Action No.: 0901-11048
Deponent: Brad Little
Sworn: December 2, 2009

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, SECTION 13(2) OF THE *JUDICATURE ACT*, R.S.A. 2000, c. J-2, AS AMENDED AND SECTION 99(a) OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, C. B-9, AS AMENDED

AND IN THE MATTER OF CONCRETE EQUITIES INC., WEALTHCRETE INVESTMENT CORPORATION, CONCRETE ASSOCIATES INVESTMENT CORPORATION, CONCRETE ASSOCIATES II INVESTMENT CORPORATION, CONCRETE ASSOCIATES III INVESTMENT CORPORATION, CONCRETE ASSOCIATES IV INVESTMENT CORPORATION, CONCRETE ASSOCIATES V INVESTMENT CORPORATION, EL GOLFO INVESTMENT CORPORATION, CONSTA KORAAL INVESTMENT CORPORATION, LUNA MORADA INVESTMENT CORPORATION, CONCRETE EQUITIES EXECUTIVE CLUB INC., 1456775 ALBERTA LTD., AND CONCRETE PLACE PROPERTIES LTD.

AFFIDAVIT

I, Brad Little, of the City of Calgary, in the Province of Alberta, Businessman, MAKE OATH AND SAY THAT:

1. I am the Regional Director of The Standard Life Assurance Company of Canada, the Plaintiff in this Action (hereinafter "Standard Life"). As such, I have personal knowledge of the matters hereinafter deposed to, except where stated to be based on information and belief, in which case I verily believe the same to be true.

2. Pursuant to the mortgage security described below, Standard Life is a secured creditor of Concrete Associates Investment Corporation (Concrete), one of the debtor companies (the "CCAA Applicants") involved in the within proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 (the "CCAA").

3. Concrete is the General Partner of Safeguard Real Estate Investment Fund II Limited Partnership ("LP II"). The stay of proceedings imposed by the Initial Order in these proceedings, as defined below, is stated to apply to LP II as well as to Concrete.

4. The property secured by the mortgage is municipally described as 909 – 5th Avenue S.W., Calgary, and legally described as:

PLAN CALGARY 3790P
LOTS A, B, C, AND D
EXCEPTING THEREOUT: (AS TO SURFACE ONLY) A PORTION FOR STREET WIDENING ON PLAN 8211788

and

PLAN A1
BLOCK 26
LOTS 14, 15 AND 16
EXCEPTING THEREOUT: (AS TO SURFACE ONLY) A PORTION FOR STREET WIDENING ON PLAN 8211788

(the "Building").

The Mortgage Security and Receiver of Rents Order

5. In addition to the facts deposed to in this my Affidavit, I further rely on the facts set out in my Affidavit sworn in Action No. 0901-07080 on May 14, 2009 (the "May Affidavit'). I verily believe those facts are still true, and further that the facts most pertinent to the within application can be summarized as follows:

   (a) Under the terms of a commitment letter (the "Loan Agreement") dated June 7, 2005, Standard Life advanced the sum of $9,750,000.00 (the "Loan Amount") to 5th Avenue Syndication Ltd. ("5th Avenue");

   (b) By way of a mortgage dated September 1, 2005 and registered on title to the Building on September 26, 2005 (the "Mortgage"), 5th Avenue mortgaged to Standard Life the Building to secure repayment of the Loan Amount, plus costs and interest at the rate of interest set out in the Mortgage. 5th Avenue covenanted to pay the principal sum of $9,750,000.00 together with costs and interest as set out in the Mortgage until the indebtedness was fully paid. 5th Avenue also granted to Standard Life other collateral security, as described in the May Affidavit (the "Collateral Security");

(c) By Transfer of Land dated the 30th day of June, 2006 and registered against the title to the Building on August 3, 2006, Concrete became the sole registered owner of the Building. and is therefore bound by the terms and conditions of the Mortgage and the Collateral Security;

(d) I believe Concrete holds the building in its capacity as the General Partner of LP II;

(e) Under a Mortgage Assumption Agreement dated July 5, 2006 (the "Assumption Agreement"), Concrete assumed and covenanted to pay the indebtedness of 5th Avenue to Standard Life under the Loan Agreement, which at the effective date of the Assumption Agreement was $9,555,688.12 (the "Outstanding Principal"), and agreed to be liable to Standard Life for the Outstanding Principal and all of 5th Avenue's obligations under the Mortgage and the Collateral Security;

(f) Pursuant to the terms of the Mortgage and the Loan Agreement, Standard Life unilaterally extended the original maturity date of the Mortgage (October 1, 2008) by one month, which extension changed the applicable interest rate and increased the loan amount by an extension fee of $8,823.00;

(g) Being unable to repay the Loan Amount on the November 1, 2008 maturity date of the Mortgage, Concrete defaulted on its obligations under the Mortgage Assumption Agreement, the Loan Agreement and the Mortgage;

(h) Standard Life and Concrete entered into a Forbearance Agreement on February 9, 2009 (the "Forbearance Agreement") whereby Standard Life agreed to forbear from demanding repayment of the balance of the Loan Amount as at February 1, 2009 and enforcing the Collateral Security until April 1, 2009, if, by no later than February 27, 2009 Concrete provided Standard Life with an irrevocable letter of credit from a Canadian chartered bank providing for the payment of funds to Concrete, to be applied against the Loan Amount (among other conditions). The irrevocable letter of credit was not provided, which constituted an event of default under the Forbearance Agreement;

(i) Accordingly, on March 9, 2009, pursuant to the default provisions of the Forbearance Agreement, Standard Life terminated that agreement and provided Concrete with notice of termination. On March 16, 2009 Standard Life demanded payment from Concrete of the outstanding balance on the Loan Amount and served on Concrete a Notice of Intention to Enforce Security under the *Bankruptcy and Insolvency Act.* Concrete did not, and still has not, repaid the Loan Amount;

(j) On May 12, 2009, Standard Life filed a Statement of Claim against Concrete, among other defendants, in Action No. 0901-07080 in the Court of Queen's Bench of Alberta (the "Foreclosure Action"), requesting, in part, judgment against Concrete in the amount of the outstanding balance of the Loan Amount, and for foreclosure of the Building; and

(k) Based on my review of information (including the rent roll) that Standard Life received when it had advanced the Loan Amount in 2005, I believe that the Building was, and remains, rented to SNC Lavalin Inc. ("SNC"), the primary tenant of the Building.

6. On May 20, 2009, the Court of Queen's Bench of Alberta granted an Order appointing Standard Life as the receiver of the rents, profits and arrears of rent and other money due and accruing in respect of the use and occupation of the Building without entry into possession of the Building and without security (the "Receiver of Rents Order").

The Proposal, Receivership and CCAA Proceedings

7. I am advised by my counsel, Chris Simard of Bennett Jones LLP, solicitors for Standard Life, and do verily believe that on May 26, 2009, LP II sought and obtained protection from its creditors by filing a Notice of Intention to Make a Proposal (the "LP II NOI") under the *Bankruptcy and Insolvency Act*, pursuant to which Ernst & Young Inc. ("EY") was named as Trustee under the NOI. I am further advised by Mr. Simard and believe that a number of other limited partnerships related to LP II, specifically, Safeguard Real Estate Investment Fund Limited Partnership, Safeguard Real Estate Investment Fund III

Limited Partnership, Safeguard Real Estate Investment Fund IV Limited Partnership, and Safeguard Real Estate Investment Fund V Limited Partnership (collectively, the "LPs") also filed Notices of Intention on the same date (collectively, the "LP NOIs").

8. I am advised by Mr. Simard and believe that on June 9, 2009, EY was appointed by various orders of the Court of Queen's Bench of Alberta as the Interim Receiver of LP II and the LPs pursuant to the *BIA* and the *Judicature Act* (collectively the "LP Interim Receivership Orders").

9. I am further advised by Mr. Simard and verily believe that on July 29, 2009, the CCAA Applicants filed for protection from their creditors under the CCAA pursuant to the within proceedings, and further, that the CCAA Applicants and a number of other related and unrelated entities were the subject of an application for a receivership order over the CCAA Applicants.

10. I am further informed by Mr. Simard and do verily believe that on July 29, 2009, the Honourable Madam Justice Romaine granted both an order pursuant to the CCAA (the "Initial Order"), and a Receivership Order (the "Receivership Order") in respect of the CCAA Applicants. I have reviewed the Initial Order and note that it provides at paragraph 14(b) that certain of its provisions apply to LP II, among other entities. Mr. Simard informs me and I verily believe that the Receivership Order had the effect of terminating the LPII NOI and the LP NOIs, converting the Proposal proceedings thereunder into Receivership proceedings, and naming EY as Receiver.

11. I am informed by Mr. Simard and do verily believe that EY is both the Monitor under the Initial Order, and the Receiver under the Receivership Order.

12. Pursuant to the terms of the Initial Order, Standard Life is stayed from taking any further steps to enforce its security pursuant to the Foreclosure Action against either of Concrete or LP II. This is problematic for Standard Life as a secured creditor of Concrete, given that the value of its security is, in my belief, decreasing steadily as described below.

13. I have reviewed the First Report of the Monitor, dated August 26, 2009 (the "First Report") filed by EY in its capacity as the Monitor, and the minutes of the first, second,

third and fourth meetings of the Management Committee (respectively, the "First Meeting Minutes", the "Second Meeting Minutes", the "Third Meeting Minutes" and the "Fourth Meeting Minutes", and collectively the "Management Committee Minutes"), which documents have informed me of a number of the facts to which I depose below, which I believe to be true.

14. From time to time since July 9, 2009, Standard Life has held "without prejudice" discussions with EY regarding the possibility of extending the term of the Mortgage. No acceptable resolutions have arisen from these negotiations to date.

15. I am aware that the property manager working with EY in relation to the Building is 969801 Alberta Ltd., operating as Avenue Commercial ("Avenue").

Concerns Relating to the Value of the Building

16. As at the date of the First Report, 85,201 square feet out of the total 108,000 square feet of leaseable space available in the Building was occupied by SNC and by one other primary tenant of the Building. The SNC Lease expires in 2012 and I understand from EY that it has approached SNC to discuss an extension of the lease term beyond 2012, but that no extension has been agreed to. The Second Meeting Minutes indicate that in order for an extension of the SNC Lease to be accepted, the term would have to be short and the rental rates would have to remain low.

17. The upcoming expiry and the uncertainty of the extension of the SNC Lease and the vacancy rate of the Building are of serious concern to Standard Life, which I believe will negatively impact the value of the Building.

18. The Fourth Meeting Minutes indicate that several potential tenants made offers to lease the empty space on the eighth floor of the Building, and that rather than making tenant inducement payments to encourage tenants to lease, the Management Committee was considering offering lower rental rates to tenants. The difficulty with this, as stated in the Fourth Meeting Minutes, is that the Building is suffering from cash flow issues even with the rental rates at their current levels. Despite the existence of potential tenants as at the date of the Fourth Management Committee Meeting, the First Report discloses that, as at

August 26, 2009, no tenants had been found for the vacant space in the Building. These continuing vacancies pose a serious threat to Standard Life's security.

19. In addition to the issues surrounding the vacancy rate of the Building, Standard Life's overall security pursuant to the Mortgage is also being threatened. Standard Life believes, due to the construction of numerous new office buildings in downtown Calgary, and due to the loss of tenants in established commercial buildings, that the overall amount of commercial space available for rent in Calgary will soon be increasing significantly. As a result, the value of all existing rental space is steadily decreasing. This will have a negative impact on the value of the Building.

20. Given the foregoing, the sooner the Building can be marketed and sold, the more likely it is that the value obtained for the Building on sale will be sufficient to pay out the Mortgage and discharge Standard Life's security.

Restructuring of the CCAA Applicants and Related Entities

21. Beyond dealing with urgent issues relating to each of the properties owned by the CCAA Applicants separately, the CCAA Applicants do not appear to be making any significant progress in moving towards an overall restructuring plan for the CCAA Applicants, the LPs, and the entities subject to the Receivership Order.

22. The First Report indicates that restructuring options cannot be explored until the review and investigation undertaken by EY as Receiver of the financial affairs of the CCAA Applicants (which include Concrete) and the LPs to determine the existence of misconduct or financial mismanagement within those entities (the "Investigation") is nearer to completion.

23. As far as I am aware, there is no set timeline for the marketing or refinancing of the Building as part of a greater restructuring plan in respect of the CCAA Applicants or the LPs, and as a result, Standard Life is effectively being asked to sit by while the value of the Building and the value of the leaseable space continue to deteriorate.

24. Given the lack of progress by EY in terms of obtaining tenants to lease the vacant space in the Building, and the fact that no options for restructuring, or even a plan for moving forward with a restructuring process, have been put forth to date, and given the concerns about LP II's cashflows, the only viable option to protect Standard Life's security is to immediately commence a sales or refinancing proposal process with respect to the Building.

25. In light of the fact that attempts by EY and the property managers to secure tenants for the vacant space in the Building have failed, regardless of the fact that EY and Avenue have both marketed the space and contacted potential tenants directly, and in light of the fact that the real estate market is declining in Calgary, it is Standard Life's belief that the Building must be actively and aggressively marketed through a well-publicized solicitation process.

26. I am advised by my counsel, Mr. Simard, and verily believe, that the Court and EY have been made aware of Standard Life's intention to commence a sales/refinancing proposal solicitation process with respect to the Building, in order that Standard Life may protect its security.

27. Standard Life will not support any restructuring plan for LP II or Concrete that does not involve the sale or refinancing of the Building.

28. I make this Affidavit in support of an application for an Order directing the Monitor to undertake a sales or refinancing proposal solicitation process in relation to the Building.

SWORN BEFORE ME at the City of Calgary, in the Province of Alberta, this 2 day of December, 2009)

A Commissioner for Oaths in and for the Province of Alberta)

BRAD LITTLE

CHRIS SIMARD
Barrister and Solicitor

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AFFIDAVIT

BENNETT JONES LLP
Barristers and Solicitors
4500 Bankers Hall East
855 - 2nd Street S.W.
Calgary, Alberta T2P 4K7

Chris Simard

Telephone No. (403) 298-4485
Fax No. (403) 265-7219

File No. 29754-3