

OFFERING MEMORANDUM

CANVEST CAPITAL II LIMITED PARTNERSHIP UNITS

Date: May 31st, 2005

The Issuer:

Name: Canvest Capital II Limited Partnership (the "Partnership")

Head Office: 400, 1111 – 11th Avenue S.W., Calgary, Alberta T2R 0G5
Phone #: (403) 229-1111
Fax: (403) 245-0569

Currently listed or quoted? No
Reporting Issuer? No
SEDAR filer? No

The Offering

Securities offered: Up to 50,000 limited partnership units (the "Units") each Unit entitling a purchaser to an undivided interest in the Partnership in accordance with the terms of the Canvest Capital II limited partnership Agreement.

Price per security: \$1,000 per Unit with a minimum subscription from each purchaser of five (5) Units. The purchase of Units may be financed by way of a time payment plan secured by a promissory note from the purchaser. See Item 5 "Securities Offered".

Minimum/maximum offering: \$0.00 minimum/\$50,000,000 maximum.

You may be the only purchaser

Payment terms: Cheque, bank draft or promissory note for the total dollar amount subscribed for by the purchaser (number of Units x \$1,000 per Unit), payable to the Canvest Management Corp., as General Partner, to be submitted together with an executed copy of the Subscription Agreement provided to the purchaser with this Offering Memorandum.

Proposed closing date(s): It is anticipated that the offering will close in stages from time-to-time as sufficient Units have been sold to warrant a Closing.

Tax Consequences: There are important tax consequences to these securities. See Item 6.

Selling Agent? Yes. See Item 7.

Resale restrictions

You will be restricted from selling your securities for an indefinite period. See Item 10.

Purchaser's rights

You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11.

NO SECURITIES REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THESE SECURITIES OR REVIEWED THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS IS A RISKY INVESTMENT. SEE ITEM 8.

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

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DEFINITIONS

In this Offering Memorandum, except as otherwise expressly provided or as the context otherwise requires, the following words and phrases have the following meanings:

"Acquisition Management Fee" means a charge of up to 5% of the purchase price of any building or property, calculated and payable by the Partnership to the General Partner at the closing of the purchase of any building or property (see 2.6(a)(ii) – Services as Manager);

"Administration Fee" means a one-time charge of up to \$500 payable by the Partnership to its legal counsel on a per Subscriber basis irrespective of the number of Units subscribed representing the costs and charges including Unit preparation, registration and administration;

"Affiliates" means a corporation owned or controlled by the General Partner;

"Bond Offering" means the joint offering of 7% Series "B" unsecured bonds by the Bondcos which offering is being made contemporaneously with this Offering;

"Bond Offering Memorandum" means the private placement offering memorandum dated May 31, 2005, which describes the joint Bond Offering of the Bondcos as amended from time-to-time;

"Bondcos" means a joint reference to Brazeau Enterprises Corp. and Brazeau Ventures Corp.;

"Bondco Loans" means loans which will be made to the Partnership by the Bondcos from the proceeds of the Bond Offering;

"Corporate Finance Fee" means a charge equal to 1.5% of the gross proceeds raised by the Partnership by the Offering and payable by the Partnership to the General Partner on each closing of the sale of Units;

"Financing Management Fee" means a charge equal to 4% of the refinancing proceeds of any Mortgage Financing and payable by the Partnership to the General Partner at the closing of the refiancing of each building or property;

"General Management Fee" means an annual management fee equal to 1.5% of the product of the number of Units outstanding multiplied by the average Subscription Price per Unit calculated quarterly based upon the Units subscribed for in total to that date as at the end of each calendar quarter and payable by the Partnership to the General Partner within fifteen (15) days of the end of each calendar quarter for the purpose of providing management services to the Partnership;

"General Partner" means Canvest Management Corp., a company validly subsisting under the laws of the Province of Alberta, or any person or corporation admitted to the Partnership as a successor to the General Partner;

"Investor Relations Fee" means an annual fee of one tenth of 1% of the product of the number of Units outstanding multiplied by the average Subscription Price per Unit calculated quarterly based upon the Units subscribed for in total to that date as at the end of each calendar quarter and payable by the Partnership to the General Partner within fifteen (15) days of the end of each calendar quarter for the purpose of establishing and maintaining ongoing investor relations and Partner relations information;

"Limited Partner" means each person who is admitted to the Partnership as a Subscriber for, or by succession to, or as an assignee of, a Unit, and includes the General Partner in respect of Unit(s) held by it;

"Mortgage Financing" means loans obtained by the Partnership from third parties, other than Bondcos, which loans are secured by the Partnership's commercial real estate property interests;

"Note" means a promissory note in the form contained in Attachment I to Schedule "A" hereto issued by a Subscriber to the Partnership in connection with a subscription for Units in which payment of the aggregate Subscription Price is financed over time;

"Offering" means the offering and sale of Units by the Partnership pursuant to this Offering Memorandum;

"Offering Memorandum" means this confidential Offering Memorandum of the Partnership, as amended from time to time;

"Partner" means the General Partner or any Limited Partner;

"Partnership" means the Canvest Capital II Limited Partnership, a limited partnership created pursuant to the *Partnership Act* under registration number 11667771 and the Partnership Agreement;

"Partnership Act" means the *Partnership Act* (Alberta), as amended from time to time;

"Partnership Agreement" means the agreement of limited partnership dated April 26, 2005, as amended from time-to-time by and among the General Partner and each person admitted to the Partnership as a Limited Partner which governs the rights and obligations of the Partners;

"Sharing Ratio" means the ratio of the number of Units held by one Limited Partner to the aggregate number of Units held by all Limited Partners;

"Subscriber" means a person who, with respect to a Unit, has duly executed and delivered to the General Partner a Subscription Agreement which has been accepted by the General Partner;

"Subscription Agreement" means the subscription and power of attorney form contained in Schedule "A" to this Offering Memorandum;

"Subscription Date" means, with respect to Units subscribed for by a Subscriber, the date upon which the Subscription Agreement for such Units is completed and delivered by such Subscriber notwithstanding the date upon which such Subscription Agreement is accepted by the General Partner pursuant to the Partnership Agreement;

"Subscription Price" means the purchase price for the Units subscribed for being One Thousand (\$1,000) Dollars per Unit multiplied by the number of Units purchased by a Subscriber;

"Tax Act" means the *Income Tax Act* (Canada), as from time to time amended;

"Unit" or "Units" means one or more of limited partnership units issued by the Partnership entitling a Limited Partner to a proportionate undivided interest in the Partnership based on a Limited Partner's Sharing Ratio in accordance with the provisions of the Partnership Agreement.

Words importing the masculine shall be interpreted to include the feminine or neuter and the singular will include the plural and vice versa where the context so requires.

All sums of money to be paid or calculated pursuant to this Offering Memorandum shall be paid or calculated in currency of Canada unless otherwise expressly stated.

Item 1 Use of Net Proceeds

1.1 *Net Proceeds*

The gross proceeds to be derived by the Partnership from the sale of Units will aggregate \$50,000,000 if the Offering is fully subscribed. **This Offering, however, is not subject to any minimum subscription level and therefore, save and except as set out in Item 11 "Purchasers' Rights", any funds received from you are available to the Partnership and need not be refunded to you.**

		Assuming min. Offering	Assuming max. Offering
A	Amount to be raised by this Offering	\$0.00	\$50,000,000
B	Selling commissions and fees	\$Nil	\$5,750,000 ⁽¹⁾
C	Estimated offering costs (e.g. legal, accounting, audit)	\$60,000	\$60,000 ⁽²⁾⁽³⁾
D	Net proceeds: D = A – (B+C)	<\$60,000>	\$44,190,000

- (1) Commission of up to 10% of gross proceeds payable to selling agents or as finder's fees. Corporate Finance Fee payable to General Partner of 1.5% of gross proceeds.
- (2) Arthur M. Szabo, the President and Director of the General Partner is a principal in the law firm of Szabo & Company which firm may provide the Partnership with legal services subsequent to the Offering respecting ongoing Partnership operations for fees in varying amounts dependant upon utilization of such services by the Partnership.
- (3) The Partnership will pay its legal counsel a one-time Administration Fee of up to \$500 per subscriber to process the subscription, issue unit certificates and generally effect the issuance of units for such Subscribers. This has not been accounted for in the table as the number of actual Subscribers is an unknown variable.

1.2 Use of Net Proceeds

Description of intended use of available funds listed in order of priority	Assuming min. Offering	Assuming max. Offering
- Selling commissions and corporate finance fees.	\$Nil	\$5,750,000
- Estimated third party Offering costs (including legal, accounting, etc.)	\$60,000	\$60,000
- Corporate Finance Fee payable to Bondcos	\$Nil	\$1,000,000 ⁽¹⁾
- Purchase of Canadian commercial real estate and business operations and working capital	\$Nil	\$43,190,000 ⁽²⁾

- (1) Corporate Finance Fee up to \$500,000 to each of Brazeau Enterprises Corp. and Brazeau Ventures Corp. pursuant to the Loan Facility Agreements entered into by the Partnership with each of these corporations. See Item 2.6 "Material Agreements".
- (2) The General Partner will charge various fees for different aspects of the management of the business of the Partnership – see Item 2.6 "Material Agreements"

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

1.4 Working Capital Deficiency

The Partnership does not have a working capital deficiency as of the date of this Offering.

Item 2 Business of Canvest Capital II limited partnership

2.1 Structure

a) Limited Partnership

The Partnership was formed on April 26, 2005 under the name "Canvest Capital II Limited Partnership" by a certificate of limited partnership filed pursuant to the provisions of the *Partnership Act* under registration number 11667771. The General Partner for the Partnership is Canvest Management Corp., a private Alberta corporation.

b) General Partner

The General Partner for the Partnership is Canvest Management Corp. which was incorporated by Certificate of Incorporation Number 2011667546 on April 26, 2005 pursuant to the provisions of the *Business Corporations Act* (Alberta). The General Partner is owned 40% by Luxor Management Corp., 40% by Quinterra Capital Inc. and 20% by

third parties (these relative percentage ownership ratios may vary from time to time). See Item 3 – “Directors, Management, Promoters and Principal Holders” for further details regarding the General Partner.

2.2 *Our Business*

The Partnership has been established for the purpose of owning and operating interests in a diversified portfolio of high quality income-producing commercial and industrial real estate properties in Canada (or proportionate interests in such properties).

All properties will be purchased at prices and on terms negotiated with arm’s length third party vendors. In some cases, the properties will be acquired pursuant to agreements of purchase and sale entered into by the General Partner or Affiliates of the General Partner with arm’s length third party vendors, which will be assigned by the General Partner and/or the Affiliates to the Partnership. The General Partner will focus on purchasing properties which in the opinion of the General Partner are currently priced or operating below their full potential.

2.3 *Development of Business*

The Partnership was formed by registration pursuant to the *Partnership Act* on April 26, 2005 and the General Partner was incorporated pursuant to the *Business Corporations Act* (Alberta) on April 26, 2005. Neither the Partnership nor the General Partner has an operating history.

2.4 *Long Term Objectives*

The primary long term objectives of the Partnership are to provide for:

1. investment in a diversified portfolio of positive cash flowing, high quality commercial and industrial real estate properties;
2. an annual cash flow distribution to Limited Partners; and
3. the potential for long-term growth of capital through value added property enhancements and growth in leasing rates.

The General Partner has targeted the total gross internal rate of return to purchasers of Units over the investment period to be in the range of 10% to 15%, and intends to compile a portfolio of income-producing properties to achieve this goal. However, given the risks of real estate investment generally, there is no guarantee that this target return on investment will be achieved. See Item 8 “Risk Factors”.

2.5 *Short Term Objectives and How We Intend to Achieve Them*

The Partnership’s objectives during the next twelve months are:

- (a) to continue to raise subscriptions for Units;
- (b) to purchase commercial and industrial real estate properties sufficient to utilize the full amount made available to the Limited Partnership by way of subscriptions for Units.

To achieve the objectives set out above, the Partnership intends to acquire a diversified portfolio of high quality, cash flowing real estate located in strong growth areas throughout Canada. The asset mix will be weighted by location and product type with a goal of producing higher than average cash flow to investors while maintaining a conservative overall portfolio balance.

2.6 *Material Agreements*

The Partnership has not entered into any material contracts since the date of its formation other than contracts entered into in the ordinary course of business, except as disclosed below and elsewhere in this Offering Memorandum:

- Canvest Capital II limited partnership Agreement dated April 26, 2005;
- Loan Facility Agreement between the Partnership and Brazeau Enterprises Corp. dated May 15, 2005;
- Loan Facility Agreement between the Partnership and Brazeau Ventures Corp. dated May 15, 2005;
- Management and Administration Agreement with Luxor Management Corp. and Quinterra Capital Inc. dated April 15, 2005.

(a) Limited Partnership Agreement

The rights and obligations of the General Partner and the Limited Partners are governed by the Partnership Agreement, the *Partnership Act* (Alberta) and applicable legislation in the jurisdictions in which the Partnership will carry on business. The following statements concerning the Partnership Agreement summarize only some of its provisions and do not purport to be complete. A complete copy of the Partnership Agreement is available for inspection at the Partnership's head office at #400, 1111 - 11th Avenue S.W., Calgary, Alberta T2R 0G5 during ordinary business hours throughout the period of this Offering and for 30 days thereafter. Reference should be made to the Partnership Agreement and to the *Partnership Act* (Alberta) for complete details of these and other provisions.

(i) Management

The General Partner has full power and authority to administer, manage, control and operate the business of the Partnership and, where appropriate, to hold title to the property of the Partnership whether directly or through Affiliates. The General Partner is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Limited Partners and to exercise the care, diligence and skill of a prudent and qualified person. No Limited Partner is permitted to take part in the management of the business of the Partnership. See Item 3 "Directors, Management, Promoters and Principal Holders" for further details regarding the General Partner's power and authority to manage the Partnership.

(ii) Services as Manager

The General Partner will receive from the Partnership an Acquisition Management Fee being an amount equal to five percent (5%) of the gross purchase price of any property or building acquired by the Partnership, subject to a minimum fee of One Hundred Thousand (\$100,000.00) Dollars and a maximum fee of Two Hundred Thousand (\$200,000.00) Dollars for each purchase. The General Partner will also receive a Financing Management Fee calculated as the amount equal to four percent (4%) of any Mortgage Financing. Additionally, annually, the General Partner will receive the General Management Fee to manage the business affairs of the Partnership and the Investor Relations Fee to be used to establish and maintain a program to provide investor relations information to the Partners.

(iii) Term

The Partnership was formed as of April 26, 2005 and became a limited partnership under the laws of Alberta on that date in accordance with the *Partnership Act* (Alberta). The Partnership will be dissolved on the earliest of:

- (a) the end of its 99th fiscal period;

- (b) a date determined and approved by the General Partner and approved by extraordinary resolution of the Limited Partners; and
- (c) 180 days after the deemed resignation of the General Partner on the bankruptcy, insolvency, dissolution, liquidation or winding-up of the General Partner, or the commencement of any act or proceeding in connection therewith which is not contested in good faith by the General Partner, or the appointment of a trustee, receiver or receiver-manager of the affairs of the General Partner, unless within that 180 day period a new General Partner is admitted to the Partnership.

On or before December 31, 2010 the General Partner will call a general meeting of the Limited Partners to review the then status and value of the Partnership's assets and consider one or more possible liquidity options including, without limitation, the feasibility of the Partnership exchanging its assets for securities of a publicly traded company, trust or other investment vehicle with a value equal to the fair market value of the Partnership assets and the possibility of distributing such securities to the Limited Partners on a tax effective basis, if possible. However, the feasibility and form of any such transaction, and the tax consequences associated with it, can only be ascertained with any degree of certainty at the time such transaction is proposed.

(iv) Limited Partners

A person who subscribes for or purchases a Unit does not become a Limited Partner and is not entitled to any of the rights of a Limited Partner or to share in any allocations or distributions made by the Partnership until the name of that person is entered on the Partnership's Register of Limited Partners. The General Partner will cause the register to be amended from time to time as required to reflect the admission of additional and substitute Limited Partners to the Partnership. Each Unit entitles the holder to the same rights and obligations as the holder of any other Unit and no Subscriber is entitled to any privilege, priority, or preference in relation to any other Subscriber.

(v) Capitalization and Capital Contributors

See Item 5 "Securities Offered" for a description of the capital of the Partnership.

(vi) Allocations and Distributions by the Partnership

See Item 5 "Securities Offered" for description of the material provisions of the Partnership Agreement relating to allocation and distributions to the Partners.

(vii) Limited Liability of Limited Partners

The General Partner has unlimited liability for the debts, liabilities and obligations of the Partnership to the extent that they exceed the value of the assets of the Partnership. The General Partner will indemnify each Limited Partner from all loss, liability and expense suffered or incurred by the Limited Partner by reason that liability of the Limited Partner is not limited. The General Partner has limited financial resources, which may affect its obligation to indemnify Limited Partners. See Item "Risk Factors - Financial Resources of the General Partner". The liability of each Limited Partner for the debts, liabilities and obligations of the Partnership is limited to the amount of unpaid Subscription Price, if any, in respect of each Unit held by such Limited Partner, any undistributed income, any repayment of capital and any distributions of income to the extent capital is reduced, with interest.

(viii) Accounting and Reporting

See Item 9 "Reporting Obligations" for a description of the documents that will be sent to Limited Partners on an annual or ongoing basis.

(ix) Meetings

The General Partner will call an annual meeting of Partners to be held as soon as practical after March 31 of each year, but in any event no later than December 31, in each year. Meetings may also be called by the General Partner or on the requisition of Limited Partners holding in the aggregate 50% or more of the outstanding Units. Notice of not less than 21 days or more than 70 days is to be given for each meeting. All meetings of Partners are to be held at a location in British Columbia or Alberta selected by the General Partner or the person calling the meeting. A Limited Partner may attend a meeting of the Partners in person or by proxy or, in the case of a corporate Limited Partner, by a representative. A quorum is two individuals present in person at the commencement of the meeting holding or representing by proxy 20% or more of the Units outstanding. If a quorum fails to appear at a duly called meeting that was requisitioned by Limited Partners, the meeting will be terminated. If such meeting was called by the General Partner, it will be reconvened at the same time and, if available, the same place on the same day in the following week. At the reconvened meeting the quorum for the meeting and for any specific resolution to be passed at such meeting will consist of the Partners then present in person or represented by proxy at such reconvened meeting.

Each Unit entitles the holder to one vote. If the General Partner or Affiliate is the holder of a Unit, the General Partner or the Affiliate will be entitled to vote in respect of such Unit except on a resolution to remove the General Partner. The holder of a Unit in respect of which a portion of the Subscription Price is due and remains unpaid will not be entitled to exercise any voting rights in respect of the Unit.

(x) Powers of Attorney

The forms of subscription agreement required to be executed by a Subscriber for the issue of a Unit includes an irrevocable power or attorney authorizing the General Partner on behalf of the holder of the Unit to execute, under seal or otherwise, any instrument, deed or document in carrying on the business of the Partnership as authorized by the Partnership Agreement, to attend to certain formalities required to record changes in the ownership of Units and amendments of the Partnership Agreement, and to maintain the good standing of the Partnership. The power of attorney also authorizes the General Partner to make elections or designations under tax statutes including any election required by the *Tax Act* to have the income or loss of the Partnership computed in accordance with the cash method of accounting. See Item 6 "Income Tax Consequences - Cash Basis Accounting". Any subsequent assignment of a Unit by a Subscriber will require that an assignee execute a similar power of attorney.

(xi) Amendment

The Partnership Agreement may be amended by the General Partner if such amendment is authorized by an extraordinary resolution of the Partners:

- (a) except for the removal of the General Partner, if the amendment adversely affects the rights or interests of the General Partner, the amendment is approved by the General Partner; and
- (b) if the amendment adversely affects the rights or interests of the Limited Partners, the resolution is consented to by, or receives affirmative votes cast by, the holders of 80% or more of the Units held by Limited Partners other than the General Partner and any Affiliate;

but no amendment may be made which in any manner allows any Limited Partner to take part in the management of the business of the Partnership or which would have the effect of reducing the General Partner's share of net income, reducing the interest in the Partnership of any Limited Partner, allowing any Limited Partner to exercise control over the business of the Partnership, changing the right of a Limited Partner to vote at any

meeting of Partners or change the Partnership from a limited partnership to a general partnership. The General Partner is entitled to make certain amendments to the Partnership agreement without the consent of the Limited Partners if, in the opinion of counsel, such amendments are for the protection of the Limited Partners or do not adversely affect the rights of any Limited Partner.

(xii) Transfer of Units

See Item 5 "Securities Offered" regarding restrictions on the transfer of Units.

(xiii) Redemption Privileges

The General Partner may in certain circumstances agree to redeem all or a portion of a Limited Partner's Units – see Item 5 "Securities Offered".

(xiv) Change, Resignation or Removal of a General Partner

The General Partner is entitled to resign as the General Partner of the Partnership at any time and will be deemed to have resigned upon its bankruptcy, insolvency or dissolution and in certain other circumstances. The resignation of the General Partner will become effective upon the earlier of the appointment of a new General Partner by the Limited Partners by ordinary resolution and the expiration of 180 days following the deemed resignation or written notice to the Limited Partners of the voluntary resignation of the General Partner. The General Partner is not entitled to resign if the effect of its resignation would be to dissolve the Partnership. The Limited Partners are entitled, by extraordinary resolution, to remove the General Partner and appoint a new General Partner in its place. Such a resolution may not be voted on by the General Partner or any affiliated entity.

(b) Bondco Loan Agreements

Loan Facility Agreements dated May 15th, 2005 between each of the Bondcos and the Partnership (the "Loan Agreements") which set out the terms and conditions of the loans to the Partnership. These agreements which are identical in their terms respecting the rights and obligations of the Partnership with each of the Bondcos provide for loan advances over a term of five (5) years to a cumulative maximum total of Twenty Five Million (\$25,000,000) Dollars from each Bondco (i.e. aggregate total of \$50,000,000) repayable no later than December 31, 2010 (the "Maturity Date"). Loan Advances will accrue interest at a minimum rate of 9% per annum. Each of the Bondcos is entitled to a corporate finance fee of \$500,000 from the Partnership under these Loan Facility Agreements irrespective of the dollar amount of any loan advances made by the Bondcos. The loan advances will be secured by an assignment of certain promissory notes due from Limited Partners to the Partnership. See Item 5 - "Securities Offered" and Item 8 - "Risk Factors".

Item 3 Directors, Officers, Promoters and Principal Holders

3.1 *Compensation and Securities Held*

(a) General Partner

The compensation and/or securities held by the directors, officers, and promoters and principals of the General Partner are as follows:

Name and municipality of principal residence	Position held and the date of obtaining that position	Compensation paid by the Issuer in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of minimum offering.	Number, type and percentage of securities of the issuer held after completion of the maximum offering.
Arthur M. Szabo, ⁽¹⁾ Calgary, Alberta	President and Director	Nil since inception ⁽²⁾⁽³⁾	Nil	Nil
Don Rumpel, ⁽⁴⁾ Calgary, Alberta	Secretary and Director	Nil since inception	Nil	Nil

1. Although Mr. Szabo holds no shares of the General Partner directly, he is a beneficiary of the MJ Investment Trust which owns Luxor Management Corp. which, in turn, owns 40% of the outstanding shares of the General Partner.
2. Mr. Szabo is the sole director and officer of Luxor Management Corp. which corporation has a contract to provide management and administration services to the Partnership. See Item 2.6 "Material Agreements".
3. Mr. Szabo is the principal of the law firm of Szabo & Company which firm acts as counsel for the Partnership and the Bondcos on a fee for services basis.
4. Mr. Rumpel is a director and officer of Quinterra Capital Inc. which corporation owns 40% of the outstanding shares of the General Partner and has a contract to provide management and administration services to the Partnership. See Item 2.6 "Material Agreements".

(b) Limited Partnership

No Units in the Partnership are held by any of the directors, officers, promoters or principals of the General Partner.

3.2 *Management Experience of the General Partner*

(a) Arthur Szabo

Mr. Szabo, the president and a director of the General Partner, has practiced law in Calgary, Alberta since 1985. Mr. Szabo is the founder and has been the principal of the law firm of Szabo & Company since 1990, the practice of which is primarily focused on corporate finance, tax planning, commercial real estate and commercial transactions. Mr. Szabo is currently the president and a director of Tallagium Corporation which is listed on the TSX Venture Exchange. Mr. Szabo is the president and a director of Canvest Capital Management Corp., the general partner of the Canvest Capital Limited Partnership ("Canvest I"). Canvest I raised over \$5,000,000 of partner equity and owns more than \$11,000,000 of commercial real estate in Calgary and Cochrane, Alberta. Mr. Szabo is also an officer and director of each of the Bondcos and Luxor Management Corp. See Item 8 – Risk Factors "Conflicts of Interest".

(b) Don Rumpel

Mr. Rumpel, the secretary and director of the General Partner, has been actively involved for the past 10 years in real estate investment, real estate syndication and real estate development in both Canada and the United States. Mr. Rumpel is the founder and president of Quinterra Capital Inc., a private investment company. Mr. Rumpel was actively involved in fundraising and property acquisition in Canvest I.

3.3 *Penalties, Sanctions and Bankruptcy of the Issuer*

There are no penalties or sanctions that have been in effect during the last 10 years against:

- (a) a director, senior officer or control person of the General Partner, or
- (b) an issuer of which a person or company referred to in (a) above was a director, senior officer or control person at the time

nor have any such person or companies during the last 10 years made any declaration of bankruptcy, voluntary assignment in bankruptcy, proposed under any bankruptcy or insolvency legislation or entered into any proceedings, arrangement or compromise with creditors or appointed a receiver, receiver-manager or trustee to hold assets.

Item 4 Capital Structure

4.1 Share Capital

(a) Limited Partnership

The capital structure of the Partnership is as follows:

Description of security	Number authorized to be issued	Number outstanding as at May 1st, 2005	Number outstanding after min. offering	Number outstanding after max. offering
Initial Limited Partner Unit	1	1	1	Ø ⁽¹⁾
LP Units	50,000	1	1	50,000

(1) Initial Limited Partnership Unit issued to Canvest Management Corp. at nominal consideration to form the Partnership which will be redeemed subsequent to the first subscription for Units pursuant to this Offering.

(b) General Partner

The share capital structure of the General Partner is as follows:

Description of security	Number authorized to be issued	Number outstanding as at May 1st, 2005	Number outstanding after min. offering	Number outstanding after max. offering
Class "A" Common Voting shares	unlimited	100 ⁽¹⁾	100 ⁽¹⁾	100 ⁽¹⁾
Class "B" Common Non-Voting shares	unlimited	Nil	Nil	Nil
Class "C" Common Non-Voting shares	unlimited	Nil	Nil	Nil
Class "D" Common Non-Voting shares	unlimited	Nil	Nil	Nil
Class "E" Preferred Voting shares	unlimited	Nil	Nil	Nil
Class "F" Preferred Voting shares	unlimited	Nil	Nil	Nil
Class "G" Preferred Non-Voting shares	unlimited	Nil	Nil	Nil
Class "H" Preferred Non-Voting shares	unlimited	Nil	Nil	Nil

(1) 40% of the outstanding Class "A" common shares issued in the name of Luxor Management Corp. which in turn is owned by the MJ Investment Trust. Arthur M. Szabo is a beneficiary of the MJ Investment Trust. See Item 8 – Risk Factors - "Conflicts of Interest".

(1) Mr. Rumpel is a director and officer of Quinterra Capital Inc. which corporation owns 40% of the outstanding shares of the General Partner and has a contract to provide management and administration services to the Partnership. See Item 8 – Risk Factors - "Conflicts of Interest".

4.2 Long Term Debt

The Partnership currently has no long term debt although it is anticipated that during the period that this Offering is outstanding it will be borrowing funds from the Bondcos and entering into Mortgage Financing to complete the purchase of commercial properties as warranted. See Item 2.6 – "Material Agreements".

4.3 *Prior Sales*

There are no prior sales. The General Partner continues to establish relationships with third parties to sell Units.

Item 5 Securities Offered

5.1 *Terms of Securities*

The Partnership is offering up to 50,000 Units, in a principal amount of \$1,000 each for total proceeds of up to \$50,000,000. There is a minimum purchase requirement that each Subscriber purchase a minimum of five (5) Units.

Each Unit represents an undivided interest in the net assets of the Partnership as provided in the Partnership Agreement.

This Offering may be increased based on demand at anytime at the sole discretion of the General Partner.

(a) Capitalization and Capital Contributions

The General Partner will establish a separate capital account on the books of the Partnership for the General Partner and each of the Limited Partners, to which:

- (i) contributions to the capital of the Partnership and any amounts which the Limited Partners have agreed to contribute to the Partnership as capital will be credited and amounts distributed as a return of capital will be debited; and
- (ii) net income is to credited and net loss and amounts distributed other than as a return of capital will be debited.

Units may not be divided or split into fractions and the Partnership will not accept subscriptions for, record any assignment of, or otherwise recognize any interest in less than a whole Unit. Subject to a minimum subscription of five (5) Units, there is no restriction on the number of Units that may be held by one person and each Unit entitles the holder to the same rights and obligations as the holder of any other Unit and no Subscriber is entitled to any privilege, priority, or preference in relation to any other Subscriber.

(b) Allocations and Distributions by the Partnership

The Partnership Agreement provides that Partners are to be allocated a portion of the cash available for distribution, tax income and tax loss of the Partnership for each fiscal period. Material provisions of the Partnership Agreement relating to allocations and distributions to the partners are as follows:

- (i) Cash available for distribution (other than cash from the net sale proceeds from the disposition of any Partnership properties) will, after deduction for certain expenses and reserves, be allocated and distributed not less than quarterly as follows:
 - (a) to pay the operating expenses of the Partnership and its properties, including all management fees, applicable taxes, insurance and utility costs;
 - (b) to make all required payments of principal and interest on all financing on the properties owned by the Partnership;
 - (c) to pay all capital expenditures which the General Partner determines should be financed out of gross revenue;
 - (d) to create an adequate working capital, capital improvement and capital repair reserve as determined by the General Partner;
 - (e) to pay all expenses of the General Partner;

- (f) to pay the General Partner the five (5%) percent Acquisition Management Fee, the four (4%) percent Financing Management Fee, the annual one and one half (1.5%) percent General Management Fee and the annual one tenth (0.10%) percent Investor Relations Fee;
 - (g) to pay to the Limited Partners an annual cumulative preferred return of ten (10%) percent on the outstanding amount of capital contributed by the Limited Partners to the Partnership; and
 - (h) the balance, to be allocated eighty (80%) percent to the Limited Partners and twenty (20%) percent to the General Partner.
- (ii) Any net sale proceeds from the disposition of any Partnership property will, as and when received as cash, be used to pay the following at such time and in the order and priority as set out below:
- (a) to make any principal payments required under any mortgage obligations of the Partnership with respect to the particular property sold;
 - (b) to pay the General Partner the one and one half (1.5%) percent Corporate Finance Fee;
 - (c) to pay to Limited Partners an amount equal to an annual cumulative preferred return of ten (10%) percent on the outstanding amount of capital contributed by the Limited Partners to the Partnership, to the extent not previously paid out of net cash flow;
 - (d) to pay to the Limited Partners an amount equal to the capital contributed by the Limited Partners to the Partnership;
 - (e) the balance, to be allocated sixty (60%) percent to the Limited Partners and forty (40%) percent to the General Partner.
- (iii) All income and capital distributions to the Limited Partners shall be made at such time or times and in such manner as the General Partner may determine as being in the best interests of the Limited Partners and the Partnership.
- (iv) Tax income in respect of a fiscal period of the Partnership will be allocated amongst those Partners who were members of the Partnership at the end of the fiscal period of the Partnership as follows:
- (a) first, to the Limited Partners an annual cumulative preferred return of 10% on the outstanding amount of the capital contributed to the Partnership which remains outstanding from time to time;
 - (b) second, the net taxable gain, if any, attributable to the disposition of Partnership properties in the fiscal period, to be allocated sixty (60%) percent to the Limited Partners and forty (40%) percent to the General Partner;
 - (c) third, the balance of any tax income to be allocated eighty (80%) percent to the Limited Partners and twenty (20%) percent to the General Partner.
- (v) Tax loss in respect of a fiscal period of the Partnership will be allocated to the Limited Partners at the end of the Partnership's fiscal period.
- (vi) Any amount that is, pursuant to any provision of the Partnership Agreement, to be allocated to or distributed among Limited Partners will, without regard to the number of days during which any Limited Partner has been a Limited Partner or has held any Unit, be allocated amongst them pro rata in accordance with the Sharing Ratio.
- (vii) If any Limited Partner has received an amount that is in excess of his entitlement, such Limited Partner shall forthwith reimburse the Partnership to the extent of such excess upon written demand by the General Partner, and if such excess is not then repaid, the General Partner may deduct such excess from any subsequent distribution to such Limited Partner.

(c) Transfer of Units

Units are not transferable except as permitted by the Partnership Agreement. Subject to applicable securities legislation regarding resale restrictions (Multilateral Instrument 45-102 "Resale of Securities"), a Unit may be assigned by the holder executing, and having the assignee execute and deliver to the General Partner, an assignment and power of attorney in a form acceptable to the General Partner together with the certificate representing the Units to be assigned. The assignee will not become a Limited Partner until his name is entered on the Register. The assignor of a Unit remains liable to repay any capital distributed and any income distributed to the extent capital is reduced, with interest, in the circumstances described above under Item 2.6 "Material Agreements - Partnership Agreement - Limited Liability of Limited Partners".

(d) Redemption Privileges

Limited Partners may, at any time during the term of the Offering, upon not less than 180 days written notice to the General Partner, request the redemption of any or all of their respective Units. The General Partner shall not be under any obligation to redeem any Units in respect of which a redemption request is made. The General Partner may, however, agree to the redemption of all or a portion of a Limited Partner's Units in respect of which a redemption request is made as discussed below. Any such redemption of Units by the General Partner (or, at the discretion of the General Partner, by the Partnership) will occur at the sole discretion of the General Partner. If the General Partner agrees to redeem all or a portion of the Units in respect of which a redemption request is made, the General Partner will, within sixty (60) days of receipt of the redemption request, advise the Limited Partner of the number of Units the General Partner intends to redeem as well as the redemption price for such Units. The redemption price per Unit will be determined by the General Partner at the General Partner's sole discretion taking into account such factors as the General Partner deems appropriate, including distribution entitlements of Units, the fair market value of all the assets of the Partnership and accrued tax liability. In no circumstances will the redemption price exceed the fair market value of the Units being redeemed, less an early cancellation discount equal to 10% of the face value of the Units. The General Partner will, within thirty (30) days of notifying a Limited Partner of the redemption price and amount of Units, if any, to be redeemed, remit to the Limited Partner the redemption proceeds unless the Limited Partner advises the General Partner in writing, within ten (10) days of notification of the redemption price, that the Limited Partner no longer wishes to have the Units redeemed. The specific Unit tendering mechanism is more fully described in the Partnership Agreement.

The General Partner expects to redeem Units only in circumstances where the General Partner determines that any Units so redeemed are capable of being sold by the General Partner at fair market value to another third party purchaser.

The above statements concerning the Units and the Partnership Agreement summarize only some of the provisions of the Partnership Agreement and do not purport to be complete. Subscribers are encouraged to review the complete Partnership Agreement, a copy of which is available for inspection at the Partnership's head office at #400, 1111 - 11th Avenue S.W., Calgary, Alberta T2G 0R5, during ordinary business hours throughout the period of this Offering and for 30 days thereafter. See also Item 2.6 "Material Agreements - Partnership Agreement".

5.2 Subscription

In order to subscribe for Units, a Subscriber must deliver each of the following items to the General Partner on behalf of the Partnership (as applicable):

- (a) a duly completed and signed Subscription Agreement, in the form attached as Schedule "A" hereto;
- (b) either:
 - (i) a cheque made payable to "Canvest Management Corp." in the amount

of \$1,000 times the number of Units subscribed for (minimum subscription – 5 Units) dated the date of subscription by the Subscriber ("*Subscription Date*"); or

- (ii) if the Subscriber elects to finance all, and not less than all of the aggregate Subscription Price for the total number of Units purchased (see "*Combined Offering*" below) then in addition to a duly executed Subscription Agreement the Subscriber will provide a Note in the form set forth in Attachment I of the Subscription Agreement (Schedule "*A*" attached);
- (c) in the case of either (b)(i) or (b)(ii) above, a cheque in the amount of \$500 payable to Canvest Management Corp. in payment for the Administration Fee;
- (d) a duly completed and signed form 45-103F3, Risk Acknowledgment, in the form set forth in Attachment II to the Subscription Agreement (Schedule "*A*" attached); and
- (e) for those Subscribers who are resident in Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut, or Prince Edward Island and are purchasing greater than \$10,000 worth of Units, a duly executed "*Eligible Investor Status Certificate*" in the form set forth as Attachment III to the Subscription Agreement (Schedule "*A*" attached)

The General Partner reserves the right to reject any subscription, return subscriptions, or allot subscriptions at its sole discretion and without reason or notice given to the Subscriber.

Combined Offering

Subscribers for Units will be able to finance 100% of the aggregate Subscription Price of their Units for up to a period of 5 years; PROVIDED THAT, such Subscribers, or a registered retirement savings plan ("*RRSP*") or registered retirement income fund ("*RRIF*") referred by a Subscriber, also participate in the Bond Offering by purchasing Bonds from either Brazeau Enterprises Corp. or Brazeau Ventures Corp. (the "*Bondcos*") as part of a composite investment package. Each of the Bondcos are wholly-owned subsidiaries of Tallagium Corporation, a reporting issuer whose common shares are listed for trading on Tier 2 of the TSX Venture Exchange Inc under the symbol "*TAA*". Concurrent with this Offering, the Bondcos are jointly offering for sale up to a principal amount of \$50,000,000 in Seven (7%) percent unsecured bonds (the "*Bonds*") pursuant to the Bond Offering Memorandum, a copy of which will be provided to every Subscriber electing to finance the Subscription for Units as described in this paragraph. The Bondcos intend to use the proceeds from the Bonds to make the Loan Advances to the Partnership. Generally speaking, Subscribers electing to participate in the Bond Offering will be able to pay for the full amount of the Subscription Price for Units by way of an interest bearing promissory note due on or before December 31, 2010 (the "*Notes*"). Interest only payments under the Note are due annually in arrears. The Partnership will, in turn, assign the Notes to one or the other of the Bondcos, in its sole discretion, in order to provide security to the Bondcos for Loan Advances. This financing arrangement, however, is only available to those Subscribers for Units hereunder who also purchase Bonds pursuant to the Bond Offering Memorandum or who refer annuitants under an RRSP or RRIF which also purchases Bonds pursuant to the Bond Offering Memorandum. Any Subscriber wishing to avail himself of this investment structure by acquiring both Units and Bonds as part of a composite investment package must also refer to the Bond Offering Memorandum for a complete description of, among other things, the subscription procedure.

Promissory Note

The Note will be a full-recourse debt of the Subscriber and, as such, the Subscriber will have the obligation to fully repay the Note and all interest thereon. The Note will be secured by a pledge and assignment of the Units purchased and an assignment of all distributions from the Partnership to the Subscriber, which security may be registered in the applicable personal property registries.

The balance of the principal amount, if any, and all accrued but unpaid interest thereon shall be due and payable on December 31, 2010.

The Note will bear interest on the principal amount outstanding at any time, both before and after maturity, at a simple interest rate of 9% per annum. Interest accruing in any year must be paid by the Subscriber to the Partnership on or before December 31 of each year. In addition, in the case of a Subscriber who has a taxation year-end other than December 31, interest accruing during the period between the taxation year-end of the Subscriber and the immediately preceding December 31 must be paid within 60 days of the taxation year-end of the Subscriber. All amounts owing under the Note will be due and payable in full on or before December 31, 2010 and each Subscriber is responsible to ensure that all principal and interest owing on the Note is paid in full when due. The failure to pay amounts when due may result in legal action being taken against the Subscriber to enforce payment, as well as adverse income tax consequences to the Subscriber. (See Item 6 "Income Tax Consequences").

All subscription documents, including this Offering Memorandum and the Bond Offering Memorandum, if applicable, should be reviewed by prospective purchasers and their professional advisors prior to subscribing for Units.

Item 6 Income Tax Consequences

6.1 *Tax Advice*

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

6.2 *Tax Consequences*

In the opinion of Thorsteinssons LLP, special tax counsel to the Partnership, the following is a fair and adequate summary of the principal federal income tax consequences arising under the Tax Act in connection with the acquisition of Units by a Subscriber who is resident in Canada and who acquires Units pursuant to this Offering Memorandum. The income tax consequences will not be the same for all Subscribers but may vary depending on a number of factors, including the province or provinces in which the Subscriber resides or carries on business, whether the Units acquired by the Subscriber will be characterized as capital property, and whether the Subscriber is an individual, trust or corporation.

THE FOLLOWING DISCUSSION OF THE CANADIAN INCOME TAX CONSEQUENCES IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF THE INCOME TAX CONSEQUENCES AND SHOULD NOT BE INTERPRETED AS LEGAL OR TAX ADVICE TO ANY PARTICULAR SUBSCRIBER. EACH PROSPECTIVE SUBSCRIBER SHOULD OBTAIN ADVICE FROM HIS OR HER OWN TAX ADVISOR AS TO BOTH THE FEDERAL AND PROVINCIAL INCOME TAX CONSEQUENCES OF HIS OR HER ACQUISITION OF UNITS.

This summary is based on the current provisions of the Tax Act, the Regulations to the Tax Act (the "Regulations"), all specific amendments to the Tax Act and Regulations proposed by the Minister of Finance prior to the date hereof, and counsel's understanding of the current administrative practices of the Canada Revenue Agency (the "CRA").

This summary is based on facts previously set out in this Offering Memorandum and on the assumptions that:

- (1) the Subscriber is an individual resident in Canada for purposes of the Tax Act;
- (2) the Subscriber acquires his or her Units pursuant to this Offering Memorandum and holds the Units as capital property for the purpose of earning income from the Units;
- (3) all of the Partners are residents of Canada for purposes of the Tax Act; and
- (4) the real estate constitutes capital property of the Partnership for purposes of the Tax Act.

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

A. Computation Of Partnership Income Or Loss

General

The Partnership will not be subject to tax under the Tax Act. However, the Partnership will be required to compute its income or loss for each year under the Tax Act as if it was a separate person resident in Canada.

The resultant income or loss of the Partnership for a year will be allocated to a Subscriber holding Units in accordance with the Partnership Agreement (see "Allocation of Income or Loss" below). Each Subscriber will, in turn, be required to include, in computing his or her income for a taxation year, his or her share of Partnership income for the Partnership's fiscal period ending in that taxation year, whether or not any cash or other property is distributed to the Subscriber on account of income in that year. Subject to the "at-risk" rules and "limited-recourse" rules (see "At-Risk Rules" and "Limited-Recourse Rules" below), each Subscriber will also be entitled to deduct his or her share of any Partnership loss from any income from other sources in computing income for that year. To the extent that a Subscriber's share of any Partnership loss exceeds his or her income from other sources for that year, the loss may be carried back three years and forward ten years to reduce income in those other years.

Partnership Expenses

In calculating its income for tax purposes for a year, the Partnership will generally be entitled to a deduction in respect of expenses paid or incurred during the year in connection with its business, provided such expenses are paid or incurred for the purpose of earning income, are reasonable in the circumstances and are not payments on account of capital.

Financing fees (excluding interest) paid by the Partnership to the Bondcos and expenses paid or incurred by the Partnership in the course of the issuing or selling Units will, to the extent they are reasonable, be deductible rateably over a five year period (pro-rated in the case of taxation years less than 12 months).

Capital Cost Allowance

In calculating its income or loss for a year, the Partnership will generally be entitled to annual capital cost allowance deductions, to the extent permitted under the Tax Act and Regulations, in respect of depreciable property owned by it at the end of the year. Such deductions will generally be allowed on a declining balance basis at a rate of 4% per annum on the undepreciated capital cost (generally, the initial capital cost of the depreciable property to the Partnership, less capital cost allowance deductions claimed in prior years) of each building owned by the Partnership, and 20% per annum on the undepreciated capital cost of appliances and equipment. For the purpose of these calculations, each building owned by the Partnership will comprise a separate class of depreciable property, while all the appliances and equipment will comprise one class of property. The amount of capital cost allowance which can be claimed in the year in which property is acquired is subject to certain restrictions. Furthermore, the total deductions for capital cost allowance by the Partnership in a year cannot exceed the net income of the Partnership in that year from the operation of real estate owned by it. Finally, no capital cost allowance may be claimed in respect of the cost of a property that is attributable to land.

Disposition of Properties by Partnership

On the sale or other disposition of real estate by the Partnership, the net proceeds (gross proceeds less costs of disposition) must be allocated on a reasonable basis among the land, building, appliances and equipment. The disposition of a property may result in the recapture of capital cost allowance deductions previously claimed by the Partnership in respect of the class of depreciable property that includes the building or appliances and equipment. Such recapture will arise to the extent that (i) the lesser of the net proceeds allocated to the depreciable property

and the capital cost of the property, exceeds (ii) the undepreciated capital cost of the applicable class of depreciable property. Any recapture of capital cost allowance is fully included in income in the year of disposition.

Where (i) the lesser of the net proceeds allocated to a depreciable property and its capital cost, is (ii) equal to or less than the undepreciated capital cost of the applicable class of depreciable property, no recapture will result; however, the undepreciated capital cost of the class will be reduced by the lesser of the net proceeds and the capital cost of the property, thereby reducing future capital cost allowance claims in respect of property remaining in the class.

Where all the property of a class has been disposed of and the Partnership does not own any property of that class at year-end, the Partnership may claim a terminal loss to the extent the net proceeds allocated to the depreciable property are less than the undepreciated capital cost of the class. A terminal loss is fully deductible in computing income or loss.

The Partnership may realize a capital gain (or capital loss) on the disposition of a property to the extent the net proceeds attributable to the property exceed (or are exceeded by) the capital cost (or adjusted cost base, in the case of land) of the property to the Partnership. One-half of any capital gain will constitute a taxable capital gain, while one-half of any capital loss will constitute an allowable capital loss. Any such taxable capital gains or allowable capital losses will be allocated by the Partnership to the Subscribers in accordance with the Partnership Agreement.

If the disposition of a Property results in a capital gain on the land and a terminal loss on the building, the net proceeds allocated to the land may be deemed by the Tax Act to be reallocated to the building, thereby reducing the capital gain on the land and the terminal loss on the building by equivalent amounts.

B. Allocation Of Income Or Loss

The income or loss of the Partnership will be allocated among those Subscribers who are partners at the end of the fiscal period of the Partnership in accordance with the Partnership Agreement. Profits or losses of the Partnership attributable to the Units will be allocated among those Subscribers who are partners at the end of the fiscal period of the Partnership in accordance with their respective proportionate ownership of Units. Where a Subscriber assigns a Unit prior to the end of the fiscal period of the Partnership, for tax purposes no portion of the profit or loss of the Partnership in respect of the Unit will be allocated to the withdrawing Subscriber. Rather, the portion of the profit or loss of the Partnership in respect of the Unit for that fiscal period will be allocated to the person who holds the Unit at the end of the fiscal period.

Under the Tax Act, a Subscriber's share in the income or loss of the Partnership will be deemed to be the amount that is reasonable having regard to all the circumstances where the principal reason for the agreement to share income or loss in a certain manner may reasonably be considered to be the reduction or postponement of tax that might otherwise have been or become payable under the Tax Act. In the opinion of tax counsel, this provision should not apply to reallocate income or loss of the Partnership in proportions other than those set forth in the Partnership Agreement.

The profit or loss of the Partnership for income tax purposes may differ from the income or loss for accounting purposes. For example, depreciation rates under generally accepted accounting principles may differ from capital cost allowance rates, and certain items which are capitalized for accounting purposes may be deductible for income tax purposes. Furthermore, because a Subscriber's allocation of profit or loss for income tax purposes is determined without reference to the level of cash distributions received by the Subscriber from the Partnership, cash distributions to a Subscriber on account of his or her share of Partnership profits for a year may differ from, and may in some cases be less than, income allocated to the Subscriber for the purposes of the Tax Act.

C. Proposed Amendments Relating to the Recognition of Losses

On October 31, 2003, the Minister of Finance released proposed amendments to the Tax Act relating to the recognition of losses. The proposed amendments apply to taxation years starting after 2004. Under the proposed amendments, a taxpayer will be considered to have a loss from a source that is a business or property for a taxation year only if, in the year, it is reasonable to expect that the taxpayer will realize a cumulative profit (excluding any capital gains or losses) from the business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, the business or has held, and can reasonably be expected to hold, the property. The proposed limitation will not apply to capital losses, if any, realized by the taxpayer.

Assuming the proposed amendments are enacted in their current form, they could result in the denial of losses, if any, associated with a Subscriber's Units for taxation years starting after 2004 unless it is reasonable to expect that the Subscriber will realize a cumulative profit (excluding any capital gains) from his or her Units during the period the Subscriber holds such Units. The proposed amendments could also restrict losses realized by the Partnership unless it is reasonable to expect that the Partnership will realize a cumulative profit (excluding capital gains) from its business.

D. At-Risk Rules

The Tax Act contains rules (referred to as the "at-risk rules") which may, in certain circumstances, restrict the deduction of a Subscriber's share of losses, if any, of the Partnership to his or her "at-risk amount".

A Subscriber's at-risk amount in respect of Units will generally be computed as: (i) the adjusted cost base of the Subscriber's Units immediately before the end of the Partnership's fiscal period, plus (ii) the Subscriber's share of any undistributed Partnership income attributable to the Units for the fiscal period, less (iii) any amount owing by the Subscriber to the Partnership (or to persons who do not deal at arm's length with the Partnership), and less (iv) the amount of any guarantee, indemnity or other arrangement provided to the Subscriber to reduce the impact of any loss the Subscriber may sustain by virtue of being a member of the Partnership or of holding or disposing of Units. The redemption privileges in respect of the Units should not result in a reduction of a Limited Partner's at-risk amount.

To the extent Partnership losses allocable to a Subscriber in respect of his or her Units exceed the Subscriber's at-risk amount of the Units, the excess will constitute a limited partnership loss which may not be deducted against other sources of income. Instead, such limited partnership losses may be carried forward indefinitely and deducted against future Partnership income, but only to the extent of the Subscriber's at-risk amount in the year the loss carryforward is deducted.

The initial at-risk amount of a Subscriber who finances the acquisition of his or her Units with Notes will be nil, thereby restricting such Subscriber's ability to deduct Partnership losses, if any, as described above.

E. Tax Shelter Rules

The "promoters" of a "tax shelter" (as defined in the Tax Act) are required to obtain an identification number for the tax shelter from the CRA. If no identification number is obtained, the Tax Act prohibits a taxpayer who acquires an interest in the tax shelter from claiming any deductions in respect of the tax shelter. In addition, the limited-recourse rules may apply to reduce a taxpayer's cost of an interest in a tax shelter, and may also apply to reduce the expenditures that can be deducted by a partnership an interest in which is a tax shelter (see heading "Limited-Recourse Rules" below).

A "tax shelter" as defined in the Tax Act includes a partnership interest where it can reasonably be considered that within four years after the day on which the interest was acquired, the losses or any other amounts in respect of the partnership interest represented to be deductible in computing income or tax payable would equal or exceed the cost of the partnership interest to

the holder, less the amount of any “prescribed benefit” (as defined in the Regulations) that the holder or any person who does not deal at arm’s length with the holder can reasonably be expected to receive or enjoy.

A prescribed benefit includes any proceeds of disposition which a Subscriber may be entitled to receive under an agreement to dispose of Units, to the extent that the receipt of such proceeds has the effect of reducing the impact of any loss the Subscriber may sustain in respect of his or her Units. The redemption privileges in respect of the Units should not constitute such a prescribed benefit.

A prescribed benefit includes any amount that is owed to a promoter of the Partnership, or to a person with whom such a promoter does not deal at arm’s length, to the extent the receipt of such amount has the effect of reducing the impact of any loss the Subscriber may sustain in respect of his or her Units. There is a significant risk that the Partnership may itself constitute a promoter as defined in the Tax Act or that the Partnership does not deal at arm’s length with one of the promoters of the Partnership, with the result that any amount owed by a Subscriber to the Partnership, including any amount owing by a Subscriber to the Partnership pursuant to a Note, will constitute a prescribed benefit to the extent such amount has the effect of reducing the impact of any loss the Subscriber may sustain in respect of his or her Units. Since the liability of a Subscriber under a Note will not be limited in any manner, the better view is that the Notes do not have the effect of reducing the impact of any loss a Subscriber may sustain in respect of his or her Units.

A prescribed benefit also includes certain limited-recourse amounts in respect of an interest in a tax shelter. For these purposes, a limited-recourse amount includes the unpaid principal amount of any debt for which recourse is limited, and any indebtedness that is not repayable within a reasonable period not exceeding 10 years or that is part of a series of loans or other indebtedness and repayments that ends more than 10 years after the initial indebtedness was incurred. For these purposes, a limited-recourse amount also includes any indebtedness unless interest is payable at least annually, and is paid no later than 60 days after the taxation year-end of the debtor, at a rate not less than the lesser of the prescribed rate of interest in effect at the time the indebtedness arose and the prescribed rate applicable from time to time during the term of the indebtedness. The General Partner has advised tax counsel there are no arrangements in place which would extend the repayment date of any of the Notes to more than 10 years after such indebtedness was incurred. Based on these representations, any amount owing by a Subscriber under a Note should not constitute a limited-recourse amount in respect of the Units, provided that all interest payable by the Subscriber under the Note in a taxation year is paid within 60 days of the applicable taxation year-end of the Subscriber.

It is not clear to what extent, if any, indebtedness of the Partnership (as opposed to indebtedness of a Subscriber) that is a limited-recourse amount will constitute a prescribed benefit for the purpose of determining whether an interest in the Partnership is a tax shelter. The better view is that limited-recourse amounts of the Partnership are ignored for the purpose of determining whether an interest in the Partnership is a tax shelter, although the matter is not free from doubt. Furthermore, the General Partner has advised tax counsel that none of the indebtedness of the Partnership will constitute a limited-recourse amount as described in the preceding paragraph. Accordingly, amounts borrowed by the Partnership, including amounts borrowed by the Partnership under the Bondco Loans and mortgage financing, should not constitute a prescribed benefit in respect of the Units.

The General Partner has advised tax counsel that Partnership losses, if any, allocated to a Subscriber’s Units and any other amounts deductible in respect of the Units in the four-year period following the issuance of such Units should not equal or exceed the Subscriber’s cost of such Units. Based on these representations, and the conclusions set out above, the Units should not constitute a tax shelter. Nevertheless, out of an abundance of caution, the General Partner has obtained a tax shelter identification number for the Partnership. The issuance of an identification number by the CRA does not in any way confirm that the Subscribers will be entitled to the tax benefits described herein.

The Regulations require that the following statement be included with this reference to the tax shelter identification number:

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

F. Limited-Recourse Rules

Under certain provisions of the Tax Act (referred to as the “limited-recourse rules”), the amount of any cost or expense in respect of a “tax shelter investment” (as defined in the Tax Act), or any expenditure of a partnership an interest in which is a tax shelter investment, may be reduced by the amount of any “limited-recourse amount” that reasonably relates to the expenditure.

For the purposes of these rules, a “limited-recourse amount” includes the unpaid principal amount of certain indebtedness as described above under the heading “Tax Shelter Rules”. For the purposes of these rules, a “limited-recourse amount” also includes any indebtedness of a partnership where recourse against any member of the partnership in respect of the indebtedness is limited. Since the Partnership is registered as a limited partnership, amounts borrowed by the Partnership, including any Bondco Loans or Mortgage Financing, will constitute limited-recourse amounts for the purposes of the limited-recourse rules. Consequently, if the limited-recourse rules were to apply to the Partnership, the amount of deductions that could be claimed by the Partnership would be severely restricted.

The limited-recourse rules will only apply to reduce the cost of a Subscriber’s Units, or to reduce any expenses of or the cost of the properties to the Partnership, if the Units constitute a “tax shelter investment”. A “tax shelter investment” includes an interest in a partnership where any interest in that partnership would constitute a “tax shelter” as defined in the Tax Act. As discussed above under the heading “Tax Shelter Rules”, the Units should not constitute a tax shelter as defined in the Tax Act. It is also tax counsel’s view that the interest of the General Partner in the Partnership should not constitute a tax shelter as defined in the Tax Act. Accordingly, notwithstanding that the Partnership has registered as a tax shelter, the limited-recourse rules should not apply to reduce the cost of a Subscriber’s Units or to reduce any expenses of or the cost of the properties to the Partnership.

G. Interest On Money Borrowed To Purchase Units

In calculating his or her income or loss for a taxation year, a Subscriber who holds Units and whose share of any income or loss of the Partnership is less than 10% should be entitled to deduct reasonable interest paid or payable (depending upon the method regularly followed by the Subscriber in computing his or her income) on money borrowed to acquire those Units.

In the case of a Subscriber who borrows money to acquire his or her Units and is entitled to 10% or more of any income or loss of the Partnership, the interest deduction may be limited to the Subscriber’s net income from the Units.

Under the October 31, 2003 proposed amendments relating to the recognition of losses, a Subscriber’s interest expense on money borrowed to acquire Units will be taken into account in determining whether it is reasonable to expect that the Subscriber will realize a cumulative profit (see “Proposed Amendments Relating to the Recognition of Losses” above).

H. Disposition Of Units By Subscriber

A Subscriber who holds his or her Units as capital property will, upon a disposition of such Units, realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds received or deemed to have been received on the disposition of the Units exceed (or are exceeded by) the adjusted cost base of the Units. The amount by which a Subscriber’s adjusted cost base is negative at the time of disposition will also be included in computing the Subscriber’s capital gain. One-half of any capital gain will be included in the Subscriber’s taxable income as a

“taxable capital gain,” while one-half of any such capital loss will be treated as an “allowable capital loss” that may be used to offset taxable capital gains in the year the capital loss is sustained. To the extent the allowable capital loss is not offset against taxable capital gains in that year, it may be carried back three years and forward indefinitely to offset taxable capital gains realized in those other years.

Adjusted Cost Base of Units

The adjusted cost base of a Subscriber’s Units will be equal to the cost to the Subscriber of the Units, plus or minus adjustments required under the Tax Act. The adjustments include additions to the adjusted cost base for income allocated to a Subscriber from the Partnership in respect of the Units, and reductions to the adjusted cost base for cash distributions received from the Partnership and losses allocated to the Subscriber by the Partnership.

If at the end of a year the adjusted cost base of a Subscriber’s Units becomes a negative amount as a result of the adjustments, the Subscriber will realize an immediate capital gain.

I. Dissolution Of The Partnership

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

J. General Anti-Avoidance Rule

The Tax Act contains a general anti-avoidance rule which entitles the CRA to alter the tax consequences of certain transactions in order to deny a tax benefit resulting from the transactions. The rule applies to a transaction that results, or that is part of a series of transactions that result, in a tax benefit unless the transaction may reasonably be considered to have been undertaken primarily for bona fide purposes other than to obtain the tax benefit, or it may reasonably be considered that the transaction would not result in a misuse of the provisions of the Tax Act or an abuse having regard to the provisions of the Tax Act read as a whole. The general anti-avoidance rule should not apply to alter the tax consequences to the Partnership or to a Subscriber in connection with acquiring and holding Units as described in this summary.

K. Partnership Returns

Each Subscriber is required by the Tax Act to file with the CRA a partnership information return for each year in respect of the Partnership. This obligation is satisfied where any partner of the Partnership files the partnership information return. The General Partner has undertaken to file the partnership information return for each year on behalf of the Subscribers however, this does not preclude the necessity for individual Subscribers to include their share of partnership profit or loss in their individual tax returns for the applicable year.

6.3 *RRSP Eligibility*

In the opinion of Thorsteinsons LLP, special tax counsel to the Partnership, the Units are not qualified investments under the Tax Act for registered retirement savings plans, registered retirement income funds or deferred profit sharing plans.

Item 7 Compensation Paid to Sellers, Finders and General Partner

The Units are being offered for sale by the Partnership in the Provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Nunavut and Prince Edward Island directly through directors, officers, employees

and other duly authorized agents of the General Partner, and in other provinces through registered dealers only, in reliance upon exemption from the registration and prospectus requirements of applicable securities legislation. As of the date of this Offering Memorandum, the Partnership has not entered into any agency offering agreement with any person registered to trade in securities pursuant to applicable securities legislation whereby the Units will be offered for sale.

A commission of up to 10% of the gross proceeds from the sale of Units will be paid to all dealers and other duly authorized agents, whether registered or otherwise, in respect of any Units sold by such dealers and agents. Directors, officers and employees of the General Partner may also be eligible to receive this commission in respect to any Units sold by them. Any moneys reinvested during the course of this Offering are subject to a commission of up to 10% of the moneys reinvested in similar fashion.

The General Partner is entitled to receive the Corporate Finance Fee of 1.5% of the gross proceeds raised by the Partnership from this offering in consideration for supplying and coordinating the administration of the Offering including such consultation, investment advisory and management services as are necessary to complete this offering in accordance with the terms hereof.

For its participation in the management of the real estate properties, the General Partner is entitled to receive the General Management Fee of 1.5% of the gross proceeds raised by the Partnership from this offering in consideration for normal and predictable management services, paid quarterly. The General Partner is also entitled to receive the Investor Relations Fee of 0.1% of the gross proceeds raised by the Partnership from this offering in consideration for assisting the Partnership in operational reporting to Limited Partners.

The General Partner is entitled to receive the Acquisition Management Fee of up to 5% of the value of any real estate purchase, with a minimum and maximum range of between \$100,000 and \$200,000, respectively, for finding the real estate properties, negotiating their acquisition, arranging for the engagement of lawyers and consultants in connection with the acquisition, advancing the deposit required for the purchase of the real estate properties (which deposit is repayable upon the first closing of the Offering) and for paying third party costs to be incurred prior to the acquisition of the real estate properties (which will be reimbursed upon the first closing of the Offering).

The General Partner is entitled to receive the Disposition Management Fee of up to 4% of the face value of any mortgage or other financing or refinancing fee for the Partnership or any building or property owned by the Partnership, for negotiating the terms thereof, arranging for the engagement of lawyers and consultants in connection with the financing, and for all matters necessary or incidental to the financing of the real estate property.

In addition to the fees described in this Offering Memorandum, the General Partner will be entitled to be reimbursed by the Partnership for all expenses incurred by it that are chargeable to the Partnership.

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

Item 8 Risk Factors

The majority of the proceeds from the sale of Units will be expended by the Partnership in the acquisition, development and operation of commercial real estate properties located in Canada. The purchase of Units involves a number of significant risk factors. In addition to the factors set forth elsewhere in this Offering Memorandum, Subscribers should consider the following:

8.1 *Investment Risk*(a) Speculative Nature of Investment

An investment in Units is highly speculative in nature. The Units are primarily suitable for investors whose income is subject to high marginal income tax rates and who are prepared to accept the risks inherent in commercial real estate and are able to bear the loss of their entire investment. There is no assurance of a return on a Subscriber's investment in Units.

(b) No Market for Units

There is no market through which the Units may be sold and the Partnership does not expect that any market will develop. Accordingly, an investment in Units should only be considered by investors who do not require liquidity. The Units are also subject to resale restrictions under applicable securities legislation. See Item 10 "Resale Restrictions".

On or before December 31, 2010, the General Partner will call a general meeting of the Limited Partners to review the then status and value of the Partnership's assets and consider one or more possible liquidity options including, without limitation, a possible proposal that the Partnership exchange its assets for securities of a publicly traded company, trust or other investment vehicle, such securities to be distributed to the Limited Partners on a tax effective basis if possible. However, the form of any such transaction and the tax consequences associated with it could only be ascertained with any degree of certainty at the time such transaction is proposed.

(c) Transferability of Units

The Partnership Agreement limits the transferability of Units. See Item 5.1 "Terms of Securities".

(d) Possible Loss of Limited Liability

The *Partnership Act* provides that a Limited Partner benefits from limited liability unless, in addition to exercising his rights and powers as a Limited Partner, he takes part in the management or control of, or transacts business on behalf of, or acts as agent of the partnership of which he is a member. A Limited Partner is liable for the Subscription Price, and distributions from capital, any distributions of income to the extent capital is reduced and interest is accrued thereon, and his pro rata share of undistributed income retained by the Partnership. In order that the liability of the Limited Partners will be limited to the extent described, certain legal requirements under the *Partnership Act* and other applicable legislation must be satisfied.

Save as disclosed above, no Subscriber will become liable to make an additional contribution beyond the Subscription Price for his Units.

(e) No Review by Regulatory Authorities

This Offering Memorandum constitutes a private offering of the Units by the Partnership only in those jurisdictions where and to those persons whom, they may be lawfully offered for sale under exemptions in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus, advertisement or a public offering of these Units. Subscribers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.

(f) Arbitrary Determination of Price

The offering price for the Units was arbitrarily determined by the General Partner and is not based on any specific recognized criteria of value. Quite specifically, it should be

recognized that, as there is no existing market for the Units it is impossible, except for the results of the sale of such Units under this Offering, to determine at what price, if at all, Units would sell for if a market did exist.

(g) Tax Shelter Rules and Other Tax Matters

There is no guarantee that the CRA will agree that Units of the Partnership do not constitute a tax shelter investment for the purposes of the Tax Act. Should Units of the Partnership constitute a tax shelter investment, the limited-recourse rules contained in the Tax Act will apply to reduce the deductible expenses of the Partnership and the cost of property acquired by the Partnership by the principal amount of any indebtedness owing by the Partnership, including the principal amount owing under the Bondco Loans and Mortgage Financing from time to time. This may result in the Partnership not having any deductible expenses or capital cost allowance to shelter income earned by it.

A Subscriber is required to take into account, in computing income and loss for income tax purposes for a taxation year, his share of the income or loss of the Partnership. This amount may be greater than or less than the cash distributions, if any, received by the Subscriber in such year. In addition, Subscribers who elect to finance the acquisition of their Units with Notes will be restricted from deducting losses, if any, allocated to them by the Partnership as a result of the at-risk rules contained in the Tax Act.

The tax consequences associated with an investment in Units are subject to changes in federal and provincial laws. There can be no assurance that the tax laws will not be changed in a manner that will fundamentally alter the income tax consequences to investors holding or disposing of Units. There is also a risk that CRA may reassess the returns of Subscribers relating to their investments in the Units.

No advance income tax ruling has been applied for or received with respect to the income tax consequences described in this Offering Memorandum including the deductibility and the timing of deductions of expenses by the Partnership, the applicability of the tax shelter and limited-recourse rules, or the application of the general anti-avoidance rule. The Subscriber and his advisors should carefully review the discussion under Item 6 "Income Tax Consequences" contained in this Offering Memorandum.

(h) Merits as an Investment

All prospective Subscribers are urged to consider the purchase of Units hereunder based upon the merits of such Units. The majority of the proceeds of this Offering have been allocated to the acquisition of a limited number of commercial real estate properties. There are no assurances that the Partnership will be successful in acquiring any such properties on commercially reasonable terms or at all. Furthermore, as a Limited Partner, Subscribers will have no part in the management or control of the business of the Partnership. Accordingly, in assessing the risks and rewards of an investment in Units, potential Subscribers should appreciate that they are relying on the good faith, judgment and ability of the directors, officers and employees of the General Partner to make appropriate decisions with respect to the management of the business of the Partnership and will be bound by the decisions of such directors, officers and employees. It would be inappropriate for Subscribers unwilling to rely on the directors, officers and employees of the General Partner to the extent set forth above to purchase Units.

8.2 *Issuer Risk*

(a) Lack of Significant Operating History

The Partnership was formed and the General Partner was incorporated in April, 2005 and neither has carried on active business operations. In addition, the Partnership has no assets other than a nominal amount of cash. Accordingly, the Partnership faces all of the risks inherent in a new business and those risks specifically in the development and operation of a new business. The likelihood of the Partnership's success must be

considered in light of the problems, expense, difficulties and delays frequently encountered in connection with a new business. A purchase of the Units offered hereby must be regarded as the placing of funds at risk in a new or "start-up" venture with all of the unforeseen costs, expenses, problems and difficulties to which such ventures are subject.

(b) Acquisition of Lands

The Partnership, through wholly owned Affiliates of the General Partner, has acquired and will continue to seek to acquire, commercial properties in Canada. As of the date hereof the Partnership has only nominal revenues and the Partnership's only source of funds is through the sale of Units. Furthermore, there are no assurances that the Partnership will be able to find additional commercial real estate to purchase which satisfy its selection criteria or, even if found, that the Partnership will be able to negotiate the purchase of same on commercially favourable terms or at all.

(c) Future Operations

In the event the Partnership is unable to raise sufficient funds by this Offering and/or other debt or equity financings, the Partnership may have insufficient funds available to it to develop and maintain and/or expand its commercial real estate operations and investors may receive no return therefrom. Certain insurable or uninsurable events may also occur which can substantially reduce the Partnership's ability to carry on business in a profitable manner, including natural or manmade disasters. See "Risk Factors – Insurance" below.

(d) No Assurance of Profitability of Operations

Notwithstanding the business plan and internal projections developed by the Partnership, there can be no assurance that the Partnership will be able to operate successfully at a commercial level and in fact, may ultimately fail. Even if its commercial operations are successful, there is no assurance that any specific level of profitability will be achieved by the Partnership.

(e) Financial Resources of the General Partner

While the General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners in certain circumstances, at present the General Partner has nominal financial resources. The General Partner may be unable to meet its obligations under such indemnity.

(f) Key Personnel

Arthur M. Szabo

The operations of the Partnership are highly dependent upon the participation of Arthur M. Szabo. The loss of his services may materially affect the ability of the Partnership to implement its business plan. Because of this, the absence of key-man insurance represents an additional risk to the successful completion of Partnership projects. In addition, Mr. Szabo is also involved in other businesses and projects and may have a conflict of interest in allocating his time between the business of the General Partner and the Partnership, and other businesses or projects in which he is or may become involved (see "Conflicts of Interest" below). Mr. Szabo has, however, agreed to devote as much time to the General Partner and the Partnership as is required for the effective management of the General Partner and the Partnership.

Don Rumpel

Mr. Rumpel, the secretary and director of the General Partner, has been actively involved for the past 10 years in real estate investment, real estate syndication and real estate development in both Canada and the United States. Mr. Rumpel is the founder and

president of Quinterra Capital Inc., a private investment company. Mr. Rumpel was actively involved in fundraising and property acquisition in Canvest I.

(g) Conflicts of Interest

Arthur M. Szabo, the president and a director of the General Partner, is the president and sole director of Tallagium Corporation and the President and a director of each of Brazeau Enterprises Corp. and Brazeau Ventures Corp. Each of the above companies has entered into agreements with the Partnership to provide assets or services which, without restricting the generality of the foregoing, includes the following:

1. Brazeau Enterprises Corp. and Brazeau Ventures Corp. have entered into Loan Facility Agreements with the Partnership agreeing to loan funds to the Partnership;
2. Canvest Capital Management Corp. ("CCMC") is the General Partner of the first Canvest Capital Limited Partnership and Mr. Szabo is a director and officer of CCMC.

Therefore, there exists and there is the potential for conflicts of interest between management of the General Partner (i.e. Mr. Szabo) in connection with the business and operations of the Partnership. See Item 2.6 "Material Agreements" for details regarding each of the above material contracts. These agreements were each entered into by the Partnership at a time when Mr. Szabo had a material interest in the General Partner (which is still the case) and accordingly, such agreements have not been negotiated by persons dealing at arm's length.

The Partnership Agreement provides that the General Partner or any Affiliate may engage in or hold an interest in any other business, venture, investment or activity, as it considers appropriate, whether or not similar to or competitive with the business of the Partnership, and General Partner, or Affiliate, will not be liable to account therefore to the Partnership or any Limited Partner. The Partnership Agreement also provides that neither the General Partner nor any Affiliate will be required to offer or make available to the Partnership any property or other business opportunity which the General Partner or any such Affiliate may determine to acquire or engage in for its own account and neither the acquisition nor the pursuit of any such other property, business, venture, investment or activity will be wrongful, even if competitive with the business of the Partnership. The General Partner is required to exercise its powers and discharge its duties under the Partnership Agreement honestly, in good faith and in what it reasonably believes to be in the best interests of the Limited Partners.

The Partnership Agreement also provides that any Limited Partner may engage in or hold an interest in any other business, venture, investment or activity whether or not similar to or competitive with the business of the Partnership and will not be liable to account therefore to the Partnership or any Partner.

8.3 *Industry Risk*

(a) Real Property Development and Ownership

Real estate developments and investments are generally subject to varying degrees of risk depending on the nature of the property. Such risks include changes in general economic conditions (such as the availability and cost of Mortgage Financing), local conditions (such as the supply of office, retail space or warehousing or the demand for commercial real estate in the area), government regulation (such as taxation of property and environmental legislation) and the attractiveness of properties to potential purchasers. In addition, each segment in the real estate development industry is capital intensive and is typically sensitive to interest rates. The income generated by the properties in which the Partnership may have an interest is dependent upon general economic conditions and, accordingly, the return to Limited Partners may be affected by changes in certain significant expenditures, including property taxes, maintenance costs,

mortgage payments, insurance costs and related charges must be made regardless of whether or not a property is producing sufficient income to service such expenses. In addition, the properties of the Partnership will be subject to Mortgage Financing which require debt service payments. If the Partnership is unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the exercise by the mortgagee of its rights of foreclosure or sale.

(b) Ability to Develop Lands

If the Partnership purchases an interest in a property requiring further development (a "Project"), the Partnership will be subject to risks associated with the development of a Project such as municipal and government approvals along with potential environmental problems. As a result the ability to develop a Project may be affected from time to time in varying degrees by obtaining or not obtaining the appropriate municipal or government approvals or, alternatively, such approval may be subject to such terms and conditions that may delay or change the Project and thereby altering the profitability of such Project.

(c) Construction Costs

The real estate industry is significantly impacted by fluctuations in the cost of construction and servicing land. Any material increase in construction and/or servicing costs may have a materially adverse effect on the Partnership.

(d) Liquidity of Real Estate

Real estate is relatively illiquid. Such illiquidity may limit the ability of the Partnership to diversify its portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be virtually impossible to dispose of certain types of real estate, particularly commercial real estate. The costs of holding real estate are considerable, and the Partnership, as a holder of real estate, during a recessionary period may be faced with ongoing expenditures with little prospect of incoming receipts. Without adequate cash reserves, it may be necessary for the Partnership to dispose of properties at low prices. Financial difficulties of other property owners may lead to distress sales which could further depress real estate values in markets in which the Partnership operates.

(e) Competition

The Partnership competes with other investors, developers, and owners of properties for the purchase and development of desirable real estate properties. Some of the commercial properties of the competitors of the Partnership may be newer, better located or better capitalized than the properties which may be acquired by the Partnership. Certain of these competitors have greater financial and other resources and greater operating flexibility than the Partnership. The existence of competing developers and owners could have a material adverse effect on the ability of the Partnership to acquire suitable properties or to lease space in its properties and could adversely affect the revenues of the Partnership and its ability to meet its debt obligations.

(f) Regulatory Approvals

The ownership and development of properties by the Partnership will, or may, require zoning, environmental and other approvals from local government agencies. The process of obtaining such approvals may take a significant period of time and there can be no assurance that the necessary approvals for a particular Project will ever be obtained. Holding costs accrue while regulatory approvals are being sought and delays can render a project uneconomic.

(g) Environmental Matters

Under various environmental laws, ordinances and regulations, the current or previous owner or operator of real property may be liable for the costs of removal or rededication of hazardous or toxic substances on, under or in such property. Such laws could impose liability whether or not the Partnership knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of hazardous or toxic substances, or the failure to remove or rededicate such substances, if any, could adversely affect the Partnership's ability to sell such real estate or obtain Mortgage Financing using such real estate as collateral and could potentially also result in claims against the Partnership.

Item 9 Reporting Obligations

The Partnership is not a reporting issuer, as that term is defined in applicable securities legislation, nor will it become a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba, Northwest Territories, Nunavut, Newfoundland and Labrador, Nova Scotia or Prince Edward Island following the completion of the offering of Units pursuant to this Offering Memorandum. As a result, the Partnership will not be subject to the continuous disclosure requirements mandated by securities legislation, including, without limitation, requirements relating to the preparation and filing of audited financial statements and other financial information, the dissemination of news releases disclosing material changes in the business and affairs of the Partnership and the filing of material change reports.

The fiscal period of the Partnership ends December 31 in each year and the Partnership Agreement provides that by March 31 in each year the General Partner will forward to each person who was shown on the register as a Partner at the end of the immediately preceding fiscal period:

- (a) annual financial statements of the Partnership for such period together with a report of the Partnership's accountant on such financial statements, a report on allocations and distributions to the Partners and other information material to the business of the Partnership;
- (b) information concerning the amount of income tax or tax loss and credits and debits to the capital account or accounts allocated to such Partner; and
- (c) such information as is reasonably necessary to enable such person to file returns with respect of his income from the Partnership in respect of each fiscal period.

Item 10 Resale Restrictions

10.1 These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 Unless permitted under securities legislation, you cannot trade the securities before the earlier of the date that is 12 months and a day after the Partnership:

- 1. becomes a reporting issuer in the Canadian province or territory in which you reside; or
- 2. first becomes a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut, Prince Edward Island, Ontario or Quebec, and a SEDAR filer.

Item 11 Purchasers' Rights

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

1. Two Day Cancellation Right – You can cancel your agreement to purchase these securities. To do so, you must send a notice to us (i.e. the General Partner on behalf of the Partnership) by midnight on the 2nd business day after you sign the agreement.
2. Statutory Rights to Action in the Event of a Misrepresentation – If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:
 - (a) the Partnership to cancel your agreement to buy these securities, or
 - (b) for damages against the Partnership.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days from the date of the acceptance by the General Partner on behalf of the Partnership of the purchaser's subscription for Units offered hereunder. You must commence your action for damages within the earlier of:

- (i) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (ii) one year from the date of the acceptance by the General Partner on behalf of the Partnership of the purchaser's subscription for Units offered hereunder.

Item 12 Financial Statements

a) Canvest Capital II limited partnership unaudited as at May 31, 2005.

b) Canvest Management Corp. unaudited as at May 31, 2005.

Item 13 Date and Certificate

Dated the 31st day of May, 2005.

This offering memorandum does not contain a misrepresentation.

**CERTIFICATE OF CANVEST CAPITAL II LIMITED PARTNERSHIP
by its General Partner, CANVEST MANAGEMENT CORP.**

The Offering Memorandum does not contain a misrepresentation.

"Arthur M. Szabo"
Arthur M. Szabo, Q.C.
President/CEO

"Don Rumpel"
Don Rumpel
Secretary/CFO

ON BEHALF OF THE BOARD

"Arthur M. Szabo"
Arthur M. Szabo, Q.C.
Director

"Don Rumpel"
Don Rumpel
Director

BY THE PROMOTERS OF THE ISSUER

Canvest Management Corp.

Per: _____
"Arthur M. Szabo"

Per: _____
"Don Rumpel"

CANVEST MANAGEMENT CORP.
BALANCE SHEET
UNAUDITED
MAY 31, 2005

ASSETS

Current	
Cash on Hand	8,000

LIABILITIES

Current	nil
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SHAREHOLDERS EQUITY

Shareholder Capital	8,000
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On behalf of the Board

Per: “Arthur M. Szabo”

Per: “Don Rumpel”

SCHEDULE "A"

**OFFERING MEMORANDUM PRIVATE PLACEMENT
SUBSCRIPTION AGREEMENT
CANVEST CAPITAL II LIMITED PARTNERSHIP UNITS**

SUBSCRIPTION AGREEMENT FACE PAGE

TO: Canvest Capital II Limited Partnership (the "Partnership")
AND TO: Canvest Management Corp. (the "General Partner")

By signing where indicated in Box A below, the Subscriber agrees to subscribe for the number of limited partnership units (the "Units") of the Partnership set forth in Box B below for the aggregate dollar amount set forth in Box B below, representing a subscription price of \$1,000 per Unit (minimum subscription of 5 Units), subject to the terms and conditions set forth in the attached Private Placement Subscription Agreement (of which this face page forms a part) and further subject to the terms and conditions set forth in the limited partnership agreement creating the Partnership dated April 26, 2005, as amended from time to time (the "Partnership Agreement").

A
_____ (Name of Subscriber – please print)
By: _____ Authorized Signature
_____ (Official Capacity or title if Subscriber is a corporation – please print)
_____ Please print name of individual whose signature appears above if different than the name of the Subscriber printed above
_____ Subscriber's Address, including postal code
_____ Telephone number
_____ Facsimile/E-mail address
_____ Social Insurance Number or CRA Business Number
If the Subscriber is signing as agent for a principal and is not a trust company or an issuer or, a portfolio manager, in either case, purchasing as trustee or agent for accounts fully managed by it, complete the following:
Name of Principal: _____
Principal's address: _____ _____

B
Number of Units: _____
Aggregate Subscription Price: \$ _____ (No. of Units x \$1,000)
- Total due from Subscriber \$ _____
Payment Method – Indicate by checking appropriate box
<input type="checkbox"/> All Cash
<input type="checkbox"/> Time payment secured by Promissory Note (See Attachment I)

C
Registration and Delivery Instructions Register the Units as set forth below:
<input type="checkbox"/> As per subscriber information
_____ Name
_____ Account reference, if applicable
_____ Address, including postal code
_____ Delivery Instructions (if different from Registration Address)
_____ Address, including postal code

ACCEPTANCE: This subscription is accepted by the General Partner on behalf of the Partnership.

CANVEST MANAGEMENT CORP., General Partner

Per: _____

Date: _____, 2005

THIS IS THE FIRST PAGE OF A SUBSCRIPTION AGREEMENT COMPRISED OF 13 PAGES (INCLUDING ATTACHMENTS). THE SUBSCRIBER MUST PROVIDE THE INFORMATION REQUESTED ON THIS FACE PAGE AND EXECUTE THIS AGREEMENT BY SIGNING THIS FACE PAGE AND COMPLETING, AS APPLICABLE (i) ATTACHMENT I – PROMISSORY NOTE, (ii) ATTACHMENT II – FORM 45-103F3/RISK ACKNOWLEDGMENT FORM, AND (iii) CERTIFICATE OF ELIGIBLE INVESTOR. PLEASE RETURN ONE FULLY EXECUTED COPY OF EACH OF THESE DOCUMENTS WITH THE SUBSCRIPTION FUNDS, PAYABLE TO CANVEST MANAGEMENT CORP. AT 400 – 1111 11TH AVENUE S.W., CALGARY, ALBERTA T2R 0G5.

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

**OFFERING MEMORANDUM PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT
FOR CANVEST CAPITAL II LIMITED PARTNERSHIP UNITS**

(Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut and Prince Edward Island)

TO: **Canvest Capital II Limited Partnership (the "Partnership")**
AND TO: **Canvest Management Corp. (the "General Partner")**

WHEREAS the Subscriber has agreed to invest an amount equal to the aggregate Subscription Price (minimum subscription - \$5,000) by subscribing for Units of the Partnership.

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the premises and agreements herein contained, it is mutually declared, covenanted and agreed by and between the parties as follows:

1. Definitions

1.1 In this Agreement, including the recitals hereof, unless the context otherwise requires:

- (a) **"Agreement"** means this Private Placement Subscription Agreement including the face page and all Attachments attached hereto;
- (b) **"Certificate"** means the certificate of limited partnership filed with the Registrar of Corporations of Alberta pursuant to the *Partnership Act* (Alberta) on April 26, 2005 so as to form the Partnership, as such Certificate may be amended from time to time;
- (c) **"Closing"** means the completion of the acceptance by the General Partner of the Subscriber's Subscription, the release of the aggregate Subscription Price to the Partnership and the issuance of Units to the Subscriber;
- (d) **"Closing Date"** means a date on which a Closing occurs, the first such Closing Date being the **"Initial Closing Date"** (as defined in Section 5.1 hereof);
- (e) **"Eligible Investor"** means a person, company or unincorporated entity, resident in Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut or Prince Edward Island that qualifies as an eligible investor pursuant to the provisions contained in Multilateral Instrument 45-103 as adopted by the Alberta and other provincial Securities Commissions;
- (f) **"General Partner"** means Canvest Management Corp., a private Alberta corporation;
- (g) **"Limited Partner"** means a Subscriber who, by subscribing for Units of the Partnership, agrees to be bound by the provisions of the Partnership Agreement and the *Partnership Act* (Alberta) thereby becoming entitled an undivided interest in the Partnership;
- (h) **"Note"** means a promissory note in the form set forth as Attachment I hereto to be executed by a Subscriber who, pursuant to the Payment Method Election, elects to finance the payment of the Subscription Price over time;
- (i) **"Offering Memorandum"** means the confidential offering memorandum of the Partnership respecting the Unit offering dated May 31st, 2005;
- (j) **"Offering Memorandum Exemption"** means the exemption described in Section 4.1 of Multilateral Instrument 45-103 as adopted by the Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut and Prince Edward Island Securities Commissions;
- (k) **"Partnership Agreement"** means the agreement of limited partnership dated April 26, 2005 as amended from time-to-time, which governs the rights and obligations of the General Partner and the Limited Partners;
- (l) **"Partnership"** means the Canvest Capital II Limited Partnership, a limited partnership formed under the laws of Alberta under registration number 11667771;
- (m) **"Payment Method Election"** means the decision by the Subscriber to pay the aggregate Subscription Price either in cash at the Closing Date or over time with such time payment

plan to be secured by a Note to be delivered prior to Closing;

- (n) **"Private Placement"** means this private placement of Units to Subscribers undertaken pursuant to the prospectus and registered dealer exemptions contained in Multilateral Instrument 45-103 as adopted by the Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut and Prince Edward Island Securities Commissions;
- (o) **"Subscriber"** means a person or entity subscribing for the purchase of Units under this Private Placement who is that person or entity whose name is set forth on the execution page hereof;
- (p) **"Subscription"** means the subscription for Units made by the Subscriber which, after acceptance by the Partnership, is governed by this Agreement;
- (q) **"Subscription Price"** means a subscription amount of \$1,000 per Unit times the number of Units subscribed for; and
- (r) **"Unit" or "Units"** means one or more of the limited partnership units issued by the Partnership entitling a Subscriber to a proportionate undivided interest in the Partnership in accordance with the provisions of the Partnership Agreement.

1.2 Capitalized words and phrases used herein without definition shall have the meanings ascribed to them in the Offering Memorandum or in Multilateral Instrument 45-103 as adopted by the Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut and Prince Edward Island Securities Commissions.

1.3 In this Agreement, the headings of the articles and clauses are inserted for convenience of reference only and shall not affect the meaning or construction thereof.

1.4 In this Agreement, words importing the singular include the plural, words importing the masculine gender include the feminine and vice versa.

1.5 In this Agreement, all dollar amounts are expressed in Canadian dollars.

2. Subscription Conditions

2.1 The Subscriber hereby irrevocably subscribes for and agrees to purchase from the Partnership, either in cash or by way of Note, in accordance with the Payment Method Election, subject to the terms and conditions set forth herein, the number of Units as set forth on the face page hereof for the aggregate Subscription Price; provided that, a minimum of five (5) Units must be purchased by a Subscriber hereunder. The Subscriber agrees to pay to the Partnership the aggregate Subscription Price for the Units subscribed for herein by delivering to the Partnership the documents described in Section 5.2 below.

2.2 The Subscriber acknowledges that:

- (a) Units subscribed for herein form part of a larger Private Placement of up to a maximum of Fifty Thousand (50,000) Units which maximum may be increased at the sole discretion of the General Partner based upon demand;
- (b) this Agreement is not enforceable by the Subscriber unless and until it has been accepted by the General Partner on behalf of the Partnership;
- (c) this Subscription is subject to rejection or allotment, in whole or in part, by the General Partner on behalf of the Partnership. In the event the General Partner does not accept a Subscription for Units, it shall refund the aggregate Subscription Price to the Subscriber without interest or deduction;
- (d) this Subscription shall be effective upon the amendment of the Certificate to, among other things, include the Subscriber as a Limited Partner of the Partnership in accordance with the *Partnership Act* (Alberta);
- (e) the Units are being offered by the Partnership in Alberta and other provinces and, subject to compliance with applicable securities legislation, may be offered in certain other provinces in Canada;
- (f) the Partnership may retain agents in connection with the sale and distribution of the Units, in which case such agents may receive a commission of up to 10% of the gross

proceeds raised on behalf of the Partnership;

- (g) pursuant to the Partnership Agreement, the assignment, transfer, hypothecation or pledge of the Units by a Limited Partner is restricted;
- (h) the General Partner is entitled to certain fees and payment of expenses from the Partnership in accordance with the Partnership Agreement which fees and expenses will include, but not necessarily be limited to, a corporate finance fee of 1.5% of the gross proceeds raised on behalf of the Partnership, an annual management fee of up to 1.5% of gross proceeds, paid quarterly, and an investor relations fee of up to 0.1% of gross proceeds; and
- (i) in addition to the restrictions on the transfer of Units set forth in the Partnership Agreement, the Units will be subject to statutory resale restrictions during which the Units may not be resold without a further statutory exemption being available to a Subscriber or without an appropriate discretionary order pursuant to applicable securities laws being obtained. Subscribers are advised to consult their own legal advisors in connection with any applicable resale restrictions.
- (j) in accordance with applicable securities legislation, a certificate representing Units will bear a legend in accordance with applicable securities legislation stating the resale restrictions as required by Multilateral Instrument 45-102 "Resale of Securities".

3. Power of Attorney

3.1 In consideration of and subject to this Subscription, the Subscriber agrees to be bound as a Limited Partner by the terms of the Partnership Agreement, as from time to time amended and expressly ratifies and confirms the power of attorney granted to the General Partner in the Partnership Agreement.

3.2 Provided this Subscription has been accepted by the Partnership, the Subscriber hereby grants to the General Partner, its successors and assigns, a power of attorney constituting the General Partner, with full power of substitution, as the Subscriber's true and lawful attorney and agent, with full power and authority, in the Subscriber's name, place and stead to execute, under seal or otherwise, swear to, acknowledge, deliver, record or file, as the case may be, as and where required:

- (a) the Partnership Agreement, any amendment to the Partnership Agreement, the certificate of limited partnership in respect of the Partnership, any amendment to such certificate or any other certificate or instrument which the General Partner deems necessary or appropriate to qualify, continue the qualification of, or keep in good standing, the Partnership in, or otherwise comply with the laws of, the Province of Alberta or any other jurisdiction wherein the Partnership may carry on or be deemed to carry on business, or that the General Partner may deem it prudent to register the partnership, in order to maintain the limited liability of the Limited Partners of the Partnership or to comply with applicable laws;
- (b) any certificate or other instrument which the General Partner deems necessary or appropriate to reflect any amendment, change or modification of the Partnership in accordance with the terms of the Partnership Agreement;
- (c) any certificate, conveyance or other instrument which the General Partner deems necessary or appropriate to comply with the laws of Canada or any political subdivision of Canada;
- (d) any instrument required in connection with any election, designation or determination relating to the Partnership under the *Income Tax Act* (Canada) (the "*Tax Act*") or other fiscal legislation;
- (e) any document which the General Partner deems necessary or appropriate to be filed in connection with the business, assets or undertaking of the Partnership or the Partnership Agreement;
- (f) any application for any grant, incentive or credit under any federal or provincial incentive program with respect to any activity of the Partnership;
- (g) any transfer forms or other certificate, instrument or document on behalf of or in the name of whomsoever as may be necessary to effect the sale or transfer of any Unit or the Subscriber's interest in the Partnership in accordance with the terms of the Partnership

Agreement; and

- (h) any other document or instrument on behalf of and in the name of the Partnership or the Limited Partners as may be required to give effect to the Partnership Agreement.

3.3 The power of attorney granted hereby is irrevocable, is a power coupled with an interest, shall survive the assignment by the Subscriber of the whole or any part of the interest of the Subscriber in the Partnership and shall survive the death, bankruptcy or incapacity of the Subscriber and shall extend to bind the heirs, executors, administrators, personal representatives, successors and assigns of the Subscriber. The Subscriber agrees to be bound by any representation or action made or taken by the General Partner pursuant to this power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm any action of the General Partner taken in good faith under this power of attorney.

4. Completion of Attachments

4.1 The Subscriber undertakes to complete, sign and return the following documents, as applicable, along with one (1) fully executed copy of this Agreement to the General Partner on behalf of the Partnership:

- (a) **Attachment "I" – Promissory Note.** If the Subscriber makes a Payment Method Election to pay the aggregate Subscription Price over time, Subscriber will execute and deliver to the General Partner the Note in the form attached as Attachment "I" hereto;
- (b) **Attachment "II" – Form 45-103F3 "Risk Acknowledgement Form".** All Subscribers purchasing Units pursuant to the Offering Memorandum Exemption must sign two (2) copies of this form, returning one (1) to the General Partner and retaining one (1) for the Subscriber's records; and
- (c) **Attachment "III" – Certificate of Eligible Investor** to be signed by Subscribers who are resident in Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut or Prince Edward Island and purchasing Units in compliance with paragraph 6.2(a) hereof.

4.2 The Subscriber shall complete, sign and return to the General Partner as soon as possible and upon written request by the General Partner, any additional documents, notices and undertakings as may be required by applicable law.

5. Closing

5.1 The Closing will be completed at the offices of the General Partner located at Suite 400, 1111 – 11th Avenue S.W., Calgary, Alberta T2R 0G5 on June 15, 2003 or such earlier or later date as the General Partner shall determine (the "Initial Closing Date"). Subsequent closings may also occur and subscription proceeds received after the Initial Closing Date will be held in trust on behalf of the Partnership until such date or dates (such subsequent closing dates herein referred to as the "Closing Date").

5.2 The Subscriber agrees to deliver to the Partnership, not later than 10:00 a.m. (Calgary time), two days before the Closing Date:

- (a) this duly completed and executed Agreement (including all applicable Attachments which, without restricting the generality of the foregoing, will include a properly executed Attachment II – Form 45-103F3 "Risk Acknowledgment Form" and, if applicable, Attachment III – Certificate of Eligible Investor (Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut or Prince Edward Island Subscribers only);
- (b) if the Subscriber has elected for the Cash Payment Method for the aggregate Subscription Price, a cheque or bank draft payable to "Canvest Management Corp." for the aggregate Subscription Price of the Units subscribed for, or payment of such amount in such other manner as may be accepted by the General Partner;
- (c) if the Subscriber has elected for the time Payment Method, a duly executed Note for the amount of the aggregate Subscription Price to be paid over time in the form attached as Attachment "I" hereto; and
- (d) such other documents as may be required by the General Partner, in its sole discretion, in connection with the Subscription.

5.3 Certificates representing the Units will be available for delivery at the applicable Closing.

6. Acknowledgements, Representations and Warranties of Subscriber

6.1 The Subscriber acknowledges, represents and warrants that:

- (a) the Subscriber is aware and understands that the Partnership is relying on the Offering Memorandum Exemption from the requirements to provide the Subscriber with a prospectus and to sell the Units through a person or company registered to sell Units under the *Securities Act* (Alberta), the *Securities Act* (Saskatchewan), the *Securities Act* (British Columbia) or similar securities legislation or regulation in the jurisdiction in which the Subscriber resides;
- (b) in accordance with the statutory requirements of the Offering Memorandum Exemption, a copy of an Offering Memorandum for this Private Placement has been provided to the Subscriber;
- (c) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Units or the content of the Offering Memorandum;
- (d) there is no government or other insurance covering an investment in the Units;
- (d) there are restrictions on the Subscriber's ability to resell the Units and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with those restrictions before selling the Units;
- (e) the decision to subscribe for Units hereunder has not been based upon any oral or written representation made by or on behalf of the Partnership or any agent and such decision is based entirely upon the Subscriber's assessment of the investment in Units;
- (f) the Subscriber is aware that no prospectus has been filed with any securities commissions or connection with the sale of the Units and that the Subscriber is purchasing the Units pursuant to an exemption from the prospectus requirements under applicable securities laws and, as a consequence: (i) the Subscriber is restricted from using most of the civil remedies available under securities legislation; (ii) the Subscriber may not receive information that would otherwise be required to be provided to it under securities legislation; and (iii) the Partnership is relieved of certain obligations that would otherwise apply under securities legislation;
- (g) the Subscriber has been independently advised as to restrictions with respect to trading in the Units imposed by applicable securities legislation in the jurisdiction in which it resides, confirms that no representation has been made to it by or on behalf of the Partnership with respect thereto, acknowledges that it is aware of the characteristics of the Units and the risks relating to an investment therein;
- (h) the Subscriber and each beneficial purchaser for whom the Subscriber is acting are residents in the jurisdiction within Canada set out in the face page of this Agreement;
- (i) the representations and warranties of the Subscriber contained herein will be true and correct both as of the execution of this Agreement and as of the Closing Date and shall survive the completion of the issuance of the Units;
- (j) the Subscriber is purchasing the Units for investment only and not with a view to resale or distribution and will resell the Units only in accordance with the provisions of applicable securities legislation;
- (k) if an individual, the Subscriber is of full age of majority and is legally competent to execute this Agreement and take all action pursuant thereto;
- (l) this Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;
- (m) the Subscriber, or, where the Subscriber is not purchasing as principal, each beneficial purchaser, has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its financial investment and is able to bear the economic risk of loss of its investment;
- (n) the Subscriber understands that the sale and delivery of Units is conditional upon such sale being exempt from the requirements as to the filing of a prospectus or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus;

- (o) if the Subscriber is a corporation, syndicate, partnership or other form of unincorporated organization, the person executing this agreement on behalf of the Subscriber has the necessary power and authority to do so and the subscription contemplated hereby has been duly authorized by all necessary action of the Subscriber;
- (p) if required by applicable securities legislation, policy or order of a securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Partnership in filing such reports, undertakings and other documents as required with respect to the issue of the Units;
- (q) the Subscriber is not a U.S. Person (as such term is defined in Regulation S under the 1933 Act, which definition includes an individual resident in the United States and an estate or trust of which any executor, administrator or trustee is a U.S. Person), and is not purchasing the Units for the account or benefit of a U.S. Person, and it was not offered the Units in the United States, and did not execute or deliver this agreement or deliver payment for the Units in the United States;
- (r) the Subscriber has no intention to distribute either directly or indirectly any of the Units in the United States or to a U.S. Person; and
- (s) the Subscriber will not circulate, copy or disclose the contents of the Offering Memorandum other than to Subscriber's professional advisors when requesting advice with respect thereto.

6.2 Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut and Prince Edward Island Residents-

The Subscriber hereby represents, warrants and covenants to the Partnership (which representations, warranties and covenants shall be true and correct on the date thereof and on the Closing Date with the same force and effect as if they had been made as on the Closing Date and which shall survive Closing) that it fully complies with the criteria set forth in paragraph 6.2(a) and acknowledges that the Partnership is relying thereon as follows:

- (a) if the Subscriber is a resident of Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut or Prince Edward Island and purchasing under the Offering Memorandum Exemption contained in Multilateral Instrument 45-103, Part 4, the Subscriber is purchasing as principal for its own account (and not for the benefit of any other person) and has acknowledged that investing in the Units is a risky investment by correctly completing a copy of Attachment II to this Agreement, being the Form 45-103F3 "Risk Acknowledgement Form". Further, if the Subscriber is a resident of Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut or Prince Edward Island who is subscribing for greater than \$10,000 worth of Units that the Subscriber is an "Eligible Investor" as that term is defined in Multilateral Instrument 45-103 and has concurrently executed and delivered a completed "Eligible Investor Status Certificate" in the form set out in Attachment III attached hereto.

6.3 Residents of Other Jurisdictions in Canada

The Subscriber hereby represents, warrants and covenants to the Partnership and its counsel (which representations, warranties and covenants shall be true and correct on the date thereof and at the Closing Date with the same force and effect as if they had been made as at the Closing Date and which shall survive Closing) and acknowledges that the Partnership and its counsel are relying thereon as follows:

- (a) if the Subscriber, or any beneficial purchaser for whom it is acting, is not a resident of any jurisdiction referred to in Section 6.2 above, the Subscriber, or any beneficial purchaser for whom it is acting, complies with both the requirements of applicable securities legislation in Subscriber's home jurisdiction together with applicable regulatory requirements of the Province of Alberta and will provide such evidence of compliance with all such matters as the Partnership may request.

7. Costs and Indemnity

- 7.1 The Subscriber acknowledges and agrees that all costs and expenses incurred by the Subscriber (including any fees and disbursements of any counsel retained by the Subscriber) relating to the purchase of the Units shall be borne by the Subscriber.

7.2 The Subscriber, on its own behalf, and, if applicable, on behalf of any others for whom it is subscribing, agrees to indemnify and save harmless the Partnership and the General Partner and their respective directors, officers, employees, partners, agents, advisors and shareholders from and against any loss, liability, claim, damage and expense whatsoever (including, but not limited to, any fees, costs and expenses reasonably incurred in investigating, preparing or defending against any claim, lawsuit, administrative proceeding or investigation whether commenced or threatened) arising out of or based upon any representation or warranty of the Subscriber contained herein or in any document provided to the Partnership by the Subscriber for itself or for others for whom it is subscribing, being untrue in any material respect or any breach or failure by the Subscriber to comply with any covenants or agreements made by the Subscriber for itself or for others for whom it is subscribing, contained herein or in any document provided to the Partnership by the Subscriber.

8. Appointment of the General Partner

8.1 The Subscriber hereby irrevocably authorizes the General Partner (or its duly authorized agent):

- (a) at its discretion, to correct any ambiguities, errors or omissions herein or in any Attachment attached hereto and completed by the Subscriber;
- (b) at its discretion, to approve any opinions, certificates or other documents addressed to the Subscriber; and
- (c) to act as its representative at the Closing, to release the funds representing the Subscription, and to receive on the Subscriber's behalf certificates representing the Units subscribed for under the Subscription Agreement.

9. Governing Law

9.1 This Agreement is governed by the laws of the Province of Alberta and the federal laws of Canada applicable herein. The Subscriber irrevocably attorns to the jurisdiction of the courts of the Province of Alberta.

10. Survival

10.1 This Agreement including, without limitation, the representations, warranties and covenants contained herein, shall survive and continue in full force and effect and be binding upon the parties notwithstanding the completion of the purchase of the Units by the Subscriber pursuant hereto, the completion of the issue of the Units and any subsequent disposition by the Subscriber of any of the Securities.

11. Assignment

11.1 This Agreement is not transferable or assignable.

12. Execution

12.1 This Partnership shall be entitled to rely on delivery by facsimile machine of an executed copy of this Agreement and acceptance by the Partnership of such facsimile copy shall be equally effective to create a valid and binding agreement between each of the Subscribers and the Partnership in accordance with the terms hereof.

13. Severability

13.1 The invalidity or unenforceability of any particular provision of this Agreement shall not affect or limit the validity or enforceability of the remaining provisions of this Agreement.

14. Entire Agreement

14.1 Except as expressly provided in this Agreement and in the agreements, instruments and other documents contemplated or provided for herein, this Agreement contains the entire agreement between the parties with respect to the sale of the Units and there are no other terms, conditions, representations or warranties, whether expressed, implied, oral or written, by statute, by common law, by the Partnership, by the Subscriber or by any third party.

ATTACHMENT I
PROMISSORY NOTE

Issued to:

Due Date: December 31, 2010

**CANVEST CAPITAL II LIMITED PARTNERSHIP (the "Partnership")
and its General Partner, Canvest Management Corp. (the "General Partner")**

1. Promise to Pay

FOR VALUE RECEIVED, the undersigned promises to pay to or to the order of the Partnership at #400, 1111 – 11th Avenue S.W., Calgary, Alberta T2R 0G5, or at such other place as the Partnership may from time to time direct, the principal sum of \$1,000 multiplied by the number of limited partnership units (the "Units") of the Partnership subscribed for by the undersigned pursuant to the Private Placement Subscription Agreement executed by the undersigned and the General Partner on behalf of the Partnership, being:

\$ _____
(Total number of Units Subscribed for multiplied by \$1000)

in lawful money of Canada (the "Principal Sum"), which Principal Sum shall be due and payable on December 31, 2010 together with interest thereon at the rate of 9% per annum calculated and payable annually from the date of this promissory note not in advance, both before and after default and maturity. Interest accruing in a year shall be paid on or before December 31st of that year, provided further that if the taxation year-end of the undersigned is a date other than December 31, then in addition to the forgoing any interest accruing during the period between the taxation year-end of the undersigned and the immediately preceding December 31st shall be paid no later than 60 days after the taxation year-end of the undersigned. The Principal Sum together with all accrued but unpaid interest thereon and all other monies due hereunder shall become due and be paid on December 31, 2010.

This obligation may be paid down in whole (i.e. no partial payments) at any time without bonus or penalty.

2. Waiver and Assignment

The undersigned hereby waives presentment, protest, notice of protest and notice of dishonour of this Note. The undersigned agrees that this Note may be negotiated, assigned, discounted, or hypothecated by the Partnership and in every such case payment thereof is to be made to the holder of this Note instead of the Partnership, upon notice being given by the holder to the undersigned, and no holder of this Note shall be affected by the state of accounts between the undersigned and the Partnership but shall be, and shall be deemed to be, a holder in due course and for value of this Note held by him.

3. Pledge of Units

As continuing collateral security to secure all amounts payable under this Note and in consideration of the General Partner accepting the undersigned's subscription for Units, the undersigned hereby grants a continuing security interest in favour of and delivers, mortgages, charges, pledges, transfers and assigns to the Partnership and the General Partner, their successors and assigns, and any holder of this Note to whom it has been negotiated, assigned, discounted, or hypothecated as aforesaid (collectively the "Holder") the Units together with all income, proceeds and other distributions from the Units accruing or payable after the date of default by the undersigned hereunder. The aforesaid security interest shall attach when the undersigned has rights to the Units. The undersigned agrees that if the undersigned fails to pay any amount owing under this Note and such default continues for 60 days, the unpaid balance of this Note and all accrued and unpaid interest thereon shall, at the option of the Holder, become immediately due and payable, and the Holder may forthwith without notice, demand for payment or advertisement, and without any other formality, subject to applicable laws undertake any or all of the following remedies:

- (a) undertake legal action against the undersigned for the unpaid balance of this Note and all accrued and unpaid interest and any costs or expenses incurred by the Holder as a result of such default;
- (b) sell the Units by public or private sale as fully and effectively as if the Holder was the absolute owner thereof, and the undersigned will forthwith pay or cause to be paid to the Holder any deficiency and the Holder may sue the undersigned for the amount of the deficiency;

(c) determine the fair market value of the Units, which determination will be final and binding on the undersigned, and elect at its option to:

- (i) cancel the Units, thereby decreasing the number of Units outstanding; or
- (ii) seize and retain the Units and assume the amount outstanding under this Note;

and in either case, the liability of the undersigned under this Note shall be reduced by the said fair market value of the Units and the undersigned shall forthwith pay or cause to be paid to the Holder the difference, if any, between the amount outstanding under this Note and the said fair market value; provided that, if the fair market value of the Units is in excess of the amount outstanding under this Note, then the undersigned acknowledges and agrees that such excess shall be retained by the Holder as a reasonable and genuine pre-estimate of liquidated damages of the Holder as a result of such default; or

(d) retain and apply against the outstanding amount of this Note, all income, proceeds and other distributions from the Units accruing or payable after the date of default by the undersigned hereunder.

All rights and remedies of the Holder set out herein are cumulative and no right or remedy contained herein is intended to be exclusive by each will be in addition to every other right or remedy contained herein, or now or hereafter existing at law, in equity or by statute.

This Note shall be governed by and construed in accordance with the laws of the Province of Alberta.

As used in this Note, the masculine gender includes the feminine and neuter genders and vice versa.

DATED THIS _____ day of _____, 2005.

SIGNED, SEALED AND DELIVERED)

By _____ in the presence of:)

Witness)

Address)

Occupation)

Subscriber's Signature

Name of Subscriber – Please Print

ATTACHMENT II
RISK ACKNOWLEDGEMENT FORM

FORM 45-103F3

WARNING

The undersigned (the "Subscriber"), a resident of the province of Alberta, British Columbia, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut or Prince Edward Island, hereby represents and warrants, as an integral part of the attached subscription agreement, that he, she or it in all respects acknowledges and understands the following:

I acknowledge that this is a risky investment:

- I am investing entirely at my own risk.
- No securities commission has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum
- The person selling me these securities is not registered with a securities commission and has no duty to tell me whether this investment is suitable for me.
- I will not be able to sell these securities except in very limited circumstances.
- I may never be able to sell these securities
- I could lose all the money I invest.

I am investing \$_____ in total; this includes any amount I am obliged to pay in future. Canvest Capital II Limited Partnership may pay up to 10% of this subscription to a seller or agent as a fee or commission.

I acknowledge that this is a risky investments and that I could lose all the money I invest.

Date

Signature of Purchaser

Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

You have 2 business days to cancel your purchase.

To do so, send a notice to the Canvest Capital II Limited Partnership stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to the Canvest Capital II Limited Partnership at its business address. Keep a copy of the notice for your records.

Issuer Name and Address: Canvest Capital II Limited Partnership
#400, 1111 – 11th Avenue SW
Calgary, Alberta T2R 0G5
Attention: The President
Fax: (403) 245-0569

You are buying Exempt Market Securities

They are called exempt market securities because two parts of securities law do not apply to them. If an issuer wants to sell exempt market securities to you:

- (1) the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- (2) the securities do not have to be sold by an investment dealer registered with a securities commission.

There are restrictions on your ability to resell exempt market securities. Exempt market securities are more risky than other securities.

You will receive an offering memorandum

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

You will not receive advice

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered advisor or investment dealer. In Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut, and Prince Edward Island, to qualify as an eligible investor, you may be required to obtain that advice. Contact the Investment Dealers Association of Canada (website at www.ida.ca) for a list of registered investment dealers in your area.

The securities you are buying are not listed

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a non-reporting issuer

A non-reporting issuer does not have to publish financial information or notify the public of changes in its business. You will not receive ongoing information about this issuer.

For more information on the *exempt market*, call your local securities commission.

For Alberta Purchasers
Alberta Securities Commission

20th Floor, 10025 Jasper Avenue
Edmonton, Alberta T5J 3Z5
Reception: (780) 427-5201
Facsimile: (780) 422-0777

Inquiries@seccom.ab.ca

For British Columbia Purchasers
British Columbia Securities Commission

P.O. Box 10142
Pacific Centre
701 West Georgia Street
Vancouver, B.C. V7Y 1L2
Main Phone: (604) 899-6500
Main Fax: (604) 899-6506
Toll free (B.C. & Alberta) 1-800-373-6393
inquiries@bcsc.bc.ca

For Saskatchewan Purchasers
Saskatchewan Financial Services Commission
6th Floor, 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 3V7
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

Instruction: The Subscriber must sign 2 copies of this form. The Subscriber and the Issuer must each receive a signed copy.

ATTACHMENT III

ELIGIBLE INVESTOR STATUS CERTIFICATE

The undersigned (the "Subscriber"), a resident of the Province of Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut or Prince Edward Island hereby represents and warrants, as an integral part of the attached Subscription Agreement, that he, she or it is correctly and in all respects described by the category or categories set forth directly next to which the Subscriber has marked below.

[MARK BELOW THE CATEGORY OR CATEGORIES WHICH DESCRIBES YOU]

- 1 A person or company (an "Eligible Investor") whose:
 - (i) net assets, alone or with a spouse, exceed \$400,000,
 - (ii) net income before taxes exceeded \$75,000 in each of the two most recent years and who reasonably expects to exceed that income level in the current year,
 - (iii) net income before taxes combined with that of a spouse exceeded \$125,000 in each of the two most recent years and who reasonably expect to exceed that income level in the current year.

- 2 A person or company of which a majority of the voting securities are beneficially owned by Eligible Investors or a majority of the directors are eligible investors.
- 3 A general partnership in which all of the partners are Eligible Investors.
- 4 A limited partnership in which the majority of the general partners are Eligible Investors.
- 5. A trust or estate in which all of the beneficiaries or a majority of the trustees are Eligible Investors.
- 6. A person or company that has obtained advice regarding the suitability of the investment and if the person or company is in a jurisdiction of Canada that advice has been obtained from an investment dealer, securities dealer or their equivalent, registered under the securities legislation of the jurisdiction.
- 7. A person or company that is not an Eligible Investor or one of those persons or entities described in paragraphs 2 through 6, and therefore cannot acquire more than \$10,000 of the Units offered by the Canvest Capital II Limited Partnership pursuant to the Offering Memorandum Exemption (as defined in the attached Subscription Agreement).

DATED: _____, 2005.

Signature of Subscriber

Address

Name of Subscriber

City/Town Province Postal Code