partners.

#### **2.12 Founding Limited Partner**

Upon the issuance of Units to any Investor the Limited Partnership will return to the Founding Limited Partner the balance in its capital account and the balance in its current account whereupon the Founding Limited Partner will cease to be a partner of the Limited Partnership.

### **ARTICLE 3 THE GENERAL PARTNER**

#### **3.1 General Powers and Duties of the General Partner**

The General Partner represents and warrants that, should it become necessary and expedient for the Limited Partnership to have the following agreements, the General Partner will enter into such agreements on behalf of the Limited Partnership or the Limited Partners, as applicable:

- (a) the Services Agreement;
- (b) the Management Agreement;

- (c) the Debenture Issuer Loan Agreement;
- (d) such agreements in favour of the Debenture Issuer as are contemplated by the Debenture Issuer Loan Agreement to secure the Debenture Issuer Loan;
- (e) agreements of purchase and sale for the purchase of the Properties, or assignments of such agreements of purchase and sale; and
- (f) any other document or agreement referred to in the Prospectus or in furtherance thereof.

Without limiting the foregoing, the General Partner will diligently enforce the obligations and commitments of those companies designated by the General Partner to provide services to the Limited Partnership and the Limited Partners contained in the aforementioned agreements on behalf of the Limited Partnership and each Limited Partner without further authorization from any Limited Partner. The General Partner will also carry out its obligations and commitments under such agreements.

### **3.2 Authority of the General Partner**

Subject to those matters requiring an Ordinary Resolution or a Special Resolution, and subject to the provisions of the Act, the General Partner will carry on the business of the Limited Partnership with full power and authority to administer, manage, control and operate the business of the Limited Partnership, and to do or cause to be done any act, take or cause to be taken any proceeding, make or cause to be made any decision and execute and deliver or cause to be executed and delivered any instrument, deed, agreement or document necessary, appropriate or incidental to the carrying on of the business of the Limited Partnership. No person dealing with the Limited Partnership is required to enquire into the authority of the General Partner to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document for or on behalf of or in the name of the Limited Partnership. The General Partner may execute any document or instrument under seal or without a seal as it deems appropriate notwithstanding whether or not any document authorizing it to act on behalf of the Limited Partnership or any Limited Partner was executed under seal.

### **3.3 Specific Powers of the General Partner**

Without limiting the generality of Section 3.2 hereof, it is acknowledged and agreed that the General Partner is authorized, at all appropriate times and from time to time, on behalf of and without further authority from the Limited Partners, to do all things which in its sole judgment are necessary, proper or desirable to carry on the business and purposes of the Limited Partnership including but not limited to the following:

- (a) to act as the Registrar and Transfer Agent for the Limited Partnership, or retain another person to so act;
- (b) to engage such counsel and other professional advisers or consultants as the General Partner considers advisable in order to perform its duties hereunder;

- (c) to open and operate, either in its own name or in the name of the Limited Partnership, a separate bank account in order to deposit and to distribute funds with respect to the Limited Partnership;
- (d) to execute, deliver and carry out all other agreements, documents and instruments which from time to time require execution by or on behalf of the Limited Partnership, or which the General Partner may, in its discretion, determine appropriate, necessary and advisable in pursuing the business of the Limited Partnership, and without limiting the generality of the foregoing, to enter into financing, sales, agency and other agreements and arrangements in connection with the offering and sale of Units;
- (e) to pay all taxes, fees and other expenses relating to the orderly maintenance, repair, management and operation of the business of the Limited Partnership;
- (f) to file all reports, returns and other filings under the Tax Act or otherwise;
- (g) to act on behalf of the Limited Partnership with respect to any and all actions and other proceedings pertaining to the Limited Partnership or the Properties, brought by or against the Limited Partnership;
- (h) to determine the amount and type of insurance coverage to be maintained in order to protect the Limited Partnership from all usual perils of the type covered in respect of comparable properties and businesses to that of the Limited Partnership and in order to comply with the requirements of the lenders of funds to the Limited Partnership;
- (i) to determine the amount, if any, to be claimed by the Limited Partnership in any year in respect of capital cost allowance and other discretionary deductions and reserves;
- (j) to hold the Limited Partnership assets and any Properties in the name of the General Partner, the Limited Partnership or other designated person;
- (k) to purchase or acquire assets or property on behalf of the Limited Partnership or sell, transfer or otherwise dispose of the whole or any part of the Limited Partnership's assets or property, all on such terms and conditions as the General Partner may determine;
- (l) to provide loans to third parties secured by a mortgage or charge against real property;
- (m) to invest funds not immediately required for the business of the Limited Partnership in short term securities or accounts;
- (n) to provide or arrange for the provision of such financial and other reporting functions as may be required by the provisions hereof, the Act, other applicable laws, or applicable securities regulatory authorities;

- (o) to make distributions of Distributable Cash and Extraordinary Net Cash Receipts should it be required;
- (p) to borrow money for and on behalf of the Limited Partnership and to give security therefor, in the name of the Limited Partnership or the General Partner, for the purposes of the Limited Partnership including, without limitation, for the purpose of financing and refinancing the Limited Partnership's interest in the Properties or the business and operations of the Limited Partnership;
- (q) to grant and execute debentures, promissory notes, mortgages, documents and other instruments charging the whole or any part of the Limited Partnership's assets and undertaking and any undivided interest of the Limited Partners in such assets and to do all acts relating thereto as may be necessary or desirable to further the business of the Limited Partnership;
- (r) to oversee the operation, management and rental of the Properties;
- (s) to sell the Properties and to undertake any and all action necessary or desirable to complete such sale, including the execution and delivery of any agreements and documents relating to the sale;
- (t) to approve of a refinancing of the Limited Partnership's interest in the Properties and to undertake any and all action necessary or desirable to complete such refinancing, including the execution and delivery of any agreements, documents or financing, agreements or the granting of any mortgages or other security relating to the sale or refinancing;
- (u) to establish and hold an interest in one or more bodies corporate, partnerships, trusts or other organizations so that the business of the Limited Partnership may be conducted in the most tax-effective manner, or which may be necessary or advisable with respect to the business of the Limited Partnership;
- (v) to oversee the distribution of the assets of the Partnership after payment or satisfaction of the liabilities of the Partnership in accordance with Article 10; and
- (w) to execute any and all other deeds, documents and instruments and to do or cause to be done all acts and things as may be necessary or desirable to carry out the intent and purpose of this Agreement, including, without limitation, retaining qualified agents to carry out any of the foregoing.

### **3.4 Reimbursement of General Partner**

The General Partner is entitled to reimbursement by the Limited Partnership for all reasonable third party costs and expenses actually incurred by it on behalf of the Limited Partnership in the ordinary course of business or other costs and expenses incidental to acting as General Partner to the Limited Partnership which are incurred provided that the General Partner is not in default of its duties hereunder, in connection with such costs and expenses.

### **3.5 Amendment of Agreement**

The General Partner may, without prior notice to or consent of any Limited Partner, amend any provision of this Agreement from time to time:

- (a) for the purpose of adding to this Agreement any further covenants, restrictions, deletions or provisions which, in the opinion of the General Partner, acting reasonably, are necessary for the protection of the Limited Partners;
- (b) to cure any ambiguity or to correct or supplement any provisions contained herein, which, in the opinion of the General Partner, acting reasonably, may be defective or inconsistent with any other provisions contained herein, and with respect to which, in the General Partner's reasonable opinion, the cure, correction or supplemental provision does not and will not adversely affect the interests of the Limited Partners; or
- (c) to make such other provisions in regard to matters or questions arising under this Agreement which, in the opinion of the General Partner, acting reasonably, do not and will not substantially adversely affect the interests of the Limited Partners.

The Limited Partners will be notified of full details of such amendment to this Agreement within thirty (30) days of the effective date of the amendment.

Unless otherwise provided for herein, this Agreement may only be amended with the consent of the Limited Partners given by Special Resolution, but no such amendment that adversely affects the rights of the General Partner may be made without the approval of the General Partner.

### **3.6 Power of Attorney**

Each Limited Partner hereby irrevocably nominates, constitutes and appoints the General Partner, with full power of substitution, as the true and lawful attorney and agent of such Limited Partner with full power and authority in the name, place and stead of such Limited Partner and for the use and benefit of such Limited Partner to do the following, namely:

- (a) execute, swear to, acknowledge, deliver and record or file as and where required any and all of the following:
  - (i) this Agreement and all declarations and certificates of change required under the Act or any other applicable legislation and other instruments necessary to form, qualify or continue and keep in good standing the Limited Partnership as a limited partnership under the Act or any applicable laws;
  - (ii) all instruments, declarations and certificates necessary to reflect any amendment to this Agreement;

- (iii) any filing or election made pursuant to any applicable tax legislation including the Tax Act;
  - (iv) any certificates of trade names;
  - (v) any transfer forms or other certificates or instruments as may be necessary to effect the transfer of any Unit in accordance with the terms of this Agreement; and
  - (vi) all conveyances, agreements and other instruments or documents deemed necessary or desirable by the General Partner to reflect the dissolution and termination of the Limited Partnership including cancellation of any certificates or declarations and the execution of any elections or making of any filings under the Tax Act and any analogous legislation, as any of the same may be amended or re-enacted from time to time;
- (b) execute and file with any governmental body or instrumentality thereof of the Government of Canada or a province thereof any documents necessary to be filed in connection with the business, property, assets and undertaking of the Limited Partnership;
  - (c) execute and deliver any documents or instruments required in connection with the Mortgage Loans or any Refinancing or any amendments thereto or renewals thereof;
  - (d) execute and deliver any documents or instruments on behalf of and in the name of the Limited Partnership and for or on behalf of the Limited Partner as may be deemed necessary or desirable by the General Partner to carry out fully the provisions of this Agreement or any other material agreement referred to in the Prospectus, in accordance with its respective terms; and
  - (e) complete, amend or modify any of the foregoing to complete any missing information or correct any clerical or other errors in the completion of any of the foregoing.

To evidence the foregoing, each Limited Partner, in making a Subscription or in executing an assignment of a Unit as assignee thereof, will be deemed to have executed a power of attorney granting to the General Partner substantially the powers set forth above. The power of attorney so granted is irrevocable, is coupled with an interest, will survive the death, disability, incapacity, insolvency or other legal incapacity of a Limited Partner until notice of such death or disability is given to the General Partner and will survive the assignment, to the extent of the obligations of the Limited Partner hereunder, by the Limited Partner of the whole or any part of the interest of the Limited Partner in the Limited Partnership and extends to bind the heirs, executors, administrators, successors and assigns of the Limited Partner, and may be exercised by the General Partner, executing on behalf of each Limited Partner, by executing any instrument with a single signature as the general partner of the Limited Partnership or as attorney and agent for all of the Limited Partners executing such instrument, or by such other form of execution as the General Partner may determine, and it will not be necessary for the General

Partner to execute any instrument under seal notwithstanding the manner of execution of the power of attorney by the Limited Partner. The power of attorney will not merge on the dissolution of the Limited Partnership but will continue in full force and effect thereafter for the purposes of concluding any matters pertaining to the Limited Partnership, to the business previously carried on by the Limited Partnership or to the dissolution of the Limited Partnership and the winding up of its affairs.

Each Limited Partner agrees to be bound by any representation or action made or taken in good faith by the General Partner pursuant to the foregoing power of attorney in accordance with the terms hereof or in furtherance of the terms contemplated by the Prospectus and hereby waives any and all defences which may be available to contest, negate or disaffirm any action of the General Partner taken in good faith under such power of attorney.

### **3.7 Duties of the General Partner**

The General Partner covenants that it will exercise its powers and discharge its duties under this Agreement honestly, in good faith, and in the best interests of the Limited Partners, and that it will exercise the care, diligence and skill of a reasonably prudent person, and will maintain the confidentiality of financial and other information and data which it may obtain through or on behalf of the Limited Partnership, the disclosure of which may adversely affect the interests of the Limited Partnership or a Limited Partner, except to the extent that disclosure is required by law or is in the best interests of the Limited Partnership, and it will utilize the information and data only for the business of the Limited Partnership. The General Partner will be entitled to retain advisors, experts and consultants to assist it in the exercise of its powers and the performance of its duties hereunder.

### **3.8 Income Tax Claims and Deductions**

The General Partner will cause the Limited Partnership to claim the maximum amount allowable in each year for income tax purposes in respect of capital cost allowance and other discretionary deductions and reserves unless to do so would not, in the General Partner's reasonable opinion, be in the best interests of the Limited Partnership and the Limited Partners as a group or would unfairly advantage some Limited Partners to the detriment of others.

### **3.9 Transactions Involving Affiliates or Associates**

The validity of a transaction, agreement or payment involving the Limited Partnership and an Affiliate or Associate of the General Partner is not affected by reason of the relationship between the General Partner and the Affiliate or Associate or by reason of the approval or lack thereof of the transaction, agreement or payment by the directors of the General Partner, all of whom may be officers, directors, or employees of, or otherwise interested in or related to such Affiliate or Associate.

### **3.10 Safekeeping of Assets**

The General Partner is responsible for the safekeeping and use of all of the funds of the Limited Partnership, whether or not in its immediate possession or control, and will not

employ or permit another to employ the funds or assets of the Limited Partnership except for the exclusive benefit of the Limited Partnership.

### **3.11 Indemnification**

The Limited Partnership will indemnify and hold harmless the General Partner, its directors, officers, employees, agents and direct and indirect shareholders from and against any and all losses, costs, expenses, liabilities and damages (including reasonable legal fees) incurred by the General Partner, its directors, officers, employees or agents by reason of acts, omissions or alleged acts or omissions arising out of the activities of the General Partner on behalf of the Limited Partnership or in furtherance of the interests of the Limited Partnership, but only if the acts, omissions or the alleged acts or omissions in respect of which any actual or threatened action, proceeding or claim are based, were performed in good faith and were not performed or omitted to be performed fraudulently or in bad faith or as a result of the gross negligence or wilful misconduct of the General Partner, its directors, officers, employees or agents. In no event, however, will the provisions of this Section 3.11 expand upon a Limited Partner's liability beyond the amount of capital contributed or agreed to be contributed to the Limited Partnership by such Limited Partner, as stated in the certificate filed pursuant to the Act relating to the Limited Partnership, and the share of such Limited Partner of the undistributed income of the Limited Partnership.

### **3.12 Restrictions Upon the General Partner**

The General Partner's power and authority does not extend to any power, action or authority enumerated in Sections 9.15 or 9.16 hereof, unless and until the requisite Special Resolution or Ordinary Resolution is passed by the Limited Partners. In addition, the General Partner will not:

- (a) cause the Limited Partnership to guarantee the obligations or liabilities of or make loans to the General Partner, or any Affiliate or Associate of the General Partner, or any respective director or officer thereof, provided that the General Partner may cause the Limited Partnership to grant a guarantee, make loans or otherwise provide financial assistance to the General Partner or an Affiliate or Associate of the General Partner where such guarantee, loan or financial assistance is given in connection with or in furtherance of the business of the Limited Partnership;
- (b) commingle the funds or assets of the Limited Partnership with the funds of the General Partner or any other person; or
- (c) make a call for additional capital contributions by the Limited Partners, except as provided herein or except after having received the approval of the Limited Partnership by way of Special Resolution.

### **3.13 Employment of an Affiliate or Associate**

The General Partner may employ or retain an Affiliate or Associate on behalf of the Limited Partnership to provide goods or services to the Limited Partnership, provided that the

cost of such goods or services are reasonable and competitive with the cost of similar goods or services provided by an independent third party.

### **3.14 Removal of General Partner**

The General Partner will not be deemed to resign as the General Partner in the event of the bankruptcy, dissolution, insolvency, liquidation or winding up of the General Partner or the appointment of a trustee, receiver or receiver-manager of the affairs of the General Partner. Unless the Limited Partners resolve, by Special Resolution, to dissolve the Limited Partnership upon the occurrence of any such event or upon the resignation, retirement or withdrawal of the General Partner from the Limited Partnership, and effective immediately prior to the occurrence of any such event, a successor general partner appointed pursuant hereto will assume all of the responsibilities of the General Partner and will have full authority to manage and operate the business of the Limited Partnership and exercise all of the rights and powers of the General Partner. The General Partner covenants not to resign or withdraw from the Limited Partnership unless its successor has been appointed and has agreed to assume the obligations of the General Partner hereunder.

The General Partner will not be removed as General Partner of the Limited Partnership except as provided herein.

The Limited Partners may not remove the General Partner except in circumstances where the General Partner has committed an act of gross negligence, wilful misconduct, bad faith or dishonesty or is in material default of its obligations hereunder and such default has not been remedied after notice from the Limited Partners and, in such circumstances, the Limited Partners may remove the General Partner by Special Resolution but only if:

- (a) the Limited Partners appoint, concurrently with the removal, a replacement General Partner (the "New General Partner") to assume all of the responsibilities and obligations of the removed General Partner (the "Former General Partner") under this Agreement;
- (b) the New General Partner causes to be delivered to the Former General Partner a release of any further liabilities, responsibilities and obligations under this Agreement and the Limited Partnership will hold harmless the Former General Partner from and against all actions, claims, causes, demands, losses, damages and expenses with respect to events which occur in relation to the Limited Partnership after the appointment of the New General Partner;
- (c) the New General Partner, prior to assuming its responsibilities as the General Partner, under the terms of this Agreement, executes such documents as may be reasonably required by the Former General Partner to give effect to such assumption, and from and after registration of an effective amended certificate under the Act or any other applicable legislation, the New General Partner will assume the powers, duties and obligations of the Former General Partner under this Agreement and will be subject to the terms hereof, and for the purposes of

this Agreement, the New General Partner will thereafter be the General Partner in the place of the Former General Partner so replaced;

- (d) the Former General Partner and the New General Partner comply with Section 3.21.

The replacement of the Former General Partner as aforesaid will not dissolve the Limited Partnership, and the business of the Limited Partnership will be continued by the New General Partner, and each Limited Partner hereby consents to the business of the Limited Partnership being continued by the New General Partner.

### **3.15 Continuation of the Limited Partnership**

It is the intention of the parties that upon the bankruptcy, retirement or dissolution of the General Partner, the business of the Limited Partnership will be continued without interruption unless the Limited Partners resolve by Special Resolution to dissolve the Limited Partnership.

### **3.16 Appointment of Successor General Partner**

The Limited Partners may appoint by Ordinary Resolution a corporation to serve as a successor General Partner as required by Sections 3.17, 3.18 and 3.19. To the extent the Limited Partners do not by Ordinary Resolution appoint a successor General Partner within thirty (30) days of notice that such appointment is required by Section 3.17, 3.18 or 3.19, then the General Partner covenants and agrees to appoint a corporation to act as a successor General Partner.

### **3.17 Retirement of the General Partner**

The General Partner hereby agrees and covenants that it will not retire, resign or otherwise withdraw from the Limited Partnership prior to the appointment of a successor general partner who will agree to be bound by the provisions of this Agreement. The resignation or withdrawal of the General Partner will not be effective until such time as a successor is appointed in accordance with Section 3.16. The Limited Partnership and the Limited Partners will have the right to enforce this Section 3.17 without the consent or joinder of the General Partner and the General Partner and any successor general partner hereby consent to any equitable remedies, including temporary and/or permanent injunctions or specific performance preventing the retirement or withdrawal of the General Partner or any successor general partner. Upon the retirement or withdrawal of the General Partner, the General Partner and the successor to the General Partner hereby covenant and agree to continue the business of the Limited Partnership without interruption.

### **3.18 Bankruptcy of the General Partner**

The General Partner hereby agrees and covenants that it will not file or otherwise commence bankruptcy proceedings prior to the appointment of a successor general partner who will agree to be bound by the provisions of this Agreement. Any filing or commencement of bankruptcy proceedings in respect of the General Partner will not be effective until such time as

a successor is appointed in accordance with Section 3.16. The Limited Partnership and the Limited Partners will have the right to enforce this Section 3.18 without the consent or joinder of the General Partner and the General Partner and any successor general partner hereby consent to any equitable remedies, including temporary and/or permanent injunctions or specific performance preventing such filings or proceedings. Upon the bankruptcy of the General Partner, the General Partner and the successor to the General Partner hereby covenant and agree to continue the business of the Limited Partnership without interruption.

### **3.19 Dissolution of General Partner**

The General Partner hereby agrees and covenants that it will not dissolve, liquidate or otherwise cease to exist prior to the appointment of a successor general partner who will agree to be bound by the provisions of this Agreement. The Limited Partnership and the Limited Partners will have the right to enforce this Section 3.19 without the consent or joinder of the General Partner and the General Partner and any successor general partner hereby consent to any equitable remedies, including temporary and/or permanent injunctions or specific performance preventing the dissolution or withdrawal, of the General Partner or any successor General Partner. Upon the dissolution or withdrawal of the General Partner after the appointment of a successor in accordance with Section 3.16, the General Partner and the successor to the General Partner hereby covenant and agree to continue the business of the Limited Partnership without interruption.

### **3.20 Prohibition on Non-Corporate General Partners**

The Limited Partners and the General Partner hereby covenant and agree that no individuals or entities, other than corporations, may be admitted as general partner of the Limited Partnership and that any successor general partner admitted to the Limited Partnership will be a corporation.

### **3.21 Assignment of Interest of Former General Partner**

If the business of the Limited Partnership is continued after the resignation, deemed resignation, removal, bankruptcy, dissolution or retirement of the General Partner under this Article 3, the former General Partner will assign its interest in the Limited Partnership to the successor general partner for an amount equal to the credit balances outstanding in the capital account and the current account of the former General Partner as at the effective date of such resignation, deemed resignation, removal, bankruptcy, dissolution or retirement.

## **ARTICLE 4 OBLIGATIONS OF PARTNERS**

### **4.1 Unlimited Liability of the General Partner**

The General Partner has unlimited liability for the debts, liabilities, losses and obligations of the Limited Partnership.

#### **4.2 Limited Liability of Limited Partners and Founding Limited Partner**

Subject to the provisions of the Act and any specific assumption of liability, the liability of each Limited Partner for the debts, liabilities, losses and obligations of the Limited Partnership is limited to the amount of the capital contributed or agreed to be contributed to the Limited Partnership by such Limited Partner in respect of such Limited Partner's Units, as stated in the certificate or any amended certificate filed pursuant to the Act relating to the Limited Partnership, plus any additional capital required or agreed to be contributed by Limited Partners pursuant to the provisions hereof, plus the share of such Limited Partner in any undistributed income of the Limited Partnership as hereinafter provided plus, to the extent that capital is returned to a Limited Partner and to the extent prescribed by the Act or applicable legislation, the amount of the capital returned with interest thereon.

#### **4.3 Indemnity by General Partner**

The General Partner will indemnify and save harmless each Limited Partner from and against any and all costs, damages, liabilities or expenses incurred by a Limited Partner as a result of the liability of the Limited Partner not being limited in the manner herein described, except where caused by the act or omission of such Limited Partner.

The General Partner will indemnify and save harmless the Limited Partnership from and against any and all costs, damages, liabilities and expenses incurred by the Limited Partnership as a result of any breach by the General Partner of its duties under this Agreement, including reasonable legal expenses incurred by the Limited Partnership in defending an action based in whole or in part upon an allegation that the General Partner has been guilty of such breach if such defence is substantially unsuccessful.

### **ARTICLE 5 THE UNITS**

#### **5.1 Capital**

The Limited Partnership will consist of 50,000 Units each having a subscription price of \$250. The General Partner will not issue:

- (1) more than 50,000 Units, exclusive of the interest of the Founding Limited Partner and the General Partner; or
- (2) in the event that fewer than 50,000 Units are issued pursuant to the Public Offering, any of the Units remaining unissued, unless:
  - (a) additional funding is required for the prudent and businesslike operation of the affairs of the Limited Partnership;
  - (b) the General Partner will have made reasonable efforts to obtain the necessary funding by debt financing or other borrowings by the Limited Partnership which borrowing must be non recourse to the Limited Partners; and

- (c) the additional Units are offered on terms substantially similar to the Public Offering.

## **5.2 Nature of Unit**

Each Limited Partner will have the right to exercise one vote for each whole Unit held by the Limited Partner, and a proportionate fraction of a vote for each fractional Unit held as a result of a partial retraction of the Unit of such Limited Partner in accordance with this Agreement, in respect of all matters to be decided by the Limited Partners. Limited Partners will be entitled to receive allocations of income or loss, distributions on wind-up or other dissolution, or any return of capital, *pro rata* in accordance with their respective Proportionate Shares. Except as otherwise provided herein, no Unit will have any preference or right in any circumstances over any other Unit.

Except for a fraction of a Unit which is created as a result of a partial retraction of a Unit pursuant to Article 7, no transfer of a fraction of a Unit will be permitted.

## **5.3 Unit Certificates**

Subject to Section 5.13, a Unit Certificate will be in such form as is from time to time approved by the General Partner and will not be valid unless signed by the General Partner.

## **5.4 Receipt by Limited Partner**

The receipt of any money, securities and other property from the Limited Partnership by a person in whose name any Units are recorded, or if such Units are recorded in the names of more than one person, the receipt thereof by any one of such persons, or by the duly authorized agent of any such person in that regard, will be a sufficient and proper discharge for that amount of money, securities and other property payable, issuable or deliverable in respect of such Units and from all liability to see to the application thereof.

## **5.5 Registrar and Transfer Agent**

- (a) The Registrar and Transfer Agent will maintain such books as are necessary to record the names and addresses of the Limited Partners, the number of Units held by each Limited Partner and particulars of transfers of Units. The Registrar and Transfer Agent will perform or will cause to be performed, all other duties usually performed by a registrar and transfer agent of certificates of shares in a corporation, except as the same may be modified by reason of the nature of the Units.
- (b) For so long as the General Partner is Registrar and Transfer Agent, the Register will be kept by the General Partner at its registered office in British Columbia and in such other jurisdictions as may be required from time to time.

## **5.6 Inspection of Records**

The General Partner will cause the Registrar and Transfer Agent to make such records relating to the Limited Partnership as the General Partner determines to be appropriate or as may be required by applicable legislation including the Act available for inspection by any Limited Partner, or his agent duly authorized in writing, at the expense of the Limited Partner. A copy of the Register will be provided to any Limited Partner on forty-eight hours notice in writing to the Registrar and Transfer Agent, at the expense of the Limited Partner requesting same.

## **5.7 Transfer of Units**

Subject to Section 5.13, a Unit may be assigned and transferred by a Limited Partner or such Limited Partner's agent duly authorized in writing without restriction and no such transfer or assignment will require any approval or consent from the General Partner or any other Limited Partner. However, the transferor of a Unit will comply with the applicable securities legislation and the following conditions must be satisfied:

- (a) the transferee of a Unit will execute, in forms acceptable to the Registrar and Transfer Agent, a transfer form and declaration that the transferee of the Unit is not a non-resident of Canada within the meaning of the Tax Act and is not a non-Canadian within the meaning of the *Investment Canada Act*;
- (b) the transferee of a Unit will agree to assume the obligations of the transferor that pertain to the Unit transferred;
- (c) the transferee of a Unit will acquire the assigning Limited Partner's capital account and current account;
- (d) the transferee will have paid such costs, expenses and disbursements, including legal fees, as are reasonably incurred by the Limited Partnership by reason of the transfer; and
- (e) such other requirements and the execution of such other documents as may reasonably be required by the Registrar and Transfer Agent will have been satisfied,

provided that a transferee of a Unit will not become a Limited Partner in respect of that Unit until all filings and recordings required by law to validly effect a transfer have been duly made.

When a transferee is entitled to become a Limited Partner pursuant to the provisions hereof, the General Partner will be authorized to admit such person to the Limited Partnership as a Limited Partner and the Limited Partners hereby consent to the admission of, and will admit, the transferee to the Limited Partnership as a Limited Partner, without further act of the Limited Partners.

The General Partner, or the Registrar and Transfer Agent if not the General Partner, will:

- (a) record in the Register any such assignment and transfer;
- (b) make such filings and cause to be made such recordings as are required by law; and
- (c) forward notice of the transfer to the transferee.

### **5.8 Parties Not Bound to See to Trust or Equity**

Except where specific provision has been made therefor in this Agreement, the Registrar and Transfer Agent will not, nor will the General Partner or any Limited Partner, be bound to see to the execution of any trust, expressed, implied or constructive, or any charge, pledge or equity to which any Unit or any interest therein is subject, or to ascertain or inquire whether any sale or transfer of any such Unit or interest therein by any Limited Partner or his personal representatives is authorized by such trust, charge, pledge or equity, or to recognize any person having any interest therein except for the person recorded as such Limited Partner.

### **5.9 Liability on Transfer**

When an assignment and transfer of any Unit is completed and the transferee is registered as a Limited Partner, the transferor of that Unit will be thereupon relieved of all obligations and liabilities relating to such Unit, including the obligations and liabilities under this Agreement to the extent permitted by law and the transferee will assume all such obligations and liabilities.

### **5.10 Successors in Interest of Partners**

The Limited Partnership will continue notwithstanding the admission of any new General Partner or Limited Partner or the withdrawal, insolvency, dissolution, liquidation, winding up, bankruptcy or other disability or incapacity of the General Partner or any Limited Partner. The Limited Partnership will be dissolved only in the manner provided for in Article 10.1 hereof.

### **5.11 Incapacity, Death, Insolvency or Bankruptcy**

Where a person becomes entitled to a Unit on the incapacity, death, insolvency or bankruptcy of a Limited Partner, or otherwise by operation of law, in addition to the requirements of Section 5.7 hereof, that person will not be recorded as or become a Limited Partner until:

- (a) the person produces evidence satisfactory to the General Partner of such entitlement;
- (b) the person has agreed in writing to be bound by the terms of the Agreement and to assume the obligations of a Limited Partner under the Agreement; and

- (c) the person has delivered such other evidence, approvals and consents in respect of such entitlement as the General Partner may require and as may be required by law or by the Agreement.

## **5.12 Lost Unit Certificate**

Subject to section 5.13, where a Limited Partner claims that the Unit Certificate evidencing ownership of the Unit of such Limited Partner has been defaced, lost, apparently destroyed or wrongly taken, the Registrar and Transfer Agent will cause a new Unit Certificate to be issued, provided that, if requested by the General Partner, the Limited Partner files with the Registrar and Transfer Agent an indemnity bond in such form and in such amount as may be satisfactory to the General Partner to protect the Registrar and Transfer Agent and the Limited Partnership from any loss, cost or damage that they may incur or suffer by complying with the request to issue a new Unit Certificate and provided further that the Limited Partner satisfies all other reasonable requirements imposed by the Registrar and Transfer Agent, including delivery of a form of proof of loss.

## **5.13 Issue of Global Certificates**

- (a) The General Partner may, at its sole option, specify that some or all of the Units are to be represented by one or more Global Certificates registered in the name of the Depository, or its nominee, and in such event the General Partner shall execute (and, if applicable, the Registrar and Transfer Agent shall certify) and deliver one or more Global Certificates that shall:
  - (i) represent the aggregate number of outstanding Units to be represented by such Global Certificate(s); and
  - (ii) be delivered by the Registrar and Transfer Agent to the Depository or pursuant to the Depository's instructions.
- (b) Transfers of beneficial ownership in any Unit or retractions of some or all Units represented by a Global Certificate will be effected only:
  - (i) with respect to the interest of a Depository Participant, through records maintained by the Depository or its nominee for such Global Certificate; and
  - (ii) with respect to the interest of any person other than a Depository Participant, through records maintained by Depository Participants. Beneficial Owners who are not Depository Participants but who desire to sell or otherwise transfer ownership of or any other interest in Units represented by such Global Certificate may do so only through a Depository Participant.
- (c) The rights of Beneficial Owners shall be limited to those established by applicable law and agreements between the Depository and the Depository Participants and between such Depository Participants and Beneficial Owners and must be

exercised through a Depository Participant in accordance with the rules and procedures of the Depository.

- (d) Subject to subsections 5.13(e) and (f), neither the General Partner nor the Registrar and Transfer Agent shall be under any obligation to deliver to any Depository Participant or Beneficial Owner, nor shall any Depository Participant or Beneficial Owner have any right to require the delivery of, a certificate or other instrument evidencing any interest in Units represented by a Global Certificate. Beneficial Owners who are not Depository Participants but who desire to exercise Units represented by a Global Certificate may do so only through a Depository Participant.
- (e) If any Unit is represented by a Global Certificate and any of the following events occurs:
  - (i) the Depository or the General Partner has notified the Registrar and Transfer Agent that (1) the Depository is unwilling or unable to continue as Depository or (2) the Depository ceases to be a clearing agency in good standing under applicable laws and, in either case, the General Partner is unable to locate a qualified successor Depository within 90 days of delivery of such notice;
  - (ii) the General Partner has determined, in its sole discretion, with the consent of the Registrar and Transfer Agent, to terminate the Book Entry Only System in respect of such Global Certificate and has communicated such determination to the Registrar and Transfer Agent in writing;
  - (iii) the General Partner or the Depository is required by applicable law to take the action contemplated in this Section 5.13(e); or
  - (iv) the Book Entry Only System administrated by the Depository ceases to exist,

then one or more definitive fully registered Unit Certificates shall be executed by the General Partner and certified and delivered by the Registrar and Transfer Agent to the Depository in exchange for the Global Certificate(s) held by the Depository.

- (f) Fully registered Unit Certificates issued and exchanged pursuant to Section 5.13(e) shall be registered in such names and in such denominations as the Depository shall instruct the Registrar and Transfer Agent, provided that the aggregate number of Units represented by such Unit Certificates shall be equal to the aggregate number of Units represented by the Global Certificate(s) so exchanged. Upon exchange of a Global Certificate for one or more Unit Certificates in definitive form, such Global Certificate shall be cancelled by the Registrar and Transfer Agent.

- (g) Notwithstanding anything herein or in the terms of the Unit Certificates to the contrary, neither the General Partner nor the Registrar and Transfer Agent nor any agent thereof shall have any responsibility or liability for:
- (i) the records maintained by the Depository relating to any ownership interests or any other interests in the Units or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any person in any Unit represented by any Global Certificate (other than the applicable Depository or its nominee);
  - (ii) maintaining, supervising or reviewing any records of the Depository or any Depository Participant relating to any such interest; or
  - (iii) advice or representations made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Depository Participant.
- (h) Every Global Certificate delivered by the Registrar and Transfer Agent must bear a legend in substantially the following form (as the same may be amended by the Depository from time to time):

*Unless this certificate is presented by an authorized representative of CDS Clearing and Depository Services Inc. ("CDS") to Churchill 11 Real Estate Limited Partnership (the "Issuer") or its agent for registration of transfer, exchange or payment, and any certificate issued in respect thereof is registered in the name of CDS & CO. or in such other name as is requested by an authorized representative of CDS (and any payment is made to CDS & CO. or to such other entity as is requested by an authorized representative of CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered holder hereof, CDS & CO., has a property interest in the securities represented by this certificate herein and it is a violation of its rights for another person to hold, transfer or deal with this certificate.*

## **ARTICLE 6 CONTRIBUTIONS, ALLOCATIONS AND DISTRIBUTIONS**

### **6.1 Capital Contributions**

The initial capital of the Limited Partnership will be the aggregate amount of the capital contribution made or agreed to be made by all of the Limited Partners which will be an amount of up to \$12,500,000 plus the contributions of the Founding Limited Partner and the General Partner in the amount of Ten Dollars (\$10) each. The capital contributed by each Limited Partner holding Units (which will not include the Founding Limited Partner) will be \$250 for each Unit. Capital contributions will be made by Limited Partners in respect of Units

if, as and when Units are subscribed for and issued. There is no requirement that all Units be issued and therefore the actual capital of the Limited Partnership may be less than the authorized capital of \$12,500,020.

It is hereby acknowledged and agreed that as of the date hereof each of the General Partner and the Founding Limited Partner has made a capital contribution of Ten Dollars (\$10). This contribution entitles each of the General Partner and the Founding Limited Partner to allocations of the Net Income or Net Loss pursuant to subsection 6.4, to distributions pursuant to Section 6.8, and to the return of their respective Ten Dollars (\$10) capital contributions, and such other rights as are specifically set out herein, and no more.

## **6.2 Payment of Subscription Proceeds**

Each Investor will pay the Subscription Price by way of a cash payment of \$250 per Unit subscribed for.

## **6.3 Discretion of the General Partner in Raising Capital**

The General Partner has complete discretion in determining the terms and conditions of the Public Offering, and the General Partner may do all things which it deems necessary, convenient, appropriate or advisable in connection therewith. All things done or to be done by the General Partner in that regard are hereby ratified and confirmed. Without limiting the generality of the foregoing, the General Partner may raise capital for the Limited Partnership by offering up to 24,000 Units by way of the Public Offering and may admit Investors as Limited Partners of the Limited Partnership. Each Unit will represent a contribution to the capital of the Limited Partnership in the amount of the Subscription Price for the Unit in question.

The Limited Partners hereby ratify, adopt and approve the actions of the General Partner taken or to be taken in connection with the Public Offering including, but not limited to, the preparation of the Prospectus and distribution of Units to qualified investors on behalf of the Limited Partnership.

## **6.4 Allocation of Net Income and Taxable Income**

Subject to Sections 6.6 and 6.7, Net Income and Taxable Income in respect of each Fiscal Year will be allocated at the end of such Fiscal Year as follows:

- (a) firstly, to the General Partner, 0.005% thereof, to a maximum of \$100 per Fiscal Year;
- (b) secondly, 0.005% thereof to the Founding Limited Partner, to a maximum of \$100 per Fiscal Year;
- (c) thirdly, to the General Partner to the extent of any Net Loss or Tax Loss allocated to the General Partner pursuant to Section 6.5 (other than paragraph 6.5(a)) until an amount equal to the aggregate of such amounts has been so allocated;

- (d) fourthly, to each Limited Partner holding Units, such Limited Partner's Proportionate Share of an amount not exceeding the amount of such Limited Partner's Minimum Return, when aggregated with the respective amounts of Net Income, Net Loss, Taxable Income or Tax Loss allocated to such Limited Partner hereunder in respect of all preceding Fiscal Years;
- (e) fifthly, to the General Partner, an amount not exceeding the amount of the Incentive Management Interest, when aggregated with the respective amounts of Net Income, Net Loss, Taxable Income or Tax Loss allocated to the General Partner hereunder in respect of all preceding Fiscal Years; and
- (f) as to the balance, as to 80%, to the Limited Partners holding Units *pro rata* in accordance with their respective Proportionate Shares and, as to 20%, to the General Partner.

Where a Unit was initially subscribed for by an Investor after the beginning of the Fiscal Year, Net Income and Taxable Income for such Fiscal Year will be allocated in accordance with the Investor's Proportionate Share and the portion of the Fiscal Year that such Investor was a Limited Partner.

#### **6.5 Allocation of Net Loss and Tax Loss**

Subject to Sections 6.6 and 6.7, Net Loss and Tax Loss in respect of each Fiscal Year (and all other items relevant in computing the "taxable income" (as defined in the Tax Act) of any partner of the Limited Partnership or the tax payable by any such partner pursuant to the Tax Act in respect of any such Fiscal Year) will be allocated as at the end of such Fiscal Year as follows:

- (a) firstly, to the General Partner, 0.005% thereof;
- (b) secondly, to the Founding Limited Partner, 0.005% thereof; and
- (c) to the Limited Partners holding Units, the balance thereof *pro rata* in accordance with their respective Proportionate Shares;

provided that, if:

- (d) the amount of Tax Loss to be allocated to any Limited Partner in respect of any Fiscal Year would exceed the "at risk amount" (as defined in the Tax Act) of such Limited Partner as at the end of such Fiscal Year; or
- (e) the amount of Net Loss to be allocated to any Limited Partner in respect of any Fiscal Year would exceed the aggregate of the balance of such Limited Partner's capital account and current account;

such excess, in either case, will not be allocated to such Limited Partner but will be allocated in its entirety to the General Partner in addition to the amount of Tax Loss or Net Loss, as the case may be, otherwise allocable hereunder to the General Partner.

Where a Unit was initially subscribed for by an Investor after the beginning of the Fiscal Year, Net Loss and Tax Loss for such Fiscal Year will be allocated on a proportionate basis in accordance with the portion of the Fiscal Year that such Investor was a Limited Partner.

## **6.6 General Partner Discretion in Allocation**

The General Partner will have the discretion, acting in good faith, to allocate revenue and expenses on a daily, incremental basis to ensure a fair allocation among Limited Partners after taking into consideration any matters that may be relevant. Adjustments may be made in respect of revenue earned or expenses incurred prior to the time each person became a Limited Partner and adjustments may be made in respect of fees paid in Fiscal Years prior to the Fiscal Year in which a person became a Limited Partner. In calculating Taxable Income and Tax Loss to be allocated to each Limited Partner, adjustments may be made to ensure that allocations to any Limited Partner in respect of fees and expenses incurred by the Limited Partnership will not, on a cumulative basis, exceed such Limited Partner's Proportionate Share of the aggregate amount of such fees paid by the Limited Partnership. The General Partner will also have the right to allocate revenues and expenses among Limited Partners to ensure they are treated equitably taking into account differences that may arise as a result of the acquisition of Units at different times in a Fiscal Year or in different Fiscal Years.

## **6.7 Effect of Assignment or Retraction on Allocation**

Where a Limited Partner assigns or retracts a Unit prior to the end of a Fiscal Year, the portion of Net Income or Net Losses and Taxable Income or Tax Loss which would have been allocated to such Limited Partner will be allocated to the person who holds the Unit at the end of the Fiscal Year.

## **6.8 Distributions**

Subject to Sections 6.16 and 10.2:

- (a) The General Partner will distribute Distributable Cash quarterly on the last day of each quarter of each Fiscal Year, as follows:
  - (i) firstly, 0.005% of such Distributable Cash to the General Partner until the General Partner has received distributions pursuant to this Subsection 6.8(a)(i) in aggregate equal to (but not in excess of) \$100 for each Fiscal Year;
  - (ii) secondly, 0.005% of such Distributable Cash to the Founding Limited Partner until the Founding Limited Partner has received distributions pursuant to this Subsection 6.8(a)(ii) in aggregate equal to (but not in excess of) \$100 for each Fiscal Year;
  - (iii) thirdly, to each Limited Partner holding Units, such Limited Partner's Proportionate Share of the amount which, together with all previous distributions pursuant to this Subsection 6.8(a)(iii) and Subsection 6.8(b)(ii) from the Date of Closing, is equal to (but not in

excess of) such Limited Partner's Minimum Return accrued at the time of such distribution;

- (iv) fourthly, to the General Partner, the amount which, together with all previous distributions pursuant to this Subsection 6.8(a)(iv) and Subsection 6.8(b)(iii) from the Date of Closing, is equal to (but not in excess of), the Incentive Management Interest accrued at the time of such distribution; and
  - (v) fifthly, the balance, as to 80%, to the Limited Partners holding Units, *pro rata* in accordance with their respective Proportionate Shares and, as to 20%, to the General Partner;
- (b) Subject to such reserves as the General Partner in its discretion considers appropriate, the General Partner will distribute Extraordinary Net Cash Receipts as and when funds are received and are available for distribution, as follows:
- (i) firstly, to the Limited Partners holding Units *pro rata* according to the Proportionate Share of each such Limited Partner until each Limited Partner has received repayment in full of such Limited Partner's Net Equity;
  - (ii) secondly, if the Limited Partners holding Units have not received prior cash distributions from Distributable Cash or Extraordinary Net Cash Receipts in aggregate equal to the Minimum Return, to each Limited Partner holding Units the Proportionate Share of each such Limited Partner until such Limited Partner has received the full Minimum Return in proportion to such Limited Partner's accrued but unpaid Minimum Return and until each has received an amount which, together with all previous distributions pursuant to this Subsection 6.8(b)(ii) and Subsection 6.8(b)(iii) from the Date of Closing is equal to (but not in excess of) the sum of such Limited Partner's Minimum Return accrued at the time of such distribution;
  - (iii) thirdly, if the General Partner has not received prior distributions from Distributable Cash or Extraordinary Net Cash Receipts equal to the Incentive Management Interest, to the General Partner until the General Partner has received an amount which, together with all previous distributions pursuant to this Subsection 6.8(b)(iii) and Subsection 6.8(a)(iv), is equal to (but not in excess of) the Incentive Management Interest accrued at the time of such distribution; and
  - (iv) fourthly, the balance of Extraordinary Net Cash Receipts will be distributed, as to 80%, to the Limited Partners holding Units *pro rata* in accordance with their respective Proportionate Shares and, as to 20%, to the General Partner; and

- (c) Each distribution of Distributable Cash and of Extraordinary Net Cash Receipts made pursuant to this Section 6.8 will be debited against the current account of the General Partner or of the Limited Partner receiving such distribution unless the General Partner determines that all or part of such distribution is a return of capital in which event such distribution or part of such distribution will be debited against the capital account of the General Partner or of such Limited Partner, as applicable, and in the event of such a return of capital, the General Partner will cause the Limited Partnership to comply with all applicable requirements under the Act and applicable legislation, including, without limitation, Section 62 of the Act and the General Partner will take all such actions required to effect such compliance including, without limitation, the filing of an amended certificate in respect of the Limited Partnership.
- (d) Notwithstanding the foregoing, upon any sale of a Property or Refinancing which closes on or before February 28, 2014, the General Partner may in its discretion retain for re-investment by the Limited Partnership the net proceeds from such sale, including any gain on the sale, provided that the Limited Partnership will distribute to the Limited Partners an amount estimated by the General Partner to be required by the Limited Partners to pay any income or other taxes arising as a result of such sale.

## **6.9 Overpayments**

In the event of any overpayment to a Limited Partner, such overpayment will be refunded by such Limited Partner to the Limited Partnership, and any underpayment will be paid by the Limited Partnership to the Limited Partners, within 30 days of the final determination of such underpayment or overpayment.

## **6.10 Effect of Assignment or Retraction on Distribution**

If, during any Fiscal Year, a Limited Partner assigns or retracts a Unit, such Limited Partner is not entitled to, and the General Partner will not distribute to that Limited Partner, any share of funds available for distribution in respect of such Unit from and after the date of assignment or retraction.

## **6.11 Adjustments**

If the Auditors determine that the share of a Limited Partner in the distribution of Distributable Cash or Extraordinary Distributions or allocation of Net Income or Net Loss or Taxable Income or Tax Loss, calculated in accordance with the Agreement, differs from the Limited Partner's share as determined by the General Partner, then the determination of the Auditors will be deemed to be final and binding upon the Limited Partnership and the Limited Partners. The General Partner will cause the necessary adjustments to be made by payment or reallocation to or from such Limited Partner as the case may be.

## **6.12 Payment of Adjustments**

The General Partner will, within seven (7) days after receiving a report of the Auditors under Section 6.11 hereof, notify in writing each Limited Partner whose share of Distributable Cash or Extraordinary Distributions or of the allocation of Net Income or Net Loss or Taxable Income or Tax Loss is to be adjusted, of the amount of the adjustment, together with a cheque for the amount payable to the Limited Partner or a request for payment in respect of the amount payable by the Limited Partner, as the case may be, where applicable. Each Limited Partner hereby agrees to pay any amount owing by the Limited Partner under Section 6.11 within fifteen (15) days from the date of notice of an adjustment given under this Section 6.12. If such amount is not paid within such 15 day period, such amount will thereafter bear interest at the Prime Rate plus 4%, calculated and compounded monthly from the date of expiry of such 15 day period. Any unpaid amount together with interest thereon may be deducted from any distributions that such Limited Partner may otherwise be entitled to.

## **6.13 Determination of Net Income and Net Loss**

Net Income and Net Loss of the Limited Partnership will be determined by the General Partner in accordance with Canadian generally accepted accounting principles consistently applied, subject to review by the Auditors where a dispute arises and the determination of the Auditors with respect to any such dispute will be binding upon the Limited Partners and the General Partner.

## **6.14 Commingling of Funds**

The funds and assets of the Limited Partnership will not be commingled with the funds or assets of any other person (including those of the General Partner).

## **6.15 Separate Capital and Current Accounts**

A separate capital account and current account will be established and maintained on the books of the Limited Partnership for the General Partner, the Founding Limited Partner, and each Limited Partner holding Units. The capital contribution of each partner will be credited to the capital account of such partner, and any distributions on account of capital will be debited against the capital account of the recipient partner. Any allocations of Net Income of the Limited Partnership for accounting purposes to a partner will be credited to the current account of such partner, and any distributions other than capital distributions and any allocations of Net Loss of the Limited Partnership for accounting purposes made to a partner will be debited against the current account of such partner. No partner will be entitled to withdraw any part of his, her or its capital account or to receive any distribution except as provided in the Agreement

## **6.16 Additional Capital Contributions and Partner Loans**

No Limited Partner will be required to make additional capital contributions to the Limited Partnership except as may be expressly provided in the Agreement. If the Limited Partnership requires additional funding, the General Partner may request that one or more Limited Partners loan funds to the Limited Partnership. In the event that a Limited Partner, in its sole discretion, elects to make a loan to the Limited Partnership, then the Limited Partnership

will repay such loan, together with interest thereon, in priority to any distributions of Distributable Cash or Extraordinary Net Cash Receipts.

**6.17 No Interest Payable**

No Limited Partner will be entitled to receive interest on the amount of the capital contribution of such Limited Partner or any balance in the capital account or current account of such Limited Partner from the Limited Partnership. No Limited Partner will be liable to pay interest to the Limited Partnership on any negative balance in the capital account or current account of such Limited Partner unless interest may be charged pursuant to a specific provision hereof or is required to be charged pursuant to applicable legislation including the Act.

**6.18 Liability as between Limited Partners**

No Limited Partner will be responsible for any of the losses of any other Limited Partner, nor share in the income or allocation of tax deductible expenses attributable to the Units of any other Limited Partner.

**6.19 Return of Capital**

A Limited Partner is only entitled to demand a return of such Limited Partner's capital contribution upon the dissolution, winding-up or liquidation of the Limited Partnership as provided in Section 10.2 hereof, or as part of the right of such Limited Partner to distributions that are in the nature of capital distributions specifically provided in the Agreement.

**6.20 Withholding Tax**

If the Limited Partnership is required by any applicable income tax or similar legislation to withhold with respect to income allocated to, or available funds distributed to, a partner of the Limited Partnership, the amount withheld by the Limited Partnership will be treated as a distribution of Distributable Cash or Extraordinary Net Cash Receipts (a "Withholding Distribution"), whichever the case may be, to the partner to whom such withholding relates. The General Partner will have the full discretion to determine whether any such withholding taxes are required to be paid and the amount of any such withholding taxes. The General Partner will have full authority and discretion to determine the proper method or methods for assuring that Withholding Distributions are treated in a manner consistent with the provisions for distribution to Limited Partners contained herein.

**ARTICLE 7  
RETRACTION**

**7.1 Retraction Notice**

Any Limited Partner whose ownership of Units is represented by a Unit Certificate may deliver to the Limited Partnership, on or before November 1 in each year (the "Notice Date"), commencing November 1, 2014, a notice (the "Retraction Notice") setting out the intention of such Limited Partner to retract some or all of the Units of such Limited Partner (including any fractional Units held by such Limited Partner), which notice will specify the

number of Units which the Limited Partner wishes to retract and the amount payable per Unit in respect of the retraction (the “Retraction Price”) being the Net Equity of such Unit as of the date of such notice together with the Minimum Return accrued but remaining unpaid in respect of such Unit as of the Retraction Date (as defined below), and surrender to the Limited Partnership with the Retraction Notice the Unit Certificate in respect of the Units which the Limited Partner wishes to retract. Any Retraction Notice by a Limited Partner, once delivered to the Limited Partnership, will be irrevocable by such Limited Partner.

## **7.2 Retraction of Units**

On January 15 in each year (the “Retraction Date”), commencing January 15, 2015, the Limited Partnership will retract Units in accordance with the following terms:

- (a) the obligation of the Limited Partnership to retract Units will be subject to the General Partner determining in its sole discretion that sufficient funds are available to the Limited Partnership for the purposes of retraction;
- (b) the number of Units which will be retracted on any one Retraction Date will not exceed 5% of the number of Units issued and outstanding on the applicable Notice Date;
- (c) if by any Notice Date, the Limited Partnership has received Retraction Notices requiring the Limited Partnership to redeem a number of Units in excess of 5% of the number of Units issued and outstanding on the applicable Notice Date, or if on a Retraction Date the General Partner determines that sufficient funds are not available to pay the Retraction Price of the Units in respect of which Retraction Notices have been received, then the retraction of Units will be made *pro rata* according to the Net Equity of the Units specified on Retraction Notices for retraction such that each Limited Partner who has given a Retraction Notice to the Limited Partnership will receive a partial repayment of their Net Equity;
- (d) on the Retraction Date, the Limited Partnership will pay the Retraction Price for each Unit or fraction of a Unit being retracted on such Retraction Date and the Retraction Price will be applied to the Net Equity of the Limited Partners holding Units or fractions of Units which are retracted;
- (e) where a fractional Unit is to be retracted, the Retraction Price for such fractional Unit will be equal to the Retraction Price for a whole Unit multiplied by the number equal to the fraction that such fractional Unit is of a whole Unit; and
- (f) the provisions of Sections 7.3 to 7.9 will apply to all retractions of Units.

## **7.3 Partial Retraction of Units**

- (a) Subject to Section 5.13, the holder of any Unit which is retracted in part only, upon surrender of the Unit Certificate for such Unit for payment as required herein, will be entitled to receive, without expense to such Limited Partner, a new Unit Certificate representing the fractional Unit remaining, and the Limited

Partnership will execute and deliver, at the expense of the Limited Partnership, such new Unit Certificate upon receipt of the Unit Certificate representing the Unit so surrendered.

- (b) Subject to Section 5.13, if not all of the Units represented by a Unit Certificate surrendered to the Limited Partnership pursuant to Section 7.1 are retracted on the applicable Retraction Date as a result of the provisions of Section 7.2 or otherwise, the Limited Partnership will cancel the Unit Certificate so surrendered and will execute and deliver, at the expense of the Limited Partnership, a new Unit Certificate representing the unretracted Units represented by the Unit Certificate so surrendered.

#### **7.4 Payment Due on Retraction Date**

If payment of the amount required to be paid in connection with a retraction of a Unit or a fraction of a Unit is not made, all rights attaching to such Unit or fraction of a Unit will revive and continue as if such Unit or fraction of a Unit had not been called for retraction.

#### **7.5 Dispute**

In case any question arises as to whether any Notice of Retraction has been given as above provided and any deposit referred to below made, such question will be decided by an arbitration conducted in accordance with the *Commercial Arbitration Act* (British Columbia).

#### **7.6 Payment**

Upon Units having been called for retraction in whole or in part as hereinbefore provided, the Limited Partnership will pay or cause to be paid to the holders of such Units so called for retraction, upon surrender of Unit Certificates for such Units, the Retraction Price to which they are entitled.

#### **7.7 Effect of Retraction**

If the Retraction Price has been paid to the holder of such Unit or fractional Unit due for payment or so called for retraction, such Unit or fractional Unit will cease to be outstanding hereunder and the Minimum Return upon such Unit or fractional Unit will cease to accrue from the date of payment.

#### **7.8 Failure to Surrender Units Due or Called for Retraction**

Subject to Section 5.13, in case any Limited Partner owning any Unit or fractional Unit that is called for retraction fails to surrender the Unit Certificate for such Unit or fractional Unit within 30 days of the Retraction Date or will not within such time accept payment of the retraction funds payable in respect thereof, or give such receipt therefor, if any, as the Limited Partnership may require, such retraction funds will be set aside and deposited in a separate account established for such purpose by the Limited Partnership, and such setting aside and depositing will for all purposes be deemed a payment to the Limited Partner of the sum so set aside and deposited and, to that extent, the Limited Partner will have no right hereunder in

respect of the Unit or fractional Unit retracted except to receive payment out of the money so set aside and deposited upon surrender and delivery up of the Unit Certificate representing the Unit of such Limited Partner.

### **7.9 Surrender of Units for Cancellation**

Subject to section 5.13, if the monies due upon any Unit or fractional Unit become payable by retraction, the person presenting the Unit Certificate for such Unit or fractional Unit for payment must surrender the same for cancellation. All Unit Certificates so surrendered for cancellation will forthwith be delivered to the Limited Partnership and will be cancelled by it and, subject to Section 7.3, no Unit Certificate will be issued in substitution therefor.

## **ARTICLE 8 ACCOUNTING AND REPORTING**

### **8.1 Books and Records**

The General Partner will keep or cause to be kept on behalf of the Limited Partnership books and records reflecting the assets, liabilities, income and expenditures of the Limited Partnership and the Register listing all Limited Partners and the Units. Such books, records and Register will be kept available for inspection by any Limited Partner or the duly authorized representative of a Limited Partner (at the expense of such Limited Partner) during business hours at the offices of the General Partner. In the event the General Partner ceases to be the Registrar and Transfer Agent, the Register will thereupon be maintained at the office of such Registrar and Transfer Agent as may be appointed by the General Partner, provided a duplicate of such Register is maintained at the registered office of the Limited Partnership.

### **8.2 Reconciliation of Register and Book Entry Only System**

It is anticipated that the Depository will record the Depository Participants who hold Units on behalf of Limited Partners and any sale or transfer of such Units in accordance with the Book Entry Only System. The record maintained by the Depository will reflect the Register in respect of all Units purchased and transferred through the Book Entry Only System by Depository Participants. It is acknowledged and agreed by each of the Limited Partners that there may be time delays in the recording of information by the Depository in the Book Entry Only System and the recording of information in the Register. However, the General Partner will ensure that, as at December 31 of each year that the Partnership is in existence, the Register is accurate and complete and that the record maintained by the Depository reflects the Register maintained in respect of Units purchased or transferred through the Book Entry Only System by Depository Participants. The Limited Partners each acknowledge and agree that either the applicable Depository Participant or the Depository, as the case may be, is acting as their nominee for this purpose and acknowledge and consent to these arrangements. If the Depository notifies the Depository Participants that it is unwilling or unable to continue in connection with the Book Entry Only System in respect of the Limited Partnership, or if at any time the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the applicable Depository Participants do not make alternative arrangements, Unit Certificates will be issued to Limited

Partners who had held their Units through the Book Entry Only System prior to its termination, in the amounts of their respective holdings of Units as of the effective date of such termination.

### **8.3 Annual Financial Information**

The General Partner, or its agent in that behalf, will be responsible for the preparation of annual financial statements of the Limited Partnership as at the end of each Fiscal Year of the Limited Partnership, and the statements in respect of each Fiscal Year commencing in the Fiscal Year in which Units are issued in the course of the Public Offering will be audited by the Auditors. The General Partner, or its agent in that behalf, will distribute a copy of such annual financial statements to each Limited Partner within ninety (90) days after the end of each Fiscal Year and will provide each Limited Partner with annual income tax information for each Fiscal Year by March 31 of the following year (other than the Fiscal Year in which the Limited Partnership is dissolved, in which case the General Partner will provide such information within five months of the date of dissolution) to assist in declaring his, her or its share of the Limited Partnership income; provided, however, each Limited Partner will be solely responsible for filing all income tax returns and reporting his, her or its share of the Limited Partnership income or loss. All financial statements will be prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The General Partner will provide interim financial and management reports regarding the affairs of the Limited Partnership to the Limited Partners on a semi-annual basis. The General Partner will comply with all applicable securities regulatory requirements in respect of the filing of financial statements.

## **ARTICLE 9 MEETINGS**

### **9.1 Meetings**

The General Partner may convene meetings of the Limited Partners at any time and, upon the written request of one or more Limited Partners holding not less than 50% of the number of all issued and outstanding Units (the "Requisitioning Partners"), will convene a meeting of the Limited Partners. If the General Partner fails or neglects to call such a meeting within sixty (60) days of receipt of written request of the Requisitioning Partners, then any Requisitioning Partner may convene such meeting by giving written notice to the General Partner and the Limited Partners in accordance with this Agreement, signed by such person or persons as the Requisitioning Partners specify. Every meeting, however convened, will be conducted in accordance with this Agreement. There is no requirement to hold annual general meetings; however, the General Partner may call periodic information meetings from time to time to advise Limited Partners as to the status of the Properties.

### **9.2 Place of Meeting**

Every meeting will be held in the City of Vancouver, British Columbia or at such other place in Canada as may be designated by the General Partner.

### **9.3 Notice of Meeting**

Notice of any meeting will be given to each Limited Partner by prepaid mail, personal delivery or telecopier not less than twenty-one (21) days prior to such meeting, and will state:

- (a) the time, date and place of such meeting; and
- (b) in general terms, the nature of the business to be transacted at the meeting.

### **9.4 Accidental Omissions**

Accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any Limited Partner will not invalidate the proceedings at that meeting.

### **9.5 Proxies**

Any Limited Partner entitled to vote, or to a fraction of a vote, at a meeting may vote by proxy if a proxy has been received by the General Partner or the chairman of the meeting for verification prior to the meeting.

### **9.6 Validity of Proxies**

A proxy purporting to be executed by or on behalf of a Limited Partner will be considered to be valid unless challenged at the time of or prior to its exercise, and the person challenging will have the burden of proving to the satisfaction of the chairman of the meeting that the proxy is invalid and any decision of the chairman concerning the validity of a proxy will be final.

### **9.7 Form of Proxy**

Every proxy will be substantially in the form which follows or in such other form as may be approved by the General Partner or as may be satisfactory to the chairman of the meeting at which it is sought to be exercised:

“I, \_\_\_\_\_ of \_\_\_\_\_, in the Province of \_\_\_\_\_, being a Limited Partner of Churchill 11 Real Estate Limited Partnership, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ in the Province of \_\_\_\_\_, as my proxy, with full power of substitution to vote for me and on my behalf at the meeting of Limited Partners to be held on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, and every adjournment thereof and every poll that may take place in consequence thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_”

## **9.8 Corporations**

A Limited Partner which is a corporation may appoint under seal or otherwise, an officer, director or other authorized person as its representative to attend, vote and act on his, her or its behalf at a meeting of Limited Partners.

## **9.9 Attendance of Others**

Any officer or director of the General Partner, counsel to the General Partner or the Limited Partnership and representatives of the Auditors will be entitled to attend any meeting of Limited Partners.

## **9.10 Chairman**

The General Partner may nominate an individual (who need not be a Limited Partner) to be chairman of a meeting of Limited Partners and the person nominated by the General Partner will be chairman of such meeting. If the General Partner fails to nominate a chairman for the meeting, the Limited Partners may elect a person to act as chairman by Ordinary Resolution.

## **9.11 Quorum**

Subject to the Agreement, a quorum at any meeting of Limited Partners will consist of two or more persons present in person who collectively hold or represent by proxy not less than ten per cent (10%) of the outstanding Units in the Limited Partnership and who are entitled to vote on any resolution and a quorum for any specific resolution presented to the meeting will be two or more persons present who hold or represent by proxy not less than ten per cent (10%) of the outstanding Units entitled to vote on such resolution. If, within half an hour after the time fixed for the holding of such meeting, a quorum for the meeting is not present, the meeting will be held at the same time and, if available, the same place not less than ten (10) days or more than twenty-one (21) days later (or if that date is not a business day, the first business day after that date), and the General Partner who called the meeting will give at least seven (7) days' notice to all Limited Partners of the date of the reconvening of the adjourned meeting. Such notice need not set forth the matters to be considered unless they are different from those for which the original meeting was called. At such reconvened meeting the quorum for the meeting and the quorum for any specific resolution to be passed at such meeting will consist of the Limited Partners then present in person or represented by proxy at such reconvened meeting.

## **9.12 Voting**

Every question submitted to a meeting:

- (a) which requires a Special Resolution under this Agreement will be decided by a poll; and
- (b) which does not require a Special Resolution will, except as otherwise provided in this Agreement, be decided by an Ordinary Resolution on a show of hands unless a poll is demanded by a Limited Partner, in which case a poll will be taken,

and, in the case of an equality of votes, the chairman will not have a casting vote and the resolution will be deemed to be defeated. The chairman will be entitled to vote in respect of any Units held by the chairman or for which the chairman may be proxyholder. On any vote at a meeting of Limited Partners, a declaration of the chairman concerning the results of the vote will be conclusive.

Except as herein provided, each person present at the meeting will have one vote for each Unit (or an equivalent fraction of a vote in respect of a fractional Unit) of which such person is registered as the Unit holder and one vote (or an equivalent fraction of a vote in respect of a fractional Unit) for each Unit in respect of which such person is the proxyholder.

For greater certainty, the General Partner and the Founding Limited Partner will not be entitled to a vote in respect of their respective interests in the Limited Partnership unless such persons also hold Units, except that the Founding Limited Partner will be entitled to one vote if there are no other Limited Partners at such time.

Any Limited Partner who is a party to a contract or proposed contract or who has a material interest in a contract, proposed contract or transaction (either directly or indirectly, including through an Affiliate or Associate), which is the subject matter of a resolution will not be entitled to any vote on such resolution; provided however, that a Limited Partner will be deemed not to have a material interest in a contract, proposed contract or transaction if the interest arises merely from the ownership of Units where the Limited Partner will not have or receive an extra or special benefit or advantage not shared on an equal basis by all other Limited Partners holding Units.

### **9.13 Poll**

A poll requested or required concerning:

- (a) the election of a chairman or an adjournment, will be taken immediately on request; or
- (b) any other matter, will be taken at the meeting or an adjournment of the meeting in such manner as the chairman directs.

### **9.14 Resolutions Binding**

Any resolution, whether a Special Resolution or an Ordinary Resolution, passed in accordance with this Agreement will be binding on all the Limited Partners and their respective heirs, executors, administrators, successors and assigns, whether or not any such Limited Partner was present in person or voted against any resolution so passed.

### **9.15 Powers Exercisable by Special Resolution**

The following powers will only be exercisable by Special Resolution passed by the Limited Partners:

- (a) consenting to the amendment of this Agreement except as provided herein;

- (b) waiving any default by the General Partner on such terms as the Limited Partners may determine;
- (c) agreeing to any compromise or arrangement by the Limited Partnership with any creditor, or class or classes of creditors;
- (d) changing the Fiscal Year of the Limited Partnership;
- (e) amending, modifying, altering or repealing any Special Resolution previously passed by the Limited Partners;
- (f) dissolving or terminating the Limited Partnership;
- (g) approving a settlement of an action against the General Partner as a result of a breach of its duties; and
- (h) creating or issuing additional interests in the Limited Partnership of a different class than the Units where such additional interests would have a preference or priority over the existing Units in respect of distributions of Distributable Cash, Extraordinary Net Cash Receipts, income or loss or return of contributed capital.

Where the General Partner, the Founding Limited Partner, or any director or officer thereof is the owner of a Unit, they will be required to abstain from voting in respect of items (b) or (g) above and in addition, will be required to abstain in any other circumstance in which there is a conflict of interest.

#### **9.16 Powers Exercisable by Ordinary Resolution**

Any other matters to be determined by the Limited Partners other than as is otherwise expressly provided for in this Agreement will be determined by Ordinary Resolution, provided such matter will be permitted pursuant to Section 2.10.

#### **9.17 Minutes**

The General Partner will cause minutes to be kept of all proceedings and resolutions at every meeting, and copies of any resolutions of the Limited Partnership to be made and entered in books to be kept for that purpose, and any minutes, if signed by the chairman of the meeting, will be deemed to be evidence of the matters stated in them, and such meeting will be deemed to have been duly convened and held and all resolutions and proceedings shown in them will be deemed to have been duly passed and taken.

#### **9.18 Additional Rules and Procedures**

To the extent that the rules and procedures for the conduct of a meeting of the Limited Partners are not prescribed in this Agreement, the rules and procedures will be determined by the chairman of the meeting.

### **9.19 Authorized Attendance**

The chairman of the meeting or the General Partner has the right to authorize the presence of any person at a meeting regardless of whether the person is a Limited Partner. With the approval of the chairman of the meeting or the General Partner that person will be entitled to address the meeting.

## **ARTICLE 10 DISSOLUTION, LIQUIDATION AND DISTRIBUTION OF SALE PROCEEDS**

### **10.1 Dissolution and Termination**

The Limited Partnership will be dissolved on the first to occur of any of the following:

- (a) the expiration of its term as described in Section 2.6;
- (b) the authorization of a dissolution by Special Resolution; or
- (c) if the Limited Partnership no longer has any interest in the Properties or any other material assets, whether real or personal, then on thirty (30) days' written notice to the Limited Partners; and

in any case, after the completion of the liquidation of the Limited Partnership and distribution to the Limited Partners of all funds remaining after payment of all debts, liabilities and obligations of the Limited Partnership to its creditors. Notwithstanding any rule of law or equity to the contrary, the Limited Partnership will not be terminated except in the manner provided for herein.

### **10.2 Distributions upon Dissolution**

Upon the dissolution of the Limited Partnership, the assets of the Limited Partnership will be liquidated and all proceeds thereof collected by the General Partner and all such proceeds will be distributed by the General Partner in the following order:

- (a) in the event that dissolution occurs upon the Sale of the last of the Properties, to pay any costs involved in the Sale, including the Disposition Fee payable to the General Partner, and to pay all amounts required to discharge any mortgages or encumbrances registered against the Properties;
- (b) to pay all expenses incurred in the winding-up of the Limited Partnership;
- (c) to pay all of the liabilities of the Limited Partnership including any loans or advances made by Limited Partners and including amounts owing to the General Partner in respect of costs and expenses owing to it pursuant to this Agreement, in the manner required by law;
- (d) to establish such reserves as the General Partner considers necessary;

- (e) to return to each Limited Partner holding Units such Limited Partner's Net Equity;
- (f) subject to Section 2.12, to return to the Founding Limited Partner the balance in its capital account;
- (g) to return to the General Partner the balance in its capital account;
- (h) to pay to the Limited Partners holding Units any unpaid portion of their Minimum Return;
- (i) to pay to the General Partner any unpaid portion of the Incentive Management Interest; and
- (j) to distribute any balance then remaining, as to 80%, to the Limited Partners holding Units, *pro rata* in accordance with their respective Proportionate Shares and, as to 20%, to the General Partner.

### **10.3 Events Not Causing Dissolution**

Notwithstanding any rule of law or equity to the contrary, the Limited Partnership will not be dissolved except in accordance with this Agreement. In particular, but without restricting the generality of the foregoing, the Limited Partnership will not be dissolved or terminated by the removal, actual or deemed resignation, retirement, expulsion, incompetence, bankruptcy, insolvency, other disability or incapacity, dissolution, liquidation, winding-up or receivership of the General Partner or the admission, resignation or withdrawal of the Founding Limited Partner or of any Limited Partner.

## **ARTICLE 11 FORFEITURE**

### **11.1 Default by Limited Partner**

Upon any Limited Partner defaulting in any of such Limited Partner's obligations pursuant to this Agreement the General Partner may, at its option and in addition to any other remedies of the General Partner or the Limited Partnership, declare that the Units of such Limited Partner are forfeited and the General Partner may forthwith, without any notice, without demand for payment, without advertisement, or without any other formality, all of which are hereby waived by each Limited Partner, sell the Units, or any of them, by public or private sale as fully and effectively as if the General Partner were the absolute owner thereof.

### **11.2 Application of Proceeds**

Upon the sale of any Units of a Limited Partner pursuant to Section 11.1, the General Partner will apply any proceeds received from such sale to the payment of any amounts due from such Limited Partner to the Limited Partnership or the General Partner, in such manner as the General Partner deems to be appropriate, and the balance of any proceeds so received, if any, will be paid to such Limited Partner.

### **11.3 Costs**

All costs, charges and expenses incurred by the General Partner in respect of any Units sold pursuant to Section 11.1 or any realization thereon (including, without limitation, all solicitor and counsel fees on an as-paid basis) will be deemed to be an amount due from the defaulting Limited Partner and may be deducted from any proceeds realized by the General Partner.

## **ARTICLE 12 MISCELLANEOUS**

### **12.1 Competing Interests**

Each Limited Partner is entitled, without the consent of the General Partner or the other Limited Partners, to carry on any business and make any investment whether or not of the same nature and competing with that of the Limited Partnership, and is not liable to account to the Limited Partnership, the General Partner or the other Limited Partners therefor.

### **12.2 Notices**

- (a) Notice to the General Partner and Founding Limited Partner:

Except as otherwise provided in this Agreement, any notice required or permitted to be given to the General Partner or the Founding Limited Partner under this Agreement will be sufficiently given if in writing and served personally on an officer of the General Partner or the Founding Limited Partner, as applicable, or sent by delivery, telecopier or by letter, postage prepaid, addressed to the addresses as set forth on page 1 of this Agreement (unless at the time of mailing or within four (4) days thereafter there is a strike, interruption or lockout in the Canadian postal service, in which case the notice will be given by personal delivery or telecopier). Any notice, if delivered or sent by telecopier, will be considered to have been given on the next business day following the date of delivery or the date of sending of the telecopy, as the case may be or, if sent by letter, on the third business day following the date of mailing the letter in a regularly-maintained receptacle for the deposit of mail. The General Partner will advise the Limited Partners of any change in the above addresses.

- (b) Notice to the Limited Partners:

Except as otherwise provided in this Agreement, any notice required or permitted to be given to a Limited Partner under this Agreement will be sufficiently given if in writing and served personally on the Limited Partner or, if delivered or sent by telecopier or by letter, postage prepaid, addressed to the last address of the Limited Partner as shown in the register of Limited Partners (unless at the time of mailing or within four days thereafter there is a strike, interruption or lockout in the Canadian postal service, in which case notice will be given by personal delivery or telecopier). Any notice, if delivered or sent by telecopier, will be considered to have been given on the next business day following the date of

delivery or the date of sending of the telecopy, as the case may be or, if sent by letter, on the third business day following the date of mailing the letter in a regularly-maintained receptacle for the deposit of mail. Each Limited Partner will advise the Registrar and Transfer Agent of any change in such Limited Partner's address as then shown on the Register.

**12.3 Further Acts**

The parties hereto agree to execute and deliver such further and other documents and to perform and cause to be performed such further and other acts and things as may be necessary or desirable in order to give full force and effect to this Agreement and every part hereof.

**12.4 Binding Effect**

Subject to the provisions regarding assignment and transfer herein contained, this Agreement will enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

**12.5 Severability**

Each provision of this Agreement is intended to be severable. If any provision hereof is illegal or invalid, such illegality or invalidity will not affect the validity of the remainder hereof.

**12.6 Counterparts**

This Agreement may be executed, by facsimile or other electronic means, in any number of counterparts with the same effect as if all parties hereto had signed the same document. This Agreement may also be adopted in any subscription or assignment forms or similar instruments signed by a Limited Partner or by the General Partner on his, her or its behalf, with the same effect as if such Limited Partner had executed a counterpart of this Agreement. All counterparts and adopting instruments will be construed together and will constitute one and the same agreement.

**12.7 Time**

Time is of the essence hereof.

**12.8 Governing Law**

This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and the parties hereto hereby submit to and attorn to the non-exclusive jurisdiction of the Courts of the Province of British Columbia.

## **12.9 Interpretation**

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the headings are for convenience only and do not form a part of this Agreement nor are they intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;
- (b) all accounting terms not otherwise defined herein have the meanings assigned to them and all computations made pursuant to this Agreement, except as expressly provided otherwise, will be made in accordance with Canadian generally accepted accounting principles applied on a consistent basis or from and after the time, if any, when International Financial Reporting Standards (“IFRS”) have become applicable to the Limited Partnership, then in accordance with IFRS applied on a consistent basis;
- (c) any reference to a statute will include and will be deemed to be a reference to such statute and to the regulations made pursuant thereto, with all amendments made thereto and in force from time to time, and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute so referred to or the regulations made pursuant thereto;
- (d) any reference to an entity will include and will be deemed to be a reference to any entity that is a successor to such entity;
- (e) words importing the masculine gender include the feminine gender or neuter gender and words in the singular include the plural, and vice versa; and
- (f) any capitalized term used but not defined herein will have the meaning ascribed thereto in the Prospectus.

*The balance of this page left intentionally blank.*

IN WITNESS WHEREOF this Agreement is executed as of the day and year first above written.

**CHURCHILL 11 PARTNERS INC.**

Per: (signed) "Brad J. Wise"  
Authorized Signatory

**CIPC FIRST PARTNER CORP.**

Per: (signed) "Philip J. Langridge"  
Authorized Signatory

Each person who from time to time becomes a  
Limited Partner of **CHURCHILL 11 REAL ESTATE  
LIMITED PARTNERSHIP**, by his, her or its agent and attorney,  
**CHURCHILL 11 PARTNERS INC.**

Per: (signed) "Brad J. Wise"  
Authorized Signatory

**SCHEDULE B**  
**AUDIT COMMITTEE'S CHARTER FOR THE GENERAL PARTNER**  
**AND THE DEBENTURE ISSUER**

**AUDIT COMMITTEE'S CHARTER  
FOR THE GENERAL PARTNER AND THE DEBENTURE ISSUER**

The audit committee is a committee of the board of directors to which the board delegates its responsibilities for the oversight of the accounting and financial reporting process and financial statement audits.

The audit committee will:

- (a) review and report to the board of directors of the Company on the following before they are published:
  - (i) the financial statements and MD&A (management discussion and analysis) (as defined in National Instrument 51-102) of the Company;
  - (ii) the auditor's report, if any, prepared in relation to those financial statements,
- (b) review the Company's annual and interim earnings press releases before the Company publicly discloses this information,
- (c) satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures,
- (d) recommend to the board of directors:
  - (i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
  - (ii) the compensation of the external auditor,
- (e) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting,
- (f) monitor, evaluate and report to the board of directors on the integrity of the financial reporting process and the system of internal controls that management and the board of directors have established,
- (g) monitor the management of the principal risks that could impact the financial reporting of the Company,

- (h) establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters,
- (i) pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor,
- (j) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company, and
- (k) with respect to ensuring the integrity of disclosure controls and internal controls over financial reporting, understand the process utilized by the Chief Executive Officer and the Chief Financial Officer to comply with Multilateral Instrument 52-109.

### **Composition of the Committee**

The committee will be composed of 3 directors from the Company's board of directors, a majority of whom will be independent. Independence of the Board members will be as defined by applicable legislation and as a minimum each independent committee member will have no direct or indirect relationship with the Company which, in the view of the board of directors, could reasonably interfere with the exercise of a member's independent judgment.

All members of the committee will be financially literate as defined by applicable legislation. If, upon appointment, a member of the committee is not financially literate as required, the person will be provided a three month period in which to achieve the required level of literacy.

### **Authority**

The committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and the committee will set the compensation for such advisors.

The committee has the authority to communicate directly with and to meet with the external auditors and the internal auditor, without management involvement. This extends to requiring the external auditor to report directly to the committee.

### **Reporting**

The reporting obligations of the committee will include:

1. reporting to the board of directors on the proceedings of each committee meeting and on the committee's recommendations at the next regularly scheduled directors' meeting; and
2. reviewing, and reporting to the board of directors on its concurrence with, the disclosure required by Form 52-110F2 in any management information circular prepared by the Company.