Safeguard Real Estate Investment Fund Limited Partnerships
Subscription Agreement Question and Answers

Q1. Where do I send my cheque and Subscription Agreement?

A. Ernst & Young Inc. – in its capacity as Receiver of Safeguard LPs
1000, 440 – 2nd Ave SW
Calgary, AB T2P 5E9
Attention: Ms. Betty Trinh

Q2. What is the deadline for submitting payment?

A. The completed Subscription Agreement, including the post-dated cheques or bank drafts must be received by the Receiver at the above address by 12:00 p.m. (Noon) Calgary time on January 29, 2010.

Payments can be made in one instalment or two instalments. If you are choosing to pay in one instalment, the cheque should be dated February 1, 2010. If you are choosing to pay in two equal instalments, the cheques should be dated February 1, 2010 and March 1, 2010.

Q3. Do I need to complete Schedule A to the Subscription Agreement

A. Lenders should refer to Clause 10(f) and Clause 10(g) of the Subscription Agreement to determine if they must complete Schedule A to the Subscription Agreement.

Q4. How was the estimated cash shortfall calculated?

A. The cash shortfalls were estimated based on the cash flow projections of the particular Safeguard LP which were attached as Appendix G to the Third Report of the Monitor. A copy of this report is available on the Receiver's website www.ey.com/ca/safeguard. Click on CCAA Proceedings, Monitor's Report and then 3. Third Report.

The cash flow generated by the properties in Safeguard LP 2, 3 and 4 is estimated to be insufficient to pay all of the non-recoverable costs (eg. Mortgage payments), including capital and leasing costs and restructuring expenses.

Q5. The Monitor's Third report shows a combined overall cash shortfall of just over $1.08 million for all properties, why are you raising $1.3 million?

A. The net cash shortfall of $1,080,385 (page 24 of the Monitor's 3rd report) is the combined projected cash flow shortage for the Safeguard LP's. Safeguard LP 1 and Safeguard LP 5 are projected to generate a cash surplus over the forecast period, while Safeguard LP 2, 3 and 4 are projected to require an injection of cash over the forecast period.

The cash flow forecasts were prepared based on the assumption that the Safeguard LPs would not borrow from other entities, but would instead raise funds from all limited partners to assist all properties and fund the estimated cash shortfalls in preparation for the exit of these proceedings.

Q6. The cash flow projections referred to above also contain a contingency of $540,000 what does this relate to?

A. The contingency of $540,000 on a consolidated basis for the 18 week forecast period relates to a provision to cover unanticipated costs and/or costs in excess of currently forecast amounts. The cash flows have been developed on a conservative basis, in an effort to ensure that adequate financing is raised.

Q7. Why are unitholders in limited partnerships other than the Safeguard II LP, Safeguard III LP, and Safeguard IV LP being provided with this opportunity?

A. The Receiver, in consultation with the Management Committee and ad hoc Steering Committee, have determined that it would be appropriate to approach all unit holders with this opportunity to contribute to the success of the overall CCAA efforts by funding the estimated cash shortfalls through an opportunity that offers a 10% interest rate and a conversion to equity at 90%.

Q8. What happens if insufficient funds are raised through this process for a particular Safeguard LP? What happens if excess funds are raised through this process?

A. If insufficient funds are raised through this process for a particular Safeguard LP, the Receiver will have no choice but to market the respective property for sale. For example, if Safeguard IV (Concrete Equity Place) does not raise the estimated $350,000 required, the Receiver would be required to market the Concrete Equities Place building for sale.

If excess funds are raised through this process for a particular Safeguard LP, the funds will remain in the Receiver's bank account for future use by that particular Safeguard LP.

Q9. How does the Borrowing Charge work and when are the debentures converted to equity?

A. Proceeds received related to the debenture offering will be collected by Ernst & Young Inc. in its capacity as Receiver of the Safeguard LP's and will be held in a separate trust account until the debentures are issued.

If the Plan of Arrangement is successful, the debentures will be converted to equity upon Plan Implementation. If the Plan of Arrangement is not successful, the debenture will not be converted to equity, rather the debentures will be repaid to the extent there are sufficient sales proceeds available from sale proceeds according to its priority.

The Borrowing Charge ranks behind the Receiver's Charge and the first mortgage security but ahead of other secured debt, unsecured debt and equity.

Q10. On Appendix I, II, and III to the Receiver's letter dated January 6, 2010, a reference to Note 3 refers to an estimate of creditor amounts excluding certain non-trade creditor claims that were filed against each property totalling approximately $9.585 Million. What is the status of these claims?

A. The creditor amounts included in these Appendices were estimated based on information contained in the Concrete Entities books and records. The final amounts will be determined as part of the Claims Process. The Claims Process administered by the Receiver requires all creditors to prove their claims. All claims are reviewed by the Monitor to evaluate whether the claims are valid against the Safeguard LP. Claims that do not appear to be valid are dealt with in accordance with the provisions of the Claims Process Order.

As the Receiver anticipates that these claims totalling $9.585 Million will be disputed in the Claims Process as previously noted in the Receiver's Investigation Report, they have been excluded from the calculation of the estimated fair market value of the equity.

Q11. Does my investment have to be converted into additional limited partnership units or can I simply be paid back my investment plus the 10% interest?

A. Under the terms of the Subscription Agreement, upon Plan implementation all debentures will be converted into additional limited partnership units only.

Q12. How does the conversion to equity work. How will the current unit value be calculated?

A. The conversion to equity will be calculated for each respective Safeguard LP as follows:

Step 1. The Fair Market Value of equity per unit prior to conversion is calculated by starting with the appraised value of the respective property and deducting all claims against the respective Safeguard LP. This value is then divided by the number of limited partnership units outstanding at conversion to arrive at the Fair Market Value of equity per unit prior to conversion (the "Implied value per unit").

Example - Safeguard II LP;

Fair Market Value of the Equity (pre-conversion)	*	$7,425,000
Divided by : Number of LP units outstanding at conversion		245
Equals: Implied Unit Value		$30,306

*As calculated on Appendix 1 to the Receiver's correspondence dated January 6, 2010.

Step 2. To determine the number of partnership units being issued on the conversion, the total Borrowings (including accrued interest) is divided by the result of the Implied value per unit multiplied by the conversion rate of 90%.

Example – Safeguard II LP;

New funds raised (including accrued interest)	$405,000
90% of Fair Market Value of equity (30,306 x 90%)	$27,275
Number of new units to be issued	14.85 – rounded to 15

Step 3. To determine the value to be attributed to the new units being issued, the Estimated Fair Market Value of the Equity before conversion is divided by the total number of partnership units after conversion.

Example – Safeguard II LP;

Fair Market Value of the Equity (post conversion)*	$7,830,000
Divided by total number of units:	
245 (pre conversion) plus 15 (conversion)	260
Equals: Value per unit post conversion	$30,115

*As calculated on Appendix 1 to the Receiver's correspondence dated January 6, 2010.

Step 4: The additional Limited Partnership units are to be issued to the debenture holders on a pro rata basis based on the value of the debentures that are held.

Example - Safeguard II LP – an investment of $4,000 in the debentures, assuming a full subscription of $400,000 will convert to 0.15 partnership units calculated as follows:

$4,000 debenture as a % of the total $400,000 issuance	1%
Total new shares issued in Safeguard II LP	15
Total new units issued to holder of $4,000 in debentures (1% x 15)	0.15

Q13. The Appendices refer to dilution. What is dilution and what is the impact on investors?

A. Since the debentures are converted at 90% of the unit value, the result is a dilution to current investors who do not choose to participate.

Q14. If the interest rate and conversion factor are equal amongst the respective Safeguard LP's at 10% and 90% respectfully, why are there different estimated rates of return?

A. The estimated rate of return is composed of both the 10% interest as well as the value of the conversion to equity at the 90% conversion rate. The value of the conversion to equity at the 90% conversion rate is derived primarily by the dilution which is dependent on the number of outstanding limited partnership units.

An illustrative summary of the amended estimated rate of return driven by a change in partnership units is provided below:

	245 LP Units	345 LP Units
# of LP Units issued on conversion	15	21
Value per unit pre-conversion	$30,306	$21,522
Value per unit post-conversion	$30,115	$21,393
Dilution	0.63%	0.60%
Estimated rate of return	22.9%	22.3%

Q15. Once the debentures are converted to equity, how does the investment rank?

A. Once the debentures are converted to equity, the investment would rank as equity, behind creditor claims and equally with the existing limited partnership units.

Q16. How will the Receiver allocate Borrowings where no specific Safeguard LP is selected?

A. The Receiver will work with the Management Committee to determine where the unallocated funds should be applied. The decision will depend on the amount of funds that are raised by each respective Safeguard LP and whether any of the Safeguard LPs have not raised the funds that are required.

Q17. What will happen if a particular Safeguard LP is over subscribed and another is under subscribed? Will my investment automatically be used to fund the later? If so, will the rate of return also be guaranteed in such an event?

A. If a particular Safeguard LP is over subscribed, the Receiver will contact the Lender and advise of the over subscription and request that the Borrowings be allocated to a different Safeguard LP. If a Lender selects a particular Safeguard LP, the Receiver will not use the funds in connection with a different Safeguard LP without the Lender completing a revised Subscription Agreement.

Q18. What will be the tax treatment of the Borrowings?

A. Lenders should consult with their tax advisor to determine how these Borrowings might affect their personal tax situation.

Q19. Can I allocate my investment to more than one Safeguard LP?

A. Provided that each investment is not less than $1,000 and amounts are allocated in increments of $1,000 (eg. $1,000, $2,000, $5,000, $10,000, $20,000 or more), Lenders can choose more than one Safeguard LP as indicated on the Subscription Agreement.

Q20. What happens if I do not select, or forget to select, a specific Safeguard LP?

A. If a specific Safeguard LP is not selected on the Subscription Agreement, the Receiver will allocate the Borrowings upon consultation with the Management Committee.

Q21. I have no cash or credit available to contribute, can I use funds from my RRSP account? Is the funding of the Borrowings RRSP eligible?

A. No, the investment is not RRSP eligible.

Q22. Can I subscribe for more than S1,000?

A. Yes. Subscriptions will be accepted in increments of $1,000 denominations (eg. $1,000, $2,000, $5,000, $10,000, $20,000 or more.

Q23. Who can I contact for further information?

A. Please feel free to contact a property representative as indicated below or the Receiver at (403) 206-5241;

Property	Representative	Phone	Email
*Deer Valley / Millrise	Jim & Lynda Crittal	(403) 271-0750	crittalj@shaw.ca
SNC Lavalin	Hardy & Suzanne Hofer	(403) 271-8632	save.snc@gmail.com
*Castleridge	Gregg Hatton-Fearnley	(403) 293-4092	A1webed@telusplanet.net
Concrete Equities Place	Michael Hansen	(403) 648-1791	maclinmike@msn.com
MEG Place	Rick Robson	(403) 281-7018	rcrobson@shaw.ca

*** Deer Valley / Millrise and Castleridge property representatives have requested that initial contact be made by email.**