A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada other than the Province of Québec but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered by this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or applicable state securities laws, and, subject to certain exceptions and in compliance with registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to exemptions therefrom, may not be offered for purchase or sale, sold, transferred or otherwise disposed of directly or indirectly within the United States of America, its territories or possessions. This short form prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States of America, its territories or possessions. See "Plan of Distribution".*

***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.*

Preliminary Short Form Prospectus

New Issue **November 12, 2010**

KILLAM PROPERTIES INC

$50,000,000
5.65% Convertible Unsecured Subordinated Debentures due November 30, 2017

This short form prospectus qualifies the distribution of $50,000,000 aggregate principal amount of 5.65% convertible unsecured subordinated debentures (the "**Debentures**") of Killam Properties Inc. ("**Killam**" or the "**Corporation**") at a price of $1,000 per Debenture (the "**Offering**"). The Debentures have a maturity date of November 30, 2017 (the "**Maturity Date**"). The Debentures bear interest at an annual rate of 5.65% payable semi-annually in arrears on May 31 and November 30 in each year commencing May 31, 2011. The first interest payment will include interest accrued from the closing of the Offering to, but excluding, May 31, 2011. The Debentures are redeemable at the option of the Corporation after November 30, 2013 and on or before November 30, 2015 (provided that the Current Market Price (as defined herein) of the common shares of the Corporation (the "**Common Shares**") on the date on which the notice of redemption is given is not less than 125% of the Conversion Price (as defined herein)) and after November 30, 2015 and before maturity, in each case upon not more than 60 days and not less than 30 days prior written notice at a redemption price of $1,000 per Debenture plus accrued and unpaid interest thereon, if any. See "Details of the Offering".

Debenture Conversion Privilege

Each Debenture will be convertible into fully paid, non-assessable and freely tradeable Common Shares at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Corporation for redemption of the Debentures, at a conversion price of $13.40 per Common Share (the "**Conversion Price**") being a ratio of approximately 74.6269 Common Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events. In addition to the number of Common Shares to be received on conversion, holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the date of the last Interest Payment Date (as defined herein) to and including the last record date set by the Corporation occurring prior to the date of conversion for determining the shareholders entitled to receive a dividend on the Common Shares. In the event that the Corporation has suspended regular dividends, then a holder, in addition to the number of Common Shares to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from the last Interest Payment Date (as defined herein) prior to the date of conversion to the date of conversion. Notwithstanding the foregoing, no Debentures may be converted during the five business days preceding and including May 31 and November 30 in each year, commencing May 31, 2011, as the registers of Computershare Trust Company of Canada, as debenture trustee (the "**Debenture Trustee**"), will be closed during such periods. See "Details of the Offering – Conversion Privilege".

Upon the maturity or redemption of the Debentures, the Corporation may pay the outstanding principal of the Debentures in cash or, at its option, on not greater than 60 days and not less than 30 days prior written notice and subject to regulatory approval, satisfy its obligations to repay all or a portion of the principal amount of the Debentures which have matured or been redeemed by issuing and delivering that number of Common Shares obtained by dividing the aggregate amount of principal of the Debentures which have matured or will be redeemed by 95% of the weighted average trading price of the Common Shares on the Toronto Stock Exchange (the "**TSX**") for the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the Maturity Date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash.

The offering price of the Debentures 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 Genuity Corp., National Bank Financial Inc., Beacon Securities Limited, Desjardins Securities Inc., Dundee Securities Corporation, Macquarie Capital Markets Canada Ltd., Brookfield Financial Corp., M Partners Inc. and Raymond James Ltd. (collectively, the "**Underwriters**"). **There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus.**

The outstanding Common Shares and the 6.5% convertible unsecured subordinated debentures of the Corporation (the "**6.5% Debentures**") are listed for trading on the TSX under the symbols "KMP" and "KMP.DB", respectively. On November 5, 2010, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the TSX was $10.27 and on November 11, 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 $10.20. The Corporation has applied to list the Debentures distributed under this short form prospectus and the Common Shares issuable on the conversion, redemption or maturity of the Debentures on the TSX. Listing will be subject to the Corporation fulfilling the applicable listing requirements of the TSX.

Price: $1,000 per Debenture

	Price to the Public	Underwriting Fee[1]	Net Proceeds to the Corporation[2]
Per Debenture	$1,000	$37.50	$962.50
Total[3]	$50,000,000	$1,875,000	$48,125,000

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 3.75% of the gross proceeds of the Offering.

(2) After deducting the Underwriting Fee, but before deducting expenses of the Offering, estimated to be approximately $190,000, which will be paid from the gross proceeds of the Offering.

(3) The Corporation has granted 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 which is 30 days from the Closing (as defined below) to purchase up to an additional $7,500,000 aggregate principal amount of Debentures, solely to cover over-allotments, if any, and for market stabilization purposes. In respect of the Over-Allotment Option, the Corporation will pay to the Underwriters a fee equal to 3.75% of the gross proceeds realized on the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total "Price to the Public" will be $57,500,000, the total Underwriting Fee will be approximately $2,156,250 and the "Net Proceeds to the Corporation", before deducting the estimated expenses of the Offering, will be approximately $55,343,750, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Debentures issued or sold upon exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option. Where applicable, references to "Offering" and "Debentures" include the Debentures issuable upon exercise of the Over-Allotment Option. See "Plan of Distribution".

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	**$7,500,000 aggregate principal amount of Debentures**	**Up to 30 days from the Closing**	**$1,000 per Debenture**

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 Debentures, 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 Debentures 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 Debentures, 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, 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".

The Debentures are not "deposits" within the meaning of the *Canada Deposit Insurances Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

The earnings coverage ratio in respect of the Corporation's indebtedness for the twelve-month period ended December 31, 2009, both before and after giving effect to the Offering, is less than 1:1. See "Earnings Coverage".

Closing of the Offering (the "**Closing**") is anticipated to occur on or about November 30, 2010, or such later date as Killam and the Underwriters' may agree to, but in any event not later than December 7, 2010. At the Closing, the Debentures qualified for distribution under this short form prospectus will be available for delivery in book-entry form through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee, and will be deposited with CDS on the date of Closing. Purchasers of Debentures will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Debentures are purchased and shall not have the right to receive physical certificates evidencing their ownership of the Debentures.

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 Debentures 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 redemption of the 6.5% Debentures, 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, the Debentures and the Common Shares issuable on the conversion, redemption or maturity of the Debentures would, if issued on the date hereof, be qualified investments under the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder (the "**Regulations**"), 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 (except, in the case of Debentures, a deferred profit sharing plan for which any employer is the Corporation, or an employer that does not deal at arm's length with the Corporation), a registered disability savings plan and a tax-free savings account (a "**TFSA**"). Provided that, for the purposes of the Tax Act, the holder of a TFSA deals at arm's length with the Corporation and does not have a "significant interest" 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, the Debentures and Common Shares will not be prohibited investments under the Tax Act for such TFSA on the date hereof. 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 9, 2010, prepared in connection with the annual meeting of shareholders held on May 6, 2010;

(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;

(e) the unaudited comparative consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2010, together with the notes thereto;

(f) management's discussion and analysis of financial condition and results of operations of the Corporation as at and for the three and nine months ended September 30, 2010;

(g) the material change report of the Corporation dated March 9, 2010 related to the offering by the Corporation of up to 6,210,000 Common Shares at a price of $8.15 per share; and

(h) the material change report of the Corporation dated November 10, 2010 related to the Offering.

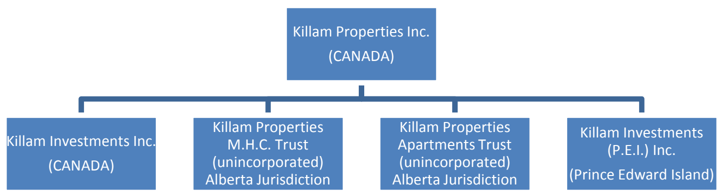
Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is 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 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 September 30, 2010, Killam owned a portfolio of 18,830 units (December 31, 2009, 18,247 units), including 9,540 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 124 apartment properties held at September 30, 2010 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 and Southwestern Ontario as highlighted in the following table:

	Units	Number of Properties	Market Share %
Halifax, NS	4,244	46	10.3%
Moncton, NB	1,138	22	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%
Southwestern Ontario	362	3	-%
Other	448	7	N/A
Total	9,540	124	

Development of Multi-Residential Buildings

Killam's apartment portfolio includes approximately 22 acres of excess land available for future expansion. Management plans to maximize the value of excess land through the development of new rental units, including currently identified development opportunities in Halifax, Fredericton and St. John's.

In September 2010, Killam announced the commencement of development of the 98-unit Charlotte Court in Charlottetown, its first new multi-residential development.

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 September 30, 2010 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	Future Expansion Site Capacity	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 the Corporation has excess land, and demand and zoning allows, management expects to expand the number of rentable sites. Management has identified 13 of the Corporation's 55 MHCs where future expansion of is expected to total 890 sites. Over the last four years, Killam has developed an additional 241 sites in eight communities and has sold 146 homes to date in those expansions.

The average per-site cost to expand varies based on the existing infrastructure in a specific community. 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 less than Killam's typical acquisition costs.

New Home Sales

Killam acts as a retailer for home manufacturers to supply homes to Killam's 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 September 30, 2010, Killam owned 179 properties totaling 18,830 units. The breakdown between apartments and MHCs is as follows:

As at September 30, 2010	*Capital Assets(1) (000's)*	*Percentage*	*Number of Units*	*Percentage*
Apartments	$733,527	78.5%	9,540	50.7%
Manufactured Home Communities	197,664	21.2%	9,290	49.3%
Corporate	2,539	0.3%	-	-
Total	***$933,730***	***100.0%***	***18,830***	***100.0%***

(1) Based on gross book value.

Portfolio Summary – By Location

As at September 30, 2010	*Capital Assets(1) (000's)*	*Percentage*	*Number of Units*	*Percentage*
Halifax	$358,015	38.3%	5,369	28.5%
Ontario	165,189	17.7%	3,848	20.4%
Moncton	103,253	11.1%	2,508	13.3%
Fredericton	86,854	9.3%	1,669	8.9%
Saint John	65,535	7.0%	1,243	6.6%
Prince Edward Island	49,490	5.3%	686	3.6%
Newfoundland	37,600	4.0%	902	4.8%
Other Nova Scotia	35,389	3.8%	1,579	8.4%
Alberta	10,648	1.1%	319	1.7%
Other New Brunswick	7,042	0.8%	330	1.8%
Saskatchewan	6,097	0.7%	247	1.3%
British Columbia	6,079	0.6%	130	0.7%
Corporate	2,539	0.3%	-	0.0%
Total	***$933,730***	***100.0%***	***18,830***	***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.

RECENT DEVELOPMENTS

Redemption of 6.5% Debentures

On November 8, 2010, the Corporation announced that it is exercising its right to redeem all of the 6.5% Debentures pursuant to Section 4.3 of the trust indenture dated as of May 5, 2005 between the Corporation and Computershare Trust Company of Canada. The redemption date for the 6.5% Debentures will be December 13, 2010 (the "**Redemption Date**"). The redemption payment amount of $1,029.38 for each $1,000 principal amount of 6.5% Debentures, being equal to the aggregate of (i) $1,000 and (ii) all accrued and unpaid interest thereon to but excluding the Redemption Date, will be paid in cash on the Redemption Date. The 6.5% Debentures are convertible into Common Shares at a price of $12.40 per Common Share. As at the date hereof, $42.2 million aggregate principal amount of 6.5% Debentures are outstanding.

Acquisition

On November 2, 2010, Killam completed the acquisition of the 19 Plateau Crescent Apartment, a 5-storey, 81-unit concrete building located adjacent to three other Killam apartment properties in Halifax. The purchase price of $5.6

million ($69,100 per unit), reflected a capitalization of approximately 6.75% and was satisfied with the proceeds of a new ten-year CMHC insured mortgage on the property for $4.2 million at 3.76% and the balance in cash.

USE OF PROCEEDS

The estimated net proceeds from the Offering, after deducting the Underwriting Fee of $1,875,000 and the estimated expenses of the Offering of approximately $190,000, will be approximately $47,935,000. The Corporation intends to use the net proceeds to redeem all of the 6.5% Debentures, fund future property acquisitions and development activities, 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 and September 30, 2010, both before and after giving effect to the Offering and the redemption of the 6.5% Debentures. 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 September 30, 2010**	**As at September 30, 2010 (after giving effect to the Offering and the redemption of the 6.5% Debentures)(1)**
Common shares	$ 243,205	$ 293,327	$ 293,327
Contributed surplus	1,842	2,210	2,210
Other paid-in capital	2,468	2,468	4,354
Accumulated other comprehensive loss	(15)	-	-
Deficit	(70,298)	(87,431)	(85,775)
	$ 177,202	$ 210,574	$ 214,116
Number of shares	38,518,765	44,890,934	44,890,934
Indebtedness			
Mortgages and loans payable(2)	$ 500,080	$ 567,219	$ 567,219
Convertible debentures(2)	40,822	41,234	43,581
Subordinated debentures(2)	9,552	9,657	9,657
Credit facility(2)	-	-	-
Total	$ 550,454	$ 618,110	$ 620,457

(1) Without giving effect to the exercise of the Over-Allotment Option and based on the issuance of $50,000,000 aggregate principal amount of Debentures, less the Underwriters' fees of $1,875,00 and the expenses of the Offering estimated to be approximately $190,000, and the redemption of the 6.5% Debentures.

(2) The debt amounts presented on the Corporation's balance sheets are presented net of deferred financing amounts as required under CICA Handbook Section 3855. In addition, the convertible debentures are also net of the equity component related to the conversion feature.

EARNINGS COVERAGE

The following earnings coverages are calculated on a consolidated basis for the twelve-month periods ended December 31, 2009 and September 30, 2010 and are derived from the audited comparative consolidated financial statements of the Corporation in the case of December 31, 2009 and the unaudited comparative consolidated financial statements of the Corporation in the case of September 30, 2010. The adjusted earnings coverage ratio calculations do not include any additional earnings that may be derived from the use of the net proceeds of the Offering or cash on hand or annualized earnings from properties acquired after December 31, 2009.

The interest expense of the Corporation for the twelve-month periods ended December 31, 2009 and September 30, 2010 was $32.0 million and $31.9 million, respectively. The earnings of the Corporation before interest and income tax expense for the twelve-month periods ended December 31, 2009 and September 30, 2010 were $29.3 million and $33.3 million, respectively, representing earnings coverage ratios of 0.92 times and 1.04 times, respectively.

The interest expense of the Corporation for the twelve-month periods ended December 31, 2009 and September 30, 2010 was $35.2 million and $32.3 million, respectively, after giving effect to the issuance of the Debentures (excluding Debentures issuable upon exercise of the Over-Allotment Option), the redemption of all of the 6.5% Debentures and debt incurred or repaid subsequent to the respective calculation periods as if the aforementioned issuance and redemption had occurred at the beginning of the respective calculation periods. The earnings of the Corporation before interest and income tax expense for the twelve-month periods ended December 31, 2009 and September 30, 2010, were $29.3 million and $33.3 million, respectively, representing adjusted earnings coverage ratios of 0.83 times and 1.03 times, respectively.

In order to reach 1:1 earnings coverage ratios for the twelve-month period ended December 31, 2009, the Corporation has determined that it would need additional earnings of approximately $2.7 million (before giving effect to the Offering) and approximately $5.9 million (after giving effect to the Offering).

These earnings coverage ratios reflect historical earnings. Under GAAP, the Debentures are and will be classified as a liability with a portion allocated to equity related to the conversion feature. The difference between the principal amount and the carrying value of the Debentures will be added to interest expense over the term of the Debentures to increase the carrying value of the liability portion to the principal amount of the Debentures. The interest expense included above for the Debentures includes all cash interest, interest accretion and financing charges amortized under the effective interest method (without giving effect to the Over-Allotment Option).

DETAILS OF THE OFFERING

The following is a summary of the material attributes and characteristics of the Debentures and is subject to, and qualified in its entirety by, reference to the terms of the debenture indenture to be entered into between the Corporation and the Debenture Trustee governing the terms of the Debentures (the "**Debenture Indenture**") referred to below, a copy of which will be filed on SEDAR at www.sedar.com.

General

The Debentures will be issued under the Debenture Indenture. The Debentures will initially be limited in the aggregate principal amount to $50,000,000. The Corporation may, however, from time to time, without the consent of the holders of the Debentures, issue additional or other debentures in addition to the Debentures offered hereby including, in the event the Over-Allotment Option is exercised by the Underwriters. The Debentures will be issuable only in denominations of $1,000 and integral multiples thereof.

The Debentures will be dated as of the closing date of the Offering and will have a Maturity Date of November 30, 2017.

The Debentures will bear interest from the date of issue at 5.65% per annum which will be payable, subject to any applicable withholding tax, semi-annually in arrears on May 31 and November 30 in each year, commencing May 31, 2011. The first interest payment will include interest accrued from the closing of the Offering to, but excluding, May 31, 2011. Interest will be payable based on a 365-day year.

The principal amount of the Debentures will be payable in lawful money of Canada or, at the option of the Corporation and subject to applicable regulatory approval, by delivery of Common Shares as further described under "Payment upon Redemption or Maturity" and "Redemption and Purchase". The interest on the Debentures will be payable in lawful money of Canada or, at the option of the Corporation and subject to applicable regulatory approval, in accordance with the Common Share Interest Payment Election as described under "Interest Payment Option".

The Debentures will be direct obligations of the Corporation and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Corporation as described under

"Subordination". The Debenture Indenture will not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

The Debentures will be convertible at the holder's option into fully paid, non-assessable and freely tradeable Common Shares at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Corporation for redemption of the Debentures, at the Conversion Price of $13.40 per Common Share being a ratio of approximately 74.6269 Common Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events. In addition to the number of Common Shares to be received on conversion, holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last Interest Payment Date to and including the last record date set by the Corporation occurring prior to the date of conversion for determining the shareholders entitled to receive a dividend on the Common Shares. In the event that the Corporation has suspended regular dividends, then a holder, in addition to the number of Common Shares to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from the last Interest Payment Date prior to the date of conversion to the date of conversion. Notwithstanding the foregoing, no Debentures may be converted during the five business days preceding May 31 and November 30 in each year, commencing May 31, 2011, as the registers of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Debenture Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the issuance of Common Shares to all or substantially all holders of Common Shares by way of a dividend or distribution other than an issue of securities to holders of Common Shares who have elected to receive dividends or distributions in the form of securities of the Corporation in lieu of receiving cash dividends or cash distributions paid in the ordinary course; (c) the issuance of options, rights or warrants to all or substantially all holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then Current Market Price (as defined below under "Payment upon Redemption or Maturity") of the Common Shares; and (d) the distribution to all holders of Common Shares of any securities or assets (other than cash dividends or equivalent distributions in securities paid in lieu of cash dividends or distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if, subject to prior regulatory approval, the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting only from consolidation or subdivision) of the Common Shares, or in the case of any consolidation, amalgamation, arrangement or merger of the Corporation with or into any other entity, or in the case of any sale, conveyance or lease of the properties and assets of the Corporation as, or substantially as, an entirety to any other person, or a liquidation, dissolution, winding-up or similar transaction of the Corporation, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution, winding-up or similar transaction, be entitled to receive the number of Common Shares or other securities or property such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, liquidation, dissolution, winding-up or similar transaction.

No fractional Common Shares will be issued on any conversion but in lieu thereof the Corporation shall satisfy fractional interests by a cash payment equal to the Current Market Price of such fractional interest.

Notwithstanding the foregoing, if holders of Debentures would otherwise be entitled to receive, upon conversion of the Debentures, any property (including cash) or securities that would not constitute "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of the Tax Act as it applied on December 31, 2007 ("**ineligible consideration**"), such holders shall not be entitled to receive such ineligible consideration but the Corporation or the successor or acquirer, as the case may be, shall have the right (at the sole option of the Corporation or the successor or acquirer, as the case may be) to deliver either such ineligible consideration or "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of the Tax Act as it applied on December 31, 2007 with a market value (as conclusively determined by the board of directors of the Corporation) equal to the market value of such ineligible consideration. In general, prescribed securities would include the Common Shares and other shares which are not redeemable by the holder within five years of the date of issuance of the Debentures. Because of this, certain transactions may result in the Debentures being convertible into prescribed securities that are highly illiquid. This could have a material adverse effect on the value of the Debentures.

Redemption and Purchase

The Debentures will not be redeemable on or before November 30, 2013, except in certain limited circumstances after a change of control has occurred as described below under "Change of Control of the Corporation". The Debentures may be redeemed after November 30, 2013 and on or before November 30, 2015, but only if the Current Market Price of the Common Shares on the date on which the notice of redemption is given pursuant to the Debenture Indenture is not less than 125% of the Conversion Price, and may be redeemed after November 30, 2015 and before maturity, in each case at a redemption price of $1,000 per Debenture (in each case, a "**Redemption Price**") plus accrued and unpaid interest thereon, if any, in whole or in part from time to time at the option of the Corporation on not more than 60 days and not less than 30 days prior notice.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to the approval of the TSX, if applicable.

The Corporation will have the right to purchase Debentures in the market, by tender or by private contract at any time subject to regulatory requirements; provided, however, that if an Event of Default (as defined herein) has occurred and is continuing, the Corporation will not have the right to purchase the Debentures by private contract.

Cancellation

All Debentures converted, redeemed or purchased will be cancelled and may not be reissued or resold.

Payment upon Redemption or Maturity

On redemption or at maturity, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, as the case may be, together with accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60 days and not less than 30 days prior notice and subject to applicable regulatory approval, elect to satisfy its obligation to pay the Redemption Price of the Debentures which are to be redeemed or the principal amount of the Debentures which have matured, as the case may be, by issuing fully paid, non-assessable and freely tradeable Common Shares to the holders of such Debenture provided that no Event of Default has occurred and is continuing. Any accrued and unpaid interest on the Debentures to be redeemed or maturing will be paid in cash. The number of Common Shares to be issued will be determined by dividing the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, as the case may be, by 95% of the Current Market Price on the date fixed for redemption or the maturity date, as the case may be. No fractional Common Shares will be issued on redemption or maturity but in lieu thereof the Corporation shall satisfy fractional interests by a cash payment equal to the Current Market Price of such fractional interest.

The term "Current Market Price" will be defined in the Debenture Indenture to mean the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date of determination. The volume weighted average trading price is determined by dividing the aggregate sale price of all Common Shares sold on the TSX during the 20 consecutive trading days by the total number of Common Shares so sold.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the prior payment in full of all Senior Indebtedness of the Corporation including indebtedness to trade and other creditors of the Corporation. "Senior Indebtedness" of the Corporation is defined in the Debenture Indenture to mean: (a) indebtedness for borrowed money of the Corporation; (b) purchase money obligations of the Corporation; (c) other indebtedness of the Corporation which is evidenced by a note, bond, debenture or similar instrument; (d) all obligations of the Corporation under any financing lease; (e) all obligations of the Corporation under any agreement, whether or not in writing, relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing, and in each case, the amount of such obligations included in Senior Indebtedness shall be limited to the amount that would be included in the financial statements of the Corporation as determined in accordance with GAAP (the Debenture Indenture will provide that GAAP means generally accepted accounting principles in Canada provided that, after the adoption of international financial reporting standards ("**IFRS**") by the Corporation for its financial statements and reports for all financial reporting purposes, the Corporation will apply IFRS for all purposes of the Debenture Indenture); (f) every reimbursement obligation of the Corporation with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of the Corporation; and (g) all obligations of the type referred to in (a) to (f) of another person the payment of which the Corporation has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise or has agreed to ensure that such other person has sufficient funds therefor, other than indebtedness evidenced by the Debentures and all other existing and future debentures or other instruments of the Corporation which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures.

The Debenture Indenture will provide that in the event of any voluntary or involuntary dissolution, winding up or liquidation, or any bankruptcy, insolvency, receivership, creditor enforcement or realization, or other similar proceedings relating to the Corporation or any of its property or any other marshalling of the assets and liabilities of the Corporation, then those holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Debenture Indenture will also provide that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures: (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures; (b) at any time when an event of default has occurred under the Senior Indebtedness and such event of default is continuing and notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the Corporation, unless the Senior Indebtedness has been repaid in full or such event of default has been cured or waived in writing in accordance with the provisions of such Senior Indebtedness; or (c) if the making of any such payment or the taking of any such action would create, by the lapse of time or giving of notice, an event of default under any Senior Indebtedness unless and until such Senior Indebtedness has been satisfied in full or the making of any such payment or taking of such action would no longer create, by the lapse of time or giving of notice, an event of default under any Senior Indebtedness.

Change of Control of the Corporation

Within 30 days following the occurrence of a change of control of the Corporation involving the acquisition of voting control or direction over 66 ⅔% or more of the outstanding Common Shares by any person or group of persons acting jointly or in concert (a "**Change of Control**"), the Corporation will be required to make an offer in writing to purchase, in whole or in part, the Debentures then outstanding (the "**Debenture Offer**"), at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest (the "**Debenture Offer Price**").

The Debenture Indenture will contain notification and repurchase provisions requiring the Corporation to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures which Debenture Offer shall, unless otherwise provided under applicable securities legislation, be open for acceptance thereof for a period of not less than 35 days and not more than 60 days.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to the Debenture Offer, the Corporation will have the right to redeem all the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Corporation to the Debenture Trustee within 10 days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

Interest Payment Option

Unless an Event of Default has occurred and is continuing, the Corporation may elect, subject to regulatory approval, from time to time to satisfy its obligation to pay all or any part of the interest on the Debentures (the "**Interest Obligation**"), on the date it is payable under the Debenture Indenture (an "**Interest Payment Date**"), by delivering sufficient freely tradeable Common Shares to the Debenture Trustee to satisfy all or any part, as the case may be, of the Interest Obligation in accordance with the Debenture Indenture (the "**Common Share Interest Payment Election**"). The Debenture Indenture will provide that, upon such election, the Debenture Trustee shall (a) accept delivery from the Corporation of Common Shares, (b) accept bids with respect to, and consummate sales of, such Common Shares, each as the Corporation shall direct in its absolute discretion, (c) invest the proceeds of such sales in short-term permitted Canadian government securities (as defined in the Debenture Indenture) which mature prior to the applicable Interest Payment Date, and use the proceeds received from such permitted Canadian government securities, together with any proceeds from the sale of Common Shares not invested as aforesaid, to satisfy the Interest Obligation, (d) deliver proceeds to holders of Debentures sufficient to satisfy the Interest Obligation (but no more) and (e) perform any other action necessarily incidental thereto. The amount received by a holder in respect of interest will not be affected by whether or not the Corporation elects to use the Common Share Interest Payment Election.

The Debenture Indenture will set forth the procedures to be followed by the Corporation and the Debenture Trustee in order to effect the Common Share Interest Payment Election. If a Common Share Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Common Shares (plus any amount received by the Debenture Trustee from the Corporation attributable to any fractional Common Shares) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Corporation in respect of the Interest Obligation.

Neither the Corporation's making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

Events of Default

The Debenture Indenture will provide that an event of default ("**Event of Default**") in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to such Debentures: (a) failure for 15 days to pay interest on such Debentures when due and payable; (b) failure to pay principal or premium, if any, on the Debentures when due, whether at maturity, upon redemption, by declaration or otherwise; (c) failure to make the Debenture Offer when required as a result of a Change of Control or failure to pay the Debenture Offer Price when due and payable; (d) default in the observance or performance of any material covenant or condition in the Debenture Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee, or by the holders of not less than 25% of the principal amount of the Debentures, to the Corporation specifying such default and requiring the Corporation to remedy the same; (e) an encumbrancer taking possession of or appointing a receiver for all or substantially all of the property of the Corporation; (f) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws; or (g) the failure to perform or observe any of the other covenants, agreements or obligations under the Debenture Indenture for 60 days after written notice. If an Event of Default has occurred and is continuing, the

Debenture Trustee may, in its discretion, and shall, upon request of holders of not less than 25% of the principal amount of the Debentures then outstanding, declare the principal of premium, if any, and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of such Debentures then outstanding may, on behalf of the holders of all such Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

The Debenture Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a take-over bid for such Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror), are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of such Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, the Debenture Indenture will contain certain provisions which makes binding on all Debenture holders resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66 ⅔% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 ⅔% of the principal amount of the Debentures then outstanding. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

Book-Entry System for Debentures

The Debentures will be issued in "book-entry only" form and must be purchased or transferred through a participant in the depository service of CDS (a "**Participant**"). On the closing date of the Offering, the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee. The Debentures will be evidenced by a single book-entry only certificate (the "**Global Debentures**"). Registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Except as described below, a purchaser acquiring a beneficial interest in the Debentures (a "**Beneficial Owner**") will not be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser's interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a Participant. Such purchaser will receive a confirmation of purchase from the Underwriter or other registered dealer from whom Debentures are purchased.

Neither the Corporation nor the Underwriters will assume any liability for: (a) the records maintained by CDS relating to any ownership of any other interests in the Debentures or the depository system maintained by CDS, or payment made on account of any ownership interest or any other interest of any person in any Debenture that is issued to and registered in the name of CDS; (b) maintaining, supervising or reviewing any records of CDS or a Participant relating to any such interest; or (c) any advice or representation made and relating to the rules and regulations of CDS or any action to be taken by CDS on its own direction or at the direction of any of its Participants.

The Debentures will be issued to Beneficial Owners in fully registered and certificate form (the "**Debenture Certificates**") only if: (a) the Corporation or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depositary with respect to the Debentures and the Corporation is unable to locate a qualified successor; (b) the Corporation, at its option, decides to terminate the book-entry only system through CDS; (c) after the occurrence of an Event of Default under the Debenture Indenture, provided that Participants acting on behalf of Beneficial Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest, and provided further that the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Debenture Indenture (d) required to do so by applicable law; or (e) the book-entry only registration system ceases to exist.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify all applicable Beneficial Owners, through CDS, of the availability of Debenture Certificates. Upon surrender by CDS of the single certificate representing the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Corporation will recognize the holders of such Debenture Certificates as Debenture holders under the Debenture Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Corporation and sent by prepaid mail to the registered holder by the Debenture Trustee or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Common Shares if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS by the Debenture Trustee while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Common Shares if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Debenture Indenture.

Transfer and Exchange of Debentures

Transfers of beneficial ownership in Debentures represented by Global Debentures will be effected through records maintained by CDS for such Global Debentures or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the Corporation elects, in its sole discretion, to prepare and deliver definitive Debentures, beneficial owners who are not participants in the book entry system of CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures, may do so only through Participants. The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner's interest in a Debenture represented by a Global Debenture (other than through a Participant) may be limited due to the lack of a physical certificate.

Registered holders of definitive Debentures may transfer such Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the registrar for the Debentures at its principal offices in Toronto, Ontario or such other city or cities as may from time to time be designated by the Corporation whereupon new Debentures will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees. No transfer of a Debenture will be registered during the period beginning 15 days before the day of the mailing of a notice of redemption of the Debentures and ending at the close of business on the day of such mailing or during the periods commencing on any interest payment record date and ending on the next following Interest Payment Date.

Payments

Payments of interest and principal on each Global Debenture will be made to CDS or its nominee, as the case may be, as the registered holder of the Global Debenture. As long as CDS or its nominee is the registered owner of a Global Debenture, CDS or its nominee, as the case may be, will be considered the sole legal owner of the Global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Debenture Indenture and the Debentures. The record date for the payment of interest will be that day which is five business days prior to the applicable Interest Payment Date. Interest payments on Global Debentures will be made by (i) electronic funds transfer on the day interest is payable, or (ii) by cheque as soon as practicable following the date on which interest is payable, and delivered to CDS or its nominee, as the case may be.

The Corporation understands that CDS or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit Participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown on the records of CDS or its nominee. The Corporation also understands that payments of interest and principal by Participants to the owners of beneficial interest in such Global Debenture held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants. The responsibility and liability of the Corporation in respect of payments on Debentures represented by the Global

Debenture is limited solely and exclusively, while the Debentures are registered in Global Debenture form, to making payment of any interest and principal due on such Global Debenture to CDS or its nominee.

If definitive Debentures are issued instead of or in place of Global Debentures, payments of interest on each definitive Debenture, less applicable withholding tax, will be made by electronic funds transfer on the day interest is payable, if agreed to by the holder of the definitive Debenture or if required under any applicable payment clearing system rules, or by cheque dated the Interest Payment Date and mailed to the address of the holder appearing in the register maintained by the registrar for the Debentures, as soon as practicable following the date on which interest is payable. Payment of principal at maturity will be made at the principal office of the Debenture Trustee in the City of Halifax (or in such other city or cities as may from time to time be designated by the Corporation) against surrender of the definitive Debentures, if any. If the due date for payment of any amount of principal or interest on any definitive Debenture is not, at the place of payment, a business day such payment will be made on the next business day and the holder of such definitive Debenture shall not be entitled to any further interest or other payment in respect of such delay.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated November 12, 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 Debentures for sale, subject to the terms and conditions contained therein, at a price of $1,000 per Debenture. The Underwriters have agreed that, if less than all of the Debentures are sold by the Underwriters as underwriters, the Underwriters shall purchase, as principals, all of the Debentures not sold by the Underwriters at the same price per Debenture. Closing of the Offering will occur on November 30, 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 December 7, 2010. The Corporation has agreed to pay the Underwriters a fee equal to $37.50 per Debenture purchased by the Underwriters. The offering price per Debenture 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 out of the gross proceeds of the Offering.

The Corporation has 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 which is 30 days from the Closing, enabling them to purchase up to an additional $7,500,000 aggregate principal amount of Debentures to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the gross proceeds, Underwriting Fee and net proceeds to the Corporation, before deducting the estimated expenses of the Offering, will be $57,500,000, $2,156,250 and $55,343,750, respectively. This short form prospectus also qualifies the Over-Allotment Option and the distribution of any additional Debentures issued or sold upon exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

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 Debentures if any Debentures 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 Debentures. 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 Debentures. 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 Debentures at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Debentures and the Common Shares issuable upon the conversion, redemption or maturity of the Debentures (collectively, the "**Securities**") 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 Securities within the United States. The Underwriting Agreement permits the Underwriters to: (i) offer and sell the Securities purchased by them outside the United States in compliance with Regulation S under the U.S. Securities Act; (ii) offer and resell the Securities 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 Securities directly from the Corporation pursuant to Section 4(2) of the U.S. Securities Act and/or Rule 506 of Regulation D under 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 Securities in the United States.

The Securities 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 Securities 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 6.5% Debentures, (ii) upon conversion of the Debentures, (iii) on exercise of any outstanding warrants or options, (iv) through the Corporation's existing share option plans and other existing compensation and incentive plans, (v) through the Corporation's existing dividend reinvestment plan and (vi) 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 Corporation has applied to list the Debentures and the Common Shares issuable on the conversion, redemption or maturity of the Debentures on the TSX. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX.

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
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	8.45	8.10	3,700,236
April	8.75	8.18	2,124,814
May	8.75	7.40	1,666,306
June	8.74	8.25	1,403,375
July	8.94	8.36	922,119
August	9.35	8.78	777,248
September	9.90	9.16	1,540,857
October	10.33	9.67	1,534,886
November 1 to November 11	10.38	9.61	679,351

On November 5, 2010, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the TSX was $10.27 and on November 11, 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 $10.20.

6.5% Debentures

The 6.5% 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 6.5% Debentures on the TSX for the periods indicated.

2009	High ($)	Low ($)	Volume
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	103.00	100.50	1,827,000
April	103.25	102.75	2,773,000
May	103.00	101.00	175,000
June	102.10	101.80	887,000
July	102.25	101.25	1,847,000
August	103.50	102.00	376,000
September	104.25	102.25	451,000
October	103.00	102.25	688,000
November 1 to November 11	103.00	100.10	1,902,000

On November 5, 2010, the last trading day prior to the announcement of the Offering, the closing price of the 6.5% Debentures on the TSX was $103.00 and on November 11, 2010, the last trading day prior to the date of this short form prospectus, the closing price of the 6.5% Debentures on the TSX was $100.43.

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) 6,210,000 Common Shares issued on March 25, 2010 at a price of $8.15 per Common Share, (ii) 73,250 Common Shares issued pursuant to the exercise of stock options at a price of $5.32 per Common Share and (iii) 130,015 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 ($)
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
April, 2010	9,410	8.40
May, 2010	9,547	8.55
June, 2010	9,867	8.35
July, 2010	10,030	8.45
August, 2010	14,067	8.87
September, 2010	9,262	9.51
October, 2010	23,568	10.10

During this 12-month period, the Corporation also granted an aggregate of 657,500 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, 2010	657,500	8.16

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, (collectively, "**Counsel**") the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act and the Regulations generally applicable to a holder who acquires Debentures pursuant to this prospectus and who, for purposes of the Tax Act and at all relevant times, holds the Debentures and will hold the Common Shares issuable on the conversion, redemption or maturity of the Debentures (collectively, the "**Securities**") as capital property and deals at arm's length with the Corporation (a "**Holder**"). Generally, the Securities will be considered to be capital property to a holder provided the holder does not hold the Securities in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

This summary is based upon the current provisions of the Tax Act and the Regulations, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and an understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of Debentures and no representations with respect to the income tax consequences to any holder or prospective holder are made. This summary is not

exhaustive of all Canadian federal income tax considerations. Holders and prospective holders of Debentures should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Debentures pursuant to this offering, having regard to their particular circumstances.

Holders Resident in Canada

The following discussion is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is resident or deemed to be resident in Canada and is not affiliated with the Corporation (a "**Resident Holder**"). Certain holders who might not otherwise be considered to hold their Debentures and Common Shares as capital property may, in certain circumstances, be entitled to have the Debentures and Common Shares, and all other "Canadian securities" (as defined in the Tax Act) owned by such holders in the taxation year in which the election is made and in all subsequent taxation years, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This portion of the summary is not applicable to (i) a holder that is a "financial institution", as defined in the Tax Act for the purposes of the mark-to-market rules, (ii) a holder an interest in which would be a "tax shelter investment" as defined in the Tax Act, (iii) a holder that is a "specified financial institution" as defined in the Tax Act or (iv) a holder who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act. Any such holder should consult its own tax advisor with respect to an investment in the Securities.

Taxation of Interest on Debentures

A Resident Holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues to it to the end of the year or that has become receivable by or is received by the Resident Holder before the end of the year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual, will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder in computing income), except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year.

A Resident Holder of Debentures that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay the refundable tax of 6 ⅔% on its "aggregate investment income", which is defined in the Tax Act to include interest income.

Upon a disposition or deemed disposition of a Debenture, including a redemption, payment on maturity, purchase for cancellation and conversion, interest accrued thereon to the date of disposition (or, where the Resident Holder converts a Debenture pursuant to the Resident Holder's conversion right and the Corporation has not suspended regular dividends on the Common Shares, to the record date set by the Corporation occurring prior to the date of conversion for determining the shareholders entitled to receive a dividend on the Common Shares) will be included in computing the income of the Resident Holder for the taxation year in which the disposition occurs except to the extent that such interest has otherwise been included in the Resident Holder's income for the year or a preceding taxation year.

Exercise of Conversion Privilege

Generally, a Resident Holder who converts a Debenture into Common Shares (or Common Shares and cash delivered in lieu of a fraction of a Common Share) pursuant to the Resident Holder's conversion privilege will be deemed not to have disposed of the Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Debenture into only Common Shares plus any cash in lieu of a fraction of a Common Share, receives cash not in excess of $200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives on the conversion by the amount of the cash received.

Upon a conversion of a Debenture, interest accrued thereon to the date of conversion or to the record date set by the Corporation occurring prior to the date of conversion for determining the shareholders entitled to receive a dividend on the Common Shares (as the case may be) will be included in computing the income of the Resident Holder as described above under "Taxation of Interest on Debentures". The aggregate cost to a Resident Holder of the Common Shares acquired on the conversion of a Debenture generally will be equal to the Resident Holder's adjusted cost base of the Debenture immediately before the conversion. The adjusted cost base to a Resident Holder of a Common Share at any time will be determined by averaging the cost of such Common Share with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at the time.

Disposition of Debentures

A disposition or deemed disposition of a Debenture by a Resident Holder, including a redemption, payment on maturity or purchase for cancellation but not including the conversion of a Debenture into Common Shares pursuant to the Resident Holder's right of conversion as described above where the Resident Holder receives only Common Shares (plus any cash in lieu of a fraction of a Common Share), generally will result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the Resident Holder's income as interest and any reasonable costs of disposition, are greater (or less) than the Resident Holder's adjusted cost base thereof. Such capital gain (or capital loss) will be subject to the tax treatment described below under "Taxation of Capital Gains and Capital Losses".

If the Corporation pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to a Resident Holder, the Resident Holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received (except any amounts received in satisfaction of accrued interest). The Resident Holder's cost of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a Resident Holder of a Common Share at any time will be determined by averaging the cost of such Common Share with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at that time.

Receipt of Dividends on Common Shares

A Resident Holder will be required to include in computing its income for a taxation year any dividends received on Common Shares.

In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules for dividends designated as "eligible dividends" by such corporations in accordance with the provisions of the Tax Act. Counsel has been advised that the Corporation intends to designate all dividends paid on the Common Shares as eligible dividends for these purposes.

In the case of a Resident Holder that is a corporation, dividends received on Common Shares by the Resident Holder will be included in the Resident Holder's income for the taxation year in which such dividends are received and generally will be deductible in computing the Resident Holder's taxable income. A "private corporation", as defined in the Tax Act, and any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), may be liable to pay a refundable tax of 33 ⅓% under Part IV of the Tax Act on dividends received on Common Shares to the extent such dividends are deductible in computing taxable income for the year.

Disposition of Common Shares

A disposition or a deemed disposition of a Common Share by a Resident Holder (except to the Corporation) will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share net of any reasonable costs of disposition are greater (or less) than the Resident Holder's adjusted cost base thereof. Such capital gain (or capital loss) will be subject to the tax treatment described below under "Taxation of Capital Gains and Capital Losses".

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "taxable capital gain") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year, and one-half of any capital loss (an "allowable capital loss") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received by it on such Common Share to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust. Such Resident Holders should consult their own tax advisors.

A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay the refundable tax of 6 ⅔% on its "aggregate investment income", which is defined to include taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules in the Tax Act.

Holders Not Resident in Canada

The following discussion is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is neither resident nor deemed to be resident in Canada, does not use or hold Debentures or Common Shares acquired upon the conversion of a Debenture in carrying on a business in Canada and deals at arm's length with any transferee resident or deemed to be resident in Canada to whom the Holder disposes of Debentures (a "**Non-Resident Holder**"). This discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere.

Taxation of Interest on Debentures

A Non-Resident Holder will not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of payment of, or in satisfaction of, interest or principal on the Debentures.

Exercise of Conversion Privilege

The conversion of a Debenture into Common Shares only on the exercise of a conversion privilege by a Non-Resident Holder generally will be deemed not to constitute a disposition of the Debenture and, accordingly, a Non-Resident Holder will not realize a gain or a loss on such conversion.

Disposition of Debentures and Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a Debenture (other than a conversion of a Debenture into Common Shares only on the exercise of a conversion privilege by the Non-Resident Holder) or a Common Share, as the case may be, unless the Debenture or Common Share constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the holder is not entitled to relief under an applicable income tax treaty or convention. As long as the Common Shares are listed on a designated stock exchange (which currently includes the TSX) at the time of disposition of the Debenture or Common Share, the Debentures and the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the capital stock of the Corporation; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from any combination of (a) real or immoveable property situated in Canada, (b) "Canadian resource properties" (as defined in the Tax Act), (c) "timber resources properties" (as defined in the Tax Act) and (d) options in respect of, or interests in or rights in property described in (a) to (c). A Non-Resident Holder owning Debentures or Common Shares that may constitute taxable Canadian property should consult its tax advisors prior to a disposition thereof.

Receipt of Dividends on Common Shares

Where a Non-Resident Holder receives a dividend on Common Shares, the amount of such dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention. Where the Non-Resident Holder is a resident of the United States who is entitled to benefits under the *Canada-United States Income Tax Convention* (1980) and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

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, are wholly-owned subsidiaries of Canadian chartered banks, which banks or their subsidiaries are lenders (the "**Lenders**") to Killam or subsidiaries 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 $0.4 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 September 30, 2010 approximately $312.2 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 Debentures should consider carefully the information contained in and incorporated by reference into 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.

Market for Securities

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this short form prospectus. There can be no assurance that an active trading market will develop for the Debentures after the Offering, or if developed, that such a market will be sustained at the price level of the Offering.

Structural Subordination of Debentures

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the Corporation, holders of indebtedness of the Corporation (including holders of the Debentures) may become subordinate to lenders to the subsidiaries of the Corporation.

Credit Risk and Prior Ranking Indebtedness; Absence of Covenant Protection

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial condition of the Corporation and its creditworthiness. In addition, the Debentures are unsecured obligations of the Corporation and are subordinate in right of payment to all the Corporation's existing and future Senior Indebtedness. Therefore, if the Corporation becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Corporation's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debenture Indenture does not prohibit or limit the ability of the Corporation or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or from mortgaging, pledging or charging its properties to secure any indebtedness. The Debenture Indenture will not contain any provision specifically intended to protect holders of Debentures in the event of a future leveraged transaction involving the Corporation.

Conversion Following Certain Transactions

In the case of certain transactions, each Debenture will become convertible into the securities, cash or property receivable by a holder of Common Shares in the kind and amount of securities, cash or property into which the Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future. For example, if the Corporation is acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the Corporation's future prospects and other factors. See "Details of the Offering – Conversion Privilege".

Possible Dilutive Effects on Holders of Common Shares

The Corporation may determine to redeem outstanding Debentures for Common Shares or to repay outstanding principal or interest amounts thereunder by issuing additional Common Shares. Accordingly, holders of Common Shares may suffer dilution. See "Details of the Offering – Payment upon Redemption or Maturity" and "– Interest Payment Option".

Development

Our development commitments are subject to those risks usually attributable to development projects including construction or other unforeseeable delays and cost overruns. Any such delays or cost overruns could have a material adverse impact on the Corporation's business, operations and prospects.

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 •, 2010 relating to the issue and sale of $50,000,000 aggregate principal amount of 5.65% convertible unsecured subordinated debentures 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
•, 2010

Chartered Accountants

CERTIFICATE OF THE CORPORATION

Dated: November 12, 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*" President and Chief Executive Officer	(Signed) "*Robert G. Richardson*" Executive Vice President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) "*G. Wayne Watson*" Director	(Signed) "*James C. Lawley*" Director

CERTIFICATE OF THE UNDERWRITERS

Dated: November 12, 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.	SCOTIA CAPITAL INC.	TD SECURITIES INC.
Per: (Signed) "*Derek Dermott*"	Per: (Signed) "*Mark G. Johnson*"	Per: (Signed) "*Stephen Sender*"	Per: (Signed) "*Kursat Kacira*"

CANACCORD GENUITY CORP.	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.
Per: (Signed) "*Jane M. Smith*"	Per: (Signed) "*Dennis Logan*"	Per: (Signed) "*Onorio Lucchese*"	Per: (Signed) "*John Bartkiw*"

BROOKFIELD FINANCIAL CORP.	M PARTNERS INC.	RAYMOND JAMES LTD.
Per: (Signed) "*Mark Murski*"	Per: (Signed) "*Thomas Kofman*"	Per: (Signed) "*J. Graham Fell*"