***Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.*** *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Killam Properties Inc. at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8 ((902) 453-9000). In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com.*

# Short Form Prospectus

**New Issue** **March 17, 2010**

KILLAM PROPERTIES INC

## $50,611,500
## 6,210,000 Common Shares

This short form prospectus qualifies the distribution of 6,210,000 common shares (the "**Offered Shares**") (which includes the 810,000 Common Shares (as defined below) subject to the Over-Allotment Option (as defined below) which was exercised in full by the Underwriters (as defined below) on March 16, 2010) of Killam Properties Inc. ("**Killam**" or the "**Corporation**") at a price of $8.15 per Offered Share (the "**Offering**"). The offering price per Offered Share of $8.15 was determined by negotiation between the Corporation and RBC Dominion Securities Inc., as lead underwriter, on its own behalf and on behalf of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Financial Ltd., National Bank Financial Inc., Beacon Securities Limited, Desjardins Securities Inc., Dundee Securities Corporation, Macquarie Capital Markets Canada Ltd., Raymond James Ltd., Brookfield Financial Corp. and M Partners Inc. (collectively, the "**Underwriters**").

The outstanding common shares of the Corporation (the "**Common Shares**") are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "KMP". On March 3, 2010, the day prior to the announcement of the Offering, the closing price of the Common Shares on the TSX was $8.27 and on March 16, 2010, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was $8.27. The TSX has conditionally approved the listing of the Offered Shares on the TSX. Listing is subject to the Corporation fulfilling the applicable listing requirements of the TSX on or before June 8, 2010.

## Price: $8.15 per Common Share

| | Price to Public | Underwriting Fee[1] | Net Proceeds to Corporation[2] |
|---|---|---|---|
| Per Offered Share | $8.15 | $0.326 | $7.824 |
| Total[3] | $50,611,500 | $2,024,460 | $48,587,040 |

**Notes:**

(1) In consideration for the services rendered by the Underwriters in connection with the Offering, the Corporation has agreed to pay the Underwriters a fee (the "**Underwriting Fee**") representing 4% of the gross proceeds of the Offering.

(2) After deducting the Underwriting Fee, but before deducting expenses of the Offering, estimated to be $275,000, which will be paid from the gross proceeds of the Offering.

(3) The Corporation previously granted to the Underwriters an over-allotment option (the "**Over-Allotment Option**"), exercisable in whole or in part at the sole discretion of the Underwriters at any time until the date that is 30 days from the Closing (as defined below), to purchase up to an additional 810,000 Offered Shares at a price of $8.15 per Offered Share, solely to cover over-allotments, if any, and for market stabilization purposes. On March 16, 2010, the Underwriters exercised the Over-Allotment Option in full. The additional 810,000 Offered Shares to be purchased by the Underwriters pursuant to the Over-Allotment Option will be issued at the Closing concurrently with the issuance of the 5,400,000 Offered Shares that the Underwriters earlier agreed to purchase from the

Corporation under the Underwriting Agreement (as defined below). In addition to qualifying the issuance of those 5,400,000 Offered Shares, this short form prospectus qualifies the grant of the Over-Allotment Option and the issuance of Offered Shares on the exercise of the Over-Allotment Option. A purchaser who acquires Offered Shares forming part of the Underwriters' over-allocation position acquires those Offered Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option. See "Plan of Distribution". The number of Offered Shares that will be issued by the Corporation to the Underwriters pursuant to the Over-Allotment Option are reflected in the 6,210,000 Offered Shares referred to above and in the "Total" row in the table above, and are separately set out in the table below.

| Underwriters' Position | Maximum Size | Exercise Period | Exercise Price |
|---|---|---|---|
| **Over-Allotment Option** | **810,000 Offered Shares** | **Exercised in full on March 16, 2010** | **$8.15** |

It is important for an investor to consider the particular risk factors that may affect the industry in which it is investing and therefore the stability of the distributions that it receives. See, for example "Real Estate Industry", "Cyclicality of Revenue", "Competition for Real Property Investments", "Future Acquisitions of Real Property Investments" and "Availability of Cash Flow" under "Risk Factors" contained in the AIF (as hereinafter defined). That section also describes Killam's assessment of those risk factors, as well as the potential consequences to an investor if a risk described in that section should occur.

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", subject to approval of certain legal matters on behalf of the Corporation by Bennett Jones LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. In connection with the distribution of the Offered Shares, the Underwriters may engage in market stabilization activities subject to applicable market stabilization laws. See "Plan of Distribution".

**RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc., five of the Underwriters of the Offering, are wholly-owned subsidiaries of Canadian chartered banks, which banks or their subsidiaries are lenders to Killam or subsidiaries of Killam. In addition, each of RBC Dominion Securities Inc. and CIBC World Markets Inc. is owned by a Canadian chartered bank and each of such banks provides a credit facility to the Corporation. Consequently, the Corporation may be considered to be a "connected issuer" of each of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc. in connection with the Offering under applicable securities laws. See "Use of Proceeds" and "Relationship Between Killam and Certain of the Underwriters".**

Closing of the Offering (the "**Closing**") is anticipated to occur on or about March 25, 2010, or such later date as Killam and the Underwriters' may agree to, but in any event not later than April 7, 2010. At the Closing, the Offered Shares qualified for distribution under this short form prospectus will be available for delivery in book-entry form through the CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee, and will be deposited with CDS on the date of Closing. Purchasers of Offered Shares will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Offered Shares are purchased and shall not have the right to receive physical certificates evidencing their ownership of the Offered Shares.

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Offered Shares in any jurisdiction in which the offer is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus.

The head office of Killam is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8 and the registered office is located at 2571 Windsor Street, Halifax, Nova Scotia, B3K 5C4.

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## FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference into this short form prospectus, contain forward-looking statements and information including, without limitation, statements and information respecting Killam's expectations with regard to the closing date of the Offering, the use of proceeds from the Offering, the planned growth of Killam's property portfolio, future acquisitions including the location of such acquisitions, improvements in the profitability of Killam's property portfolio, the expansion of the number of rentable sites and the costs of such expansions, the growth of Killam's home sale business and the revenue to be derived therefrom, management's expectations regarding capital improvement costs and estimates of third parties with respect to industry and market conditions including, without limitation, estimates regarding future vacancy rates and average rents. Such forward looking information and statements relate to, but are not limited to, Killam's expectations, intentions, plans and beliefs. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors, including but not limited to: competition within each of the Corporation's business segments; general and local economic and business conditions; the financial condition of Killam's tenants; Killam's ability to refinance maturing debt; interest rate fluctuations; and the availability of capital to fund further investments in the Corporation's business, as well as those discussed under the heading "Risk Factors" in the AIF, which is incorporated by reference into this short form prospectus. Actual results or events may differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon. These statements speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference into this short form prospectus, as the case may be. Except as may be required by law, the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

## NON-GAAP FINANCIAL MEASURES

Funds from operations ("**FFO**"), net operating income ("**NOI**"), same store results and capitalization rate ("**Cap Rate**") are not measures recognized under Canadian generally accepted accounting principles ("**GAAP**") and do not have any standardized meanings prescribed by GAAP. FFO, NOI, same store results and Cap Rate are presented in this short form prospectus and the documents incorporated by reference in this short form prospectus because management of Killam believes that such measures are relevant measures of financial performance. FFO, NOI, same store results and Cap Rate, as computed by Killam, may differ from similar computations as reported by other similar organizations and accordingly, may not be comparable to FFO, NOI, same store results or Cap Rate as reported by such organizations. FFO is calculated as net (loss) income plus depreciation and amortization, stock compensation and non-cash debenture interest, less gains on debt retirement and future income tax recovery. NOI is calculated as income from property operations plus income from home sales. Same store results are revenues and property operating expenses for stabilized properties that Killam has owned for equivalent periods in consecutive years. Cap Rate is the rate calculated by dividing the forecasted net operating income from a property by the property's purchase price. FFO, NOI and same store results should not be construed as alternatives to net income, cash provided by operating activities, or other financial measures determined in accordance with GAAP, as an indicator of Killam's performance.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, counsel to Killam, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, provided that a class of shares of the Corporation or the Offered Shares are listed at all relevant times on a "designated stock exchange" within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**") (which includes the TSX), the Offered Shares would, if issued on the date of the Offering, be qualified investments under the Tax Act and the regulations thereunder, as in effect on the date hereof for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account (a "**TFSA**"). Notwithstanding that the Offered Shares may be a qualified investment for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax on the Offered Shares held in the TFSA if such Offered Shares are a "prohibited investment" for the purposes of section 207.01 of the Tax Act. The Offered Shares will generally be a "prohibited investment" if the holder of the TFSA does not deal at arm's length with the Corporation for the purposes of the Tax Act or the holder of the TFSA has a "significant interest" (as defined in the Tax Act) in the Corporation or in a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act. Such holders are urged to consult their own tax advisors.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada**. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Killam at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia B3K 4X8 (telephone: (902) 453-9000). In addition, copies of documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com.

The following documents of the Corporation are specifically incorporated by reference in this short form prospectus:

(a) the management information circular of the Corporation dated April 7, 2009, prepared in connection with the annual meeting of shareholders held on May 7, 2009;

(b) the annual information form of the Corporation dated March 9, 2010 (the "**AIF**");

(c) the comparative consolidated financial statements of the Corporation for the fiscal years ended December 31, 2009 and December 31, 2008, together with the notes thereto and the auditors' report thereon;

(d) management's discussion and analysis of financial condition and results of operations of the Corporation as at and for the year ended December 31, 2009; and

(e) the material change report of the Corporation dated March 9, 2010 related to the Offering.

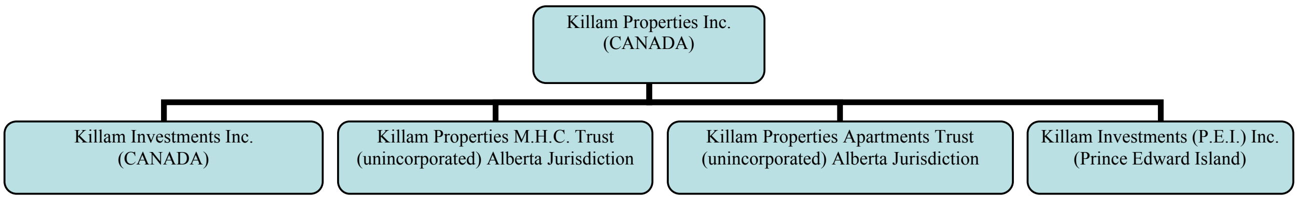
Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this short form prospectus.

Documents referenced in any of the documents incorporated by reference in this short form prospectus but not expressly incorporated by reference therein or herein and not otherwise required to be incorporated by reference therein or in this short form prospectus are not incorporated by reference in this short form prospectus. Any documents of the type required by National Instrument 44-101 to be incorporated by reference into a prospectus, including any material change reports (except confidential material change reports), financial statements and related "managements' discussion and analysis", business acquisition reports and information circulars filed by the Corporation with the securities commissions or similar authorities in Canada after the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus.

## DESCRIPTION OF THE BUSINESS

### Business of the Corporation

Killam is a real estate corporation incorporated under the *Canada Business Corporations Act* and specializing in the acquisition and management of multi-family residential apartment buildings in Atlantic Canada and manufactured home communities throughout Canada. Killam's registered and records office is located at 2571 Windsor Street, Halifax, Nova Scotia, B3K 5C4 and its head office is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8. The accompanying organization chart presents the Corporation's principal subsidiaries as at December 31, 2009 including jurisdiction of incorporation. The Corporation beneficially owns and controls 100% of the voting shares of all of its subsidiaries.




**Business Strategy**

The business strategy of the Corporation is to acquire and manage multi-family residential real estate properties and manufactured home communities throughout Canada. As at December 31, 2009, Killam owned a portfolio of 18,247 units (December 31, 2008, 18,153 units), including 8,957 apartment units and 9,290 manufactured home community ("**MHC**") units.

The Corporation's stated business objectives are to build a portfolio of multi-family residential real estate properties and manufactured home communities, generate a positive cash flow and increase the underlying net asset value of the properties it owns and manages.

**Principal Asset Classes of the Corporation**

***Apartments***

The Corporation acquires and manages apartments as they offer:

- A stable cash flow from a diverse tenant group.
- Accessible Canada Mortgage and Housing Corporation ("**CMHC**") insured financing.
- Consistently low vacancy across Canada.
- Low lease-up costs relative to other real estate asset classes.
- An asset class that is historically resistant to market downturns.

The Corporation's 118 apartment properties held at December 31, 2009 are a combination of low-rise and high-rise buildings, with some townhouse complexes, principally located in the six largest urban centres in Atlantic Canada, as highlighted in the following table:

| | Units | Number of Properties | Market Share % |
|---|---|---|---|
| Halifax, NS | 4,073 | 44 | 10.3% |
| Moncton, NB | 1,088 | 21 | 10.9% |
| Saint John, NB | 1,143 | 13 | 13.2% |
| Fredericton, NB | 983 | 13 | 14.3% |
| Charlottetown, PEI | 638 | 12 | 16.4% |
| St. John's, NL | 584 | 8 | 16.2% |
| Other | 448 | 7 | N/A |
| Total | 8,957 | 118 | |

***Manufactured Home Communities***

The Corporation also acquires and manages MHCs, also known as land lease communities or trailer parks, throughout Canada. Killam owns the land and infrastructure supporting each community, including utility connections, streets, lighting, driveways, common area amenities and other capital improvements. The Corporation leases the lot to the tenant, who owns their own home and pays Killam monthly lot rent.

The Corporation believes that MHCs are an asset class that has historically been overlooked in Canada, and add diversity, stability and growth opportunities to Killam's apartment portfolio. Features that Killam believes are specific to MHCs include:

- Consolidation opportunities.
- Stable and predictable operations with low tenant turnover of approximately 1%. Typically, should a tenant choose to leave a community, they sell their home, which remains on the site and Killam collects the rent uninterrupted.
- High margin business with low capital requirements, as the MHC homeowners are responsible for repairs, maintenance and operating costs, which removes a significant variable cost typically borne by Killam with apartments.
- Consistently strong occupancy rates of approximately 99%.
- High barriers to entry due to restrictive zoning.
- Internal growth opportunities through rental increases and the expansion of existing properties and home sales.

The Corporation's 55 MHCs held at December 31, 2009 are located across Canada as indicated in the following table:

| Province | Sites | Number of Communities |
|---|---|---|
| Ontario | 3,486 | 23 |
| Nova Scotia | 2,548 | 15 |
| New Brunswick | 2,390 | 10 |
| Alberta | 319 | 3 |
| Saskatchewan | 247 | 1 |
| Newfoundland | 170 | 2 |
| British Columbia | 130 | 1 |
| Total | 9,290 | 55 |

*Expansion Opportunities for MHCs*

Killam's MHC portfolio includes a total of 255 acres of land available for future expansion or potential sub-division and sale to third parties.

| Province | Estimated Future Expansion Sites | Acres Identified for Expansion Sites |
|---|---|---|
| Ontario | 480 | 117 |
| Nova Scotia | 170 | 95 |
| Saskatchewan | 120 | 20 |
| New Brunswick | 120 | 23 |
| Alberta | - | - |
| Newfoundland | - | - |
| British Columbia | - | - |
| Total | 890 | 255 |

Where excess land, demand and zoning allows, management expects to expand the number of rentable sites. Management has identified 13 of the Corporation's 55 MHCs where expansion is expected to total 890 sites. Over the last four years, Killam has added 225 sites with expansions of seven communities.

The average per-site cost to expand varies based on the existing infrastructure in a specific MHC. The expansion costs to date have averaged approximately $29,000 per site. The income generated from a new home sale offsets a portion of the expansion cost, allowing expansion sites to be added at a net cost much less than Killam's typical acquisition cost.

*New Home Sales*

Killam acts as a retailer for home manufacturers to supply homes to its communities, both to existing and expanded sites. The houses are built in a manufacturing facility and delivered by road to the sites. Homes are available in a variety of sizes and layouts and typically sell for between $90,000 and $185,000, with the higher sales prices usually in Ontario and Western Canada. Management expects to net $12,000 to $20,000 profit per home sale, which, as noted earlier, offsets a portion of the capital investment to expand the new sites. Annual new home sale levels are dependent on Killam's site expansion program and the overall economic environment.

**Portfolio Summary – By Type**

As at December 31, 2009, Killam owned 173 properties totaling 18,247 units. The breakdown between apartments and MHCs is as follows:

| *As at December 31, 2009* | *Capital Assets[(1)] (000's)* | *Percentage* | *Number of Units* | *Percentage* |
|---|---|---|---|---|
| Apartments | $622,356 | 76.0% | 8,957 | 49.1% |
| Manufactured Home Communities | 193,935 | 23.7% | 9,290 | 50.9% |
| Corporate | 2,296 | 0.3% | - | - |
| ***Total*** | ***$818,587*** | ***100.0%*** | ***18,247*** | ***100.0%*** |

(1) Based on gross book value.

**Portfolio Summary – By Location**

| *As at December 31, 2009* | *Capital Assets[(1)] (000's)* | *Percentage* | *Number of Units* | *Percentage* |
|---|---|---|---|---|
| Halifax | $338,203 | 40.9% | 5,142 | 28.2% |
| Moncton | 100,892 | 12.5% | 2,458 | 13.5% |
| Fredericton | 84,812 | 10.5% | 1,669 | 9.1% |
| Ontario | 81,547 | 9.9% | 3,486 | 19.1% |
| Saint John | 64,937 | 8.0% | 1,243 | 6.8% |
| Prince Edward Island | 49,361 | 6.1% | 686 | 3.8% |
| Newfoundland | 37,048 | 4.5% | 902 | 4.9% |
| Other Nova Scotia | 35,020 | 4.3% | 1,635 | 9.0% |
| Alberta | 10,616 | 1.3% | 319 | 1.7% |
| British Columbia | 5,915 | 0.7% | 130 | 0.7% |
| Saskatchewan | 6,077 | 0.8% | 247 | 1.4% |
| Corporate | 2,295 | 0.3% | - | - |
| Other New Brunswick | 1,864 | 0.2% | 330 | 1.8% |
| ***Total*** | ***$818,587*** | ***100.0%*** | ***18,247*** | ***100.0%*** |

(1) Based on gross book value.

**Current Discussions and Agreements Regarding Proposed Acquisitions and Dispositions**

Consistent with the Corporation's past practices and in the normal course of business, the Corporation is engaged in discussions with respect to possible acquisitions of new properties. However, there can be no assurance that any of such discussions will result in any acquisitions and, if they do, what the terms or timing of any acquisition would be. The Corporation expects to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

## USE OF PROCEEDS

The estimated net proceeds from the Offering, after deducting the Underwriting Fee of $2,024,460 and the estimated expenses of the Offering of $275,000, will be approximately $48,312,040 (after giving effect to the Underwriters' exercise of the Over-Allotment Option in full). The Corporation intends to use the net proceeds to fund future property acquisitions, repay indebtedness and for general corporate purposes. See "Description of the Business" and "Relationship Between the Corporation and Certain Underwriters". Indebtedness was incurred by the Corporation over the past two years for the purpose of acquiring properties.

## CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets forth the consolidated capitalization of Killam as at December 31, 2009, both before and after giving effect to the Offering. This table should be read in conjunction with the comparative consolidated financial statements of Killam, which have been incorporated by reference into this short form prospectus.

| *($ in thousands)* | | | | |
|---|---|---|---|---|
| **Equity** | | **As at December 31, 2009** | | **As at December 31, 2009 (after giving effect to the Offering)**[1] |
| Common shares | $ | 243,205 | $ | 292,157 |
| Contributed surplus | | 1,842 | | 1,842 |
| Other paid-in capital | | 2,468 | | 2,468 |
| Accumulated other comprehensive loss | | (15) | | (15) |
| Deficit | | (70,298) | | (70,298) |
| | $ | 177,202 | $ | 226,154 |
| Number of shares | | 38,518,765 | | 44,728,765 |
| **Indebtedness** | | | | |
| Mortgages and loans payable[2] | $ | 500,080 | $ | 500,080 |
| Convertible debentures[2] | | 40,822 | | 40,822 |
| Subordinated debentures[2] | | 9,552 | | 9,552 |
| Credit facility[2] | | - | | - |
| Total | $ | 550,454 | $ | 550,454 |

(1) On March 16, 2010, the Underwriters exercised the Over-Allotment Option in full. Based on the issuance of an aggregate of 6,210,000 Common Shares for total gross proceeds of $50,611,500, less the Underwriting Fee of $2,024,460 and the expenses of the Offering estimated to be $275,000 plus the tax benefit of share issuance costs of $640,170.

(2) The debt amounts presented on the Corporation's December 31, 2009 balance sheet is presented net of deferred financing amounts as required under CICA Handbook Section 3855.

## PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of March 10, 2010 (the "**Underwriting Agreement**") among the Corporation and the Underwriters, the Corporation has appointed the Underwriters as the sole and exclusive underwriters of the Corporation to offer the Offered Shares for sale, subject to the terms and conditions contained therein, at a price of $8.15 per Offered Share. The Underwriters have agreed that if less than all of the Offered Shares are sold by the Underwriters as underwriters, the Underwriters shall purchase, as principals, all of the Offered Shares not sold by the Underwriters as underwriters at the same price per Offered Share. Closing of the Offering is anticipated to occur on or about March 25, 2010, or on such later date as may be agreed upon by the Corporation and the Underwriters (subject to any termination right pursuant to the terms and conditions of the Underwriting Agreement), but in any event not later than April 7, 2010. The Corporation has agreed to pay the Underwriters a fee equal to $0.326 per Offered Share purchased by the Underwriters. The offering price per Offered Share was determined by negotiation between the Corporation and RBC Dominion Securities Inc., on its own behalf and on behalf of the Underwriters.

All fees payable to the Underwriters will be paid on account of services rendered in connection with the Offering and will be paid out of the gross proceeds of the Offering.

The Corporation granted the Underwriters the Over-Allotment Option, exercisable in whole or in part at the sole discretion of the Underwriters at any time until the date that is 30 days from the Closing, enabling them to purchase up to an additional 810,000 Offered Shares at a price of $8.15 per Offered Share, to cover over-allotments, if any, and for market stabilization purposes. On March 16, 2010, the Underwriters exercised the Over-Allotment Option in full. The additional 810,000 Offered Shares to be purchased by the Underwriters pursuant to the Over-Allotment Option will be issued at the Closing concurrently with the issuance of the 5,400,000 Offered Shares that the Underwriters earlier agreed to purchase from the Corporation under the Underwriting Agreement. In addition to qualifying the issuance of those 5,400,000 Offered Shares, this short form prospectus qualifies the grant of the Over-Allotment Option and the issuance of Offered Shares on the exercise of the Over-Allotment Option. A purchaser who acquires Offered Shares forming part of the Underwriters' over-allocation position acquires those Offered Shares under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and several, and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Offered Shares if any Offered Shares are purchased under the Underwriting Agreement.

Pursuant to applicable securities legislation, the Underwriters may not, during the period of distribution under this short form prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent trading activity in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering, and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Offered Shares have not been and will not be registered under the U.S. Securities Act or applicable state securities laws, and may not be offered, sold or delivered, directly or indirectly, within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell any Offered Shares within the United States. The Underwriting Agreement permits the Underwriters to (i) offer and sell the Offered Shares purchased by them outside the United States in compliance with Regulation S under the U.S. Securities Act; (ii) offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement in the United States to persons who are "qualified institutional buyers" ("**Qualified Institutional Buyers**"), as such term is defined in Rule 144A under the U.S. Securities Act, where such offers and sales are made in compliance with Rule 144A under the U.S. Securities Act and applicable state securities laws; and (iii) designate institutional "accredited investors," who satisfy one or more of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act ("**Institutional Accredited Investors**"), as substituted purchasers to purchase Offered Shares directly from the Corporation pursuant to Section 4(2) of the U.S. Securities Act. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Offered Shares in the United States.

The Offered Shares offered or sold in the United States will be deemed "restricted securities" within the meaning of Rule l44(a)(3) of the U.S. Securities Act. Physical certificates representing any securities that are sold or issued in the United States will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares offered hereby within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless such offer is made pursuant to an exemption from registration under the U.S. Securities Act.

Pursuant to the Underwriting Agreement, the Corporation has agreed not to, directly or indirectly, create, issue or sell, or negotiate or enter into any agreement to create, issue or sell, any equity securities or any securities exercisable into equity securities or enter into any transaction intended to emulate the transfer to another person of any of the economic consequences of ownership of such securities for a period ending 90 days following the Closing without the prior written consent of RBC Dominion Securities Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld, excluding shares issued (i) upon conversion of the Corporation's outstanding convertible debentures, (ii) on exercise of any outstanding warrants or options, (iii) through the Corporation's existing share option plans and other existing compensation and incentive plans, (iv) through the Corporation's existing dividend reinvestment plan and (v) as partial consideration for the acquisition of real property or assets from an arm's length vendor.

The Corporation has agreed to indemnify the Underwriters and their affiliates and their respective directors, officers, employees and agents against certain liabilities.

The TSX has conditionally approved the listing of the Offered Shares on the TSX. Listing is subject to the Corporation fulfilling the applicable listing requirements of the TSX on or before June 8, 2010.

## MARKET FOR SECURITIES

### Common Shares

The Common Shares are listed and posted for trading on the TSX under the symbol "KMP". The following table sets forth the monthly price ranges and volumes of trading of the Common Shares on the TSX for the periods indicated.

| **2009** | **High ($)** | **Low ($)** | **Volume** |
|---|---|---|---|
| March | 5.30 | 4.55 | 759,187 |
| April | 5.40 | 4.84 | 1,135,653 |
| May | 5.93 | 5.13 | 1,512,449 |
| June | 6.53 | 5.70 | 2,721,873 |
| July | 6.70 | 5.76 | 1,893,431 |
| August | 7.05 | 6.51 | 1,298,642 |
| September | 7.00 | 6.60 | 1,482,621 |
| October | 7.40 | 6.70 | 1,853,900 |
| November | 8.25 | 7.11 | 1,575,060 |
| December | 9.50 | 8.05 | 1,734,993 |
| **2010** | | | |
| January | 8.75 | 8.12 | 1,166,704 |
| February | 8.35 | 7.99 | 1,047,465 |
| March 1 to March 16 | 8.37 | 8.13 | 2,337,147 |

On March 3, 2010, the day prior to the announcement of the Offering, the closing price of the Common Shares on the TSX was $8.27 and on March 16, 2010, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was $8.27.

### Convertible Debentures

The Corporation's convertible unsecured debentures (the "**Convertible Debentures**") are listed and posted for trading on the TSX under the symbol "KMP.DB". The following table sets forth the monthly price ranges and volumes of trading of the Convertible Debentures on the TSX for the periods indicated.

| **2009** | **High ($)** | **Low ($)** | **Volume** |
|---|---|---|---|
| March | 90.00 | 82.75 | 2,665,000 |
| April | 95.00 | 87.25 | 2,301,000 |
| May | 96.00 | 91.00 | 1,928,000 |
| June | 95.00 | 91.00 | 3,993,000 |
| July | 97.00 | 94.25 | 2,278,000 |
| August | 101.00 | 97.00 | 723,000 |
| September | 100.95 | 99.50 | 214,000 |
| October | 102.00 | 100.00 | 468,000 |
| November | 103.00 | 100.00 | 1,105,000 |
| December | 105.00 | 101.50 | 224,000 |
| **2010** | | | |
| January | 104.00 | 101.75 | 590,000 |
| February | 103.90 | 102.00 | 250,000 |
| March 1 to March 16 | 103.00 | 100.50 | 1,714,000 |

On March 16, 2010, the last trading day before the date of this short form prospectus, the closing price of the Convertible Debentures on the TSX was $102.50.

## PRIOR SALES

During the 12-month period prior to the date of this short form prospectus, the Corporation did not issue any Common Shares, other than (i) 4,255,000 Common Shares issued on July 2, 2009 at a price of $5.80 per Common Share, (ii) 85,273 Common Shares issued on November 5, 2009 pursuant to a property acquisition at a price of $7.05 per Common Share and (iii) 186,917 Common Shares issued pursuant to the Corporation's dividend reinvestment plan, the particulars of which are set forth in the following table.

| Month of Issuance | Number of Common Shares Issued | Price ($) |
|---|---|---|
| March, 2009 | 24,949 | 4.76 |
| April, 2009 | 24,859 | 4.92 |
| May, 2009 | 21,596 | 5.51 |
| June, 2009 | 20,244 | 6.18 |
| July, 2009 | 21,734 | 5.86 |
| August, 2009 | 9,908 | 6.65 |
| September, 2009 | 9,972 | 6.73 |
| October, 2009 | 9,391 | 6.99 |
| November, 2009 | 8,565 | 7.64 |
| December, 2009 | 8,963 | 8.16 |
| January, 2010 | 8,719 | 8.42 |
| February, 2010 | 8,954 | 8.25 |
| March, 2010 | 9,063 | 8.24 |

During this 12-month period, the Corporation also granted an aggregate of 405,000 options to purchase Common Shares pursuant to its stock option plan, the particulars of which are set forth in the following table:

| **Month of Grant** | **Number of Common Shares issuable on Exercise** | **Exercise Price ($)** |
|---|---|---|
| May, 2009 | 405,000 | 5.32 |

## RELATIONSHIP BETWEEN KILLAM AND CERTAIN OF THE UNDERWRITERS

RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc., five of the Underwriters of the Offering, are wholly-owned subsidiaries of Canadian chartered banks, which banks or their subsidiaries are lenders (the "**Lenders**") to Killam or subsidiaries of Killam by virtue of mortgages loaned against various properties of Killam. In addition, RBC Dominion Securities Inc. is owned by a Canadian chartered bank which provides a credit facility to the Corporation (the "**Credit Facility**"). The Credit Facility consists of a revolving facility secured by specific real estate assets. In addition, CIBC World Markets Inc. is owned by a Canadian chartered bank which provides a credit facility to the Corporation by way of overdraft and letters of guarantee. There are currently outstanding letters of guarantee in the aggregate amount of approximately $0.5 million under such facility. Consequently, the Corporation may be considered to be a "connected issuer" of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc. in connection with the Offering under applicable securities laws.

As at December 31, 2009, approximately $238.3 million was outstanding under various mortgages with the Lenders. The mortgages are secured by certain assets of the Corporation. The mortgages and the Credit Facility contain representations and covenants, restrictions and events of default that are customary for such agreements, including restrictions on the Corporation relating to additional indebtedness, liens and encumbrances and adherence to specified financial covenants. As of the date of this short form prospectus, the Corporation is not in default of any terms of such agreements and its financial position and the value of security granted to the Lenders pursuant to such agreements have not materially changed since such agreements were entered into. Currently, there is no amount outstanding under the Credit Facility.

The decision of RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc. to underwrite the Offering was made independently of their parent banks and such banks have no influence as to the determination of the terms of distribution. RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc. and TD Securities Inc. will not receive any benefit in connection with the Offering other than a portion of the Underwriting Fee payable by the Corporation. See "Use of Proceeds".

## RISK FACTORS

**Before making an investment decision, prospective purchasers of Offered Shares should consider carefully the information contained in and incorporated by reference in this short form prospectus and, in particular, the risk factors set out at pages 34 through 38 of the AIF. Readers are cautioned that such risk factors are not exhaustive.**

### Dilution of Net Income on a per Common Share Basis

While the net proceeds of the Offering are expected to enhance the Corporation's liquidity, to the extent that a portion of the net proceeds of the Offering remains as cash, or is used to pay down indebtedness with a low interest rate, the Offering is expected to result in dilution, on a per Common Share basis, to the Corporation's net income and other measures used by the Corporation.

## AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation are Ernst & Young LLP, Chartered Accountants, 1301 – 1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2.

Computershare Investor Services Inc. of Canada is the registrar and transfer agent for the Common Shares at its principal offices in Halifax, Nova Scotia and Toronto, Ontario.

## INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Bennett Jones LLP on behalf of the Corporation and Osler, Hoskin & Harcourt LLP on behalf of the Underwriters. As at the date hereof, the partners and associates of Bennett Jones LLP and the partners and associates of Osler, Hoskin & Harcourt LLP, each as a group, beneficially own, directly or indirectly, less than 1% of the securities of the Corporation and its associates and affiliates.

Ernst & Young LLP has confirmed it is independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Nova Scotia.

## STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada 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, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price 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.

## AUDITORS' CONSENT

We have read the short form prospectus of Killam Properties Inc. (the "**Company**") dated March 17, 2010 relating to the issue and sale of 6,210,000 common shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at December 31, 2009 and 2008 and the consolidated statements of loss, deficit, comprehensive loss and accumulated other comprehensive loss and cash flows for each of the years in the two-year period ended December 31, 2009. Our report is dated February 26, 2010.

Halifax, Canada
March 17, 2010

(Signed) "*Ernst & Young LLP*"
Chartered Accountants

## CERTIFICATE OF THE CORPORATION

Dated: March 17, 2010

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

| | |
|---|---|
| (Signed) "*Philip D. Fraser*"<br>President and Chief Executive Officer | (Signed) "*Robert G. Richardson*"<br>Executive Vice President and Chief Financial Officer |

On behalf of the Board of Directors

| | |
|---|---|
| (Signed) "*G. Wayne Watson*"<br>Director | (Signed) "*Arthur G. Lloyd*"<br>Director |

## CERTIFICATE OF THE UNDERWRITERS

Dated: March 17, 2010

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, 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, Ontario, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

RBC DOMINION SECURITIES INC.

Per: (Signed) "*William Wong*"

| BMO NESBITT BURNS INC. | CIBC WORLD MARKETS INC. |
|---|---|
| Per: (Signed) "*Derek Dermott*" | Per: (Signed) "*Mark G. Johnson*" |
| SCOTIA CAPITAL INC. | TD SECURITIES INC. |
| Per: (Signed) "*Stephen Sender*" | Per: (Signed) "*Kursat Kacira*" |
| CANACCORD FINANCIAL LTD. | NATIONAL BANK FINANCIAL INC. |
| Per: (Signed) "*Mark Edwards*" | Per: (Signed) "*Michael Klax*" |

| BEACON SECURITIES LIMITED | DESJARDINS SECURITIES INC. | DUNDEE SECURITIES CORPORATION | MACQUARIE CAPITAL MARKETS CANADA LTD. | RAYMOND JAMES LTD. |
|---|---|---|---|---|
| Per: (Signed) "*Jane M. Smith*" | Per: (Signed) "*Dennis Logan*" | Per: (Signed) "*Onorio Lucchese*" | Per: (Signed) "*Ronald A. Rimer*" | Per: (Signed) "*John Bartkiw*" |

| BROOKFIELD FINANCIAL CORP. | M PARTNERS INC. |
|---|---|
| Per: (Signed) "*Mark Murski*" | Per: (Signed) "*Thomas Kofman*" |