Revised to reflect the correct legal name of Dundee Securities Ltd.

EXECUTION COPY

UNDERWRITING AGREEMENT

May 18, 2011

Killam Properties Inc.
Suite 100, 3700 Kempt Road
Halifax, Nova Scotia B3K 4X8

Attention: Philip D. Fraser
President and Chief Executive Officer

Dear Sirs:

Short Form Prospectus Offering of Convertible Unsecured Subordinated Debentures

The undersigned, RBC Dominion Securities Inc. ("**RBC**" or the "**Lead Underwriter**"), acting as the sole bookrunner, BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp., Dundee Securities Ltd., Macquarie Capital Markets Canada Ltd., Beacon Securities Limited, Brookfield Financial Corp. and GMP Securities L.P. (collectively, the "**Underwriters**" and individually, an "**Underwriter**"), hereby severally (and not jointly or jointly and severally), in their respective percentages set out in Section 11.1 herein, offer to purchase from Killam Properties Inc. (the "**Issuer**"), $40,000,000 aggregate principal amount of convertible unsecured subordinated debentures due June 30, 2018 bearing interest at a rate of 5.45% per annum during such term (the "**Debentures**") on and subject to the terms more particularly described below and the Issuer hereby grants to the Underwriters an option for the purpose of covering the Underwriters' over-allocation position (the "**Over-Allotment Option**") to purchase up to an additional $6,000,000 aggregate principal amount of Debentures (the "**Additional Debentures**" and collectively with the Debentures, the "**Offered Securities**") (the "**Offering**"). The Over-Allotment Option may be exercised in whole or in part at any time and from time to time, in the sole discretion of the Underwriters, up to 30 days following the Closing Date (as hereinafter defined). The Underwriters, severally and not jointly, offer to purchase from the Issuer, upon and subject to the terms and conditions contained herein, and by its acceptance hereof, the Issuer agrees to issue and sell to the Underwriters, all, but not less than all, of the Debentures, and the Additional Debentures, if any, at a price of $1,000 per Debenture or Additional Debenture.

This offer is conditional, among other things, upon the Issuer preparing and filing and obtaining receipts for, within the time limits and on the terms set out below, a preliminary short form prospectus (the "**Preliminary Prospectus**") and a (final) short form prospectus (the "**Prospectus**") in respect of the Offered Securities with and from the securities regulatory authorities in the Offering Jurisdictions (as hereinafter defined), pursuant to National Instrument 44-101 – *Short Form Prospectus Distributions* ("**NI 44-101**") of the Canadian Securities Administrators qualifying the distribution by the Issuer of the Offered Securities to purchasers resident in the Offering Jurisdictions (as hereinafter defined).

The Issuer and the Underwriters agree that any offers and sales of the Offered Securities in the United States (as defined below) will be made in accordance with the terms and conditions of this Agreement, including Section 2.7 hereof.

It is understood that the Underwriters intend to arrange for substituted purchasers ("**Substituted Purchasers**") to purchase from the Issuer the Offered Securities and such Substituted Purchasers shall be resident in the Offering Jurisdictions or the United States, as applicable, where the Offered Securities may be lawfully sold pursuant to the terms and conditions hereof in which case the Issuer will sell such Offered Securities to such Substituted Purchasers and the Underwriters' obligation to purchase the Offered Securities shall be rateably reduced; provided, however, the Underwriters shall be obligated to purchase all of the Offered Securities not purchased on the Closing Date (as hereinafter defined) by Substituted Purchasers.

In connection with the Offering, in the manner contemplated by this Agreement, the Issuer agrees that the Underwriters may appoint additional members to the selling syndicate that will enter into agreements directly with the appointing Underwriters which provide all of the benefits and obligations herein to such member. The fees payable to any such additional members shall be for the account of the Underwriters appointing such additional member, and shall not exceed the fee payable to the Underwriters hereunder.

In consideration of the services to be rendered by the Underwriters in connection with the Offering including assisting in preparing documentation relating to the Offered Securities, including the Preliminary Prospectus, the Prospectus, and distributing the Offered Securities to the public, the Issuer shall pay to the Underwriters at Closing (as hereinafter defined) the fees and expenses as set forth in Section 4.2 and Section 6.1 hereof.

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement or any amendment hereto, the following terms shall have the following meanings:

"**Additional Debentures**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**Agreement**" means this executed underwriting agreement and the schedules hereto dated May 18, 2011;

"**Auditors**" means Ernst & Young LLP;

"**Business Day**" means a day which is not a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario;

"**CDS**" means CDS Clearing and Depository Services Inc. and its successors;

"**Closing Date**" means June 2, 2011 or such later date as the Issuer and the Underwriters may agree to in writing;

"**Closing Time**" means 8:15 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Issuer and the Underwriters may agree;

"**Common Shares**" means the common shares in the capital of the Issuer, as such shares may be reclassified or changed from time to time;

"**Condition of the Issuer**" means the assets, properties, business, results of operations, prospects or condition (financial otherwise) of the Issuer and its Material Subsidiaries taken as a whole;

"**Debentures**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**Directed Selling Efforts**" has the meaning ascribed hereto in Section 2.7(1)(a);

"**distribution**" means "**distribution**" or "**distribution to the public**", which terms have the meaning attributed thereto in the Securities Laws;

"**Engagement Letter**" means the bid letter agreement dated May 12, 2011 between the Issuer and RBC;

"**General Solicitation**" and "**General Advertising**" has the meaning ascribed hereto in Section 2.7(1)(b);

"**Governmental Authority**" means any (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, bureau or agency, domestic or foreign, (b) any subdivision, agent, commission, board, or authority of any of the foregoing, or (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, and any stock exchange or self-regulatory authority and, for greater certainty, includes the Securities Commissions, the TSX and Investment Industry Regulatory Organization of Canada;

"**Indemnified Persons**" has the meaning ascribed thereto in Section 8.1(1) of this Agreement;

"**Indenture**" means the trust indenture dated as of November 30, 2010 between the Issuer and Computershare Trust Company of Canada as supplemented by the Indenture Supplement;

"**Indenture Supplement**" means the supplement to the Indenture to be dated as of the Closing Date between the Issuer and Computershare Trust Company of Canada;

"**Institutional Accredited Investor**" has the meaning ascribed hereto in Section 2.7(1)(c);

"**Issuer**" means Killam Properties Inc.;

"**Lead Underwriter**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**material change**" has the meaning attributed thereto in the Securities Laws;

"**material fact**" has the meaning attributed thereto in the Securities Laws;

"**Material Subsidiaries**" means Killam Investments Inc. (incorporated under the laws of Canada), Killam Investments (P.E.I.) Inc. (incorporated under the laws of Prince Edward Island), Killam Properties M.H.C. Trust (a trust established under the laws of Alberta) and Killam

Properties Apartments Trust (a trust established under the laws of Alberta), and "**Material Subsidiary**" means any of those entities;

"**MI 11-102**" means Multilateral Instrument 11-102 – *Passport System*;

"**misrepresentation**" has the meaning attributed thereto in the Securities Laws;

"**NI 44-101**" has the meaning ascribed thereto in the third paragraph of this Agreement;

"**Offered Securities**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**Offering**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**Offering Jurisdictions**" means all of the provinces of Canada other than the Province of Québec;

"**Over-Allotment Option**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"Over-Allotment Option Closing Date" has the meaning ascribed thereto in Section 2.9(2);

"**Over-Allotment Option Notice**" has the meaning ascribed thereto in Section 2.9(2);

"**Preliminary Prospectus**" means the preliminary short form prospectus of the Issuer dated the date hereof (including all documents incorporated by reference therein) relating to the qualification for distribution of the Offered Securities and, unless the context otherwise requires, includes any amendments thereto;

"**Properties**" means all properties for which the Issuer has a direct or indirect interest as described in the Prospectus;

"**Prospectus Amendment**" means any amendment or supplement to the Preliminary Prospectus or the Prospectus including all documents incorporated by reference therein;

"**Prospectus**" means the (final) short form prospectus of the Issuer (including all documents incorporated by reference therein) relating to the qualification for distribution of the Offered Securities and, unless the context otherwise requires, includes any amendments thereto;

"**Qualified Institutional Buyer**" has the meaning ascribed thereto in Section 2.7(1)(d);

"**RBC**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**Regulation D**" has the meaning ascribed thereto in Section 2.7(1)(e);

"**Regulation S**" has the meaning ascribed thereto in Section 2.7(1)(f);

"**Rule 144A**" has the meaning ascribed thereto in Section 2.7(1)(g);

"**SEC**" has the meaning ascribed thereto in Section 2.7(1)(h);

"**Securities Commissions**" means the securities commissions or other securities regulatory authorities in the Offering Jurisdictions;

"**Securities Laws**" means, collectively, all applicable securities laws in each of the Offering Jurisdictions, the respective regulations, rules, (including national and multilateral instruments) rulings, decisions and orders made thereunder, and the applicable policy statements and prescribed forms issued by Securities Commissions thereunder;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators;

"**Selling Firms**" has the meaning ascribed thereto in Section 2.6(1);

"**Substantial U.S. Market Interest**" has the meaning ascribed thereto in Section 2.7(1)(i);

"Substituted Purchasers" has the meaning ascribed thereto in the fifth paragraph of this Agreement;

"**Supplementary Material**" means, collectively, any supplemental, additional or ancillary material, information, evidence, return, report, application, statement or document that has been filed by or on behalf of the Issuer under the Securities Laws or the U.S. Securities Act as the case may be, relating to the qualification for distribution of the Offered Securities;

"**Transfer Agent**" has the meaning ascribed thereto in Section 3.1(rr);

"**TSX**" means the Toronto Stock Exchange;

"**Underlying Shares**" means the Common Shares to be issued by the Issuer upon the conversion of the Debentures and Additional Debentures;

"**Underwriters**" shall have the meaning ascribed thereto in the first paragraph of this Agreement;

"**Underwriting Compensation**" means the Underwriting Fee and the reimbursement of fees and expenses as contemplated in Section 6.1;

"**Underwriting Fee**" has the meaning ascribed thereto in Section 4.2 of this Agreement;

"**United States**" has the meaning ascribed to it in Regulation S;

"**U.S. Exchange Act**" has the meaning ascribed thereto in Section 2.7(1)(j);

"**U.S. Securities Act**" has the meaning ascribed thereto in Section 2.7(1)(k); and

"**Wrap**" has the meaning ascribed thereto in Section 2.7(1)(l).

1.2 Plural and Gender

Words importing the singular include the plural and vice versa and words importing gender include all genders.

1.3 Persons

Words importing persons include individuals, corporations, limited partnerships, general partnerships, joint stock companies, unlimited liability companies, limited liability corporations, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts or other organizations, whether or not legal entities and governments and agencies and political subdivisions thereof.

1.4 Time of Essence

Time is of the essence in this Agreement.

1.5 Currency

References to currency are to Canadian dollars.

1.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereto submit to the non-exclusive jurisdiction of the appropriate courts of the Province of Ontario and any courts competent to hear appeals therefrom.

1.7 Severability

If any provision of this Agreement is determined to be void or unenforceable in whole or in part, such void or unenforceable provision shall not affect or impair the validity of any other provision of this Agreement and shall be severable from this Agreement.

1.8 Headings, Schedules and Exhibits

The section headings and captions contained in this Agreement are for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. The schedules to this Agreement form an integral part hereof.

1.9 Including

The terms “including” and “includes” and similar variations shall mean “including without limitation” and “includes without limitation”, respectively.

ARTICLE 2
TERMS AND CONDITIONS

2.1 The Offered Securities

Upon receipt of the consideration therefor, the Debentures, and the Additional Debentures, if any, will be duly and validly issued, and shall have the attributes and characteristics and be subject to the applicable terms and provisions described in the Preliminary Prospectus or Prospectus, as applicable.

2.2 Filing of the Preliminary Prospectus

(1) The Issuer shall use its commercially reasonable efforts to prepare and file the Preliminary Prospectus and any Supplementary Material to the proposed distribution under the Securities Laws with the Securities Commissions, obtain a receipt for the Preliminary Prospectus from the Nova Scotia Securities Commission, as principal regulator, as contemplated by MI 11-102 with the result that a receipt shall be deemed to be issued by each of the Securities Commissions for the Preliminary Prospectus and otherwise fulfill all legal requirements to enable the Offered Securities to be offered and sold to the public in each of the Offering Jurisdictions, through the Underwriters and any other Selling Firms who comply with the relevant provisions of applicable Securities Laws, and not later than 4:00 p.m. (Halifax time) on May 18, 2011 (or such other time and/or later date as the Issuer and the Underwriters may agree).

(2) The Issuer shall use its commercially reasonable efforts to prepare and file the Prospectus and any Supplementary Material to the proposed distribution under the Securities Laws with the Securities Commissions, obtain a receipt for the Prospectus from the Nova Scotia Securities Commission, as principal regulator, as contemplated by MI 11-102 with the result that a receipt shall be deemed to have been issued by each of the Securities Commissions for the Prospectus and otherwise fulfill all legal requirements to enable the Offered Securities to be offered and sold to the public in each of the Offering Jurisdictions, through the Underwriters and any other Selling Firms who comply with the relevant provisions of Securities Laws, and not later than 4:00 p.m. (Halifax time) on May 26, 2011 (or such other time and/or later date as the Issuer and the Underwriters may agree).

(3) The Issuer shall, until the distribution of the Offered Securities is completed, promptly take or cause to be taken all additional steps and proceedings that from time to time may be required under Securities Laws to continue to qualify the Offered Securities for distribution or, in the event that the Offered Securities have, for any reason, ceased to so qualify, to re-qualify the Offered Securities for distribution.

(4) Prior to the filing of the Preliminary Prospectus, the Prospectus and any Prospectus Amendment, the Issuer shall have allowed the Underwriters and their representatives to participate fully in the preparation of the Preliminary Prospectus, the Prospectus and any Prospectus Amendment and shall allow the Underwriters and their representatives to conduct all due diligence investigations, examinations and oral due diligence sessions which each of them may reasonably require to be conducted in order to fulfill their obligations and in order to enable them responsibly to execute the certificates required to be executed by them at the end of the Preliminary Prospectus, the Prospectus and any Prospectus Amendment. The Issuer will provide such information as to its financial condition, business, properties, title, assets and affairs (including any material contracts) as may reasonably be requested by the Underwriters, which information, if not in the public domain, will be kept confidential by the Underwriters, provided that the Underwriters shall have the right to disclose such confidential information to their professional advisers for legal, accounting and tax advice purposes and as otherwise required by law.

(5) The Issuer will provide to the Underwriters all corporate, financial and operating information and documentation regarding the Issuer, the Properties, the Offered Securities and the Offering, and will provide access to its senior management, Properties, employees, auditors, legal counsel and consultants, which are reasonably necessary and sufficient to allow the Underwriters to perform their services hereunder. Without restricting any of the foregoing, the Issuer will provide the Underwriters with copies of any forecasts and projections prepared by, or on behalf of the Issuer.

(6) The Issuer shall:

(a) advise the Underwriters, promptly after receiving notice thereof, of the time when the Preliminary Prospectus, Prospectus and any Supplementary Material has been filed and a receipt for each of the Preliminary Prospectus and the Prospectus, as applicable, has been obtained from the Nova Scotia Securities Commission, issued in accordance with MI 11-102, and will provide evidence satisfactory to the Underwriters of each filing and the issuance of the receipt for each of the Preliminary Prospectus and the Prospectus by the Nova Scotia Securities Commission, issued in accordance with MI 11-102, as applicable;

(b) advise the Underwriters, promptly after receiving notice or obtaining knowledge, of: (i) the issuance by any Governmental Authority of any order suspending or preventing the use of the Preliminary Prospectus, the Prospectus, the Wrap or any Supplementary Material; (ii) the suspension of the qualification of the Offered Securities for offering or sale in any of the Offering Jurisdictions; (iii) the institution, threatening or contemplation of any proceeding for any of those purposes; or (iv) any requests made by any Governmental Authority for amending or supplementing the Preliminary Prospectus, the Prospectus, the Wrap, any Supplementary Material or for additional information, and will use commercially reasonable efforts to prevent the issuance of any such order and, if any such order is issued, will use commercially reasonable efforts to obtain the withdrawal of the order promptly; and

(c) use its commercially reasonable efforts to promptly do, make, execute, deliver or cause to be done, made, executed or delivered, all such acts, documents and things as the Underwriters may reasonably require from time to time for the purpose of giving effect to this Agreement and the transactions contemplated by the Preliminary Prospectus, the Prospectus and any Supplementary Material and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement and the transactions contemplated by the Preliminary Prospectus and Prospectus.

2.3 Delivery of Preliminary Prospectus, Prospectus and Related Documents

(1) The Issuer shall deliver or cause to be delivered to the Underwriters and the Underwriters' counsel, without charge, the documents set out below at the respective times indicated:

(a) prior to or contemporaneously, as nearly as practicable, with the filing with the Securities Commissions of the Preliminary Prospectus:

(i) copies of the Preliminary Prospectus signed and certified as required by Securities Laws applicable in the Offering Jurisdictions;

(ii) copies of any Supplementary Material required to be filed by the Issuer under the Securities Laws in connection with the Offering; and

(iii) unless advised by the Underwriters that there are no purchasers of the Offered Securities in the United States, copies of the Wrap prepared as contemplated herein;

(b) prior to or contemporaneously, as nearly as practicable, with the filing with the Securities Commissions of the Prospectus:

(i) copies of the Prospectus signed and certified as required by Securities Laws applicable in the Offering Jurisdictions;

(ii) copies of any Supplementary Material required to be filed by the Issuer under the Securities Laws in connection with the Offering; and

(iii) unless advised by the Underwriters that there are no purchasers of the Offered Securities in the United States, copies of the Wrap as contemplated herein;

(c) at the time of delivery to the Underwriters of the Prospectus or any Supplementary Material, a long form comfort letter from the Auditors, in their capacity as auditors of the Issuer, dated the date of the Prospectus and addressed to the Underwriters and the board of directors of the Issuer, satisfactory in form and substance to the Underwriters, acting reasonably, with respect to the financial and accounting information contained in the Prospectus in respect of the Issuer, which comfort letter shall be based on a review by the auditors having a cut-off date of not more than two Business Days prior to the date of such letter and shall be in addition to any comfort letters which must be filed with the Securities Commissions pursuant to Securities Laws; and

(d) prior to or at the time of the filing of the Prospectus, evidence satisfactory to the Underwriters of the approval of the listing and posting for trading on the TSX of the Offered Securities and the Underlying Shares subject only to satisfaction by the Issuer of the conditions imposed by the TSX in the letter of the TSX granting conditional listing approval.

(2) The delivery to the Underwriters of the Preliminary Prospectus, the Prospectus and the Wrap shall constitute a representation and warranty to the Underwriters by the Issuer that as at the date of delivery:

(a) all information and statements (except any information or statement relating solely to the Underwriters which has been provided in writing by the Underwriters) contained therein are true in all material respects and such document contains no misrepresentation and constitutes full, true and plain disclosure of all material facts relating to the Issuer, the Offered Securities and the Underlying Shares;

(b) no material fact or information has been omitted from such document which is required to be stated therein or is necessary to make the statements or information contained therein not misleading in light of the circumstances in which they were made; and

(c) the Preliminary Prospectus, the Prospectus and the Wrap comply in all material respects with all Securities Laws and applicable U.S. securities laws, except as such compliance has been waived or varied with the consent of the Securities Commissions or the SEC, respectively.

(3) Such delivery shall also constitute the consent of the Issuer to the use of the Preliminary Prospectus, the Prospectus and any related Supplementary Material by the Underwriters in connection with the distribution of the Offered Securities in the Offering Jurisdictions, and the consent of the Issuer to the use of the Wrap and any related Supplementary Material in connection with the distribution of the Offered Securities in the United States.

2.4 Commercial Copies of Prospectus

(1) The Issuer shall deliver or cause to be delivered to the Underwriters and Underwriters' counsel, without charge, as soon as practicable and in any event within 48 hours of filing, at the offices in the cities designated by the Underwriters, such number of commercial copies of the Preliminary Prospectus and the Prospectus, as shall be specified by the Underwriters. In addition, the Issuer shall, as soon as possible following a request, deliver or cause to be delivered to the Underwriters such additional commercial copies of the Preliminary Prospectus or the Prospectus in such numbers and in such cities as the Underwriters may reasonably request from time to time.

(2) The Issuer will similarly cause to be delivered to the Underwriters and Underwriters' counsel, at those delivery points as the Underwriters may reasonably request, non-commercial copies of a Wrap required to be delivered to purchasers or prospective purchasers of the Offered Securities under U.S. securities laws.

(3) The Issuer shall from time to time deliver or cause to be delivered to the Underwriters and Underwriters' counsel, as soon as practicable, at the offices in the cities designated by the Underwriters, the number of commercial copies of any Supplementary Material filed or required to be filed by the Issuer under the Securities Laws in connection with the Offering which the Underwriters may from time to time reasonably request.

2.5 Prospectus Amendments

(1) In the event that the Issuer is required to prepare a Prospectus Amendment, the Issuer shall also prepare and deliver promptly to each of the Underwriters signed and certified copies of such Prospectus Amendment. Any Prospectus Amendments shall be in form and substance satisfactory to the Underwriters, acting reasonably. Concurrently with the delivery of any Prospectus Amendment, the Issuer shall deliver to the Underwriters documents, opinions and comfort letters substantially similar to those referred to in

Sections 2.3(1)(b)(ii) and (iii) and Sections 2.3(1)(c) and (d) to the extent they are in need of updating or revision.

(2) If, during the period of distribution of the Offered Securities, there shall be any change in the Securities Laws which, in the opinion of the Underwriters, acting reasonably, requires the filing of a Prospectus Amendment, the Issuer shall, to the satisfaction of the Underwriters, acting reasonably, promptly prepare and file such Prospectus Amendment with the appropriate Securities Commissions where such filing is required.

2.6 Distribution of Offered Securities

(1) The Underwriters covenant on a several, but not on a joint or a joint and several basis, that they shall offer the Offered Securities for sale to the public, directly and through other investment dealers and brokers duly registered in the applicable Offering Jurisdiction (such other investment dealers and brokers are referred to herein as the "**Selling Firms**"), only in the Offering Jurisdictions in compliance with Securities Laws and upon the terms and conditions set forth in the Preliminary Prospectus and Prospectus, any Supplementary Material and this Agreement.

(2) The Underwriters shall be entitled to assume that the Offered Securities are qualified for distribution in any province in Canada in respect of which a receipt for each of the Preliminary Prospectus and the Prospectus has been obtained from the Nova Scotia Securities Commission, in accordance with MI 11-102, following the filing of the Preliminary Prospectus and Prospectus, as applicable, unless the Underwriters receive notice to the contrary from the Issuer or the applicable Securities Commissions. The Underwriters will comply with Securities Laws in connection with the distribution of the Offered Securities. Except in the Offering Jurisdictions, the Underwriters will not, directly or indirectly, solicit offers to purchase or sell the Offered Securities or deliver the Preliminary Prospectus, the Prospectus or any Supplementary Material so as to require registration of those Offered Securities or the filing of a prospectus with respect to those Offered Securities under the laws of any jurisdiction, including, without limitation, the United States. Any offer or sales of Offered Securities in the United States will be made in accordance with Section 2.7 of this Agreement. Each Underwriter will cause similar undertakings to be contained in any agreements among the Selling Firms.

(3) Each of the Underwriters covenants, on a several, but not on a joint or a joint and several basis, that it (and any U.S. broker-dealer affiliate of such Underwriter effecting sales of Offered Securities in accordance with this Agreement) will:

(a) not deliver to any purchaser or prospective purchaser of Offered Securities any document or material except such as have been provided to it by the Issuer or approved by the Issuer for delivery to purchasers or prospective purchasers;

(b) not make any representations or warranties on behalf of the Issuer with respect to the Issuer or the Offered Securities in connection with the Offering other than as set forth in the documents and material referred to in subsection (a) above, provided that this covenant shall not preclude the Selling Firms or any U.S. broker-dealer affiliate of such Selling Firms from communicating with any purchaser or prospective purchaser of Offered Securities with respect to any information contained in any documents filed by the Issuer with the Securities Commissions; and

(c) execute and deliver to the Issuer, subject to the terms and conditions of this Agreement, any certificate required to be executed by the Underwriters under the Securities Laws in connection with the Offering provided that the Underwriters are satisfied, in their sole discretion, acting reasonably, that it is appropriate and responsible to do so.

(4) RBC, on behalf of the Underwriters, will notify the Issuer, when, in its opinion, the Underwriters have ceased distribution of the Offered Securities and shall, as soon as practicable, provide the Issuer with a breakdown of the number of Offered Securities distributed in each of the Offering Jurisdictions where such breakdown is required for the purpose of calculating fees payable to Securities Commissions.

(5) No Underwriter will be liable under this Article with respect to a default by any of the other Underwriters.

2.7 Offering in the United States

(1) For the purposes of this Agreement, the following terms will have the meanings indicated:

(a) "**Directed Selling Efforts**" means "directed selling efforts" as defined in Regulation S and, without limiting the foregoing, but for greater clarity, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Securities, and includes, without limitation, the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of any of the Offered Securities;

(b) "**General Solicitation**" and "**General Advertising**" will mean "general solicitation" and "general advertising", respectively, as used in Rule 502(c) of Regulation D, including, without limitation, advertisements, articles, notices or other communications published on the internet or in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising;

(c) "**Institutional Accredited Investor**" means those institutional "accredited investors" specified in Rule 501(a)(1), (2), (3) and (7) of Regulation D;

(d) "**Qualified Institutional Buyer**" means a "qualified institutional buyer" as defined in Rule 144A;

(e) "**Regulation D**" means Regulation D promulgated under the U.S. Securities Act;

(f) "**Regulation S**" means Regulation S promulgated under the U.S. Securities Act;

(g) "**Rule 144A**" means Rule 144A adopted by the SEC under the U.S. Securities Act;

(h) "**SEC**" means the United States Securities and Exchange Commission;

(i) "**Substantial U.S. Market Interest**" means "substantial U.S. market interest" as defined in Regulation S;

(j) "**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended;

(k) "**U.S. Securities Act**" means the United States Securities Act of 1933, as amended; and

(l) "**Wrap**" means the Prospectus supplemented with wrap pages, in the form agreed to by the Underwriters and the Issuer, describing the offering of the Offered Securities in the United States pursuant to Rule 144A and Regulation D and restrictions imposed under the U.S. Securities Act.

(2) The Underwriters may offer and sell the Offered Securities within the United States through the U.S. Affiliates (as defined below) on the terms and subject to the conditions of this Section 2.7. In connection therewith, the Issuer represents, warrants and covenants that:

(a) none of the Issuer, its affiliates or any person acting on its or their behalf, (other than the Underwriters, U.S. affiliates of the Underwriters ("**U.S. Affiliates**"), or any members of the banking and selling group formed by them (collectively, the "**Offering Firms**"), as to whom the Issuer makes no representation, warranty or covenant), has engaged or will engage in any Directed Selling Efforts in the United States with respect to the Offered Securities;

(b) the Issuer: (x) is, and will be at the time of Closing, a "foreign issuer" as defined in Rule 902(e) of Regulation S, and (y) is not registered, and as a result of the sale of the Offered Securities will not be required to register as an "investment company" pursuant to the provisions of the United States Investment Company Act of 1940, as amended;

(c) none of the Issuer, its affiliates or any person acting on its or their behalf, (other than any members of the Offering Firms, as to whom the Issuer makes no representation, warranty or covenant), has engaged in any form of General Solicitation or General Advertising or in any conduct involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act in connection with any offer or sale of the Offered Securities or any security convertible or exchangeable into Offered Securities in the United States;

(d) so long as any of the Offered Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and cannot be offered and sold pursuant to Rule 144(b)(1) of the U.S. Securities Act, the Issuer will, unless it becomes subject to and complies with the reporting requirements of

Section 13 or Section 15(d) of the U.S. Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, provide to any holder of those restricted securities, or to any prospective purchaser of those restricted securities designated by a holder, upon the request of that holder or prospective purchaser, at or prior to the time of sale, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act;

(e) neither the Issuer nor its affiliates will take any action that would cause the exemptions in Rule 144A or under Regulation D to be unavailable for the offer and sale of Offered Securities pursuant to this Agreement;

(f) there is no Substantial U.S. Market Interest in the Offered Securities and the Offered Securities are not, and as of the time of Closing the Offered Securities will not be, and no securities of the same class as the Offered Securities are or will be, (i) listed on a national securities exchange in the United States registered under Section 6 of the U.S. Exchange Act, (ii) quoted in an "automated interdealer quotation system", as such term is used in the U.S. Exchange Act, or (iii) convertible or exchangeable at an effective conversion premium (calculated as specified in paragraph (a)(6) of Rule 144A) of less than ten percent for securities so listed or quoted;

(g) the Issuer will not make any sales of Offered Securities other than sales to the Underwriters and sales to Substituted Purchasers produced by the Underwriters whom it reasonably believes to be Institutional Accredited Investors;

(h) during the six months prior to the date of this Agreement, the Issuer has not offered or sold any securities other than securities offered and sold outside the United States pursuant to and in accordance with Regulation S; and

(i) the Issuer will, within prescribed time periods, prepare and file any forms or notices required under the U.S. Securities Act or applicable blue sky laws.

(3) Each Underwriter acknowledges that the Offered Securities have not been and will not be registered under the U.S. Securities Act and may be offered and sold only in transactions exempt from or, pursuant to Regulation S, not subject to the registration requirements of the U.S. Securities Act. Accordingly, each Underwriter separately and not jointly represents, warrants and covenants, and will cause its U.S. Affiliates to comply with such representations, warranties and covenants, that:

(a) it has not offered or sold, and will not offer or sell, any Offered Securities constituting part of its allotment within the United States except as provided in this Section 2.7. Accordingly, neither it nor any of its affiliates nor any person acting on its or their behalf has engaged or will engage in any Directed Selling Efforts with respect to the Offered Securities or has made or will make, except as permitted by this Section 2.7, any offer to sell or any solicitation of an offer to buy any Offered Securities in the United States or any sale of Offered Securities to any person unless such Underwriter and any person acting on its behalf reasonably believe that, at the time such person placed his order to buy Offered Securities, such person was outside the United States;

(b) neither it, its U.S. Affiliates nor any of its affiliates nor any person acting on its or their behalf has or will engage in any form of General Solicitation or General Advertising or in any conduct involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act in connection with its offers or sales of any of the Offered Securities in the United States;

(c) all offers and sales of the Offered Securities in the Unites States will be effected through its U.S. Affiliate duly registered under the U.S. Exchange Act and all applicable state securities laws, in accordance with all applicable United States state and federal securities laws relating to the registration and conduct of broker-dealers;

(d) each U.S. Affiliate which is purchasing the Offered Securities in the United States is a Qualified Institutional Buyer or an Institutional Accredited Investor;

(e) it agrees to deliver, through the U.S. Affiliates, a copy of the Wrap to each person in the United States purchasing the Offered Securities;

(f) it will solicit, and will cause each U.S. Affiliate to solicit, offers for the Offered Securities in the United States only from, and will offer the Offered Securities only to, persons it reasonably believes to be (i) Qualified Institutional Buyers or (ii) Institutional Accredited Investors;

(g) prior to any sale of Offered Securities to Institutional Accredited Investors, it will cause each such purchaser thereof to execute and deliver a Purchaser's Letter in the form of Exhibit A to the Wrap; and

(h) each U.S. Affiliate is a member in good standing of the Financial Industry Regulatory Authority.

(4) Each Underwriter agrees, and will cause each of its U.S. Affiliates to agree, that:

(a) prior to the Closing Date, it will provide or cause RBC to provide the Issuer with a list of all purchasers of the Offered Securities in the United States;

(b) at Closing, it, together with its U.S. Affiliate selling Offered Securities in the United States, will provide and will deliver to the Issuer executed copies of the documents referred to in Section 2.7(3)(g) and a certificate, substantially in the form of Schedule "A" to this Agreement relating to the manner of the offer and sale of the Offered Securities in the United States; and

(c) it is understood and agreed by the Underwriters that the Offered Securities may only be offered by the Underwriters and members of the Offering Firms in the United States pursuant to the provisions of (i) Rule 144A to persons who are, or are reasonably believed by them to be, Qualified Institutional Buyers in transactions meeting the requirements of Rule 144A or (ii) Regulation D to persons who, immediately prior to transmitting the Wrap, are, or are reasonably believed by them to be, Institutional Accredited Investors in transactions meeting the requirements of Regulation D, and in compliance with any applicable state securities laws of the United States, provided that prior to any such sale each purchaser shall have been provided with the Wrap. All offers of Offered Securities in the United States shall be made on behalf of the seller by a U.S. Affiliate and all sales of Offered Securities in the United States shall be made either pursuant to Rule 144A by an Underwriter or U.S. Affiliate acting as principal or pursuant to Regulation D by the Issuer.

2.8 Material Changes

(1) The Issuer shall, from the date hereof to the Closing Date, promptly notify the Underwriters, in writing, with full particulars, of:

(a) any material change (actual, anticipated, contemplated or threatened, whether financial or otherwise) in the business, affairs, operations, directors, officers, assets or liabilities (contingent or otherwise) or capital or control of the Issuer or any of its Material Subsidiaries.

(b) any change in any matter referred to in a statement contained in the Preliminary Prospectus, the Prospectus, the Wrap or any Supplementary Material;

(c) any fact which has arisen or has been discovered and would have been required to have been stated in the Preliminary Prospectus, the Prospectus, the Wrap or any Supplementary Material had that fact arisen or been discovered on, or prior to, the date of any of the foregoing documents; and

(d) any other fact, event or circumstance in respect of the Issuer, which is, or may be of such a nature as to render any statement in the Preliminary Prospectus, the Prospectus, the Wrap or any Supplementary Material misleading or untrue in any material respect or which would result in any of such documents containing a misrepresentation or an omission from such document which is required to be stated therein or is necessary to make the statements or information contained therein not misleading in light of the circumstances in which they were made or which would result in any of such documents not complying with any of the Securities Laws or the U.S. Securities Act, as applicable, or which would reasonably be expected to have a significant effect on the market price or value of the Offered Securities or the Underlying Shares or the consummation of the Offering.

(2) The Issuer shall in good faith discuss with the Underwriters any change, fact, event or circumstance (actual, anticipated, contemplated or threatened) of which it is aware, which is of such a nature that there is reasonable doubt whether notice need be given to the Underwriters pursuant to Section 2.8(1) in this Agreement and, in any event, prior to making any filing referred to in Section 2.8(3) in this Agreement.

(3) The Issuer shall promptly comply with all applicable filings and other requirements under the Securities Laws arising as a result of any change, fact, event or circumstance referred to in Section 2.8(1) in this Agreement or otherwise and shall promptly prepare and file under all Securities Laws, and in any event within any time limit prescribed under Securities Laws, any Supplementary Material as may be required under Securities Laws;

provided that the Issuer shall allow the Underwriters and Underwriters' counsel to participate fully in the preparation of any Supplementary Material and to conduct all due diligence investigations which the Underwriters may reasonably require in order to fulfill their obligations as underwriters and in order to enable the Underwriters to responsibly execute the certificate required to be executed by them in respect of any Supplementary Material and the Underwriters shall have approved the form of any Supplementary Material, such approval not to be unreasonably withheld or delayed.

(4) The Issuer shall promptly deliver or cause to be delivered to each of the Underwriters and Underwriters' counsel a copy of any Supplementary Material, signed as required by Securities Laws by all parties other than the Underwriters, as well as letters with respect to each such Supplementary Material to the same effect as those referred to in Section 2.3 in this Agreement and dated the date of such Supplementary Material.

(5) Unless advised otherwise, the Underwriters will be entitled to assume that there has been no material change in such information and will be entitled to rely thereon.

(6) The Issuer will not, without prior written consent of RBC on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed, take or authorize any action which would have the effect of causing a material change in the business or affairs of the Issuer prior to the completion of the distribution of Offered Securities.

2.9 Over-Allotment Option

(1) The Issuer hereby grants to the Underwriters the Over-Allotment Option to purchase severally, and not jointly or jointly and severally, in their sole discretion, the Additional Debentures on the terms set forth in the Prospectus solely to cover over-allotments, if any, and for market stabilization purposes, exercisable by written notice not later than the 30th day following the Closing Date.

(2) The notice of exercise of the Over-Allotment Option (the "**Over-Allotment Option Notice**") to purchase Additional Debentures, in whole or in part, shall be given by RBC on behalf of the Underwriters to the Issuer in the manner set forth in Section 10.1 hereof and shall specify the number of Additional Debentures to be purchased by the Underwriters under the Over-Allotment Option and the closing date for the issuance of the Additional Debentures (the "**Over-Allotment Option Closing Date**") and time of closing. The Over-Allotment Option Closing Date, which may be the same as the Closing Date but shall in no event be earlier than the Closing Date, shall be not less than two nor more than five Business Days after providing the Over-Allotment Option Notice, as shall be specified in the Over-Allotment Option Notice. The closing of the purchase and sale of any Additional Debentures shall be completed in accordance with Article 4 hereof.

(3) If any Additional Debentures are purchased, each Underwriter agrees, severally and not jointly, or jointly and severally to purchase the number of Additional Debentures (subject to such adjustments to eliminate fractional debentures as the Lead Underwriter may determine) that bears the same proportion to the total number of Additional Debentures as the percentages of the aggregate amount of Debentures to be purchased at the Closing Time set out in Section 11.1 opposite the name of such Underwriter.

(4) In the event the Over-Allotment Option is exercised in accordance with its terms, the Issuer shall deliver to the Underwriters at the closing time specified in the Over-Allotment Option Notice:

(a) the documents, opinions, certificates and other agreements and materials required under Section 5.1(1)(e), in each case dated the Over-Allotment Option Closing Date, together with such further documentation as may be contemplated herein or as the Underwriters or any Governmental Authority may reasonably require; and

(b) such other items as the Underwriters may reasonably require.

2.10 Issuance of Orders

The Issuer shall also, from the date hereof to the Closing Date, promptly notify the Underwriters after receiving notice, or obtaining knowledge of any notice, of the imposition of any cease trading order or similar order affecting the Offered Securities or the Common Shares in any of the Offering Jurisdictions or the institution, threatening or contemplation of any proceedings for any such purpose by any regulatory authority requesting any information, meeting or hearing relating to the Issuer and its affairs or the Offering.

2.11 No Press Release

(1) For the period commencing on the date hereof and expiring on the Closing Date, and subject to the requirements of Securities Laws, the Issuer shall not, without first obtaining the approval of RBC, on behalf of the Underwriters (not to be unreasonably withheld), and the Underwriters shall not, without first obtaining approval of the Issuer, issue any press release respecting the issue of the Offered Securities. Each press release respecting the offer and/or sale of the Offered Securities shall comply with the requirements of Securities Laws.

(2) The Issuer agrees, if so requested by the Underwriters, to include a reference to the Underwriters and their role in any press release or other public communication issued by the Issuer with respect to the Offering. If the Offering is successfully completed, and provided none of the Underwriters are in breach of any material provision of this Agreement, the Underwriters shall be permitted to publish, at their own expense, such advertisements or announcements relating to the services provided pursuant to this Agreement in such newspaper or other publications as the Underwriters consider appropriate; provided however that no such publication shall disclose any information that has not previously been disclosed by the Issuer or the Underwriters or is not otherwise publicly known, except with the prior approval of the Issuer (not to be unreasonably withheld). The Issuer also agrees not to refer to the Underwriters in any communication or press release without the Underwriters' consent.

2.12 Interested Purchasers

From the date hereof to the Closing Date, the Issuer will not initiate any discussions regarding the Offered Securities except in cooperation or through the Underwriters. If the Issuer receives any inquiries concerning any such transactions, the Issuer shall promptly inform RBC, on behalf of the Underwriters, of such inquiry so as to allow the Underwriters an opportunity to assess such inquiry and assist in any resulting negotiations.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Issuer

The Issuer represents, warrants and covenants to the Underwriters and hereby acknowledges that the Underwriters are relying on such representations, warranties and covenants in connection with the purchase of the Offered Securities, that:

(a) the Issuer and the Material Subsidiaries have been duly incorporated, or organized, as applicable, and are validly existing as a corporation or a trust, as applicable, in good standing under the laws of its jurisdiction of incorporation or formation, with all necessary corporate power and authority, or otherwise, to own, lease and operate its property and assets, to conduct its business as now conducted and as currently proposed to be conducted, and the Issuer has the necessary corporate power and authority to carry out the provisions of this Agreement, and, where required, has been duly qualified as an extra-provincial or foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business, except where the failure to do so would not have a material adverse effect on the general affairs, management, financial position, business, prospects, shareholders' equity or results of operations of the Issuer;

(b) the Issuer was (at the time of the announcement of the Offering) and is eligible to use the short form prospectus system established under NI 44-101 and, at the respective times of filing, each of the Preliminary Prospectus and the Prospectus, together with any Supplementary Material have and will comply with the requirements of the Securities Laws pursuant to which they have been filed, have and will provide full, true and plain disclosure of all material facts relating to the Issuer on a consolidated basis and to the Offered Securities and the Underlying Shares and will not contain any misrepresentation, and do not contain an untrue statement of material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, provided that the foregoing shall not apply with respect to statements contained in such documents relating solely to the Underwriters;

(c) the Preliminary Prospectus, the Prospectus, any Supplementary Material and any other filings made by the Issuer with any Securities Commissions or the TSX for the 12 month period prior to the date of this Agreement or to be made after the date of this Agreement and prior to the Closing Date are or will be at the respective dates thereof, true, correct and complete, in all material respects, and did not or will not contain any misrepresentation and the Issuer does not have any confidential filings with any securities authority or the TSX;

(d) all statements, facts, data, information and material made, furnished or provided from time to time by the Issuer in writing to the Underwriters relating to the Issuer are true and correct, in all material respects, and all material facts relating to the Issuer have been fully disclosed to the Underwriters and such statements, facts, data, information and material did not and do not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make any statement or fact contained therein not misleading in light of the circumstances in which it was made;

(e) the Issuer has no knowledge of any material change (actual, anticipated, contemplated or threatened, whether financial or otherwise) in the business, affairs, operations, assets or liabilities (contingent or otherwise) or capital of the Issuer, which has not been generally disclosed and reported to the Securities Commissions or the TSX and the Issuer does not have any knowledge of any material adverse information in regard to the current and prospective operations of the Issuer, which has not been generally disclosed;

(f) the authorized share capital of the Issuer consists of an unlimited number of common shares and an unlimited number of preferred shares; as of the date hereof, there are 45,088,554 issued and outstanding Common Shares, no preferred shares, options to purchase 1,416,475 Common Shares under the Issuer's stock option plan, warrants to purchase 1,493,162 Common Shares and convertible debentures according the holders thereof the right to acquire up to 4,291,044 Common Shares, or such greater number of Common Shares as may be required under the provisions of the trust indenture dated November 30, 2010 between the Issuer and Computershare Trust Company of Canada, there are no other securities or obligations of the Issuer outstanding which are convertible into or exchangeable for any shares of the share capital of the Issuer, warrants, rights or options to subscribe for or purchase from the Issuer any such shares of the share capital of the Issuer, any other securities of the Issuer or any such convertible or exchangeable securities or obligations, or obligations of the Issuer to issue, purchase or redeem such shares, such other securities, any such convertible or exchangeable securities or obligations, or any such warrants, rights, options or obligations; except in each case as disclosed in the Preliminary Prospectus and the Prospectus.

(g) the Issuer is the registered and beneficial owner of all of the outstanding securities of each of the Material Subsidiaries, and all such securities of the Material Subsidiaries held directly or indirectly by the Issuer are owned free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims and demands whatsoever and no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the issue or allotment of any unissued securities of the Material Subsidiaries or any other security convertible into or exchangeable for any securities of the Material Subsidiaries or to require the Material Subsidiaries to purchase, redeem or otherwise acquire any of its issued and outstanding securities except in each case as disclosed in the Preliminary Prospectus and Prospectus, as applicable;

(h) all of the issued and outstanding shares of the share capital of the Issuer have been duly authorized and validly issued as fully paid and non-assessable;

(i) since December 31, 2010, being the date of the latest audited financial statements of the Issuer: (i) there has not been any material change in the share capital of the Issuer, except as set forth in the Preliminary Prospectus and the Prospectus; (ii) the Issuer has not incurred any liabilities or obligations (absolute, accrued, contingent or otherwise) or entered into any transactions not in the ordinary course of business that are material to the Issuer, except as set forth in the Preliminary Prospectus, the Prospectus and in the Issuer’s press releases; and (iii) there has not been any material adverse change, or any development involving a prospective material adverse change (including prospective material adverse changes arising from pending or, to the best of the Issuer’s knowledge, threatened claims or contingent liabilities), in or affecting the general affairs, management, financial position, business, prospects, shareholders’ equity or results of operations of the Issuer;

(j) the Issuer and the Material Subsidiaries are not in violation of its constating documents, by-laws or resolutions of its directors, shareholders or trustees or in default in the performance of any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Issuer or the Material Subsidiaries are a party or by which it is bound or to which any of the property or assets of the Issuer or the Material Subsidiaries are subject, which violation, default or defaults, individually or in the aggregate, would have a material adverse effect on the general affairs, management, financial position, business, prospects, shareholders’ equity or results of operations of the Issuer and the Material Subsidiaries on a consolidated basis;

(k) since December 31, 2010, being the date of the latest audited financial statements of the Issuer, the Issuer has not entered into a transaction of a nature material to the Issuer, other than as disclosed in the Preliminary Prospectus and the Prospectus;

(l) none of the directors or officers of the Issuer, or any holder of more than 10% of its outstanding Common Shares, or any associate or affiliates of any of the foregoing persons or companies has, or has had, any material interest, direct or indirect, in any continuing or existing material transaction or has any material interest, direct or indirect, in any proposed material transaction which, as the case may be, is material to or will materially affect the Issuer, except as stated in the Preliminary Prospectus and the Prospectus;

(m) except as disclosed in the Preliminary Prospectus and the Prospectus or in news releases filed on the SEDAR profile of the Issuer since December 31, 2010, the Issuer has not, directly or indirectly, declared or paid any dividends or declared or made any other distribution on any of its shares of any class and has not, directly or indirectly, redeemed, purchased or otherwise acquired any of its outstanding securities or agreed to do so;

(n) other than as disclosed in the Preliminary Prospectus and the Prospectus, as applicable, there is no agreement in force or effect which in any manner affects or will affect the voting or control of any of the securities of the Issuer;

(o) the execution and delivery of, and the compliance by the Issuer with all of the provisions of, this Agreement and the Indenture, the performance of the Issuer's obligations hereunder and thereunder, the issuance, sale and delivery of the Offered Securities and the Underlying Shares and the grant of the Over-Allotment Option will not:

(i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance on any of the property or assets of the Issuer or any Material Subsidiary pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Issuer or any Material Subsidiary is a party or by which the Issuer is bound or to which any of the property or assets of the Issuer or any Material Subsidiary is subject, except where such breach, violation or default would not have a material adverse effect on the general affairs, management, financial position, business, prospects, shareholders' equity or results of operations of the Issuer and the Material Subsidiaries on a consolidated basis;

(ii) result in any violation of the provisions of the constating documents, by-laws or resolutions of the directors, trustees, shareholders or unitholders of the Issuer or the Material Subsidiaries, as applicable; or

(iii) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Issuer or any Material Subsidiary or any of its properties, except where such breach, violation or default would not have a material adverse effect on the general affairs, management, financial position, business, prospects, shareholders' equity or results of operations of the Issuer and the Material Subsidiaries, on a consolidated basis;

(p) no consent, approval, permit, authorization, order or filing with any court or governmental agency, the Securities Commissions or any other jurisdiction or agency is required by the Issuer or necessary for the execution, delivery and the performance by the Issuer of its obligations under this Agreement or the Indenture other than such consents, approvals, authorizations, registrations or qualifications as may be required under the Securities Laws or by the TSX, including the conditional approval of the TSX with respect to the issuance to and the acquisition by the Underwriters, as applicable, of the Offered Securities and the listing of the Offered Securities and Underlying Shares, all of which will be obtained by the Issuer prior to the Closing Time (subject to the filing of documents in accordance with the requirements of the TSX);

(q) except for any matter that would not reasonably be expected to have a material adverse effect on the Condition of the Issuer, the conduct of the business of the

Issuer and the Material Subsidiaries and the use of their intellectual property does not infringe, and neither the Issuer nor any of the Material Subsidiaries has received any notice, complaint, threat or claim alleging infringement of, any patent, trade mark, trade name, copyright, industrial design, trade secret or proprietary right of any other person, and the conduct of the business of the Issuer and the Material Subsidiaries does not include any activity which may constitute passing off;

(r) except as otherwise disclosed to the Underwriters, no order ceasing or suspending trading in the securities of the Issuer, preventing or suspending use of the Preliminary Prospectus or the Prospectus, prior to the time of filing, as applicable, or the Wrap, or the distribution of the Offered Securities or the Over-Allotment Option, or prohibiting the sale of such securities, has been issued to the Issuer or its directors or officers and, to the best knowledge of the Issuer, no investigations or proceedings for such purposes are pending or threatened;

(s) the Issuer has full power and authority to issue the Offered Securities and the Underlying Shares and to grant the Over-Allotment Option and, at the Closing Date, the Offered Securities will be, upon receipt by the Issuer of payment for the Offered Securities in accordance with the terms and conditions of this Agreement and execution and authentication by the trustee in accordance with the terms and conditions of the Indenture, validly created and issued and will constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms. The Underlying Shares will, upon their issuance in accordance with the terms of the Indenture, be duly and validly issued as fully paid and non-assessable securities of the Issuer, and will not have been issued in violation of, or subject to, any pre-emptive rights or contractual rights to purchase securities issued by the Issuer;

(t) the Issuer has and will have at the Closing Time all requisite corporate power and authority to enter into, deliver and perform its obligations under this Agreement and the Indenture and all necessary corporate action has been, or will have been taken, to authorize the execution, delivery and performance by the Issuer of this Agreement and the Indenture;

(u) except as disclosed in the Preliminary Prospectus and the Prospectus, the Issuer and the Material Subsidiaries have not been served with or otherwise received notice of any legal or governmental proceedings and there are no legal or governmental proceedings pending to which the Issuer or the Material Subsidiaries are a party or of which any property or assets of the Issuer or the Material Subsidiaries are the subject which is reasonably likely, individually or in the aggregate, to have a material adverse effect on the general affairs, financial position, business, shareholders' equity or results of operations of the Issuer or the Material Subsidiaries, on a consolidated basis, or which might reasonably be expected to materially and adversely affect the consummation by the Issuer of the transactions contemplated by this Agreement and, to the best of the Issuer's knowledge, no such proceedings are threatened (implicitly or otherwise) or contemplated by governmental or regulatory authorities or any other parties and the Issuer is not aware of any existing ground on which any such proceedings might be commenced or instituted;

(v) the Issuer and the Material Subsidiaries hold all of the permits, licences and like authorizations necessary for it to carry on its business in each jurisdiction where such business is carried on, and the Issuer and the Material Subsidiaries are not in default with respect to filings to be effected or conditions to be fulfilled in order to maintain such permits, licenses or like authorizations in good standing, except where such failure to hold or default, individually or in the aggregate, would not have a material adverse effect on the general affairs, financial position, business, shareholders' equity or operations of the Issuer or the Material Subsidiaries, on a consolidated basis;

(w) the Issuer and the Material Subsidiaries are not in violation of any law, ordinance, administrative or governmental rule or regulation or court decree applicable to it, which violation, non-compliance or failure to obtain would, individually or in the aggregate, have a material adverse effect on the general affairs, financial position, business, shareholders' equity or results of operations of the Issuer or the Material Subsidiaries, on a consolidated basis, or which might reasonably be expected to materially and adversely affect the consummation by the Issuer of the transactions contemplated by this Agreement;

(x) assuming the due authorization, execution and delivery of each of this Agreement and the Indenture by the parties hereto and thereto other than the Issuer, and the enforceability of each of this Agreement and the Indenture against such parties, each of this Agreement and the Indenture has been or will be, when executed and delivered, duly and validly authorized, executed and delivered by the Issuer and constitutes or will constitute a valid and binding obligation of the Issuer enforceable against it in accordance with its terms subject to:

  (i) applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally;

  (ii) equitable remedies, including the remedies of specific performance and injunctive relief, being available only in the discretion of the applicable court;

  (iii) the statutory and inherent powers of a court to grant relief from forfeiture, to stay execution of proceedings before it and to stay executions on judgments;

  (iv) the applicable laws regarding limitations of actions;

  (v) enforceability of provisions which purport to sever any provision which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of such document would be determined only in the discretion of the court; and

(vi) that rights to indemnity and contribution under this Agreement may be limited or unavailable under applicable law;

(y) the audited financial statements of the Issuer as at, and for, the 2009 and 2010 fiscal years, including the notes thereto, present fairly, in all material respects, the financial position and condition of the Issuer as at the dates indicated and the results of its operations for the periods specified, reflect all material liabilities (absolute, accrued, contingent or otherwise) of the Issuer as at the dates indicated and have been prepared in conformity with generally accepted accounting principles in Canada and policies applied on a consistent basis;

(z) there are no off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of the Issuer or any Material Subsidiary with unconsolidated entities or other persons that may have a material current or future effect on the Condition of the Issuer or that would reasonably be expected to be material to an investor in making a decision to purchase the Offered Securities;

(aa) as at the Closing Date, to the best of the Issuer's knowledge, the assets and liabilities of the Issuer will not have materially changed from that which is disclosed in the Preliminary Prospectus and the Prospectus except for (i) changes resulting from operations and transactions in the ordinary course of business and provided that such changes, individually or in the aggregate, do not have a material adverse effect on the financial position of the Issuer; and (ii) matters relating to the Offering;

(bb) the Issuer has established and maintains a system of disclosure controls and procedures and internal control over financial reporting, and has: (i) designed such disclosure controls and procedures, or caused them to be designed under management's supervision, to provide reasonable assurance that material information relating to the Issuer is made known to management by others, particularly during the period in which the financial statements are being prepared; (ii) designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Issuer's generally accepted accounting principles; and (iii) evaluated the effectiveness of such disclosure controls and procedures as of the end of the period covered by the financial statements and has disclosed in the management's discussion and analysis the conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the financial statements based on such evaluation;

(cc) the Offered Securities and the Underlying Shares qualify as eligible investments as described in the Preliminary Prospectus under the heading "Eligibility for Investment" and the Issuer will not take or permit any action within its control which would cause the Offered Securities or the Underlying Shares to cease to be qualified, during the period of distribution of the Offered Securities in the Offering Jurisdictions, as eligible investments to the extent so described in the Preliminary Prospectus and Prospectus;

(dd) the corporate records and minute books of the Issuer and the Material Subsidiaries contain, in all material respects, complete and accurate minutes of all meetings of its directors, trustees, shareholders and unitholders, as applicable, held since its date of incorporation;

(ee) the books and records of the Issuer and the Material Subsidiaries fairly and correctly set out and disclose in all material respects, the financial position of the Issuer and the Material Subsidiaries as at the dates thereof and all material financial transactions of the Issuer and the Material Subsidiaries relating to their respective businesses have, in all material respects, been accurately recorded in such books and records and such books and records are maintained in a way to support the financial statements of the Issuer prepared in accordance with generally accepted accounting principles in Canada;

(ff) except for salary increases and bonus determinations made in the normal course and disclosed to the Underwriters, to the best of the Issuer's knowledge, all material bonuses, commissions, salaries and other amounts owing to employees are reflected and have been accrued in the books of account of the Issuer and the Material Subsidiaries;

(gg) the definitive form of certificate for the Debentures will be in due and proper form under the laws governing the Issuer and will comply with the requirements of the Indenture and the TSX;

(hh) the Issuer is not a "non-resident" of Canada within the meaning of the *Income Tax Act* (Canada);

(ii) with such exceptions as are not material to the Issuer and the Material Subsidiaries, on a consolidated basis: (i) the Issuer and the Material Subsidiaries have each duly and on a timely basis filed all tax returns required to be filed by it, have paid all taxes due and payable by it and have paid all assessments and reassessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which are claimed by any governmental authority to be due and owing and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required to be filed; (ii) there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Issuer or the Material Subsidiaries and there are no actions, suits, proceedings, investigations or claims threatened or pending against the Issuer or the Material Subsidiaries in respect of taxes, governmental charges or assessments or any matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority; and (iii) the Issuer and the Material Subsidiaries have withheld from all payments made to any of its officers, directors, employees and non-residents of Canada and other people with respect to whom they are required by law to withhold any payments pursuant to the *Income Tax Act* (Canada) or any other applicable legislation, or in respect of goods and services tax, the amount of all taxes, including but not limited to income tax, Canada pension plan contributions, employment insurance commission premiums, premiums payable under workers' compensatory legislation and other deductions required to be withheld therefrom and have paid the same to the proper tax or other receiving officers within the time required under any applicable tax legislations;

(jj) other than in respect of payments made and authorized by the Issuer in connection with the contracting of APM Construction Services Inc., an entity controlled by a director of the Issuer, to act as project manager on the Issuer's Charlotte Court construction project pursuant to which APM Construction Services Inc. will be paid a management fee of approximately 4% of the construction costs and may be entitled to additional payments, since January 1, 2010 no payments have been made or authorized by the Issuer to its officers, directors, former directors, shareholders or employees or to any person or company not dealing at arm's length (as such term is construed under the *Income Tax Act* (Canada)) with any of the foregoing, including by way of the repayment of a shareholder loan, except in the ordinary course of business and at the regular rates to them of salary, pension, bonuses or other remuneration of any nature;

(kk) the Issuer's Auditor is an independent public accountant as required under the Securities Laws and there has not been any reportable events (within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations*) with the Auditor in its capacity as auditor for the Issuer;

(ll) other than as disclosed in the Preliminary Prospectus and the Prospectus or the Issuer's press releases or as otherwise disclosed to the Underwriters, the Issuer and the Material Subsidiaries have not (i) approved or entered into any agreement in respect of the purchase of any material property or the sale, transfer or other disposition of any material property currently owned, directly or indirectly, by the Issuer, whether by asset sale, transfer of shares, or otherwise; (ii) have not made any significant acquisition as such term is defined in Part 8 of the National Instrument 51-102 – *Continuous Disclosure Obligations* in its current financial year or prior financial years in respect of which historical and/or *pro forma* financial statements would be required to be included or incorporated by reference into the Preliminary Prospectus and the Prospectus; and (iii) have not entered into any agreement or arrangement in respect of a proposed acquisition that would be a significant acquisition (as such terms are defined in NI 44-101);

(mm) all of the Properties are insured against all loss from damage by hazards or risks normally insured against, with appropriate deductibles in managements' judgement, and to the best of the Issuer's knowledge, consistent with those of entities in a similar business to the Issuer and all of the Properties are in material compliance with all applicable building and zoning by-laws and there are no defects in such buildings material to the Issuer and its Material Subsidiaries, on a consolidated basis. Except as disclosed in writing to the Underwriters, there are no outstanding work orders or deficiency notices relating to such Properties from or required by any police or fire department, sanitation, health authorities or from any other federal, provincial or municipal authority except where the failure to comply with such work orders or deficiency notices would not have a material adverse effect on the Issuer, and, except as previously disclosed in writing to the

Underwriters, there is no material matter under discussion with any such departments or authorities relating to work orders. Such buildings and all chattels required for the effective operation of such buildings are in good operating condition and are in a state of good repair and maintenance, except as previously disclosed in writing to the Underwriters or where it would not have a material adverse effect on the Issuer and its Material Subsidiaries, on a consolidated basis.

(nn) the Issuer and the Material Subsidiaries are the absolute legal and beneficial owners of, and have good and marketable title to, all of their respective Properties or interest therein and any and all agreements pursuant to which the Issuer or the Material Subsidiaries hold any such interests in the Properties are valid and subsisting agreements in full force and effect, enforceable in accordance with their respective terms (subject to the qualifications noted in Section 3.1(x) of this Agreement), the Issuer and the Material Subsidiaries are not in material default of any of the provisions of any such agreement nor, to the best of the Issuer's knowledge, has any such default been alleged; such Properties are in compliance, in all material respects, under the applicable statutes and regulations of the jurisdictions in which they are situate; all leases or other agreements pursuant to which the Issuer derives its interest in such Properties are in good standing in all material respects, and to the best of the Issuer's knowledge there has been no material default under any such leases or agreements; and all realty or other property taxes required to be paid with respect to such Properties to the date hereof have been paid, except in each case to the extent that failure to pay such realty or other property taxes would not, in the aggregate, have a material adverse effect on the business, operations or financial condition of the Issuer or the Material Subsidiaries, on a consolidated basis;

(oo) other than as disclosed in the Preliminary Prospectus and the Prospectus or in the ordinary course of business, no material capital expenditures have been made or authorized by the Issuer;

(pp) there is no person, firm or corporation acting or, to the best of the Issuer's knowledge, purporting to be acting for the Issuer, entitled to any commission, brokerage or finder's fee payable by or on behalf of the Issuer in connection with this Agreement or any of the transactions contemplated hereunder, except the Underwriters as provided herein; in the event any person, firm or corporation acting or purporting to be acting for the Issuer on the Issuer's instruction (other than the Selling Firms, in respect of which the Issuer shall have no obligation) establishes a claim for any such commission, brokerage or finder's fee from the Underwriters, the Issuer covenants to indemnify and hold harmless the Underwriters with respect thereto and with respect to all costs reasonably incurred in the defence thereof and any such commission, brokerage or finder's fee shall be for the account of the Issuer and shall not reduce the amounts owing to the Underwriters pursuant to this Agreement;

(qq) the Issuer is a reporting issuer (or the equivalent) in good standing in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario, Quebec and

Prince Edward Island under the applicable Securities Laws of such jurisdictions and is in compliance with the by-laws, rules and regulations of the TSX;

(rr) Computershare Investor Services Inc., at its principal offices in Halifax, Nova Scotia, has been duly appointed transfer agent (the "**Transfer Agent**") and registrar for the Common Shares;

(ss) the proceeds of the Offering, net of the Underwriters' Fee and other expenses of the Offering, will be used for the purposes set out in the Preliminary Prospectus under the heading "Use of Proceeds";

(tt) no order ceasing or suspending trading in any security of the Issuer or prohibiting the sale of securities of the Issuer has been issued and, to the best of the knowledge of the Issuer, no proceedings for this purpose have been instituted or are pending, contemplated or threatened; and

(uu) the Common Shares are listed and posted for trading on the TSX and the Issuer is not in default in any material respect with any of the listing requirements of the TSX.

3.2 Representations and Warranties of the Underwriters

Each of the Underwriters severally (and not jointly or jointly and severally) hereby represents, warrants and covenants to and agrees with the Issuer and hereby acknowledges that the Issuer is relying on such representations and warranties in entering into this Agreement, that:

(a) it is and will be, at the Closing Time, duly registered under Securities Laws to sell the Offered Securities in the Offering Jurisdictions in which such Underwriter is distributing the Offered Securities;

(b) it has complied and will comply with all Securities Laws in connection with the offering and sale of the Offered Securities and will not distribute the Offered Securities in any jurisdiction outside the Offering Jurisdictions or the United States; and

(c) it will not make any representations or warranties with respect to or on behalf of the Issuer and the Offered Securities other than as set forth in this Agreement.

ARTICLE 4
COMPLETION AND CLOSING

4.1 Closing

(1) The issuance of the Debentures shall be completed at the Closing Time on the Closing Date at the offices of Bennett Jones LLP in Toronto, Ontario.

(2) At the Closing Time, the Issuer shall deliver to RBC (on behalf of the Underwriters) definitive global certificates representing the Debentures registered in the name of CDS (or its nominee), against payment by the Underwriters to, or to the direction of, the Issuer of the purchase price for the Debentures, less the Underwriting Compensation in lawful

money of Canada by wire transfer payable at par in Halifax, Nova Scotia together with delivery by the Underwriters to the Issuer of the Underwriters' receipt for the Debentures and Underwriting Compensation against delivery by the Issuer to the Underwriters of the Issuer's receipt in respect of the payment of the aggregate purchase price for the Debentures.

(3) RBC shall, promptly following the Closing Time, deliver the global certificates for the Debentures referred to in Section 4.1(2) above to CDS (or its nominee).

4.2 Underwriting Fee in relation to the Offered Securities

(1) Contemporaneously with the payment of the purchase price for the Debentures or the Additional Debentures, if any, pursuant to the Over-Allotment Option, the Underwriters shall deduct from the aggregate gross proceeds payable to the Issuer an underwriting fee equal to 3.75% of the aggregate gross proceeds of the sale of the Debentures or the Additional Debentures, if any, pursuant to the Over-Allotment Option (the "**Underwriting Fee**") in consideration for the services rendered by the Underwriters in connection with the purchase of the Debentures and Additional Debentures, if any. For greater certainty, the services provided by the Underwriters in connection herewith will not be subject to the goods and services tax provided for in the *Excise Tax Act* (Canada) and taxable supplies provided will be incidental to the exempt financial services provided.

(2) Subject to Article 11, the allocation of the Underwriting Fee among the Underwriters shall be as follows:

RBC Dominion Securities Inc.	30.0%
BMO Nesbitt Burns Inc.	13.0%
CIBC World Markets Inc.	13.0%
Scotia Capital Inc.	13.0%
TD Securities Inc.	13.0%
Canaccord Genuity Corp.	7.0%
Dundee Securities Ltd.	4.0%
Macquarie Capital Markets Canada Ltd.	4.0%
Beacon Securities Limited	1.0%
Brookfield Financial Corp.	1.0%
GMP Securities L.P.	1.0%

ARTICLE 5
CONDITIONS OF CLOSING

5.1 Debentures

(1) The Underwriters' obligation to purchase the Debentures at the Closing Time shall be subject to the accuracy of the representations and warranties of the Issuer contained in this Agreement both as of the date of this Agreement and as of the Closing Time, the performance by the Issuer of its obligations under this Agreement and the following additional conditions:

(a) the Underwriters shall have received at the Closing Time a legal opinion dated the Closing Date, in form and substance satisfactory to counsel to the Underwriters, acting reasonably, addressed to the Underwriters and counsel to the Underwriters from the Issuer's counsel, as to the laws of Canada and the Offering Jurisdictions, which counsel in turn may rely upon the opinions of local counsel where they deem such reliance proper as to the laws other than those of Canada and Alberta and Ontario and as to matters of fact, on certificates of the Auditors and the registrar and transfer agent of the Issuer, public and stock exchange officials and officers of the Issuer, with respect to the following matters:

(i) as to the due formation and valid existence of the Issuer under the laws of Canada and as to the adequacy of the power of the Issuer to carry out its obligations under this Agreement and to issue the Offered Securities and the Underlying Shares and grant the Over-Allotment Option and the Material Subsidiaries have been duly incorporated or formed, as the case may be, under the law of their respective jurisdiction of incorporation or formation, as the case may be;

(ii) as to the authorized capital of the Issuer and the Material Subsidiaries;

(iii) that the Issuer and the Material Subsidiaries each have all requisite power and authority under the laws of Canada and all other jurisdictions where it carries on a material part of its activities or owns any material property to, and each is qualified to, carry on its activities as currently carried on and to carry out the transactions contemplated by the Preliminary Prospectus and Prospectus;

(iv) that all necessary corporate action has been taken by the Issuer to authorize the execution and delivery of the Preliminary Prospectus, the Prospectus and, if applicable, any Prospectus Amendments and the Wrap and filing of such documents under the Securities Laws in each of the Offering Jurisdictions;

(v) that the Offered Securities to be issued to the Underwriters pursuant to this Agreement have been duly authorized and will be, upon receipt by the Issuer of payment for the Offered Securities in accordance with the terms and conditions of this Agreement and execution and authentication by the trustee in accordance with the terms and conditions of the Indenture, validly created and issued and will constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms;

(vi) that up to 3,150,684 Common Shares of the Issuer, when issued upon the valid conversion of Offered Securities by the holder in accordance with the terms and conditions of the Indenture, will be validly issued and will be outstanding as fully paid and non-assessable Common Shares of the Issuer;

(vii) that the attributes of the Debentures, Additional Debentures and Underlying Shares are consistent in all material respects with the description thereof in the Prospectus;

(viii) that none of (i) the execution and delivery of this Agreement or the Indenture, or any document to be executed and delivered by the Issuer pursuant hereto or thereto, (ii) the performance and compliance with the terms of this Agreement or the Indenture, or any documents to be executed and delivered by the Issuer pursuant hereto or thereto, or (iii) the issue and sale of the Debentures and Additional Debentures would result in any breach of, or be in conflict with or constitute a default under or create a state of facts (whether after notice or lapse of time or both) which would constitute a default under, any of the terms, conditions or provisions of the constating documents or, of which such counsel is aware, any shareholders' or directors' resolutions of the Issuer;

(ix) that each of this Agreement and the Indenture has been duly authorized, executed and delivered by the Issuer and constitutes a legal, valid and binding obligation of the Issuer and are enforceable against the Issuer in accordance with its terms, except as enforcement of this Agreement or Indenture, as the case may be, may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought;

(x) confirming the opinion under "Eligibility for Investment" in the Prospectus;

(xi) the form and terms of the certificates representing the Offered Securities have been duly approved and adopted by the Issuer and comply with all legal requirements, including, without limitation, the by-laws, rules and regulations of the TSX;

(xii) that Computershare Investor Services Inc. at its principal offices in Halifax, Nova Scotia has been duly appointed as the transfer agent and registrar for the Debentures and the Common Shares of the Issuer;

(xiii) that all documents have been filed and all requisite proceedings have been taken and all approvals, permits, consents and authorizations of the appropriate regulatory authorities under the Securities Laws have been obtained by the Issuer to qualify the Debentures and Additional Debentures for distribution to the public in each Offering Jurisdiction through dealers registered under the applicable laws of the Offering Jurisdictions who have complied with such laws;

(xiv) the issuance of the Underlying Shares by the Issuer upon the conversion of the Offered Securities in accordance with the terms of the Indenture from time to time to holders resident in the Qualifying Jurisdictions is exempt from the prospectus requirements of the Securities Laws and no documents are required to be filed, proceedings taken or approvals, permits, consents or authorizations of regulatory authorities obtained by the Issuer under the Securities Laws in connection therewith (other than such as have been obtained);

(xv) the first trade in, or resale of, the Underlying Shares issued upon the conversion of the Offered Securities in accordance with the terms of the Indenture is exempt from, or is not subject to, the prospectus requirement of the Securities Laws and no documents are required to be filed, proceedings taken or approvals, permits, consents or authorizations of regulatory authorities obtained by the Issuer under the Securities Laws to permit the trade of the Underlying Shares issued upon the conversion of the Offered Securities in accordance with the terms of the Indenture through registrants registered under the Securities Laws who have complied with the Securities Laws, provided that:

(1) the trade is not a "control distribution", as such term is defined in National Instrument 45-102 – *Resale of Securities*; and

(2) the Issuer is a reporting issuer at the time of the trade;

(xvi) that the TSX has conditionally approved the listing of the Debentures, Additional Debentures and Underlying Shares subject only to the filing of documents in accordance with the requirements of the TSX; and

(xvii) as to all other legal matters reasonably requested by counsel to the Underwriters relating to the distribution of the Debentures and Additional Debentures.

(b) the Underwriters shall have received at the Closing Time a letter dated the Closing Date from the Auditors addressed to the Underwriters and the board of directors of the Issuer in form and substance satisfactory to the Underwriters, acting reasonably, confirming the continued accuracy of the comfort letter to be delivered to the Underwriters and the board of directors of the Issuer pursuant to Section 2.3(1)(c) with such changes as may be necessary to bring the information in such letter forward to within two Business Days of the Closing Date which changes shall be acceptable to the Underwriters, acting reasonably.

(c) in the event of any sales of Debentures or Additional Debentures within the United States in accordance with Section 2.7, the Underwriters shall have received at the Closing Time, an opinion of Dorsey & Whitney LLP, U.S. counsel to the Issuer, dated the Closing Date, in form and substance satisfactory to the Underwriters, acting reasonably, that no registration under the U.S. Securities Act is required for the offer, sale or delivery of the Debentures and Additional Debentures on the Closing Date to the Underwriters under this Agreement, or in connection with the initial resale of the Debentures and Additional Debentures by the Underwriters acting as principals through their U.S. broker-dealer affiliates.

(d) the Underwriters shall have received from the Issuer at the Closing Time certificates dated the Closing Date, signed by an appropriate officer of the Issuer addressed to the Underwriters and their counsel, with respect to the constating documents of the Issuer, all resolutions of the Issuer relating to the Debentures, the Over-Allotment Option, the Additional Debentures, the Underlying Shares, this Agreement, the Preliminary Prospectus, the Prospectus, the Wrap, the incumbency and specimen signatures of signing officers and with respect to such other matters as the Underwriters may reasonably request.

(e) the Underwriters shall have received at the Closing Time a certificate or certificates dated the Closing Date and signed on behalf of the Issuer by the Chief Executive Officer and the Chief Financial Officer of the Issuer or such other officers of the Issuer acceptable to the Underwriters, acting reasonably, addressed to the Underwriters certifying for and on behalf of the Issuer, and not in their personal capacity, to the best of the knowledge, information, and belief of such persons after having made due enquiry and after having carefully examined the Prospectus, that:

(i) since the respective dates as of which information is given in the Prospectus, as amended by any Prospectus Amendments, (A) there has been no material change (actual, anticipated, contemplated or threatened, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Issuer and its Material Subsidiaries, on a consolidated basis, and (B) no transaction has been entered into by any of the Issuer or any of its Material Subsidiaries which is material to the Issuer and its Material Subsidiaries, on a consolidated basis, other than as disclosed in the Prospectus or any Prospectus Amendments;

(ii) subsequent to the respective dates as at which information is given in the Prospectus, as amended by any Prospectus Amendments, no transaction out of the ordinary course of business and material to the Issuer has been entered into by the Issuer or its Material Subsidiaries or has been approved by the management of any of them, which has resulted or is likely to result in a material adverse change in the Issuer and its Material Subsidiaries, on a consolidated basis, other than as disclosed in the Prospectus or any Prospectus Amendments;

(iii) no order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Debentures, Additional Debentures or Underlying Shares or any other securities of the Issuer has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or to the best of the knowledge of such officers, are pending, contemplated or threatened under any of the Securities Laws or by any other regulatory authority;

(iv) the Issuer has duly complied with all the terms and conditions of this Agreement on its part to be complied with up to the Closing Time;

(v) the representations and warranties of the Issuer contained in this Agreement are true and correct as of the Closing Time with the same force and effect as if made at and as of the Closing Time after giving effect to the transactions contemplated by this Agreement;

(vi) all information and statements (except information and statements furnished in writing by or relating solely to the Underwriters for use therein) contained in the Prospectus (to the extent that such information and statements are not modified or superseded by statements deemed to be incorporated by reference in the Prospectus subsequent to the date of the Prospectus or by any Prospectus Amendment) as at the Closing Time, are true and correct in all material respects, contain no misrepresentation and constitute full, true and plain disclosure of all material facts relating to the Debentures, Additional Debentures and Underlying Shares, and no material fact has been omitted therefrom which is required to be stated or which is necessary to make any statements or information contained therein not misleading in the light of the circumstances in which they were made; and

(vii) such other matters as the Underwriters may reasonably request.

(f) in the event of any sales of Debentures or Additional Debentures within the United States in accordance with Section 2.7, if the Wrap does not contain the appropriate warning language, acceptable to the Underwriters, acting reasonably, concerning the passive foreign investment company ("**PFIC**") status of the Issuer, the Underwriters shall have received at the Closing Time a certificate dated the Closing Date and signed on behalf of the Issuer by the Chief Executive Officer and the Chief Financial Officer of the Issuer or such other officers of the Issuer acceptable to the Underwriters, acting reasonably, addressed to the Underwriters certifying for and on behalf of the Issuer, and not in their personal capacity, to the best of the knowledge, information, and belief of such persons after having made due enquiry, that the Issuer is not a PFIC under U.S. tax rules.

(g) the Underwriters shall have received at the Closing Time a certificate from the Transfer Agent dated the Closing Date and signed by an authorized officer of such transfer agent confirming the issued capital of the Issuer.

(h) the Underwriters shall have received certificates of status confirming the due existence of each of the Issuer and the Material Subsidiaries.

(i) the Indenture Supplement shall have been executed and delivered by the parties thereto on or prior to the Closing Time and the Indenture shall be, on the date thereof, in form and substance satisfactory to the Underwriters and each of the parties thereto shall have performed such of their obligations thereunder which are to be performed or completed at or prior to the Closing Time to the satisfaction of the Underwriters.

(2) The Underwriters shall have received the Underwriting Compensation in accordance with Section 4.2 and Article 6.

(3) The Issuer acknowledges and agrees that the conditions contained in this Article 5 will be complied with insofar as the same relate to acts to be preformed or caused to be performed by the Issuer and that it will use its best efforts to cause all such conditions to be complied with. The Issuer acknowledges and agrees that all conditions set out in this Article 5 are material terms and conditions of this Agreement and any breach or failure to comply with any such term or condition will entitle the Underwriters to terminate their obligations under this Agreement pursuant to Section 7.1(f) of this Agreement. It is understood that the Underwriters may waive, in whole or in part, or extend the time for compliance with, any such terms and conditions without prejudice to the rights of the Underwriters in respect of any such terms and conditions or any other or subsequent breach or non-compliance, provided that to be binding on an Underwriter any such waiver or extension must be in writing and signed by such Underwriter.

ARTICLE 6
FEES AND EXPENSES

6.1 Fees and Expenses

Whether or not the transactions contemplated by this Agreement shall be completed, all expenses of or incidental to the sale and delivery of the Offered Securities and all expenses of or incidental to all other matters in connection with the offering of the Offered Securities pursuant to the Prospectus shall be borne by the Issuer including, without limitation, all fees and disbursements of all legal counsel to the Issuer (including U.S., foreign and local counsel), all fees and disbursements of the Issuer's accountants and auditors, all printing costs incurred in connection with the offering of the Offered Securities, including preparation and printing of the Prospectus, the Wrap, Prospectus Amendments, all prospectus filing and other filing fees, all fees and expenses relating to listing the Offered Securities and the Underlying Shares on the TSX, all transfer agent fees and expenses and all fees and expenses in connection with sale and delivery of any Offered Securities; provided however that if the transactions contemplated by this Agreement are completed, the Underwriters shall be responsible for all reasonable out-of-pocket expenses incurred by them in connection with the offering of the Offered Securities and all fees and disbursements of their legal counsel (including U.S. counsel). If the transactions contemplated by this Agreement are not completed, other than by reason of default of the Underwriters, the Issuer shall reimburse the Underwriters for all reasonable out-of-pocket expenses, including, without limitation, any advertising, marketing, printing, courier, telecommunications, data searches, presentation, travel, entertainment and other expenses, incurred by them in connection with the offering of the Offered Securities and all fees and disbursements of all legal counsel to the Underwriters (including U.S. counsel), together with all related taxes (including, without limitation, harmonized sales taxes, provincial sales taxes and GST).

ARTICLE 7
EVENTS ENTITLING UNDERWRITERS TO TERMINATE

7.1 Termination Right

Any Underwriter shall be entitled, at its sole option, to terminate and cancel, without any liability on the part of the Underwriters, all of its obligations under this Agreement by notice to that effect delivered to the Issuer prior to or at the Closing Time, if:

(a) in the reasonable opinion of the Underwriters, there is a material change or a change in any material fact or new material fact shall have arisen or been discovered which has or would be expected to have, in the reasonable opinion of the Underwriter, a material adverse change or effect on the general condition, assets, liabilities, business, affairs, or profitability of the Issuer or on the market price or the value of the securities of the Issuer;

(b) there should develop, occur or come into effect any event of any nature (including without limitation, terrorism, accident, a new or change in any governmental law or regulation) or other condition or major financial occurrence of national or international consequence, which, in the reasonable opinion of the Underwriter (or any of them), seriously adversely affects or will seriously adversely affect the financial markets or the business operations or affairs of the Issuer and its Material Subsidiaries taken as a whole;

(c) any material inquiry, action, suit, proceeding or investigation (whether formal or informal) is commenced, announced or threatened which, in the reasonable opinion of the Underwriter, operates to prevent or restrict the issuance or trading of the securities of the Issuer;

(d) any order to cease trading in securities of the Issuer is made or threatened by a securities regulatory authority or the TSX;

(e) there shall have been, or shall have been announced by the appropriate governmental entity, any change or proposed change in the *Income Tax Act* (Canada) or other applicable legislation, the regulations thereunder, current administrative decisions or practices or court decisions or any other applicable tax rules which, in any such case, in the opinion of the Underwriter, would reasonably be expected to have a material adverse effect on the tax consequences associated with the purchase, holding or resale of the Offered Securities or Underlying Shares, on any distribution that will be made by the Issuer to the holders of the Offered Securities or Underlying Shares, or on the market price, value or marketability of the Offered Securities or Underlying Shares; or

(f) the Issuer is in breach of a material term, condition or covenant of this Agreement.

7.2 Remedies not Exclusive

The rights of termination contained in this Article 7 may be exercised by the Underwriters and are in addition to any other rights or remedies the Underwriters may have in respect of any default, misrepresentation, act or failure to act of the Issuer in respect of any matters contemplated by this Agreement.

7.3 No Liability

In the event of a termination of obligations under this Agreement by the Underwriters (or any of them) pursuant to this Article 7, there shall be no further liability on the part of the Issuer or on the part of the Underwriters (or any such terminating Underwriter) in respect of such obligations, except in respect of any liability that may have arisen under Articles 6 and 8 hereof.

ARTICLE 8
INDEMNIFICATION OF THE UNDERWRITERS

8.1 Basis for Indemnification

(1) The Issuer shall indemnify and save harmless each of the Underwriters, their respective subsidiary companies and each and every of the directors, officers, employees and shareholders of the Underwriters or their respective subsidiary companies (the "**Personnel**" and collectively, with the Underwriters and their respective subsidiary companies, the "**Indemnified Persons**") from and against any and all expenses, losses, claims, actions, damages or liabilities, joint or several (including the aggregate amount paid in reasonable settlement of any actions, suits, proceedings or claims and the reasonable fees and expenses of its counsel that may be incurred in advising with respect to and/or defending any claim) that may be made against the Underwriters or their respective subsidiary companies to which they may be subject or which they may suffer or incur, whether under the provisions of any statute or otherwise, and which are caused or incurred by or arise directly or indirectly by reason of or in consequence of:

(a) any information or statement (except any information or statement furnished in writing by or relating solely to the Underwriters or any of them) contained in the Preliminary Prospectus, the Prospectus, the Wrap and any Supplementary Material or in any certificate delivered by the Issuer pursuant to this Agreement containing a misrepresentation or being alleged to contain a misrepresentation, being untrue or alleged to be untrue, or by reason of the omission or alleged omission to state therein any material fact or information (except facts or information furnished in writing by or relating solely to the Underwriters or any of them and that is provided by the Underwriters for inclusion in the Preliminary Prospectus, the Prospectus, the Wrap or any Supplementary Material) required to be stated therein, or necessary to make any of the statements or information contained therein not misleading in light of the circumstances in which they were made;

(b) any order made or enquiry, investigation or proceedings commenced or threatened by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or alleged omission or any misrepresentation or alleged misrepresentation (except a statement or omission or alleged statement or omission relating solely to the Underwriters and that is provided by the Underwriters in writing for inclusion in the Preliminary Prospectus, the Prospectus, the Wrap or any Supplementary Material) contained in any part of the Preliminary Prospectus, the Prospectus, the Wrap and any Supplementary Material or based upon any failure to comply with applicable Securities Laws (other than any failure to comply by the Underwriters), preventing or restricting the trading in or the sale or distribution of the Offered Securities in any of the Offering Jurisdictions;

(c) any breach of any representation or warranty made by the Issuer in this Agreement; or

(d) the failure by the Issuer to comply with any applicable requirement of the Securities Laws or any regulation thereunder of any of the Offering Jurisdictions or in the United States in connection with the transactions contemplated by this Agreement.

(2) The Issuer hereby waives its right to recover contribution from the Underwriters with respect to any liability of the Issuer by reason of or arising out of any misrepresentation in the Preliminary Prospectus, the Prospectus, the Wrap and any Supplementary Material (except in relation to any misrepresentation relating solely to the Underwriters and that is provided in writing by the Underwriters for inclusion in any of such documents).

(3) The Issuer agrees that in case any legal proceedings or investigation shall be brought against or initiated against the Issuer by any governmental commission, regulatory authority, exchange, court or other authority and an Indemnified Person or other representative of any of the Underwriters shall be required to testify or respond to procedures designed to discover information regarding, in connection with or relating to the performance of professional services rendered to the Issuer by one or more of the Underwriters, the Issuer shall pay the Underwriters the reasonable costs (including an amount to reimburse the Underwriters for the time spent by their personnel in connection therewith on a per diem basis and out of pocket expenses) in connection therewith unless such proceedings or investigations shall be brought or initiated as a result of any gross negligence, fraud, fraudulent misrepresentation or willful misconduct of the Underwriters, or any of its affiliates.

(4) The Issuer also agrees that the Indemnified Person shall not have any liability (whether direct or indirect to, in contract or tort or otherwise) to the Issuer or any person asserting claims on behalf of or in right of the Issuer for or in connection with the Offering contemplated by this Agreement except to the extent any losses, expenses, claims, actions, damages or liabilities incurred by the Issuer are determined by a court of competent jurisdiction in a final judgment that has become non-appealable to have resulted primarily from the gross negligence, fraud, fraudulent misrepresentation or willful misconduct of such Indemnified Person (provided that for greater certainty, an Underwriter's failure to conduct such reasonable investigation as to provide reasonable grounds for a belief that the Prospectus contained no misrepresentation (or, colloquially, to permit the Underwriter to sustain a "due diligence defence" under Securities Laws) shall not constitute "gross negligence" for purposes of this section or otherwise disentitle an Indemnified Person from claiming indemnification). Neither the Issuer nor the Underwriters will, without the other party's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, suit, proceeding, investigation or claim in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, suit, proceeding, investigation or claim.

8.2 Notification of Claims

If any matter or thing contemplated by this Article 8 shall be asserted in writing against any one or more of the Indemnified Persons, such Indemnified Person shall notify the Issuer and the Lead Underwriter in writing as soon as possible of the nature of such claim (provided that any failure to so notify shall not affect the Issuer's liability under this section except to the extent the Issuer has actually been prejudiced as a result of the failure to notify) and the Issuer shall: (i) be entitled (but not required) after written notice to the Underwriters, to assume the defence of any suit brought to enforce such claim, including the employment of counsel (satisfactory to such Indemnified Person, acting reasonably); and (ii) assume payment of expenses in relation thereto. Any Indemnified Person shall have the right to employ separate counsel in any case and to participate in the defence thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Person unless:

(a) the employment of such counsel has been specifically authorized in writing by the Issuer in connection with the defence of such action or claim;

(b) the Issuer has not, within 20 days after receiving written notice, employed counsel to have charge of the defence of such action;

(c) the named parties to such action or claim include both the Issuer and the Indemnified Person and the Indemnified Person has been advised by its counsel that there are legal defences available to the Indemnified Person that are different from or in addition to those available to the Issuer, or that a conflict of interest exists which makes representation by counsel chosen by the Issuer not advisable (in which event the Issuer shall not have the right to assume or direct the defence of such action or claim on behalf of the Indemnified Person); or

(d) there are one or more defences available to the Indemnified Person which are different from or in addition to those available to the Issuer; in any of which events such reasonable fees and expenses of counsel shall be borne by the Issuer, provided that in no event shall the Issuer be required to pay the fees and expenses of more than one firm of counsel for all of the Indemnified Persons and, in addition, one set of local counsel in each applicable jurisdiction, with respect to any claim or set of related claims. Notwithstanding the foregoing, no settlement may be made by the Indemnified Person concerned or by the Issuer without the prior written consent of the other, which consent shall not be unreasonably withheld.

8.3 Claim for Payment

The Issuer waives any right it may have of first requiring an Indemnified Person to proceed against or enforce any other right, power, remedy or security or to claim payment from any other person before claiming under the indemnity provided for in this Article 8. It is not necessary for an Indemnified Person to incur expense or make payment before enforcing such indemnity.

8.4 Underwriters as Trustee

It is the intention of the Issuer to constitute the Underwriters as trustees for the Indemnified Persons with respect to the covenants of the Issuer under this Article 8 and the Underwriters agree to accept such trust and to hold and enforce such covenants on behalf of such persons.

8.5 Contribution

(1) In order to provide for just and equitable contribution in circumstances in which the indemnity provided in this Article 8 is due in accordance with its terms but is, for any reason, held to be unavailable to or unenforceable by any one or more of the Indemnified Persons seeking to avail themselves of or to enforce such indemnity or is enforceable otherwise than in accordance with its terms, to the extent permitted by applicable law, the Issuer and the Indemnified Persons shall contribute to the aggregate of all liabilities of the nature contemplated in this Article 8 and suffered or incurred by the Indemnified Persons:

(a) in respect of the Offered Securities, in such proportions so that the Indemnified Persons are responsible for the aggregate portion thereof represented by the percentage that (i) the Underwriting Fee bears to the aggregate purchase price of the Debentures and Additional Debentures, and (ii) the Issuer shall be responsible for the balance whether or not it has been sued separately; or

(b) if the allocation provided by Section 8.5(1)(a) above is not permitted by applicable law, in such proportions as are appropriate to reflect not only the relative benefits referred to in Section 8.5(1)(a) above but also the relative fault of the Issuer on the one hand and of the Underwriters on the other hand, in connection with the statements or omissions which resulted in such liabilities as well as any other relevant equitable considerations. The relative benefits received by the Issuer on the one hand and the Underwriters on the other hand, shall be deemed to be in the same proportion that the total net proceeds from the Offering (before deducting expenses) received by the Issuer in respect of the Debentures and Additional Debentures, if any, bears to the total fees in respect of the Debentures and Additional Debentures, if any. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer or by the Underwriters, as the case may be, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by a party as a result of the liability referred to in the preceding sentence shall be deemed to include any legal or other expenses reasonably incurred by such party in connection with investigating or defending any action or claim which is the subject of this Article 8.

(2) Notwithstanding the foregoing, no party who has been determined by a court of competent jurisdiction in a final judgment to have engaged in any fraud, fraudulent misrepresentation, willful misconduct or gross negligence shall be entitled to claim contribution or indemnity from any person who has not also been determined by a court

of competent jurisdiction in a final judgment to have engaged in such fraud, fraudulent misrepresentation, willful misconduct or gross negligence.

8.6 Limit on Contribution

In the event that the Issuer may be held to be entitled to contribution from the Indemnified Persons under the provisions of any statute or otherwise pursuant to applicable law, and provided the applicable Indemnified Persons are not determined by a court of competent jurisdiction in a final judgment to be guilty of fraud, fraudulent misrepresentation or gross negligence, the Issuer shall be limited to receiving contribution in an amount not exceeding the lesser of:

(a) the portion for which the Indemnified Persons are responsible, as determined in Section 8.5 hereof, of the full amount of the loss or liability giving rise to such contribution; and

(b) the aggregate amount of the Underwriting Fee actually received by the Underwriters hereunder.

8.7 Waiver of Contribution

Except as expressly provided herein, the Issuer hereby waives all rights which it may have by statute or common law to recover contribution from any Underwriter in respect of losses, claims, costs, damages, expenses or liabilities which the Issuer may suffer or incur directly or indirectly (in this section, “losses”) by reason of or in consequence of any document or material filed or delivered under this Agreement which contains or is alleged to contain a misrepresentation; provided, however, that such waiver shall not apply in respect of losses by reason of or in consequence of any misrepresentation which is based upon or results from any information or statement furnished in writing by or relating solely to the Underwriter or any of them.

ARTICLE 9
SURVIVAL OF OBLIGATIONS

9.1 Survival of Obligations

The obligations under Section 2.11(2), Article 6 and Article 8 of this Agreement shall apply whether or not the transactions contemplated by this Agreement are completed and shall survive the completion of the transactions contemplated under this Agreement and the termination of this Agreement. For greater certainty, all of the obligations under Section 2.11(2), Article 6 and Article 8 shall survive the completion of the transactions contemplated under this Agreement.

ARTICLE 10
NOTICES GENERALLY

10.1 Notices

Any notice or other communication to be given hereunder shall be in writing and may be given by email or by personal delivery by courier to a responsible officer of the party to whom notice is given and shall:

(a) in the case of notice to the Issuer, be addressed to:

KILLAM PROPERTIES INC.
Suite 100, 3700 Kempt Road
Halifax NS B3K 4X8

Attention: Philip Fraser
Email: pfraser@killamproperties.com

with a copy to:

BENNETT JONES LLP
4500 Bankers Hall East
855 2nd Street SW
Calgary, AB T2P 4K7

Attention: Ronald Barron
Email: BarronR@bennettjones.com

(b) in the case of notice to the Underwriters, be addressed to:

RBC DOMINION SECURITIES INC.
200 Bay Street, Suite 400, North Tower
Toronto, ON M5J 2W7

Attention: William Wong
Email: william.wong@rbccm.com

with a copy to:

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place
Toronto, ON M5X 1B8

Attention: Chris Murray
Email: cmurray@osler.com

Each communication shall be personally delivered to the addressee or sent by email transmission to the addressee and, if delivered or transmitted by facsimile before 4:00 p.m. (Halifax time) on a Business Day, shall be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is delivered or transmitted by facsimile. The Issuer and the Underwriters may change their respective address for notices by notice given in the manner aforesaid.

ARTICLE 11
UNDERWRITERS OBLIGATIONS

11.1 Obligations of the Underwriters to be Several

(1) Subject to the terms and conditions of this Agreement, the obligation of the Underwriters to purchase the Debentures and Additional Debentures, if any, will be several and not

joint. The percentage of the Debentures and Additional Debentures, if any, to be severally purchased and paid for by each of the Underwriters will be as follows:

RBC Dominion Securities Inc.	30.0%
BMO Nesbitt Burns Inc.	13.0%
CIBC World Markets Inc.	13.0%
Scotia Capital Inc.	13.0%
TD Securities Inc.	13.0%
Canaccord Genuity Corp.	7.0%
Dundee Securities Ltd.	4.0%
Macquarie Capital Markets Canada Ltd.	4.0%
Beacon Securities Limited	1.0%
Brookfield Financial Corp.	1.0%
GMP Securities L.P.	1.0%

(2) All steps which must or may be taken by the Underwriters in connection with this Agreement, with the exception of the matters relating to any waiver of a material condition under section 5.1(3), any termination contemplated by Article 7, or any notice, waiver or settlement of a claim under Article 8, may be taken by RBC on behalf of itself and the other Underwriters; provided however that if any one of the Underwriters elects to terminate its obligations under this Agreement in accordance with Article 7, RBC shall have the right but not the obligation to assume such Underwriter's obligations under this Agreement in consideration of such Underwriter's allocation of the Underwriting Fee set out in Section 4.2. The Issuer's execution of this Agreement shall constitute the Issuer's authority for accepting notification of any such steps from, and for delivering the definitive documents constituting the Debentures and Additional Debentures, if any, to, or to the order of, RBC.

ARTICLE 12
COVENANT OF THE ISSUER

12.1 Covenant of the Issuer

The Issuer will not, directly or indirectly, without prior written consent of RBC, on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed, 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 at any time prior to 90 days after the Closing Date, excluding shares issued: (i) upon conversion of the Issuer's outstanding convertible debentures, (ii) upon conversion of the Debentures and Additional Debentures, if any, (iii) on exercise of any outstanding warrants, options or restricted share units, (iv) through the Issuer's existing share option plans, restricted share unit plan and other existing compensation and incentive plans, (v) through the Issuer's existing dividend reinvestment plan, (vi) as partial consideration for the acquisition of real property or assets from an arm's length vendor.

ARTICLE 13
GENERAL

13.1 Miscellaneous

(1) This Agreement may be executed in any number of counterparts, each of which when executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

(2) The respective indemnities, agreements, representations, warranties and other statements of the Issuer, as set forth in this Agreement (and in any certificate delivered pursuant to this Agreement) or made by or on behalf of it, pursuant to this Agreement, shall remain in full force and effect for a period of one year from the date hereof, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Underwriters and shall survive delivery of and payment for the Debentures and Additional Debentures, if any, and the termination of the Underwriters' obligations hereunder.

(3) This Agreement constitutes the only agreement between the parties with respect to the subject matter hereof and shall supersede any and all prior negotiations and understandings including the Engagement Letter. This Agreement may be amended or modified in any respect by written instrument only.

(4) The parties hereto shall do or cause to be done all such acts and things and shall execute or cause to be executed all such documents, agreements and other instruments as may reasonably be necessary or desirable for the purposes of carrying out the provisions and intent of this Agreement.

13.2 No Fiduciary Duty

The Issuer hereby acknowledges that (i) the sale of the Debentures pursuant to this Agreement is an arm's-length commercial transaction between the Issuer on the one hand, and the Underwriters and any affiliate through which they may be acting to effect sales, on the other, (ii) such Underwriters are acting as principal and not as an agent or fiduciary of the Issuer and (iii) the Issuer's engagement of such Underwriters in connection with the sale of the Debentures and the process leading up to the sale of the Debentures is as independent contractors and not in any other capacity. Furthermore, the Issuer agrees that it is solely responsible for making its own judgments in connection with the sale of the Debentures (irrespective of whether any of such Underwriters has advised or is currently advising the Issuer on related or other matters). The Issuer agrees that it will not claim that such Underwriters have rendered advisory services of any nature or respect, or owe an agency, fiduciary or similar duty to Issuer in connection with such transaction or the process leading thereto.

[The remainder of this page was intentionally left blank]

If the foregoing is in accordance with your understanding and is agreed to by you, please signify your acceptance by executing the enclosed copies of this letter where indicated below and returning the same to RBC upon which this letter as so accepted shall constitute an agreement among us.

RBC DOMINION SECURITIES INC.

By: *"William Wong"*
Name: William Wong
Title: Managing Director

BMO NESBITT BURNS INC.

By: *"Derek Dermott"*
Name: Derek Dermott
Title: Managing Director

CIBC WORLD MARKETS INC.

By: *"Mark G. Johnson"*
Name: Mark G. Johnson
Title: Managing Director

SCOTIA CAPITAL INC.

By: *"Stephen Sender"*
Name: Stephen Sender
Title: Managing Director

TD SECURITIES INC.

By: *"David Bloomstone"*
Name: David Bloomstone
Title: Vice President & Director

CANACCORD GENUITY CORP.

By: *"Justin Bosa"*
Name: Justin Bosa
Title: Managing Director

DUNDEE SECURITIES LTD.

By: *"Onorio Lucchese"*
Name: Onorio Lucchese
Title: Managing Director

MACQUARIE CAPITAL MARKETS CANADA LTD.

By: *"John Bartkiw"*
Name: John Bartkiw
Title: Managing Director

By: *"Ronald Rimer"*
Name: Ronald Rimer
Title: Executive Director

BEACON SECURITIES LIMITED

By: *"Jane M. Smith"*
Name: Jane M. Smith
Title: President

BROOKFIELD FINANCIAL CORP.

By: *"Mark Murski"*
Name: Mark Murski
Title: Partner

GMP SECURITIES L.P.

By: *"Andrew Kiguel"*
Name: Andrew Kiguel
Title: Managing Director

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Acknowledged and agreed as of the date first written above.

KILLAM PROPERTIES INC.

By: *"Philip D. Fraser"*

Name: Philip D. Fraser

Title: President
& Chief Executive Officer

By: *"Robert G. Richardson"*

Name: Robert G. Richardson

Title: Executive Vice President
& Chief Financial Officer

SCHEDULE "A"
UNDERWRITERS CERTIFICATE

In connection with the private placement in the United States of convertible unsecured subordinated debentures (the "**Debentures**") of Killam Properties Inc. (the "**Issuer**") pursuant to the underwriting agreement dated May 18, 2011 among the Issuer and the Underwriters named therein (the "**Underwriting Agreement**"), each of the undersigned does hereby certify as follows:

1. **[Name of U.S. broker-dealer Affiliate]** is a duly registered broker or dealer with the United States Securities and Exchange Commission and is a member of and in good standing with the Financial Industry Regulatory Authority on the date hereof;

2. each offeree was provided with a copy of the preliminary and final U.S. private placement memorandum (the "**Wrap**"), including the Canadian preliminary prospectus dated May 18, 2011 or the Canadian final prospectus dated May 26, 2011, as the case may be, for the offering of the Debentures in the United States and, in the case of the Wrap including the Canadian preliminary prospectus, that document was provided to each offeree purchasing Debentures prior to the time that such offeree made an investment decision to purchase any Debentures;

3. all offers and sales of the Debentures in the United States were made to institutional "accredited investors", satisfying one or more of the criteria set forth in Rule 501 (a)(1), (2), (3) or (7) under the United States Securities Act of 1933, as amended ("**Institutional Accredited Investors**") or to "qualified institutional buyers", as defined in Rule 144A ("**Qualified Institutional Buyers**");

4. immediately prior to our transmitting such Wrap to such offerees, we had reasonable grounds to believe and did believe that each offeree was, and continue to believe that each such offeree who is in the United States is a Qualified Institutional Buyer or an Institutional Accredited Investor;

5. no form of general solicitation or general advertising (as those terms are used in Regulation D) was used by us, including advertisements, articled, notices or other communications published on the internet or in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer or sale of the Debentures in the United States;

6. the offering of the Debentures in the United States has been conducted by us in accordance with terms of the Underwriting Agreement; and

7. prior to any sale of Debentures in the United States to Institutional Accredited Investors, we caused each such purchaser in the United States to execute and deliver a Purchaser's Letter in the Form of Exhibit A to the Wrap.

Unless otherwise defined, terms used in this certificate have the meaning given to them in the Underwriting Agreement.

Dated this _______ day of ____________________, 2011.

[UNDERWRITER] [U.S. BROKER-DEALER AFFILIATE]
By:
Name:
Title: