

**THE CHURCHILL CORPORATION
(TSX: CUQ)**

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2007

March 28, 2008

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GLOSSARY OF TERMS

“**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“**Affiliate**” or “**Associate**” when used to indicate a relationship with a person or company, means the same as set forth in the *Securities Act* (Alberta);

“**Board of Directors**” or “**Board**” means the board of directors of the Company;

“**Buildings**” means Stuart Olson;

“**Common Shares**” means common shares in the capital of the Company;

“**Company**” or “**Corporation**” or “**Churchill**” or “**Issuer**” means The Churchill Corporation and, as the context requires, its wholly-owned subsidiaries;

“**Fuller Austin**” means Fuller Austin Insulation Inc.;

“**Industrial Electrical Contracting**” means Laird;

“**Industrial General Contracting**” means Triton;

“**Industrial Insulation Contracting**” means collectively, Insulation Holdings, Fuller Austin and Northern Industrial and their respective subsidiaries;

“**Insulation Holdings**” means Insulation Holdings Inc.;

“**Laird**” means Laird Electric Inc.;

“**Lakehead**” means Lakehead Insulation Inc., a subsidiary of Fuller Austin;

“**Northern Industrial**” means Northern Industrial Insulation Contractors Inc.;

“**Operating Divisions**” means the four primary operating divisions of the Company being Buildings, Industrial General Contracting, Industrial Insulation Contracting and Industrial Electrical Contracting;

“**Preferred Shares**” means preferred shares in the capital of the Company;

“**Stuart Olson**” means collectively, Stuart Olson Construction Ltd. and Stuart Olson Constructors Inc. and their respective subsidiaries;

“**Triton**” means collectively, Triton Construction Inc. and Triton Projects Inc. and their respective subsidiaries; and

“**TSX**” means The Toronto Stock Exchange.

Words importing the singular number only include the plural and vice versa and words importing any gender includes all genders. All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

FORWARD-LOOKING INFORMATION

This Annual Information Form contains certain forward-looking statements relating to, but not limited to, our operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as “anticipate”, “believe”, “plan” or similar words suggesting future outcomes.

Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved. By its nature, our forward-looking information involves numerous assumptions, inherent risks and uncertainties including, but not limited to, the following factors: general global economic and business conditions including the effect, if any, of a potential economic slowdown in the U.S. and/or Canada; changes in business strategies; the effects of competition and pricing pressures; shifts in market demands; changes in laws and regulations; uncertainties of litigation; labour disputes; timing of completion of capital or maintenance projects; currency and interest rate fluctuations; various events which could disrupt operations, including severe weather conditions; and technological changes. Any forward-looking statements are made as of the date hereof and the Corporation undertakes no obligation to update or revise such statements to reflect new information, subsequent or otherwise.

All initial capitalized words used in this Annual Information Form which are not otherwise defined herein have the meanings ascribed thereto in the Glossary of Terms herein.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Churchill Corporation (“Churchill”, the “Corporation”, the “Company” or the “Issuer”) was incorporated as “Churchill Development Corporation Ltd.” on August 31, 1981, under the *Companies Act* of Alberta and was continued under the ABCA on July 30, 1985. The name of the Corporation was changed to “The Churchill Corporation” by Certificate of Amendment dated July 30, 1985. On June 30, 1987, Churchill acquired A.I.L. – Alberta Investments Ltd. (“AIL”), a closed end mutual fund listed on the Alberta Stock Exchange (the “ASE”), and became a reporting issuer pursuant to an order of the Alberta Securities Commission. Churchill amalgamated with AIL on December 31, 1987 and the Common Shares were listed and conditionally accepted for trading by the ASE on December 1, 1987. On December 8, 1999, the Common Shares were listed for trading on the TSX. On January 30, 2000, Churchill consolidated its trading onto the TSX and dropped its listing on the ASE, which was then the Canadian Venture Exchange.

The Corporation's head and registered office is located at 12836 - 146 Street, Edmonton, Alberta.

Material Amendments to the Constatng Documents

The following material amendments have been made to the articles and other constating documents of the Corporation:

- Certificate and Special Resolution filed June 28, 1985 to reorganize the Corporation's share capital to consolidate the class “A” common shares and the class “B” common shares, modify the Memorandum of Association of the Corporation, authorize the issuance of up to 110,000,000 class “A” common shares and convert all issued and outstanding class “A” common shares and all issued and outstanding class “B” common shares into Class A Common Shares on a one-for-one basis.
- Certificate and Articles of Amendment filed July 30, 1985 to change the name of the Corporation from “Churchill Development Corporation Ltd.” to “The Churchill Corporation”.
- Certificate and Articles of Amalgamation filed December 31, 1987 to amalgamate The Churchill Corporation and A.I.L. – Alberta Investments Ltd.
- Amended By-laws approved by the Board and ratified by the Shareholders at the Annual and Special Meeting of Shareholders held May 19, 1999 to reduce the quorum requirement for meetings of shareholders from 30% to 10% of outstanding shares.
- Certificate and Articles of Amendment filed June 13, 2000 to:
 - Change the authorized share capital of the Corporation as follows: a) change the designation of the authorized and issued “Class A Common Shares” to “Common Shares”; b) change the maximum number of Common Shares that may be issued to an unlimited number; c) cancel the authorized classes and series of preferred shares; and d) create an unlimited number of a new class of shares designated as “Preferred Shares”, issuable in series;

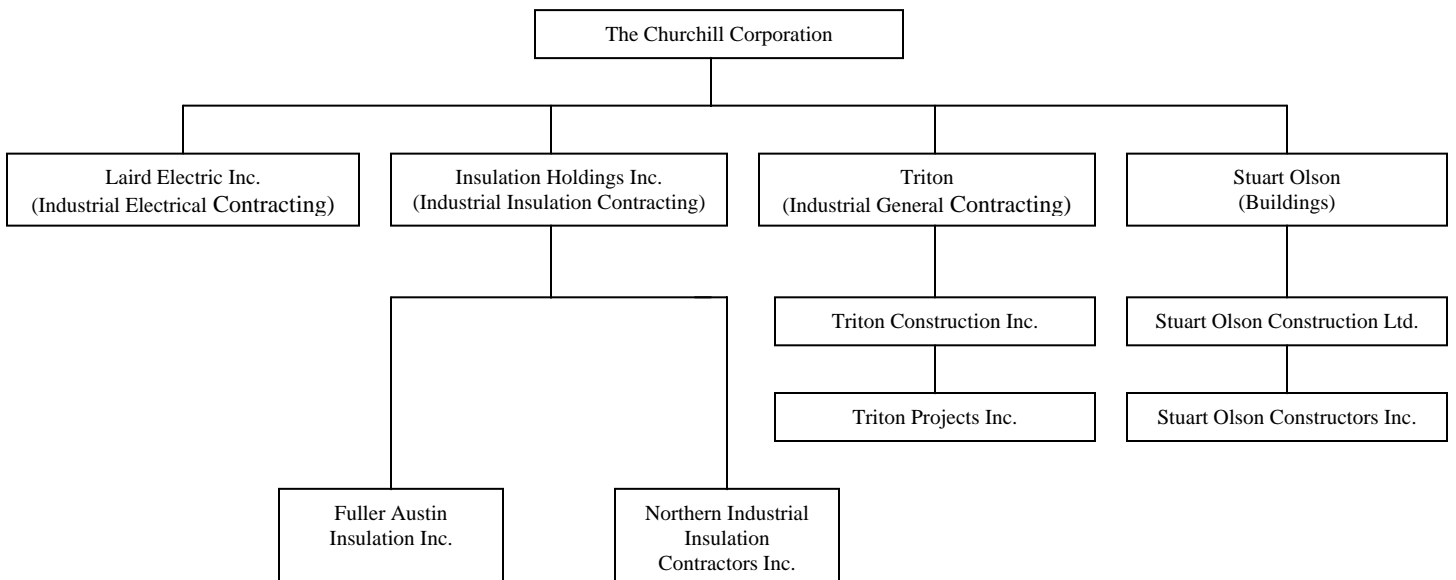
- Provide that meetings of shareholders of the Corporation may be held inside or outside of Alberta, at any place in Canada; and
- Permit the Board to appoint one or more additional directors between annual meetings, with the number of additional directors not to exceed one-third of the number of directors who held office at the expiration of the last annual meeting of the Corporation.

Intercorporate Relationships

The following table lists the principal subsidiaries of the Corporation, their jurisdiction of incorporation and the percentage of voting and non-voting shares thereof, which are owned, directly or indirectly, by the Corporation.

Name	Jurisdiction of Incorporation or Continuance	% Voting Shares	% Non-voting Shares
Stuart Olson Construction Ltd.	Alberta	100	N/A
Stuart Olson Constructors Inc.	Alberta	100	N/A
Insulation Holdings Inc.	Alberta	100	N/A
Fuller Austin Insulation Inc.	Alberta	100	N/A
Northern Industrial Insulation Contractors Inc.	Alberta	100	N/A
Triton Construction Inc.	Alberta	100	N/A
Triton Projects Inc.	Alberta	100	N/A
Laird Electric Inc.	Alberta	100	N/A

The organizational structure of the Corporation, and its principal subsidiaries outlined above, is as set forth below:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Overview

Churchill provides commercial and institutional building construction, industrial construction, industrial insulation, industrial electrical and maintenance and related services; primarily in western Canada. Stuart Olson, Triton, Insulation Holdings and Laird Electric represent the main business activity of Churchill. A brief description of each of the Operating Divisions is set out below.

- Buildings (Stuart Olson) includes the construction of commercial, institutional, light-industrial and multi-unit residential buildings.
- Industrial General Contracting (Triton) includes heavy-industrial general contracting, fabrication, site work and ongoing maintenance.
- Industrial Insulation Contracting (Fuller Austin and Northern Industrial) includes insulation, siding, fireproofing, asbestos abatement and plant maintenance services.
- Industrial Electrical Contracting (Laird) includes industrial electrical, instrumentation and power-line construction and maintenance services.

Vision

Churchill's strategic vision is to build a profitable, diversified and sustainable construction and industrial service company.

Mission

Churchill's mission is to deliver building construction, industrial contracting and maintenance services at levels of performance and cost that exceed client expectations.

Strategy

- Emphasizing value added construction and other partnering methods of project delivery.
- Securing contracts for larger projects.
- Levering module fabrication activities into opportunities for field installation work.
- Targeted geographic expansion.
- Industry sector diversification.
- Ensuring an adequate level of working capital is available to the Corporation.

ANNUAL FINANCIAL INFORMATION

Set out below is selected annual financial information for each of the last three years.

	YEARS ENDED DECEMBER 31		
(\$ millions, except per share amounts)	2007	2006	2005
Contract Revenue	\$ 736.1	\$ 531.3	\$ 479.8
Contract Income	69.6	51.2	39.8
Indirect and administrative expenses	38.1	36.1	31.7
EBITDA	35.1	16.3	9.2
Earnings before tax	30.8	12.7	5.4
Net Earnings	\$21.1	\$8.1	\$3.8
Earnings per common share			
Basic (\$ per share)	\$1.19	\$0.46	\$0.24
Fully Diluted (\$ per share)	\$1.17	\$0.45	\$0.24
Work-in-hand	\$713.8	\$493.9	\$247.2
Total Assets	\$264.7	\$165.5	\$144.1
Long-term debt	\$10.7	\$11.2	\$10.4
Cash dividends declared per share	-	-	-

2005 was a positive year for the Corporation. Improved conditions in all of Churchill's markets, internal reorganization and system changes, as well as the injection of new capital restructuring, combined to produce significant improvements in the company's financial results and financial position.

Laird Electric experienced an excellent year. Revenue increased significantly as a result of electrical construction and maintenance services provided to a major oilsands producer. The company reached a record level of annual revenue, a high level of earnings and had a significant carryover of work into 2006.

Stuart Olson continued with the turnaround in its financial results. Operational earnings almost doubled on a year-over-year basis and it was able to secure several significant projects that carried over into 2006. The company's infrastructure market continued to expand, particularly in the health care and education sectors.

During 2005, Fuller Austin completed one of the largest insulation projects executed in Canada for a major oil sands producer in the Fort McMurray region. This contributed to record revenues in the insulation businesses.

As a result of project execution issues at Triton's fabrication facility, through-put was intentionally restricted in 2005 until required systems and processes were sufficiently improved. This reduced operating level at the fabrication plant, together with an operating loss on a major construction project, resulted in a net loss at Triton in the year. Despite these events, expanding oil sand construction markets enabled Triton to attain a record level of revenue.

In April 2005, Bruce Rintoul, Vice President Industrial and CEO of Triton left the Corporation. The position of Vice President Industrial was subsequently eliminated. In May 2005, Norm Rokosh was

appointed President and Chief Executive Officer of the Corporation. In June 2005, Daryl Sands was appointed Vice President Finance and Chief Financial Officer.

Churchill completed a capital restructuring program during 2005 which included a short-term loan, an equity financing and a new banking facility. The Corporation finalized an arrangement for aggregate equity funding of \$10,646,000 by issuing 5,323,000 common shares on April 25, 2005. This arrangement was approved by the Shareholders of the Corporation at the Annual General and Special Meeting held on May 12, 2005. As an interim measure, prior to obtaining shareholder approval, Matco Capital Ltd., a private investment firm based in Calgary, Alberta (arm's length to Churchill), agreed to lend Churchill \$7,000,000, repayable not later than July 31, 2005. Upon obtaining shareholder approval, the loan was converted into 3,500,000 Common Shares (reflecting a conversion price of \$2.00 per share) on May 13, 2005. The balance of 1,823,000 Common Shares were subscribed for by Peter Allard at a price of \$2.00 per share (who previously owned approximately 14% of the Common Shares) on May 13, 2005. The terms of the financing agreements provide each of Matco and Mr. Allard with the right to acquire up to 20% of any issuance by Churchill of Common Shares or securities convertible into Common Shares (other than Common Shares issuable on exercise of stock options) for a period of five years provided that Churchill remains a reporting issuer in at least one province of Canada.

The Corporation completed a new banking facility arrangement during 2005 with a new lending institution. This arrangement provided the Corporation with a \$7.8 million demand term loan to replace the Corporation's previous term and acquisition loans, as well as to extend the repayment period. A new operating line of credit of \$12.0 million was provided to replace a temporary facility arranged in June 2005 and allowed for the release of \$4.0 million of term deposits previously held as security.

The above mentioned capital restructuring program, combined with the positive earnings achieved in the year, resulted in a significant increase in the Corporation's working capital.

2006 was an excellent year for Churchill. The Corporation continued to build on the positive gains made in 2005 and was once again able to grow revenues, margins and profitability. Churchill's solid financial performance was a function of the strong industrial markets in the Fort McMurray oil sands region and our leadership in providing value added construction management services in the building construction segment.

Stuart Olson experienced strong growth in revenues from projects which progressed into construction during the year, and profitability increased significantly as a result of higher margins on this construction activity.

Laird's initiative to diversify its client base in 2006 was rewarded with record revenues and record earnings before tax.

Fuller Austin's success on a major oil sands insulation project in 2005 resulted in it being retained to provide additional services to the same client in 2006. This combined with record revenue from Fuller Austin's Saskatchewan division and Northern Industrial enabled the insulation companies to deliver another record year of revenue and earnings.

Triton's fabrication facility through-put was maintained at a level significantly below capacity in 2006. This was as a result of the continued project execution and delivery issues. In addition, due to losses incurred on large construction projects, Triton's construction operations were restricted from pursuing projects above certain financial thresholds and contract terms. During the third and fourth quarters of 2006, new senior management was recruited for the fabrication facility, the construction division and finance function. Triton incurred a loss before tax of \$1.3 million for the year, including recoveries on

provisions booked in prior years. Triton benefited from the reversal of \$2.9 million in provisions recorded in prior years.

During 2006, there were several changes to Churchill's senior management. George Schneider retired after a 23 year career with Laird Electric. Blair Bannerholt, the Chief Operations Officer at Laird was selected as Mr. Schneider's replacement. Mr. Schneider maintains his association with the Company as a member of Churchill's Board of Directors. In August, Kelly Smith became President and Chief Operations Officer of Triton Construction. Prior to year end, the Corporation announced the resignation of President and Chief Executive Officer, Norm Rokosh. Peter Adams, Chairman of the Corporation, accepted the role of Interim Chief Executive Officer while the Corporation undertook a search to find a suitable replacement.

During 2006, the Corporation arranged with its lender to increase the operating line of credit from \$12.0 million to \$21.0 million, as well as to add an additional line of credit of \$3.0 million to be used specifically for the lease of equipment pertaining to operations.

2007 was an exceptional year of growth and profitability for the Corporation. The Corporation entered the year with a record work-in-hand of \$493.9 million and was able to deliver record revenues of \$ 736.1 million and net earnings of \$21.1 million. The Corporation's success was largely a function of our leadership in providing value added construction services in our building construction segment and strong execution in our industrial construction operations. Specifically, Triton's new management team was able to reverse the \$4.2 million operational loss incurred in 2006 and deliver break-even results. Insulation Holdings management and personnel were able to generate greater margins and Laird Electric continued to increase revenue and profits. The Corporation ended 2007 with \$713.8 million of work-in-hand, up 45% from 2006.

Stuart Olson had a great year of performance in 2007. Revenue growth from northern Alberta combined with strong earnings from all branches contributed to this successful year. In addition, an abundance of project opportunities across all regions led to increased margins and profitability. Work-in-hand increased significantly at all branches.

Laird had an outstanding 2007. The company was successful in maintaining a diverse client base throughout the year which made a significant contribution to revenue growth. As a result of increased revenue with its key clients in the Fort McMurray region, the company was able to generate a record pre-tax profit of \$6.6 million.

2007 marked the tenth straight year of profitability for the combined insulation companies. The insulation companies were able to generate higher margins in a difficult contracting environment. Slower market conditions allowed us to use our most experienced crews resulting in greater productivity. Additionally, project selection criteria were adhered to, which avoided any significant problems on contracts.

Triton made significant progress on its turnaround program in 2007. This was evidenced by the lifting of project scope restrictions, efficiency improvements, cost containment and securing higher margin business. Triton met its target of moving towards profitability in the second half of 2007.

On July 9, 2007, the Corporation's amended credit agreement converted its demand term loan balance of \$6.4 million to a non-revolving facility.

Market Conditions

Generally, the construction industry has historically experienced significant peaks and valleys relating to regional and industry sector market opportunities. The ability to manage revenue and cost levels in geographical markets that are either declining or expanding is critical to success in the construction industry.

The Corporation's markets have improved significantly in the last three years resulting in revenue growth as well as higher contract margins.

The majority of the Corporation's operations are focused in western Canada. Churchill anticipates the market will remain strong in western Canada in 2008 as a result of high levels of capital spending in the mining and energy sectors. The current shortage of skilled trades' people and project management personnel is expected to continue in 2008. While contract margins have improved in the last few years, the shortage of skilled labour combined with increases in labour, material and equipment costs have significantly increased the risk associated with executing work at the same cost and profit levels as when the work was originally bid. The shortage of skilled labour also increases the risk associated with quality, which in turn adds risk and often additional costs in executing contracts.

DESCRIPTION OF THE BUSINESS

General Information

Churchill provides building construction, heavy-industrial general construction, fabrication, insulation, and electrical construction and maintenance services throughout western Canada and north western Ontario, through wholly-owned subsidiaries.

While Churchill is active throughout western Canada and north western Ontario, the majority of the Corporation's business activities are in Alberta and British Columbia.

The services provided by each reportable Operating Division of the Corporation are sold directly to: clients; clients' engineers or architects; industrial general contractors; or engineering-procurement-construction ("EPC") contractors. Sales and marketing activities include: maintaining relationships with clients and prospecting for new opportunities through personal contact, submitting bids and proposals, and limited advertising. Churchill's operating subsidiaries have each been in business for many years. Relationships with clients, subcontractors and suppliers, contracts with clients and the goodwill associated with trade names, demonstrated project capabilities and past relationships, all have an impact on the business.

The Corporation's business activity is largely driven by the decisions of businesses, institutions and governments to make capital investments. Each client type has unique factors that drive these capital investment decisions. The following table outlines what management believes to be the primary factors influencing the capital investment decisions of its clients.

Client Type	Primary factors influencing capital investment decisions
-------------	--

Commercial/Institutional

- Age of existing facilities
- Prevailing construction costs and labour availability
- Population growth and aging of population
- Budgetary constraints

Oilsands / Industrial

- Expected long-term price of hydrocarbons
- Prevailing construction costs and labour availability
- Pipeline capacity
- Public infrastructure to support labour migration and transportation
- Royalty and taxation regimes
- Environmental constraints

The sources, pricing and availability of raw materials, component parts or finished products is generally not a significant factor in any of the Corporation's reportable operating segments as any additional costs are usually passed through by contract to the Company's clients. High levels of construction activity, as presently exist in Alberta and British Columbia, has created shortages of tradesmen and management personnel as well as some material shortages. Should clients not agree to absorb additional costs associated with these shortages then contract margins could decrease.

Given the nature of the industrial construction business, the importance, duration and effect of identifiable intangible properties, such as brand names, circulation lists, copyrights, franchises, patents, software, subscription lists and trademarks, is limited for the Corporation. Similarly, expenditures on research and development activities are minor in all of Churchill's reportable Operating Divisions.

The Corporation was managed using five operating segments in 2007, as defined in the Canadian Institute of Chartered Accountants Handbook, as follows: Buildings; Industrial General Contracting; Industrial Insulation Contracting; Industrial Electrical Contracting; and Corporate and Other. The five operating segments are briefly described as follows:

Buildings

Stuart Olson provides construction management, design-build and general contracting services in different market sectors. The market sectors targeted by Stuart Olson include commercial buildings, food industry buildings, health care buildings, public buildings, recreational buildings, educational buildings, residential buildings, industrial buildings, and engineering structures.

Industrial General Contracting

Triton provides heavy-industrial general contracting, fabrication and maintenance services to the resource and industrial sectors. Triton provides the following construction services: civil works, foundations, equipment setting and assembly, building erection, and structural steel and piping. The fabrication services provided by Triton include structural and steel fabrication, small bore pipe fabrication, module and fabrication assembly, skid fabrication and assembly, custom fabrication services and various other value added services. Triton also provides contract maintenance services and maintenance programs specific to customer needs in the oil sands, oil and gas, pulp and paper, petrochemical and power generation markets.

Industrial Insulation Contracting.

Insulation Holdings operates under three primary business units, Fuller Austin, Northern Industrial and Lakehead, all providing insulation related contracting services for capital projects and maintenance work. Lakehead is a wholly-owned subsidiary of Fuller Austin.

Insulation Holdings provides an integrated range of insulation services, including industrial thermal and acoustic insulation, fireproofing and fire stopping, asbestos abatement, siding application and plant maintenance. Insulation Holdings primarily serves the petrochemical, oil sands, oil and gas, power generation, utilities, forest products, pipeline and mining industries.

Industrial Electrical Contracting

Laird provides industrial and commercial electrical, instrumentation and power-line construction and maintenance services. Laird primarily serves the resource and industrial sectors, including the oil sands, oil and gas, petrochemical and power generation markets.

Corporate and Other

Corporate and Other includes corporate costs not allocated directly to another business segment as well as any miscellaneous investments.

Contract Revenue by Operating Segment

Contract revenue from the reportable operating segments of the Corporation is set forth in the following table:

Year Ended December 31 (\$ thousands)	2007		2006		Increase (Decrease) 2007 over 2006
	\$	%	\$	%	
Buildings	\$524,669	71	\$291,159	54	80%
Industrial General Contracting	42,120	6	52,396	10	(20%)
Industrial Insulation Contracting	52,272	7	77,674	15	(33%)
Industrial Electrical Contracting	117,080	16	110,134	21	6%
Corporate and Other	0	0	0	0	0%
Inter-segment Adjustments	0	0	(73)	(0)	0%
Total Contract Revenue	\$736,141	100%	\$531,290	100%	39%

The following sections of this Annual Information Form contain detailed descriptions of the business, services, markets and competitive environment of each of the reportable operating segments of the Corporation.

Buildings

General

Stuart Olson was originally founded by Mr. Stuart Olson in 1939 in Edmonton, Alberta. The Corporation purchased Stuart Olson from the Olson family in 1989. Stuart Olson has branch offices in Vancouver, Edmonton and Calgary. Stuart Olson provides general contracting, construction management and design-build services to private and public sector clients in the commercial, light-industrial and institutional sectors. Stuart Olson projects generally entail the construction, expansion or renovation of a building.

Most of the revenue generated by Stuart Olson is procured with repeat clients or through select invitational tenders, reflecting the effectiveness of its target marketing and client development. Less than 20% of Stuart Olson's revenue is generated from fixed-price bids. Stuart Olson subcontracts up to 90% of project work to subcontractors and suppliers and manages the construction process to deliver a successful project. This high degree of subcontracting reduces the capital required to operate and to grow the business.

Stuart Olson is a leader in alternative methods of project delivery, including construction management and design-build, which complement its general contracting capabilities. These methods enhance client value through increased certainty of project completion on time and on budget and can also provide a single source of responsibility. These methods of project delivery can help build long-term relationships with clients while also lowering the Corporation's risk and improving contract income margins.

Stuart Olson has expanded its participation in the larger projects market during the last five years by leveraging its large project experience. Larger projects have a longer duration, which enhances the predictability and sustainability of revenue and earnings.

Services

Stuart Olson provides: (i) construction management; (ii) design-build; and (iii) general contracting services in different market sectors. Stuart Olson specializes in the construction management form of delivery which involves partnering with the client and their design team early in the development process. This is the most common form of contracting Stuart Olson undertakes, presently generating more than 80% of the company's revenue. Stuart Olson's work in this area has ranged from school projects to high-rise buildings and includes both new construction and renovation. Stuart Olson also offers clients design-build construction services, whereby Stuart Olson provides both the design and the construction services for the project. Stuart Olson also provides general contracting services, which include the provision of management, estimating, accounting, site management, staff, field workers and equipment in order to complete the project. Stuart Olson's project managers and superintendents provide the experience and expertise to manage projects ranging in size from \$1,000,000 to more than \$500,000,000.

Market Sectors

Stuart Olson has significant expertise in completing projects in a wide range of sectors, including: education; recreation; multi-unit residential; retail; hospitality; high technology office, biotechnology and laboratory facilities; food processing and distribution facilities; office buildings; healthcare and seniors care; light-industrial; and public sector construction management. This project and market diversity enhances the predictability and sustainability of revenue.

Competition

The building construction market is highly competitive with relatively low barriers to entry. Stuart Olson has several capable and well-established competitors. Competitive factors include: price and approach to project execution; relevant project experience; client relationships; quality of service; record in completing similar projects on time and on budget; subcontractor relationships; strength of project team; and performance bonding capability and financial strength.

Competitive Strengths

Management believes that its strong reputation developed from past project success, positions it favourably to meet current and future competitive challenges.

Experience - Stuart Olson's detailed construction management methodology is based on years of successful construction management experience. The company was one of the first general contractors in western Canada to introduce construction management, as far back as 1983.

Teamwork – Stuart Olson focuses on a team approach built around professional engineers and Gold Seal Contractor's who understand the full scope of the construction manager's role. Stuart Olson is a general contractor of choice because of its team player approach to providing value added services.

Pre-Construction Program – The fundamental difference between Stuart Olson and other construction management firms is their proactive, accurate, vigorous and exhaustive approach to pre-construction services.

Value Engineering and Constructability Evaluation – Stuart Olson takes great pride in assisting the design consultants with design co-ordination review. Stuart Olson's team is very technically proficient and motivated to make a positive impact on the projects the company undertakes. Working with the project team, Stuart Olson reviews the design with respect to "constructability" from the earliest phases of design through to completion of working drawings. Stuart Olson's review extends beyond bricks and mortar issues, considering elements such as labour and materials, environmental impact and people.

Maintain Quality and Cost Controls – Stuart Olson provides guidance on both quality and costs during the design phase. A quality plan and systematic approach to tracking costs is monitored closely during the construction phase. All of the project information in regards to cost, schedule and quality management are reviewed on a monthly basis with the client.

Seasonality

Stuart Olson's business is not particularly seasonal due to the larger size of their projects, although working conditions and productivity can be impacted by weather conditions during the winter months.

Industrial General Contracting

General

Triton is a total scope service provider for heavy-industrial fabrication, general construction contracting, and maintenance and turnaround services to the resource and industrial sectors. Triton has been in business since 1953 and was acquired by the Corporation in 1990. Triton is headquartered in Edmonton, Alberta, with offices in Bonnyville and Lamont, Alberta, although it also has project experience in Saskatchewan and British Columbia. Approximately 10% of Triton's contractual arrangements are lump

sum agreements. The remaining 90% of contracts with clients are cost-plus agreements. Triton also has a base of recurring revenue from providing maintenance services to clients in the expanding heavy oil sectors of Alberta.

Services

Triton provides the following construction services: civil works; foundations; equipment setting and assembly; building erection; and structural steel and piping. The fabrication services provided by Triton include structural and steel fabrication, small bore pipe fabrication, module and fabrication assembly, skid fabrication and assembly, custom fabrication services and various other value added services. Triton also provides contract maintenance services and maintenance programs specific to customer needs in the oil and gas, pulp and paper, petrochemical and power generation markets. In addition to the above, Triton has significant experience in dismantling and relocating existing facilities plus well-site abatement and restoration.

Market Sectors

Triton's clients are primarily in the oil sands, oil and gas, petrochemical, power generation, mining and forest products industries in Alberta, British Columbia and Saskatchewan.

Competition

Triton has several large and capable competitors in each of its geographic markets and areas of service. Competitive factors in this area include: price and approach to project execution; relationships with clients and client representatives; scope of service capabilities; quality of service; record in completing similar projects on time and on budget; safety programs and record; performance bonding capability and financial strength; relevant project experience; and available capacity in competitors' fabrication facilities.

Competitive Strengths

Large non-union boiler construction company - Triton has evolved to become one of the largest industrial mechanical and boiler companies in Western Canada complimented with a full scope of ASME and provincial authorizations.

Experience - Triton has extensive experience in construction, maintenance, turnaround and fabrication projects.

Expertise – Triton has significant expertise in construction management, safety management, quality management, project controls, scheduling, planning, constructability assessment and planning, procurement, expediting, commissioning and start-up support.

Facilities – Triton has a state of the art fabrication facility located in the “Industrial Heartland” of Strathcona County.

Seasonality

The volume of Triton's work on new capital projects tends to be somewhat seasonal with slower activity in the first two calendar quarters. Plant maintenance activity tends to be more consistent throughout the year.

Industrial Insulation Contracting

General

Insulation Holdings was incorporated as a wholly-owned subsidiary of the Corporation to provide industrial insulation services. Insulation Holdings has two wholly-owned subsidiaries, being Fuller Austin and Northern Industrial. Fuller Austin has been in business since 1961, Northern Industrial since 1984. Fuller Austin and Northern Industrial were acquired by Insulation Holdings in 1988. Fuller Austin serves the building-trades union market and Northern Industrial serves the open-shop market. The contractual arrangements between IHI and its clients typically take the form of lump sum or cost-plus contracts. There is approximately an even split between these two types of contracts.

Insulation Holdings has offices in Edmonton, Fort McMurray and Bonnyville, Alberta; Regina, Saskatchewan; Winnipeg, Manitoba and Thunder Bay, Ontario; servicing clients from British Columbia to north western Ontario.

In 2002, Fuller Austin acquired Lakehead, an insulation contractor based in Thunder Bay and well established in the forest products insulation market. In 2004, Fuller Austin opened a small office in Ancaster, Ontario. This office was subsequently closed down in 2005 to concentrate resources on opportunities in the Alberta market.

Services

Both Fuller Austin and Northern Industrial provide the following construction services: mechanical insulation installation; industrial metal siding and cladding; and asbestos abatement. Installation of mechanical insulation can involve a variety of piping systems and sizes, all operating under differing conditions and in differing environments within the same facility. Other insulated components often include vessels, equipment, tanks, boilers, ductwork, precipitators, stacks, etc. The companies utilizes an extensive selection of insulation products and cladding types designed to service thermal, cryogenic, acoustical and production purposes. The siding services provided encompass new and retrofit siding applications in the industrial sector. The companies supply and install claddings of all types (insulated, lined or single skinned construction systems). Asbestos abatement services include asbestos removal, encapsulation, emergency response, as well as monitoring and testing.

Market Sector

Fuller Austin and Northern Industrial serve clients in a wide range of industrial businesses including the oil sands, oil and gas, petrochemical, refinery, mining, pulp and paper and power generation industries.

Competition

Fuller Austin and Northern Industrial have several large and capable competitors in each of their geographic markets and areas of service. The companies provide a more comprehensive range of services than most of their competitors, which enables them to deliver a single-source solution to clients. The competitive factors affecting the businesses include: price and approach to project execution; relationships with clients and client representatives; scope of service capabilities; quality of service; record in completing similar projects on time and on budget; safety programs and record; performance bonding capability and financial strength; and relevant project experience.

Competitive Strengths

Size – Management believes that the Insulation Holdings group of companies makes up the one of largest insulation contracting companies in Canada.

Structure – Insulation Holdings operates via a unionized insulation contractor (Fuller Austin) and a non-unionized insulation contractor (Northern Industrial), which allows it to effectively target virtually any insulation contract available in the Alberta marketplace.

Geographic reach – Insulation Holdings is able to target opportunities and perform work on opportunities from northwestern Ontario to British Columbia. This geographic scope makes the business less sensitive to economic conditions in any one particular province.

Seasonality

Although work conditions and productivity are impacted by weather conditions, the volume of insulation business activity for new capital projects is not particularly seasonal in nature although activity in the first calendar quarter tends to be the lowest. Plant maintenance activity is strongest during the second and fourth calendar quarters.

Industrial Electrical Contracting

General

Laird has been in business since 1962 and was acquired by Churchill in February 2003. Laird is based in Fort McMurray, Alberta and has a branch office in Edmonton, Alberta. Laird provides industrial and commercial electrical, instrumentation and power-line construction and maintenance services. Laird primarily serves the resource and industrial sectors, including the oil sands, oil and gas, petrochemical and power generation markets. More than 80% of Laird's client engagements are cost plus contractual arrangements.

Services

Laird has a competitive advantage as an electrical contractor in that it also provides power-line installation and instrumentation services in addition to electrical construction. This multi-faceted approach allows Laird to gain early access to new projects by providing the initial power service; continuing with the electrical installation during the construction phase; and then following with the ongoing instrumentation, control calibration and maintenance after project completion.

Market Sector

Laird provides electrical contracting services to clients in the petrochemical and power generation industries. In particular, Laird is active in the Fort McMurray oil sands construction and maintenance market. Laird's clients include engineering firms and prime contractors as well as industrial owners.

Competition

Laird has several large and capable competitors in the union electrical, instrumentation and power-line construction and maintenance area. Laird provides a broader range of complementary services than most of its competitors. The competitive factors effecting Laird include: price and approach to project execution; management information and cost management systems; client relationships; scope of service

capabilities; quality of service; record in completing similar projects on time and on budget; safety programs and record; performance bonding capability and financial strength; owner's preference for union versus non-union workforce; and relevant project experience.

Competitive Strengths

Management believes that Laird is one of the top electrical contractors operating in the Canadian oil sands industry.

Local contractor – One of Laird's competitive advantages is that it is a local contractor to the oilsands industry in Fort McMurray.

Strong project management & execution – Laird's excellent project management team and its ability to deliver projects often ahead of client schedules has earned praise from numerous clients. In addition to the praise, this strong execution has won Laird work on projects where it was not initially the prime electrical subcontractor.

Ability to access labour – Laird's union-contractor status enables it to access hourly workers via the union hall. As such, Laird has been able to access labour successfully in the midst of a province wide labour shortage. This is very beneficial during periods of major plant shutdowns and other unexpected events.

Power-line and substation work – Laird's ability to perform "greenfield" work, on new construction / mine sites allows it early entry onto new sites. This enables Laird to establish good working relations with the project owner and results in Laird often being invited to tender on additional work packages after they come out of engineering and design phases.

Seasonality

Although field conditions and productivity are impacted by weather conditions, the volume of electrical construction activity is not particularly seasonal for new capital projects. Electrical maintenance activities are generally greater during the second quarter of the year.

Economic Dependence

In 2007, the Corporation had \$84,582,000 of revenue from one significant customer which represented greater than 10% of its total contract revenue. The revenue was earned in the Industrial Electrical Contracting and Industrial Insulation Contracting segments. In 2006, revenue from a single customer was not in excess of 10% of the Corporation's consolidated contract revenues.

Employees

Churchill and its subsidiaries had 365 full-time salaried employees on December 31, 2007. Its operating subsidiaries also employ additional construction personnel on an hourly and subcontracting basis, which vary within a range of 200 to 2,000 people depending on the number, size and stage of active projects. On December 31, 2007, Churchill and its subsidiaries employed 1039 hourly personnel.

Health, Safety and Environment

Churchill and its subsidiaries are subject to federal, provincial and municipal health, safety and environmental legislation and regulations within its construction and maintenance operations. Churchill recognizes it must conduct its business in a manner that protects workers, communities, the public, and

client assets and preserves the natural environment. Churchill acknowledges its responsibility to be in compliance with all applicable legislation and regulation. Churchill and its subsidiaries have detailed processes and procedures to assist the Corporation in meeting our legal obligations. These procedures and processes include policies, training programs, and high level governance oversight. Churchill proactively manages all health, safety and environmental issues.

The financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive positions of Churchill and its reportable operating segments are not expected to be material in the current financial year.

Churchill management is confident that with the internal processes and procedures currently in place that the Corporation is in full compliance with the required health, safety and environmental legislation.

Risk Factors

Limited Geographic Scope of Operations

Churchill's operations are centered in, and primarily focused on, Western Canada. The majority of construction in Western Canada, particularly industrial construction, is either directly or indirectly connected to oil and gas. Oil and gas pricing and activity levels are directly impacted by worldwide events. The Corporation monitors this information to assist in managing various mid-term aspects of its business. Significant downward movement in oil or gas commodity prices could lead clients to slow down, delay or cancel current projects or planned expansions, while significant upward movement could lead to clients seeking to accelerate their project schedule. Either movement could put pressure on the Corporation's organizational infrastructure in the short term. Such slow downs, delays or cancellations could have a material adverse impact on the Corporation's financial condition.

Unexpected Adjustments and Cancellations in Backlog

Churchill may not be able to convert its entire backlog into revenue and cannot guarantee that the revenues projected in its backlog will be realized or, if realized, will result in profits. Projects may remain in its backlog for an extended period of time. Churchill includes in its backlog binding and non-binding letters of intent, work orders and cost reimbursable contracts, which may be different than the items other issuers include or exclude in their respective backlog. Project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in backlog. In respect of backlog evidenced by a non-binding letter of intent, the formal contract respecting same may never be finalized, resulting in such engagement being terminated. Backlog reductions can adversely affect the revenue and profit Churchill actually receives from projects reflected in its backlog.

Weather

The climate in Western Canada can generate severe weather, including heavy rain and snow, which could slow down or delay construction for short periods of time, impacting costs and delivery schedules. This could adversely impact results of operations.

Competition

There is strong competition relating to all aspects of the construction industry. The Corporation competes with a broad range of companies in each market, some of which are substantially larger than the Corporation. In addition, the Corporation expects the anticipated growth in the oil sands region will attract new and sometimes larger competitors to enter the region and compete for projects. This increased

competition may adversely affect the Corporation's ability to be awarded new business. Competitors that have greater financial and other resources can better bear the risk of under-pricing projects, whereas smaller competitors may have lower overhead cost structures and therefore may be able to provide their services at lower rates. The business may be adversely impacted to the extent that the Corporation is unable to successfully bid against these companies. The loss of existing clients to competitors or the failure to win new projects could materially and adversely affect the Corporation's business and results of operations.

Performance Bonds

Churchill's operating companies are often required to provide performance and labour and material payment bonds as assurance for contract completion. The Corporation is currently pursuing a new surety arrangement with higher limits to support Stuart Olson's \$1.2 billion backlog at December 31, 2007. In the meantime, the Corporation's existing surety provider continues to provide bonding support. While, management of the Corporation believes its ability to secure a new surety is reasonable, if for any reason participants in the surety market are unable to satisfy the Corporation's future bonding requirements, this could limit growth and potentially adversely effect on-going operations. Alternatively, if there were a significant failure in the construction industry such that owners started demanding surety bonds for all contracts, Churchill's bonding capacity may be insufficient to meet its business needs.

Contractor Default Insurance

Stuart Olson has entered into an innovative, but well-tested sub-contractor risk management strategy provided by a leading commercial property-casualty insurance provider serving the global corporate market. Under this strategy, a portion of sub-contractor performance risk is retained by Stuart Olson, with the balance being transferred to the insurance provider. This risk management program provides more control over the subcontractor pre-qualification process, an ability to manage project risk more effectively and cost efficiencies for Stuart Olson.

Dependence on the Public Sector

A significant portion of the Corporation's revenue is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for the Corporation's services by the public sector, whether from funding constraints or changing political priorities, would likely have an adverse effect on the Corporation if that business could not be replaced from within the private sector.

Unanticipated Short Term Shutdowns

A portion of Churchill's work is generated from the development, expansion and ongoing maintenance of oil sands mining, extraction and upgrading facilities. Unplanned shutdowns of these facilities due to events outside the Corporation's control or the control of the Corporation's clients, such as fires, mechanical breakdowns and technology failures, could lead to the temporary shutdown or complete cessation of projects on which Churchill is working. These events could materially and adversely affect the Corporation's business and results of operations.

Failure of Clients to Obtain Required Permits and Licenses

The development of construction projects requires Churchill's clients to obtain regulatory and other permits and licenses from various governmental licensing bodies. Churchill's clients may not be able to obtain all necessary permits and licenses required for the development of their projects, in a timely manner or at all. These delays are generally outside the Corporation's control. The major cost associated

with these delays is personnel and associated overhead that is designated for the project and cannot be reallocated effectively to other work. If the client's project is unable to proceed, it may adversely impact the demand for the Corporation's services.

Labour Shortages and Material Prices

Periods of high construction activity can create shortages of labour and material. With the rapidly expanding market in Alberta, B.C. and other jurisdictions, general shortages of tradesmen and management personnel are occurring and this condition is expected to continue for several years. Churchill's operating companies have attempted to mitigate the situation through competitive remuneration, enhanced in-house training programs and expanded recruiting, both within Canada and internationally. These shortages may cause limits on the growth of the Corporation's businesses and could potentially affect contract margins. Also, labour and material shortages may lead to construction cost escalation which could decrease contract margins should clients not agree to absorb these additional costs. Any increase in the price of building and construction materials could have a material adverse effect on market demand and on the Corporation's growth and profitability.

Shortage of Client Design Capabilities

Churchill's clients may face shortages of internal and contracted design capability, resulting in delays in project start-ups. This may adversely impact the Corporation's business and operating results.

Design-Build Risk

The operating companies occasionally participate in design-build projects whereby they assume the additional risk of design-related flaws or failures. This risk is reduced by utilizing external consultants for the design component as well as by the purchase of appropriate insurance protection. Design remediation work could result in additional contract costs that may not be reimbursed by the client.

Estimating Costs, Assessing Contract Risk

The contract price for all the projects performed by Churchill is based in part on cost estimates that are subject to a number of assumptions. If, as a result of faulty estimates or unforeseen circumstances, the Corporation's assumptions are erroneous, or if the Corporation inaccurately assesses the risks associated with a contract, or if its estimates of the project costs are inaccurate, project profitability may be lower than anticipated, or a loss may be incurred.

Accuracy of Cost to Complete Estimates

Once a project has begun, the project management team monitors costs and project execution against the original cost estimates and contract terms. On at least a monthly basis, detailed estimates of the costs to complete a contract are compiled by the Corporation. These estimates form an integral part of Churchill's process for determining construction profits. To the extent that the costs to complete estimates are based on inaccurate or incomplete information, or on faulty judgments, the accuracy of reported construction profits can be compromised. The Corporation assesses its project controls on an ongoing basis.

Reliance on Suppliers and Subcontractors

The Corporation relies on third party suppliers and subcontractors. The profitable completion of some contracts depends to a large degree on the satisfactory performance of the subcontractors who complete different elements of work. If these subcontractors do not perform to accepted standards, the Corporation

may be required to hire different subcontractors to complete the tasks, which may add additional costs to a contract, may impact profitability on a specific job and in certain circumstances lead to significant losses. The failure of such third party suppliers and subcontractors to execute or effectively manage their own business plans and deliver on their contractual commitments, can have a material adverse effect on the Corporation's business, operating results and financial condition.

Union Work Stoppages

Certain of the Corporation's businesses are subject to collective bargaining agreements with their hourly employees. Any work stoppage resulting from a strike or lockout could have a material adverse effect on the Corporation's business, financial condition and results of operations, including increased labour costs and service disruptions. In addition, Churchill's clients employ workers under collective agreements. Any work stoppage or labour disruption experienced by Churchill's clients could significantly reduce the amount of its services they require. In 2007, new collective bargaining agreements were ratified by the building trades in Alberta and Saskatchewan; this should provide labour peace for 3 to 4 years.

Financial Resources

Churchill's operations require a significant amount of working capital due to large manpower workforce requirements on projects. The Corporation's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the construction industry. There can be no assurance that the current working capital of Churchill will be sufficient to enable it to implement all of its objectives. There can be no assurance that, if, as and when Churchill seeks equity or debt financing, it will be able to obtain the required funding on favourable commercial terms, or at all. Any such future financing may also result in additional dilution to existing shareholders.

Potential for Non-Payment

Before signing any construction contract, the Corporation goes to considerable lengths to satisfy itself that the potential client has adequate resources to pay as construction work is completed. During the term of the contract, Churchill may be required to utilize its working capital to fund construction costs until payments are collected from clients. If a client defaults in making its payments on a project, Churchill would generally have a right to register a lien against the project. If the client were ultimately unable or unwilling to pay the amounts owing to the Corporation, a lien against the property would normally provide some security that Churchill could ultimately realize what is owed. However in these situations, the Corporation's ability to ultimately collect what it is owed is never assured. Payment default by a client could result in a financial loss to the Corporation that could have a material adverse effect on its operating results and financial position.

Acquisition and Integration Risk

The Corporation's growth strategy contemplates more acquisitions; however, future acquisition opportunities may not be identified and obtainable on suitable terms. If integration of new businesses does not occur as expected, their performance is less than expected, or an unknown liability is acquired, the Corporation's revenues may be lower and operational costs higher than anticipated.

Loss of Key Management; Inability to Attract and Retain Management

The Corporation's future prospects depend to a significant extent on the continued service of its key executives. Furthermore, the Corporation's continued growth and future success depends on its ability to identify, recruit and retain key management personnel. The competition for such employees is intense and there can be no assurance that the Corporation will be successful in identifying, recruiting or retaining such personnel.

Maintaining Safe Worksites

Churchill's success as a contractor is highly dependent on its ability to keep its construction worksites safe. Failure to do so can have serious impacts beyond the threat to personal safety of its employees and others. It can expose the Corporation to fines, regulatory sanction and even criminal prosecution. The Corporation's safety record and worksite safety practices have a direct bearing on its ability to secure work. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of the Corporation's operations, capital expenditure requirements or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or accidents.

Litigation Risk

In the normal course of business, the Corporation is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. In view of the quantum of the amounts claimed and the insurance coverage maintained by the Corporation in respect of these matters, management of the Corporation does not believe any of the legal actions or proceedings that are presently known or anticipated by the Corporation are likely to have a material adverse effect on the Corporation's financial position. However, there can be no assurance that the Corporation's insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, the Corporation is subject to the risk of claims and legal actions for various commercial and contractual matters primarily arising from construction disputes, in respect of which insurance is not available.

Compliance with Environmental Laws

The Corporation is subject to numerous federal, provincial and municipal environmental laws and judicial, legislative and regulatory developments, relating to environmental protection on an ongoing basis. While the Corporation strives to keep informed of and to comply with all applicable environmental laws, circumstances may arise and incidents may occur that are beyond the Corporation's control that could adversely affect it. Management is not aware of any pending environmental legislation that would be likely to have a material adverse impact on any of the Corporation's operations, capital expenditure requirements or competitive position, although there can be no assurance that future legislation will not be proposed, and if implemented, may have a material adverse impact on the Corporation's operations.

Regulations

The operations of Churchill's clients are subject to or impacted by a wide array of regulations in the jurisdictions in which they operate, such as applicable environmental laws. As a result of changes in regulations and laws relating to these industries, clients' operations could be disrupted or curtailed by

governmental authorities. The high cost of compliance with applicable regulations may cause clients to discontinue or limit their operations or may discourage companies from continuing further development activities. As a result, demand for the Corporation's services could be substantially affected by regulations adversely impacting these industries.

Royalty Structure

Changes to the Province of Alberta's royalty regime for oil sands, conventional oil and gas and coal bed methane, with an effective date of January 1, 2009, may adversely impact the current royalty structures in place for some of the Corporation's clients which may in turn, adversely impact the Corporation.

DIVIDENDS

The only restrictions on the Corporation paying dividends are the financial capacity and solvency tests under the ABCA, and the covenants under its borrowing agreements. No dividends have been declared in the three most recently completed financial years.

The Corporation's current policy is not to pay dividends. Net earnings are being invested by the Corporation in operations and in growth opportunities.

CAPITAL STRUCTURE

General Description of Share Capital

The Corporation is authorized to issue an unlimited number of shares designated as Common Shares and an unlimited number of shares designated as Preferred Shares.

Common Shares

The Common Shares have attached to them the rights, privileges, restrictions and conditions as hereinafter set forth:

- (a) Except for meetings at which only holders of another specified class or series of shares of the Corporation are entitled to vote separately as a class or series, each holder of a Common Share is entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Corporation.
- (b) Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the Common Shares are entitled to receive dividends if, as and when declared by the Directors of the Corporation.
- (c) Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the Common Shares are entitled to share equally in the remaining property of the Corporation upon liquidation, dissolution or winding-up of the Corporation.

Preferred Shares

The Preferred Shares shall have attached to them, as a class, the rights, privileges, restrictions and conditions as hereinafter set forth:

- (a) The Preferred Shares may from time to time be issued in one or more series and, subject to the following provisions, and subject to the sending of articles of amendment in prescribed form and the issuance of a certificate of amendment in respect thereof, the Directors may fix from time to time and before issue of a series of Preferred Shares, the number of shares which are to comprise that series and the designation, rights, privileges, restrictions and conditions to be attached to that series of Preferred Shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment of dividends, the redemption, purchase and/or conversion prices and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provisions.
- (b) The Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank on a parity with the Preferred Shares of every other series and be entitled to preference over the Common Shares and over any other shares of the Corporation ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given other preferences, not inconsistent with these articles, over the Common Shares and any other shares of the Corporation ranking junior to the Preferred Shares of a series as may be fixed in accordance with (a) above.
- (c) If any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred Shares are not paid in full, all series of Preferred Shares shall participate rateably in respect of accumulated dividends and return of capital.
- (d) Unless the Directors otherwise determine in the articles of amendment designating a series of Preferred Shares, the holder of each share of a series of Preferred Shares shall not, as such, be entitled to receive notice of or vote at any meeting of shareholders, except as otherwise specifically provided in the ABCA.

MARKET FOR SECURITIES

The Common Shares of the Corporation are listed and posted for trading on the TSX under the stock market symbol “CUQ”. The following are the price ranges as well as the total monthly volume for the Common Shares during 2007:

Month	High	Low	Total Monthly Volume
Dec-07	25.32	20.08	2,001,596
Nov-07	29.90	20.30	2,675,921
Oct-07	29.63	16.00	2,417,741
Sep-07	19.15	14.91	1,425,694
Aug-07	16.40	10.00	1,594,846
Jul-07	14.95	11.40	2,952,660
Jun-07	11.24	7.55	2,435,883
May-07	7.80	5.80	2,414,335
Apr-07	6.25	5.62	189,939
Mar-07	6.30	5.13	248,838
Feb-07	6.75	6.00	320,737
Jan-07	7.00	5.11	517,291

DIRECTORS AND OFFICERS

Name, Occupation and Period of Service

The names, municipalities of residence, position with the Corporation, principal occupation, period of service as a member of the Board and membership in Board committees as at the date hereof are set forth in the following table. Each director will hold office until the next annual meeting of shareholders or until a successor is elected or appointed.

Name and Municipality of Residence	Position with Corporation	Principal Occupation	Service as a Director since
Peter F. Adams, Ph.D., P.Eng. Edmonton, Alberta ⁽¹⁾⁽²⁾⁽³⁾	Interim Chief Executive Officer, Chairman and Director	Retired, former President, Canadian Petroleum Institute	May 20, 1993
Brian W. L. Tod, B.A., LL.B., Q.C. Edmonton, Alberta ⁽³⁾	Deputy Chairman and Director	Partner, Miller Thomson LLP	May 20, 1993
Albrecht W.A. Bellstedt, Q.C. Canmore, Alberta ⁽³⁾	Director	President, A.W.A Bellstedt Professional Corporation	May 17, 2007
Harry A. King, B.A., CA Vancouver, British Columbia ⁽¹⁾	Director	President, Harking Investments Ltd.	August 13, 1997
Kim D. McInnes, B.A., M.U.D. Toronto, Ontario ⁽²⁾	Director	Executive Vice President and Chief Operating Officer, Ivanhoe Cambridge	May 15, 2002
Henry R. Reid, MBA, P.Eng. Gabriola Island, British Columbia ⁽¹⁾	Director	Retired, former President and Chief Executive Officer, The Churchill Corporation	February 19, 1991
Ian M. Reid, B.Comm. Edmonton, Alberta ⁽²⁾	Director	President, Finning (Canada), a division of Finning International	May 17, 2007
George M. Schneider Sundre, Alberta ⁽²⁾	Director	Past President of Laird Electric Inc., President, Schneider Investments Inc.	May 18, 2006

Notes:

- (1) Indicates member of the Audit Committee.
- (2) Indicates member of the Human Resources and Compensation Committee.
- (3) Indicates member of the Corporate Governance and Nominating Committee.

Each of the directors of the Corporation has been engaged for more than five years in his principal occupation or in other capacities with the company or organization (or predecessors thereof) in which he currently holds his principal occupation with the exception of:

Mr. Albrecht W.A. Bellstedt, was Executive Vice President Law and Corporate and prior thereto Executive Vice President, Law and General Counsel with TransCanada Corporation, a North American energy infrastructure business until January 31, 2007.

Mr. Henry R. Reid, who was previously President and Chief Executive Officer of the Corporation from 1990 until October 1, 2002, at which time he acted as a consultant to the Corporation until his subsequent retirement in March 2003. In November 2004, Mr. Reid returned to Churchill as Interim President and Chief Executive Officer and held that position until May 12, 2005. He has been a member of the Board of Directors continuously from February 19, 1991 to the present.

Mr. George M. Schneider is the former President and Chief Executive Officer of Laird Electric. Mr. Schneider retired from Laird in 2006, after a 23 year career with the company. Mr. Schneider currently serves as the President of Schneider Investments Inc.

Executive Officers

The following table sets forth the names, municipality of residence and position with the Corporation of each person who is an executive officer of Churchill as at the date hereof:

<u>Name and Municipality of Residence</u>	<u>Position with Corporation</u>
Peter F. Adams, Ph.D., P.Eng., Edmonton, Alberta	Interim Chief Executive Officer
Daryl E. Sands, B. Comm., CA. Edmonton, Alberta	Senior Vice President Finance and Chief Financial Officer
Allen W. Stowkowy, B.Sc., P.Eng. Calgary, Alberta	President and Chief Operating Officer, Stuart Olson Construction Ltd.
Ronald L. Martineau Edmonton, Alberta	President and Chief Operating Officer, Insulation Holdings Inc.
Kelly R. Smith, B.Sc., P.Eng. Edmonton, Alberta	President and Chief Operating Officer, Triton Construction Inc.
Blair Bannerholt Fort McMurray, Alberta	President and Chief Operating Officer, Laird Electric Inc.

Each of the executive officers of the Corporation has held other principal occupations during the last five years, as follows:

Dr. Peter F. Adams is the Chairman of the Board of Directors of Churchill and effective January 21, 2007 became Interim Chief Executive Officer. Dr. Adams has been a Director of Churchill since 1993.

Mr. Daryl E. Sands who has 17 years of experience gathered in various positions including Partner and Senior Vice President with PricewaterhouseCoopers prior to joining the Corporation. Mr. Sands joined Churchill in June 2005 as its Vice President Finance and Chief Financial Officer. In June 2007, Mr. Sands was appointed the Senior Vice President Finance and Chief Financial Officer of Churchill. Mr. Sands is a Chartered Accountant, Alberta.

Mr. Allen W. Stowkowy, who was Senior Vice President of Stuart Olson Construction Ltd. from 1997 through 2002 when he became President and Chief Operating Officer of Stuart Olson Construction Ltd.

Mr. Ronald L. Martineau, who was President and Chief Operating Officer of Northern Industrial Insulation Contractors Inc. from 1998 to 2001 at which time he became President and Chief Operating Officer of Insulation Holdings Inc..

Mr. Kelly R. Smith who was a senior executive with Enerflex Systems Ltd., from 2002 to 2006, prior to joining the Corporation. Mr. Smith was appointed President and Chief Operating Officer of Triton Construction Inc. in August 2006.

Mr. Blair Bannerholt who was a Construction Coordinator at Suncor Energy Inc. from 2000 to 2004 prior to rejoining Laird in 2004 as Operations Manager. Mr. Bannerholt was appointed President and Chief Operating Officer of Laird Electric Inc. in May 2006.

The directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 622,772 Common Shares, or approximately 3.5% of the issued and outstanding Common Shares of the Corporation as at December 31, 2007. This is the only class of voting securities issued by the Corporation.

Corporate Cease Trade Orders or Bankruptcies

Except as noted below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is, or within the 10 years before the date of this Annual Information Form, has been, a director or executive officer of any company (including Churchill) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Albrecht Bellstedt was a trustee of Atlas Cold Storage Income Trust when the Ontario Securities Commission issued a cease trade order in December 2003 against Atlas Cold Storage Income Trust, its trustees, and officers and directors of its operating subsidiaries. The cease trade order was issued as a result of the requirement to file restated financial statements in respect of two preceding fiscal years. The order was vacated in the first quarter of 2004 when the restated financial statements were filed.

Personal Bankruptcies

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to, or instituted, any proceedings, arrangement or

compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain directors and officers of the Corporation and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate legislation, directors who have a material interest or any person who is a party to a material contract, or a proposed material contract, with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Some of the directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is involved in various claims and litigation as a regular part of its business. Management believes that the resolution of these claims and litigation (which in certain cases are, subject to applicable deductibles, covered by insurance) will not have a materially adverse effect on its financial position or results of operations.

During the fiscal year ended December 31, 2007 the Corporation was not subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority; (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; or (iii) any settlement agreements entered into by the Corporation before a court relating to securities legislation or by a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth below and herein, none of the directors, executive officers or principal shareholders of the Corporation or any associate or affiliate of any of them, has or had any material interest, direct or indirect, in any transaction within the last three completed financial years or during the current financial year that has materially affected or will materially affect the Corporation.

The Corporation incurred legal fees during the three most recently completed financial years with a law firm for which Mr. Tod, a director of the Corporation, is also a partner of the firm. The legal fees were for

services rendered in the ordinary course of business. The amounts paid during the last three financial years were \$183,000 (2005), \$214,000 (2006) and \$182,000 (2007). The Corporation incurred facility costs of \$60,000 (2005), \$120,000 (2006) and \$119,000 (2007) related to rental of a building which is owned by Mr. Schneider, a director of the Corporation.

INTEREST OF EXPERTS

The Corporation's auditors, Deloitte & Touche LLP, Chartered Accountants, have prepared an independent auditor's report dated February 29, 2008 in respect of the Corporation's consolidated financial statements with accompanying notes as at and for the years ended December 31, 2007 and 2006.

Deloitte & Touche LLP, Chartered Accountants, have advised that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

TRANSFER AGENTS AND REGISTRARS

CIBC Mellon Trust Company is the transfer agent and registrar of the Common Shares of the Corporation. CIBC Mellon Trust Company's contact information is as follows:

CIBC Mellon Trust Company
600 The Dome Tower, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone: (403) 232-2400
Fax: (403) 264-2100
Email: inquiries@cibcmellon.ca
Website: www.cibcmellon.ca
Answerline: 1-800-387-0825
Contact: Cathy Sargeant

MATERIAL CONTRACTS

Other than contracts which were entered into in the ordinary course of business, the Corporation has entered into the following material contracts during the most recently completed financial year ended December 31, 2007 or before the most recently completed financial year that are still in effect:

1. The Amended and Restated Shareholder Rights Plan Agreement between Churchill and CIBC Mellon Trust Company amended and restated December 13, 1999, further amended April 2, 2004, and further amended April 4, 2007 providing for the implementation of a shareholder rights plan which expires, unless extended upon approval of shareholders and the TSX, on September 30, 2010.

AUDIT COMMITTEE INFORMATION

Pursuant to Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110"), the Corporation is required to disclose its audit committee practices, as summarized below.

Audit Committee Charter

The responsibilities and duties of the Committee are set out in the Committee's Terms of Reference, the text of which is set forth in Schedule A to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee of the Corporation is composed of the following three members: Harry A. King (Chair), Henry R. Reid and Peter F. Adams.

The Board of Directors believes that the composition of the Audit Committee reflects a high level of financial literacy and expertise. Each member of the Audit Committee has been determined by the Board to be “financially literate” as defined under MI 52-110. The Board has made this determination based on the education and breadth and depth of experience of each member of the Committee. Each member of the Audit Committee has been determined by the Board to be “independent” as defined under MI 52-110, other than Peter F. Adams, the interim Chief Executive Officer. As a member of management, he is not independent.

Dr. Peter F. Adams was appointed as the interim Chief Executive Officer of the Corporation following the resignation of Mr. J. N. Rokosh, who was the President and Chief Executive Officer from May 11, 2005 until January 21, 2007. The search for a new Chief Executive Officer has taken longer than expected, however the Corporation is nearing the conclusion of its search for a new, permanent Chief Executive Officer who will replace Dr. Adams. The selection of a new Chief Executive Officer would then return Dr. Adams to an independent status as defined under MI 52-110.

Relevant Education and Experience of Audit Committee Members

The following is a description of the education and experience of each member that is relevant to the performance of their responsibilities in that role:

Mr. King is Chairman of the Audit Committee. He is a Chartered Accountant, now retired, and is also a Director of Cogeco Cable Inc., a public company, where he was the Chairman of its Audit Committee until December 2007. Mr. King continues to serve on Cogeco's Audit Committee. Prior to his retirement, he was Vice President, Administration and Corporate Secretary of Continental Lime Ltd. where he was actively involved in tax, legal and administrative functions. He has extensive experience with public accounting firms, having worked for Peat Marwick Mitchell (now KPMG) and Arthur Andersen. As well, Mr. King has tax and audit experience having worked for Revenue Canada for six years.

Mr. Reid holds an MBA degree with emphasis on finance and accounting. As well, he is a Professional Engineer which provides him with the technical expertise in construction to assess the various accounting estimates relevant to the business. Mr. Reid was the former President and CEO of Churchill for 12 years and during that time was involved in all aspects of control and financial reporting, audit and the preparation of the Annual Report. Prior to that time he held positions as the President of a large construction company and Controller of a construction and real estate company, during which time he gained considerable knowledge in the accounting and audit processes of construction companies.

Dr. Adams holds a Ph.D in engineering which provides him with the technical expertise in construction to assess the various accounting estimates relevant to the business. Prior to his retirement, he was the President of the Canadian Petroleum Institute for 12 years during which he was responsible for the preparation of budgets and the active supervision of financial statements, financial reporting systems and interaction with external auditors. He performed similar roles as the President of the Centre for Frontier

Engineering for 5 years and the President of the Technical University of Nova Scotia for 4 years. Dr. Adams has been a Director of Churchill since 1993, during which time he has gained significant knowledge of the Corporation's financial affairs.

Reliance on Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), Section 3.2 of MI 52-110 (*Initial Public Offerings*), Section 3.4 of MI 52-110 (*Events outside Control of Members*), Section 3.5 of MI 52-110 (*Death, Disability or Resignation of Audit Committee Member*), Subsection 3.3(2) of MI 52-110 (*Controlled Companies*), Section 3.6 of MI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*), Section 3.8 of MI 52-110 (*Acquisition of Financial Literacy*) or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110 (*Exemptions*).

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy for the engagement of non-audit services of the External Auditors' firm. The text of the policy is included in Schedule B of this Annual Information Form.

External Auditor Service Fees

Aggregate fees (\$ thousand) billed by the External Auditor during the fiscal years ended December 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Audit Fees	346	284
Audit-Related Fees ⁽¹⁾	19	20
Tax Fees ⁽²⁾	108	72
<u>All Other Fees ⁽³⁾</u>	<u>134</u>	<u>171</u>
Total	607	547

Notes:

- (1) Audit-related fees all relate to attendance at interim quarterly audit committee meetings.
- (2) Tax fees relate to advice provided on tax compliance and tax planning.
- (3) All other fees relate primarily to disclosure controls and accounting for proposed compensation plans in 2007 and 2006.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Churchill's securities and securities authorized for issuance under equity compensation plans is contained in Churchill's Management Information Circular for its most recent annual meeting of shareholders. Additional financial information is provided in Churchill's Consolidated Financial Statements and Management's Discussion and Analysis for the financial year ended December 31, 2007, which are included in Churchill's 2007 Annual Report.

Copies of the foregoing documents, as well as the Corporation's Quarterly and Annual Reports incorporating the quarterly and annual comparative financial statements and Management's Discussion and Analysis for its financial years ended December 31, 2005, 2006 and 2007 and this Annual Information Form and any document, incorporated by reference in this Annual Information Form may be obtained by accessing SEDAR, the electronic system recording Canadian public securities filings, at www.sedar.com.

SCHEDULE A

THE AUDIT COMMITTEE: TERMS OF REFERENCE

Purpose

The Audit Committee approves, monitors, evaluates, advises or makes recommendations on matters affecting the external audit, the financial reporting and accounting control, and the disclosure policies and practices of The Churchill Corporation (the "Corporation"). The Audit Committee (the "Committee") assists the Board of Directors (the "Board") in fulfilling its oversight responsibilities by reviewing:

- 1) The financial information that will be provided to the shareholders and others; including the quarterly financial statements and any other material financial information; the annual audited financial statements and the Management's Discussion and Analysis ("MD&A") section of the Annual Report prior to review and approval by the Board;
- 2) The systems of internal controls that management and the Board have established;
- 3) In consultation with the Governance and Nominating Committee, the *Policy Regarding Disclosure and Confidentiality* (the "Disclosure Policy") and associated disclosure procedures of the Corporation;
- 4) All audit processes, including the terms of engagement of the Corporation's external auditors (the "Auditor") and the audit plan;
- 5) The Directors' indemnification and insurance programs; and
- 6) The financial reporting, information systems and risk management processes of the Corporation.

Composition and Operations

- 1) The Committee shall be composed and operate in accordance with the *Standing Committees of the Board General Terms of Reference*. Pursuant to section 3.1(1) and (2) of Multilateral Instrument 52-110 *Audit Committees* and section 101(2) of the *Business Corporations Act* of Alberta, the Committee must be composed of a minimum of three (3) Directors.
- 2) The Committee shall be comprised exclusively of independent Directors. All members must be financially literate. The terms "independent" and "financially literate" will be interpreted as outlined in Multilateral Instrument 52-110 *Audit Committees*.
- 3) The Committee shall meet at least four times each year.
- 4) The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") would be expected to be available to attend meetings or portions thereof.
- 5) The Auditor shall report directly to the Committee, shall meet at least twice annually with the Committee and would be expected to be available to attend meetings or portions thereof as requested by the Committee and to be heard at those meetings on matters relating to the Auditor's duties.
- 6) The Committee shall meet periodically, and at least annually, with the Auditor without management being present.

- 7) The Committee shall meet with the Auditor, as it deems appropriate to consider any matters of concern that the Auditor determines should be brought to the attention of the Board or shareholders.
- 8) The Committee has access to the Corporation's senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.
- 9) The Committee provides open avenues of communication amongst management (particularly the CFO), employees, external and internal auditors and the Board. In particular any person may provide to the Committee his concerns or complaints regarding accounting, internal accounting controls and auditing matters. The Corporation has a *Policy Regarding Whistleblowing* which outlines a formal procedure to be followed.

Duties and Responsibilities

Subject to the powers and duties of the Board, the Committee will perform the following duties:

1. Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board, financial information that will be made publicly available. This includes:

- (a) The Corporation's annual financial statements and annual MD&A;
- (b) The Corporation's quarterly financial statements, quarterly MD&A and earnings press releases;
- (c) The financial content of the Annual Report and any reports required by government or regulatory authorities;
- (d) The Annual Information Form and any prospectus/private placement memoranda;
- (e) Any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements themselves; and
- (f) Ensure that adequate procedures are in place for reviewing the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of these procedures.

2. Financial Reporting

The Committee shall review and discuss:

- (a) The appropriateness of accounting policies and financial reporting practices used by the Corporation;
- (b) Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
- (c) Any new or pending developments in accounting and reporting standards that may affect the Corporation;

- (d) Management's key estimates and judgements that may be material to financial reporting; and
- (e) Establish procedures for (a) the receipt, retention and treatment of any complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding any questionable accounting or auditing matters.

3. Financial Risk Management, Internal Control and Information Systems

The Committee will review and obtain reasonable assurance that the financial risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

- (a) Reviewing the Corporation's financial risk management controls and policies;
- (b) Obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with, and reports from, management, the Auditor and, if applicable, the Internal Auditor;
- (c) Reviewing management's plans to implement and maintain appropriate internal control procedures including a review of policies;
- (d) Reviewing the adequacy of security of information, information systems and recovery plans;
- (e) Monitoring compliance with statutory and regulatory obligations;
- (f) Reviewing the appointment of the CFO; and
- (g) Reviewing the adequacy of accounting and finance resources.

4. Disclosure

In consultation with the Governance and Nominating Committee, the Committee will review the Disclosure Policy and procedures of the Corporation and obtain reasonable assurance that they are effective in meeting the requirements of applicable legislation and regulatory agencies. This includes:

- (a) Reviewing the Corporation's Disclosure Policy;
- (b) Monitoring compliance with the Disclosure Policy, particularly as it relates to the disclosure of financial related matters; and
- (c) Receiving and reviewing reports from the Disclosure Committee related to financial matters.

5. Internal Audit

The Committee will recommend to the Board as to whether the Corporation requires a formal internal audit function; and if so, the form and appropriate activity schedule as well as the Internal Auditor's relationship with the external auditor and with management.

6. External Audit

The Committee will review the planning and results of external audit activities and oversee the work of the Auditor. This includes:

- (a) Requiring the external auditor to report directly to the Committee;
- (b) Reviewing and recommending to the Board, for shareholder approval, the Auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
- (c) Recommending to the Board the appropriate compensation of the Auditor;
- (d) Reviewing the annual audit plan, including but not limited to the following:
 - (i) Engagement letter;
 - (ii) Objectives and scope of the audit work;
 - (iii) Procedures for quarterly review of financial statements;
 - (iv) Materiality limit;
 - (v) Areas of audit risk;
 - (vi) Staffing;
 - (vii) Timetable; and
 - (viii) Proposed fees.
- (e) Meeting with the Auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
- (f) Reviewing any significant disagreement among management and the Auditor regarding financial reporting;
- (g) Reviewing and advising the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
 - (i) Any difficulties encountered, or restrictions imposed by management, during the annual audit;
 - (ii) Any significant accounting or financial reporting issues;

- (iii) The Auditor's evaluation of the Corporation's system of internal controls, procedures and documentation;
 - (iv) The post audit or management letter containing any findings or recommendations of the Auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses; and
 - (v) Any other matters the Auditor brings to the Committee's attention.
- (h) Reviewing the Auditor's Report on all material subsidiaries;
 - (i) Reviewing and receiving assurances on the independence of the Auditor;
 - (j) Assessing the performance and considering the annual appointment of the Auditor for recommendation to the Board;
 - (k) Reviewing and pre-approving the non-audit services to be provided by the Auditor's firm or its affiliates in accordance with the *Audit Committee Pre-Approval Policy*; and
 - (l) Reviewing and approving the Corporation's *Hiring Policy Restricting the Hiring of Certain Employees or Former Employees of the External Auditors*.

7. Other

- (a) Review insurance coverage of significant business risks and uncertainties;
- (b) Review material litigation and its impact on financial reporting;
- (c) Review policies and procedures for the review and approval of officers' expenses and perquisites; and
- (d) Review the terms of reference for the Committee annually and make recommendations to the Board as required.

Authority

The Committee may:

- (a) engage independent outside counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

SCHEDULE B

AUDIT COMMITTEE PRE-APPROVAL POLICY

BACKGROUND

Both the Canadian Securities Administrators and the CICA have implemented rules or standards to support the independence of the external auditor. Under these, the Audit Committee is required to pre-approve all non-audit services performed by the external auditor in order to assure that the provision of such services does not impair the auditor's independence. Unless a type of service to be provided by the external auditor has received general pre-approval, it will require specific pre-approval by the Audit Committee of The Churchill Corporation (the "Corporation"). Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the pre-approval of the Audit Committee. The term of any pre-approval is valid for 120 days from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee will periodically review & revise, when appropriate, the list of pre-approved services, based on subsequent determinations.

DELEGATION

The Audit Committee may delegate pre-approval authority to one or more of its independent members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee will not delegate its responsibilities to pre-approve services performed by the external auditor to management.

AUDIT SERVICES

The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, company structure or other matters.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant pre-approval for other Audit services, which are those services that only the external auditor reasonably can provide. The Audit Committee has pre-approved the Audit services listed in Appendix A. All other Audit Services not listed in Appendix A must be separately pre-approved by the Audit Committee.

AUDIT-RELATED SERVICES

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and that are traditionally performed by the external auditor. The Audit Committee believes that the provision of Audit-related services does not impair the independence of the auditor, and has pre-approved the Audit-related services listed in Appendix B. All other Audit-related services not listed in Appendix B must be separately pre-approved by the Audit Committee.

NON-AUDIT SERVICES GENERAL

The Audit Committee must be informed of each non-audit service. In the event that the Corporation did not recognize the services as non-audit services at the time of the engagement, the services must be promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated.

TAX SERVICES

The Audit Committee believes that the external auditor can provide Tax services to the Corporation such as tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the Audit Committee will not permit the retention of the external auditor in connection with a transaction initially recommended by the external auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Income Tax Act and related regulations. The Audit Committee has pre-approved the Tax services listed in Appendix C. All Tax services involving large and complex transactions not listed in Appendix C must be separately pre-approved by the Audit Committee.

ALL OTHER SERVICES

A list of the CICA prohibited non-audit services is attached to this policy as Exhibit 1. The rules and relevant guidance of the CICA should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

PRE-APPROVAL FEE LEVELS

Pre-approval fee levels for a particular service to be provided by the external auditor will be established periodically by the Audit Committee. Any proposed services exceeding these levels will require specific pre-approval by the Audit Committee.

SUPPORTING DOCUMENTATION

With respect to each proposed pre-approved service, the external auditor will provide detailed back-up documentation, which will be provided to the Audit Committee, regarding the specific services to be provided.

PROCEDURES

Requests or applications to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by both the external auditor and the Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the CICA standard on auditor independence.

APPENDIX A
PRE-APPROVED AUDIT SERVICES FOR FISCAL YEAR

Service	Threshold
Statutory audits or financial audits for the Corporation and for subsidiaries or affiliates of the Corporation	Up to \$ 10,000
Services associated with securities commissions registration statements, periodic reports and other documents filed with the securities commissions or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to securities commissions comment letters	Up to \$ 10,000
Consultations by the Corporation's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the CICA, ASC, or other regulatory or standard setting bodies	Up to \$ 10,000
Consultations and services provided in the review of conversion activities related to acquired entities to provide a level of reliance for the annual audit.	Up to \$ 10,000
Services associated with the review of the Corporation's quarterly financial statements and reporting to the audit committee.	Up to \$ 10,000

APPENDIX B
PRE-APPROVED AUDIT-RELATED SERVICES FOR FISCAL YEAR

Service	Threshold
Due diligence services pertaining to potential business acquisitions/dispositions	Up to \$ 10,000
Agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters	Up to \$ 10,000
Internal control reviews and assistance with internal control reporting requirements	Up to \$ 10,000
Consultations by the Corporation's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the CICA, ASC, or other regulatory or standard-setting bodies	Up to \$ 10,000
Attest services not required by statute regulation	Up to \$ 10,000

**APPENDIX C
PRE-APPROVED TAX SERVICES FOR FISCAL YEAR**

Service	Threshold
Canadian and US federal, state, provincial and local tax planning and advice, including guidance on entering into new jurisdictions (states or provinces); and on withdrawal procedures, if required.	Up to \$ 10,000
Canadian and US federal, state, provincial and local tax compliance including-dealing with notices and/or assessments from these jurisdictions; assistance with specific correspondence or requests from state or city/county; and application for refunds when required.	Up to \$ 10,000
International tax planning and advice	Up to \$ 10,000
International tax compliance	Up to \$ 10,000
Review of federal, state, local and international income, franchise, and other tax returns	Up to \$ 10,000
Licensing [or purchase] of income tax preparation software ¹ from the independent auditor, provided the functionality is limited to preparation of tax returns or calculation of supporting amounts necessary to prepare tax returns or tax elections.	Up to \$ 10,000
Due diligence services pertaining to review of tax returns of potential business acquisitions and tax planning for acquisition deal structures	Up to \$ 10,000

¹ Licensing or purchasing income tax preparation software is permitted, so long as the functionality is limited to preparation of tax returns. If the software performs additional functions, each function must be evaluated *separately* for its potential effect on the auditor's independence.

EXHIBIT 1
PROHIBITED NON-AUDIT SERVICES

- Bookkeeping or other services related to the accounting records or financial statements of the audit client²
- Financial information systems design and implementation²
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports²
- Actuarial services²
- Internal audit outsourcing services²
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit

² Provision of these non-audit services is permitted if it is reasonable to conclude that the results of these services will not be subject to audit procedures. Materiality is not an appropriate basis upon which to overcome the rebuttable presumption that prohibited services will be subject to audit procedures because determining materiality is itself a matter of audit judgment.