the Churchill Corporation

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2013

March 16, 2014

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION I
INTRODUCTION 1
CORPORATE STRUCTURE 1
Name, Address and Incorporation 1
Material Amendments to the Constating Documents 1
Intercorporate Relationships 2
GENERAL DEVELOPMENT OF THE BUSINESS 3
Overview 3
General Contracting 4
Commercial Systems 4
Industrial Services 4
Corporate and Other 5
THREE YEAR HISTORY OF THE BUSINESS 5
MARKET CONDITIONS 7
DESCRIPTION OF THE BUSINESS 8
General Information 8
Contract Revenue by Reportable Segment 9
BUSINESS, SERVICES, MARKETS AND COMPETITIVE ENVIRONMENT 10
General Contracting Segment 10
Commercial Systems Segment 12
Industrial Services Segment 13
HEALTH, SAFETY AND ENVIRONMENT 17
EMPLOYEES 18
DIVIDENDS 18
CREDIT FACILITY 18
CAPITAL STRUCTURE 19
General Description of Share Capital 19
Common Shares 19
Preferred Shares 19
Debentures 19
Shareholder Rights Plan 20
DIRECTORS AND OFFICERS 21
The Board of Directors 21
Board Committee Members 22
Executive Officers 22
CONFLICTS OF INTEREST 23
MARKET FOR SECURITIES 24
RISK FACTORS 24
SIGNIFICANT ACQUISITIONS 32
LEGAL PROCEEDINGS AND REGULATORY ACTIONS 32
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 32
INTEREST OF EXPERTS 33
TRANSFER AGENTS AND REGISTRARS 33
MATERIAL CONTRACTS 33
AUDIT COMMITTEE INFORMATION 33
Audit Committee Charter 33
Composition of the Audit Committee 33
Relevant Education and Experience of Audit Committee Members 34
Pre-Approval Policies and Procedures 35
External Auditor Service Fees 35
ADDITIONAL INFORMATION 35
SCHEDULE “A” – AUDIT COMMITTEE TERMS OF REFERENCE 1
SCHEDULE “B” – AUDIT COMMITTEE PRE-APPROVAL POLICY 1

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Annual Information Form ("**AIF**") for The Churchill Corporation ("**Churchill**" or the "**Corporation**") contains certain statements that may constitute forward-looking information within the meaning of applicable securities laws. This forward-looking information relates to, among other things:

- management's expectations and intentions regarding Churchill Services Group (as defined herein), including its ability to meet the needs of its clients, its pursuit of larger projects and its capacity to lead new business origination in the industrial environment;

- the elements necessary for Churchill's businesses to be successful;

- the enhancement, predictability and sustainability of Churchill's earnings or revenues through any means whatsoever including, without limitation, project and market diversity;

- the future business prospects of any of Churchill's Operating Segments (as defined herein) or the industries in which they operate; and

- the financial and operational effects on Churchill as a result of compliance with environmental protection requirements.

Often, but not always, forward-looking information can be identified by the use of such words as "may", "will", "expect", "believe", "plan", "intend", "estimate", "outlook", "forecast", "should", "anticipate" and other similar terminology, including statements concerning possible or assumed future results. Forward-looking information is based on management's reasonable assumptions, analysis and estimates in respect of its experience and perception of trends, current economic conditions and expected developments, as well as other material factors that it considers to be relevant at the time of making such statements.

The forward-looking information in this AIF is included solely for the purpose of assisting Churchill's securityholders in understanding Churchill's financial position and the results of its operations as at the date hereof. By its nature, forward-looking information involves known and unknown risks and uncertainties, which give rise to the possibility that management's assumptions, analysis and estimates will be incorrect and that Churchill's anticipated results will not be achieved. Although Churchill believes that the statements with respect to forward-looking information are reasonable and current, such statements should not be interpreted as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. Forward-looking information is necessarily subject to a number of factors that may cause actual results to differ materially from those results implied by the expectations suggested by such information. Those factors include, without limitation, those other risks and uncertainties described in this AIF in the section entitled "Risk Factors".

When relying on the forward-looking information to make decisions with respect to Churchill, securityholders and others should carefully consider the foregoing factors, although readers are strongly cautioned that the foregoing list of factors is not exhaustive and other factors could adversely affect Churchill's performance. Investors and other readers are encouraged to consider the foregoing risks and other factors carefully when evaluating the forward-looking information and are cautioned not to place undue reliance upon such information when making investment decisions. The forward-looking information in this AIF is current to the date hereof, and is subject to change following such date. While Churchill may elect to do so, unless required by applicable law, it undertakes no obligation to update this information to reflect new information or circumstances at any particular time.

INTRODUCTION

This AIF is dated March 16, 2014. Except where otherwise indicated, the information in this AIF is provided as of December 31, 2013 and all dollar amounts are expressed in Canadian dollars.

CORPORATE STRUCTURE

Name, Address and Incorporation

Churchill was incorporated as "Churchill Development Corporation Ltd." on August 31, 1981, under the *Companies Act* of Alberta and was continued under the *Business Corporations Act* (Alberta) (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 Alberta Investments Ltd. ("**AIL**"), 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 of the Corporation were listed for trading on the Alberta Stock Exchange on December 1, 1987. On December 8, 1999, the Common Shares were listed for trading on the Toronto Stock Exchange (the "**TSX**"). On January 30, 2000, Churchill consolidated its trading on the TSX and dropped its listing on the Alberta Stock Exchange, which was by then the Canadian Venture Exchange (now the TSX Venture Exchange).

The Corporation's head office is located at 400, 4954 Richard Road SW, Calgary, Alberta. The Corporation's registered office is located at 400, 3rd Avenue SW, Suite 3700, Calgary, Alberta.

Material Amendments to the Constating 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: (i) reorganize the Corporation's share capital to consolidate the class "A" common shares and the class "B" common shares; (ii) modify the Memorandum of Association of the Corporation; (iii) authorize the issuance of up to 110,000,000 class "A" common shares; and (iv) 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 Churchill and AIL.

- Amended By-laws approved by the Board of Directors of Churchill (the "**Board**" or the "**Board of Directors**") and ratified by the Corporation's 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 the Common Shares.

- Certificate and Articles of Amendment filed June 13, 2000 to:

    1. change the authorized share capital of the Corporation as follows: (i) change the designation of the authorized and issued "Class A Common Shares" to "Common Shares" (the "**Common Shares**"); (ii) change the maximum number of Common Shares that may be issued to an unlimited number; (iii) cancel the authorized classes and series of preferred shares; and (iv)

create an unlimited number of a new class of shares designated as "Preferred Shares", issuable in series (the "**Preferred Shares**");

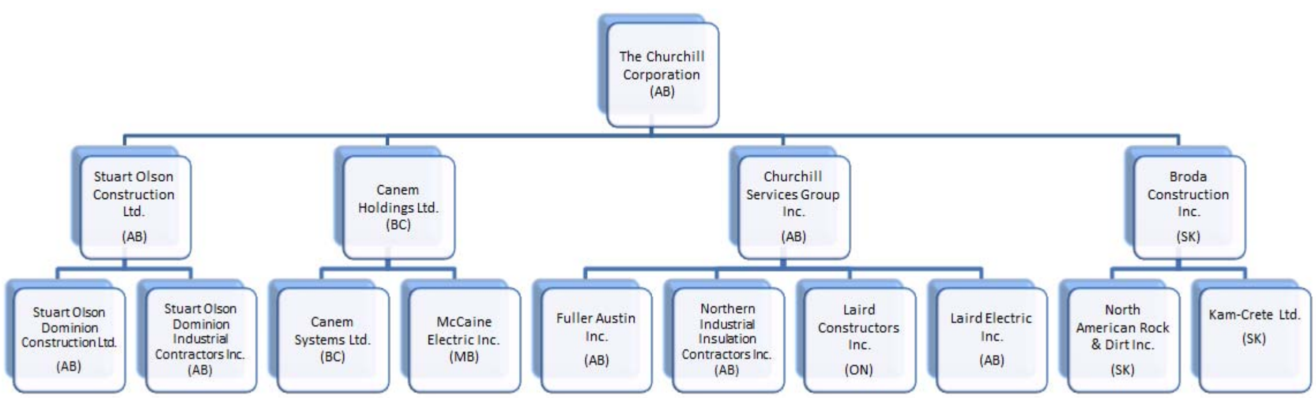
2. provide that meetings of shareholders of the Corporation may be held inside or outside of Alberta, at any place in Canada; and

3. 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.

- A new By-Law No. 2 of the Corporation was approved by the Board on March 15, 2013 and ratified by the Corporation's shareholders on May 23, 2013 to provide that advance notice must be given to the Corporation in circumstances where nominations of persons for election to the Board are made by a shareholder of the Corporation, other than pursuant to a proposal or a requisition of a shareholder made in accordance with the provisions of the ABCA.

Intercorporate Relationships

The chart below shows Churchill's principal operating subsidiaries as at December 31, 2013 and their respective jurisdictions of incorporation or existence, as applicable. The assets or sales and operating revenues of each of the other subsidiaries of the Corporation do not constitute more than 10%, individually, of the consolidated assets or the consolidated sales and operating revenues of Churchill as at and for the year ended December 31, 2013, nor do they constitute more than 20%, in the aggregate, of the consolidated assets or consolidated sales and operating revenues of Churchill as at and for the year ended December 31, 2013. The Corporation beneficially owns, controls and directs, directly or indirectly, 100% of the votes attaching to all voting securities of each principal operating subsidiary.



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Churchill is one of the larger publicly traded construction and industrial services companies in Canada. The Corporation provides general contracting and electrical building systems contracting in the institutional and commercial construction markets as well as electrical, mechanical and specialty trades, such as insulation and earth moving services, in the industrial construction and services market. The Corporation provides its services to a wide array of clients in both the public and private sectors.

On July 13, 2010, pursuant to a plan of arrangement, the Corporation acquired all of the issued and outstanding shares of Seacliff Construction Corp. ("**Seacliff**"), a public construction company, for total consideration of $381.8 million, including the assumption of liabilities (the "**Seacliff Transaction**"). Seacliff's primary business units consisted of: Broda Construction Group Ltd. ("**Broda**"), a heavy construction contractor; Canem Systems Ltd. ("**Canem**"), a critical building systems contractor; and The Dominion Company Inc. ("**Dominion**"), a general contractor.

Concurrent with the closing of the Seacliff Transaction, the Corporation elected to modify its operations into four segments for financial statement reporting purposes in accordance with International Financial Reporting Standards 8 ("**IFRS 8**"). Those reporting segments now include General Contracting, Commercial Systems, Industrial Services and Corporate and Other. Of those reporting segments, the General Contracting, Commercial Systems and Industrial Services segments constitute the operational segments of the Corporation (collectively, the "**Operating Segments**"). The Corporation regularly analyzes the results of these divisions independently as they serve different end-markets, generate different gross margin yields and have different risk profiles. The evaluation of results by segment and by individual operating entity is consistent with the way in which management performance is assessed.

Stuart Olson Construction Ltd. and its operating subsidiaries (collectively, "**Stuart Olson Dominion**") forms the General Contracting segment, and Canem forms the Commercial Systems segment. Both of these companies have revenue and earnings in excess of 10% of the consolidated revenue and earnings of the Corporation, thus justifying separate disclosure under IFRS 8. Although both of these companies serve the institutional and commercial construction markets, they operate independently and provide different products and services to different classes of customers, in that Stuart Olson Dominion's customers are primarily project owners, and Canem typically subcontracts to general contractors.

On December 5, 2011, the Corporation announced a realignment of its Industrial Services segment in order to better meet the needs of its industrial customers. Effective as of January 1, 2012, Insulation Holdings Inc. and Churchill Industrial Services Group Inc. were amalgamated to form Churchill Services Group Inc. ("**Churchill Services Group**"). Churchill Services Group has been able to interface with customers and lead new business origination related to integrated products and services on behalf of the companies in the Industrial Services segment and Stuart Olson Dominion's industrial building activities. Churchill Services Group has three divisions, being Laird Electric Inc. ("**Laird Electric**"), Laird Constructors Inc. ("**Laird Constructors**") and a speciality services division consisting of Fuller Austin Inc. ("**Fuller Austin**") and Northern Industrial Insulation Contractors Inc. ("**Northern**", together with Fuller Austin, "**Specialty Services**"). Churchill Services Group and Broda Construction Inc. ("**Broda**") now collectively form the Industrial Services segment on the basis that they have similar economic characteristics and are similar in terms of services provided, production processes, customers, methods of service delivery and the regulatory environment in which they operate.

The three Operating Segments and the Corporate and Other reporting segment are briefly described in the following paragraphs.

General Contracting

Following the Seacliff Transaction, Stuart Olson Constructors Inc. ("**Stuart Olson Constructors**") and Dominion were operationally combined to form Stuart Olson Dominion. Headquartered in Calgary, Alberta, Stuart Olson Dominion constructs commercial, institutional and industrial buildings. Stuart Olson Constructors and Dominion have been general contractors since 1939 and 1911, respectively. Stuart Olson Dominion has offices in Richmond, British Columbia; Calgary and Edmonton, Alberta; Saskatoon, Saskatchewan; Winnipeg, Manitoba; and Mississauga, Ontario.

Commercial Systems

Commercial Systems is comprised of Canem, which designs, builds, maintains and services critical building systems including electrical and life safety systems, voice, data and communications networks, security infrastructure and other related building technology systems. Canem's primary markets include commercial, institutional, light industrial and multi-tenant residential buildings. With its head office located in Richmond, British Columbia, its services include: (a) the design and installation of various building systems (electrical, voice/data, security, building maintenance systems, life-safety, etc.); (b) on-call service for building systems maintenance and troubleshooting; (c) preventative and scheduled maintenance for critical component installations; (d) budgeting and pre-construction services; and (e) management of regional and national contracts for multi-site installations. Canem's acquisition of McCaine Electric Ltd. ("**McCaine**") in 2011 expanded Canem's footprint into Manitoba.

Industrial Services

The Industrial Services segment consists of Churchill Services Group and Broda. Churchill Services Group has three divisions, being Laird Electric, Laird Constructors and Specialty Services.

- Laird Electric is headquartered in Edmonton, Alberta and provides electrical, instrumentation and high voltage distribution systems construction and maintenance services to resource and industrial clients, primarily in the oil and gas industry within the Fort McMurray and greater Edmonton regions.

- Laird Constructors is headquartered in Sudbury, Ontario and is a multi-trade contractor providing electrical, instrumentation, power-line, mechanical and structural construction and maintenance services to resource and industrial clients, primarily in the mining and power generation industries in Ontario, Manitoba and Saskatchewan.

- Speciality Services is headquartered in Edmonton, Alberta and consists of both Fuller Austin and Northern. It serves industrial clients with insulation, scaffolding, asbestos abatement, siding application, heating, ventilation and air conditioning ("**HVAC**"), industrial blanket manufacturing and plant maintenance services. Its clients are in the oil sands, oil and natural gas, petrochemical, fertilizer, forest products, power utilities and mining industries.

Broda is headquartered in Prince Albert, Saskatchewan, providing aggregate processing, earthwork, civil construction, concrete production and related services to mining and infrastructure organizations as well as providing ballast to Canada's two major railway corporations.

Churchill Services Group and Broda have many similarities, including common customers such as Saskatchewan's major potash and uranium mining organizations. Management believes that offering fully integrated industrial services through the Churchill Services Group has allowed, and will continue to allow, Churchill to pursue larger projects and contracts within the industrial environment.

Corporate and Other

The Corporate and Other reportable segment includes Churchill's corporate officers and staff functions of accounting, treasury, human resources, information technology services, corporate development, legal and internal audit. The costs of some functions, such as information services, are allocated directly to the other business segments, and others remain in Corporate and Other. The corporate centre provides strategic direction, operating oversight, legal services, financing, infrastructure services and management of public company requirements to each of Churchill's Operating Segments.

THREE YEAR HISTORY OF THE BUSINESS

2011

In May of 2011, Churchill, through one of its affiliates, acquired all of the outstanding shares of McCaine for total consideration of $11.5 million in cash and Common Shares, plus a cash payment of up to an additional $1 million depending upon subsequent performance conditions being achieved. McCaine was founded in 1918 and had been operating as a privately-held electrical contractor in Winnipeg, Manitoba. Since it was acquired, McCaine has been integrated into the business of the Canem group of companies, within Churchill's Commercial Systems segment.

On May 25, 2011, Churchill declared its first quarterly dividend of $0.12 per Common Share for the second quarter of 2011.

On July 13, 2011, Churchill announced that it had renegotiated the terms and conditions of its syndicated $200 million, three year senior secured revolving credit facility (the "**Credit Facility**") that was originally entered into in July of 2010. The syndicate of lenders remained the same and the Credit Facility continued to include a $75 million accordion feature. Changes to the Credit Facility included a 100 basis point reduction in the applicable interest rate, relaxation or elimination of certain financial covenants, an increase in the term of the facility to July 12, 2015 and additional flexibility on consents regarding dividends and acquisitions.

On August 8, 2011, the Corporation entered into derivative financial instruments with a financial institution designed to lock in the fuel price economics of a multi-year construction project for Broda.

In October of 2011, the Corporation established a new co-surety arrangement (the "**Surety Program**") with Travelers Guarantee Company of Canada ("**Travelers**") and Continental Casualty Company ("**Continental**") in order to provide the Corporation and its operating subsidiaries with access to performance and labour and material payment bonds as assurances against contract completion.

On December 5, 2011, the Corporation announced a realignment of its Industrial Services segment in order to better meet the needs of its industrial customers. See "General Development of the Business – Industrial Services" for further information pertaining to the creation of Churchill Services Group.

2012

In late June of 2012, the Corporation entered into an agreement with Travelers and Continental to renew the Surety Program. As part of the renewal, the tangible net worth and working capital covenants in the Surety Program were eliminated and replaced with similar, but less restrictive, guidelines more appropriately reflective of the Corporation's business and the environment in which it operates.

On July 13, 2012, Churchill announced that it had renegotiated the terms and conditions of its Credit Facility. Changes to the Credit Facility included a 25 basis point reduction in the applicable interest rate, a one-year extension in the term of the facility to July 12, 2016, and additional flexibility on consents regarding dividends and acquisitions.

On July 23, 2012, the Corporation announced preliminary estimates for 2012 second quarter revenue, earnings before interest, taxes, depreciation and amortization ("**EBITDA**") and net earnings (loss) which were materially below the consensus estimates of financial analysts who offer research coverage on the Corporation due to weather and project execution challenges.

On July 31, 2012, Churchill announced the departure of James Houck from his role as President and Chief Executive Officer of the Corporation and that it had appointed David J. LeMay to the position of President and Acting Chief Executive Officer. At the same time, Churchill also announced that the Board of Directors was working toward confirming a Chief Executive Officer for the Corporation to replace Mr. Houck. Churchill also announced that Ron Martineau would succeed Mr. LeMay on an interim basis as President of Churchill Services Group.

On August 8, 2012, the Corporation announced that for the second quarter of 2012 it had revenue of $295.8 million, EBITDA of $4.6 million and a net loss of $4.2 million, compared to revenue of $340.9 million, EBITDA of $17.0 million and net earnings of $5.8 million in the second quarter of 2011.

On August 9, 2012, Churchill announced that it had appointed Douglas J. Haughey to the position of Chief Executive Officer and that Mr. Haughey had also been appointed to Churchill's Board. With the appointment of Mr. Haughey, Churchill also announced that Mr. LeMay would retain the title of President and become Chief Operating Officer of Churchill, a new position.

On October 10, 2012, Churchill announced an update on leadership, initiatives to improve performance and productivity, a financial outlook and new project awards, including that Don Pearson, President of Stuart Olson Dominion, would continue serving as President rather than retiring as previously publicly announced, Churchill had booked an additional loss of $3.5 million on the Investor's Group Field project during the third quarter, Churchill's corporate center workforce had been reduced by 20%, the Corporation's Operating Segments were implementing cost management initiatives which together were expected to result in annual cost savings of $4 to $6 million, overall third quarter results were expected to be profitable but hindered by the additional losses on the Investor's Group Field project and that full-year 2012 EBITDA was expected to be in the range of $37 to $42 million.

On December 14, 2012, Churchill provided its financial outlook for 2013. On a consolidated basis, the Corporation announced that for 2013 it expected EBITDA to be in the range of $45 to $55 million, net earnings to be between $6 and $13 million, to incur capital expenditures of approximately $20 million and free cash flow to be between $21 and $30 million, resulting in a dividend payout ratio between 33% and 50%. Churchill also announced that for the first quarter of 2013 it expected net earnings to be breakeven to a modest loss, largely as a result of typical seasonal factors, and that operational and financial results were expected to improve beginning with second quarter of 2013.

On December 21, 2012, Churchill announced that it had renegotiated the terms and conditions of its Credit Facility which would provide it with greater financial flexibility to support its operations. Changes to the Credit Facility included modified financial covenant levels with respect to the Corporation's secured leverage, total leverage and interest coverage hurdles. Specifically, the amendments resulted in: an increase in the Senior Debt to EBITDA covenant ratio to 3.0 to 1.0, declining to 2.75 to 1.0 on October 1, 2013 and to 2.5 to 1.0 on January 1, 2014; an increase in the Debt to EBITDA covenant ratio to 3.0 to 1.0; and a decrease in the Interest Coverage ratio to 2.5 to 1.0, increasing to 2.75 to 1.0 on July 1, 2013 and to 3.0 to 1.0 on October 1, 2013.

2013

On February 4, 2013, the Corporation announced the appointment of Mr. Allan Tarasuk to the position of President and Chief Operating Officer, Churchill Services Group.

On May 7, 2013, Churchill announced that for the first quarter of 2013 it had revenue of $236.8 million, EBITDA of $6.8 million and a net loss of $1.2 million, compared to revenue of $333.2 million, EBITDA of $13.7 million and net earnings of $3.1 million in the first quarter of 2012.

On May 23, 2013, Churchill announced that Mr. Haughey's term as Chief Executive Officer and a Director of the Corporation would conclude on May 31, 2013, and that he would be succeeded in that capacity by Mr. LeMay. Mr. LeMay was appointed a Director and President and Chief Executive Officer of the Corporation on June 1, 2013.

On July 9, 2013, Churchill amended the Surety Program by replacing Travelers and Continental with Federal Insurance Company ("**Chubb**") and Liberty Mutual Insurance Company ("**Liberty**") with respect to the issuance of future performance and labour and material bonds as assurance against contract completion.

On July 12, 2013, Churchill announced it had renewed its Credit Facility for one year resulting in a new maturity date of July 12, 2017. Concurrently with the renewal of the Credit Facility, the Corporation and its lending syndicate agreed to amend the Credit Facility to include certain cash management features that are favourable to Churchill. In all other respects, the terms of the Credit Facility remain the same including the syndicate of lenders and the $75 million accordion feature.

On August 1, 2013, Stuart Olson Dominion opened a small office in Mississauga, Ontario.

On August 12, 2013, the Corporation announced that for the second quarter of 2013 it had revenue of $277.8 million, EBITDA of $9.2 million and net earnings of $0.5 million, compared to revenue of $295.8 million, EBITDA of $4.4 million and a net loss of $4.3 million in the second quarter of 2012.

On September 10, 2013, Churchill announced that Stuart Olson Dominion had recently been awarded new contracts totaling $400 million for the construction of municipal facilities, commercial buildings, educational facilities, recreational facilities, healthcare facilities and industrial buildings in western Canada.

On November 5, 2013, the Corporation announced that for the third quarter of 2013 it had revenue of $294.8 million, EBITDA of $12.3 million and net earnings of $2.6 million, compared to revenue of $303.2 million, EBITDA of $11.9 million and net earnings of $1.7 million in third quarter of 2013. The Corporation also announced a reduced 2013 full year EBITDA guidance range of $40 to $42 million. On the same day, the Corporation also announced that Stuart Olson Dominion, the Corporation's General Contracting segment, had been chosen as the construction manager for the $150 million New Central Library in downtown Calgary.

On November 6, 2013, Churchill announced that Mr. Don Pearson, President and Chief Operating Officer of Stuart Olson Dominion, would be retiring effective December 31, 2013. Mr. LeMay has assumed Mr. Pearson's duties until a suitable replacement is found.

MARKET CONDITIONS

Historically, the construction industry in western Canada has experienced significant periods of volatility relating to regional and industry sector market opportunities. The Corporation's ability to manage revenue and cost levels, as well as efficiently execute on projects, in geographical and customer markets that are either declining or expanding is critical to the Corporation's success.

The majority of the Corporation's operations are focused in western Canada. The Corporation's customer and geographical markets improved significantly from 2005 to 2007, resulting in revenue growth as well as higher contract margins. However, in the second half of 2008, market conditions started to deteriorate as Canada's economic fundamentals were impacted by the global financial crisis. The impact of this crisis on the Corporation's markets was most severe in the energy sector, specifically the industrial construction and maintenance markets related to the oil sands. As part of a global slowdown, the Canadian economy was in recession during the early part of 2009. However, economic growth in developing countries supported demand for Canadian commodity exports and the strength of Canadian financial institutions and the stimulus actions of governments resulted in the worst of the global recession being short-lived. The federal government of Canada, as part of its effort to stimulate the economy and create jobs during this economic turmoil, committed $12 billion of incremental infrastructure spending over two to three years. The stimulus program came to an end at the conclusion of the 2011 construction season. Sovereign debt concerns in Europe and the United States continued to trouble the capital markets and caused some volatility in 2011 and 2012. Markets stabilized and, in some cases, appeared somewhat positive in 2013, although the volatility of prices for oil, gas and other commodities has continued. It is management's intention to monitor these developments very closely and to remain in close communication with customers to ensure that the Corporation is positioned to react should a severe market correction occur.

DESCRIPTION OF THE BUSINESS

General Information

Churchill provides general contracting and electrical building systems contracting in the institutional and commercial construction markets, and electrical, mechanical and specialty services, such as insulation and earth moving services, in the industrial markets.

While Churchill is active throughout western Canada and Ontario, the vast majority of the Corporation's business activities are carried out in the four western Canadian provinces (British Columbia, Alberta, Saskatchewan and Manitoba).

The services provided by the companies within each Operating Segment of the Corporation are sold directly to clients, clients' engineers or architects, commercial general contractors, industrial general contractors, or engineering, procurement and construction 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. 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 and incur operating expenses. Each client type has unique factors that drive these capital investment and operating expense spending decisions. The following table outlines what the Corporation's management believes to be the primary factors influencing the spending decisions of its clients:

Client Type	Primary factors influencing capital investment decisions
Commercial/Institutional	• Market demand for facility use • Age of existing facilities and infrastructure • Prevailing construction costs and labour availability • Population growth and demographics

- Federal and provincial government spending programs
- Budgetary constraints

Industrial

- Expected long-term price of commodities such as hydrocarbons, uranium and potash
- Prevailing construction costs and labour availability
- Pipeline and rail capacity
- Public infrastructure to support labour migration and transportation
- Royalty and taxation regimes
- Environmental constraints
- Risk and reward expectations

Other than in regard to the exceptions described in this AIF, the sources, pricing and availability of raw materials, component parts or finished products are generally not a significant factor in any of the Corporation's Operating Segments as any additional costs are usually passed through by contract to the Corporation's clients. For several years prior to 2008 the rapidly expanding market in Alberta and British Columbia created shortages of tradesmen and management personnel as well as some shortages of construction materials. However, in 2009, the availability of skilled labour and management personnel improved and costs for construction materials decreased as a result of the global economic slowdown. In late 2010, labour shortages began to reappear in certain disciplines and the cost of construction materials began to rise. Those discipline specific labour shortages continued through 2013. Any future labour and construction materials shortages could result in cost escalation and lower or higher contract margins depending upon whether the Corporation's client specific commercial conditions allow it to absorb the additional costs associated with these shortages. Given the nature of the industrial construction business, the importance, duration and effect of identifiable intangible properties, such as copyrights, circulation lists, franchises, patents and trademarks is relatively limited. The Corporation does, however, rely upon the reputation of its brand names, the skills of its employees, proprietary processes and systems and enterprise resource planning software to efficiently manage its business.

Contract Revenue by Reportable Segment

Comparative contract revenue from the three Operating Segments is set forth in the following table:

Year Ended December 31 ($000s, except percentage amounts)	2013		2012		Increase (Decrease) 2013 over 2012
General Contracting	507,967	46%	691,987	57%	(183,991)
Commercial Systems	213,740	19%	188,152	15%	25,588
Industrial Services	413,522	37%	383,669	31%	29,853
Inter-segment Adjustments	(28,760)	(2%)	(41,752)	(3%)	12,992
Total Contract Revenue	1,106,469	100%	1,222,056	100%	(115,558)

BUSINESS, SERVICES, MARKETS AND COMPETITIVE ENVIRONMENT

The following sections of this AIF contain detailed descriptions of the business, services, markets and competitive environment of each of the Operating Segments of the Corporation.

General Contracting Segment

Overview of Stuart Olson Dominion

Stuart Olson Constructors was originally founded by Mr. Stuart Olson in 1939 in Edmonton, Alberta. Dominion (including its predecessor companies) has provided construction services since 1911. The Corporation purchased Stuart Olson Constructors from the Olson family in 1989. The Corporation then purchased Dominion as part of the Seacliff Transaction in July 2010 and combined the operations of the two companies to form Stuart Olson Dominion. Stuart Olson Dominion provides general contracting services including, integrated project delivery, construction management and design build services, to private and public sector clients in the commercial, industrial and institutional sectors. Its projects generally entail the construction, expansion or renovation of buildings. Stuart Olson Dominion operates through its offices in Richmond, British Columbia; Calgary and Edmonton, Alberta; Saskatoon, Saskatchewan; Winnipeg, Manitoba; and Mississauga, Ontario.

Most of the revenue generated by Stuart Olson Dominion is from repeat clients or arises through pre-qualification processes and select invitational tenders. Stuart Olson Dominion's business model is to pursue larger projects, and preferably, negotiated construction management type contracts rather than lump-sum, hard bid contracts. Stuart Olson Dominion subcontracts up to 90% of its project work to subcontractors and suppliers and manages the construction process to deliver on its commitments. This high degree of subcontracting can have the effect of reducing the amount of capital required to operate and grow the business.

Stuart Olson Dominion uses alternative methods of project delivery as part of its general contracting scope of services, including integrated project delivery, construction management and design build approaches. These methods can provide cost reductions for clients flowing from project re-engineering efficiencies via pre-construction services and increased certainty of on-time and on-budget project completion. These alternative delivery methods have assisted Stuart Olson Dominion in building long-term relationships with clients while also optimizing the Corporation's project execution risk and improving contract margins.

Stuart Olson Dominion has targeted to expand its participation in the larger projects market during the last five years by leveraging its large project experience. These larger projects have sometimes involved the participation in public-private partnership consortiums, although that market is not currently a priority for Stuart Olson Dominion. Larger projects also generally have a greater duration with longer mobilization periods, which can enhance the predictability and sustainability of the Corporation's revenues and earnings and spreads risk as the economy rises and falls in the medium term.

Services

Stuart Olson Dominion provides general contracting services, including integrated project delivery, construction management and design-build services in various market sectors. It specializes in integrated project delivery which involves, at a minimum, tight collaboration from early design to handover among the owner, architect, engineer and builder ultimately responsible for construction of the project. Stuart Olson Dominion's work in the area has ranged from school projects to high-rise buildings and includes both new construction and renovation projects. Stuart Olson Dominion also offers clients design-build construction services, which involves both design and construction services. Stuart Olson Dominion also provides other general contracting services, which include the provision of management, estimating, accounting, site management, field workers and equipment in order to complete projects.

Market Sectors

Stuart Olson Dominion has experience in a wide range of sectors, including education, recreation, multi-unit residential, retail, hospitality, high technology office, biotechnology and laboratory facilities, office buildings, health and seniors care, industrial, public sector construction management and food processing, cold storage and distribution facilities. It is intended that the predictability and sustainability of revenue will be enhanced through project and market diversity.

Competition

The building construction market is highly competitive, with varying degrees of barriers to entry existing in the small-to-medium size project segment of the market, whereas significantly higher barriers to entry exist in the large project segment where bonding capacity, working capital availability and internal organizational capabilities restrict competitors. Stuart Olson Dominion's primary competitors are PCL Construction Group Inc., Bird Construction Company Limited, Ellis Don Corporation, Graham Group Ltd., Ledcor Group of Companies, Cana Construction Ltd. and Clark Builders. Competitive factors among the various market participants include: price and approach philosophies 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 overall financial strength.

Competitive Strengths

People – Stuart Olson Dominion views its people as its greatest competitive advantage and, in that regard, it attempts to provide them with the systems, processes, training and development opportunities to be successful.

Experience – Stuart Olson Dominion's detailed integrated project delivery 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.

Strong relationships with subcontractors – Stuart Olson Dominion enjoys strong relationships with a variety of different subcontracting firms who have gone through Stuart Olson's selection process, which facilitates the submission of competitive bids and also allows projects to be completed competitively and on a timely basis with an appropriately skilled labour force.

Value engineering and constructability evaluation – Stuart Olson Dominion has the ability to assist design consultants with design co-ordination review. Stuart Olson Dominion's team is technically proficient and motivated to make an impact on the projects that the company undertakes. Working with the project team, Stuart Olson Dominion reviews the design with respect to "constructability" from the earliest phases of design through to completion of working drawings. Stuart Olson Dominion's review extends beyond bricks and mortar issues and considers elements such as labour and materials, environmental impact, people and processes.

Insurance coverage – Stuart Olson Dominion has entered into an innovative, yet 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 Dominion, with the balance being transferred to the insurance provider. This risk management program is intended to provide extensive control over the subcontractor pre-qualification and credit risk evaluation processes, an ability to manage project risk more effectively and cost efficiencies for Stuart Olson Dominion.

Safety – Stuart Olson Dominion is continuously improving its safety programs as it develops and strengthens internal safety cultures. The commitment of Stuart Olson Dominion to safety and its proven track record is seen by management as a key competitive advantage in earning the trust of customers.

Seasonality

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

Commercial Systems Segment

Overview of Canem

Since 1960, Canem (including its predecessor companies) has provided a broad range of services including designing, building, maintaining and servicing electrical and data communications systems for institutional, commercial, light industrial and multi-tenant residential customers. The contractual arrangements between Canem and its clients typically take the form of lump sum or construction management contracts.

Canem maintains a head office in Richmond, British Columbia and provides its services through several operating offices in Vancouver and Vancouver Island, British Columbia; Calgary, Edmonton and Red Deer, Alberta; and Winnipeg, Manitoba. Canem's acquisition of McCaine in 2011 expanded Canem's western Canadian footprint into Manitoba.

Services

New construction and major renovation projects have generally accounted for the majority of Canem's work, while service and special projects have typically accounted for a relatively smaller portion.

Market Sector

Canem services institutional, commercial, light industrial and multi-tenant residential markets. Canem has a diverse customer base including general contractors, property managers and developers, government agencies, municipalities, universities, corporations, big-box retailers and telephone and communications carriers.

Competition

Canem's principal competitors include: Bridge Electric Corp., Custom Electric Ltd., High Line Electrical Contractors Ltd., Houle Electric Limited, Mott Electric Limited, Q2 Electric Ltd., Territorial Electric Ltd., Triple A Electric Ltd., Wescan Electrical Mechanical Services, Western Electrical Management Ltd., Western Pacific Enterprises Ltd. and Unitec Electrical Contractors Ltd. Canem has historically provided a more comprehensive range of services and broader geographical presence than most of its competitors, which has enabled it to deliver a single source solution to clients. The competitive factors affecting Canem's business include: price and approach philosophies 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 – Canem is one of the largest critical building systems contracting companies in western Canada.

Project controls – Canem has integrated its technology systems and proprietary processes to enhance operating controls, and consolidated its procurement programs to manage vendors on a regional basis. These factors are intended to contribute to improved productivity and Canem's ability to deliver strong margins.

Focus on higher margin services and markets – Canem is able to select services and markets where the barriers to entry and margins are both high. These markets include large projects; highly complex projects that contain integrated building system components; projects that require extensive logistical expertise; and national rollouts for clients.

Off-site assembly – Canem uses off-site assembly and modularization (pre-fabrication) of system components in order to enhance quality and improve tool time productivity.

Expertise – Canem's management believes that the company has advantages in technical expertise that provide it with: (a) access to higher margin design-build projects that use the capabilities of its in–house experts; (b) access to growth markets, including wireless telecommunications, fibre, video, security and fire systems; and (c) the ability to deliver quality information services with greater reliability than many of its competitors.

Safety – Canem is continuously improving its safety programs as it develops and strengthens internal safety cultures. The commitment of Canem to safety and its proven track record is seen by management as a key competitive advantage in earning the trust of customers.

Seasonality

The Canem business is not typically affected by seasonal factors as most of its work is performed inside buildings.

Industrial Services Segment

The Industrial Services segment consists of Churchill Services Group and Broda. Churchill Services Group has three divisions, being Laird Electric, Laird Constructors and Specialty Services.

Overview of Speciality Services

Speciality Services consists of Fuller Austin and Northern. Fuller Austin has been in business since 1962, and Northern since 1984. Fuller Austin serves the building-trades union market and Northern serves the non-unionized market. The contractual arrangements between Fuller Austin and Northern and their clients typically take the form of lump sum or cost-plus contracts. There is approximately an even split between the numbers of these two types of contracts.

The Speciality Services division services clients from British Columbia to northwest Ontario with offices in Edmonton, Fort McMurray and Bonnyville, Alberta; Regina, Saskatchewan; and Thunder Bay, Ontario.

Services

The operating companies within the Specialty Services division provide a variety of construction services, including: mechanical insulation installation; industrial metal siding and cladding; HVAC; manufacturing of industrial blankets and HVAC equipment; and asbestos abatement. Installation of mechanical insulation can involve a variety of vessels and 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 and other miscellaneous components. The companies use an extensive selection of insulation products and cladding types designed to accommodate 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 and emergency response, as well as monitoring and testing.

Market Sector

The operating companies within the Specialty Services division serve clients in a wide range of industrial businesses including the oil and gas, petrochemical, refinery, mining, pulp and paper and power generation industries.

Competition

The operating companies within the Specialty Services division have several large and capable competitors in each of their geographic markets and areas of service. The principal competitors to the Specialty Services division are: Albrico Kaefer Services Ltd., Brand Energy and Infrastructure Services, The Brock Group, The Dewar Group, Norcan Electric Inc., Parker Kaefer Inc. and Pro Insul. The competitive factors affecting the businesses include: price and approach philosophies 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 – The operating companies in the Specialty Services division together comprise one of the largest industrial insulation contracting organizations in western Canada.

Geographic reach – The Specialty Services division targets and performs work on opportunities from northwest Ontario to British Columbia. This wider geographic scope is intended to mitigate the sensitivity of the business to economic conditions in any one particular province or industry.

Safety – The operating companies in the Specialty Services division are continuously improving their safety programs as they develop and strengthen internal safety cultures. This commitment to safety and the proven track record of both Fuller Austin and Northern is seen by management as a key competitive advantage in earning the trust of customers.

Seasonality

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

Overview of Laird Electric and Laird Constructors

Laird Electric has been in business since 1962 and was acquired by Churchill in 2003. Laird Electric is based in Edmonton, Alberta and has an office in Edmonton and Fort McMurray, Alberta. Laird Constructors is based in Sudbury, Ontario and started operations in 2011. Laird Electric and Laird Constructors provide industrial electrical, instrumentation and power line construction and maintenance services. Laird Constructors also provides industrial mechanical services. They serve the resource and industrial sectors, including oil sands, oil and gas, petrochemical, power generation, mining and electrical infrastructure markets. Most of Laird Electric's client engagements involve cost plus contractual arrangements.

Services

Laird Electric and Laird Constructors are full service electrical, and, in the case of Laird Constructors, mechanical contractors. This multi-faceted approach allows them to gain early access to new projects by providing temporary power services for initial project phases; ongoing electrical, mechanical and instrumentation installation during construction phases; full project commissioning; and value added services of continued operations and maintenance support for operating facilities.

Market Sector

Laird Electric and Laird Constructors provide contracting services to clients in the oil sands, oil and gas, mining, petrochemical and power generation industries. In particular, Laird Electric is mostly active in the Fort McMurray and Edmonton area oil sands construction and maintenance markets and Laird Constructors is active in the northwest Ontario mining market and, in 2012, executed upon new business opportunities in Saskatchewan. The clients of Laird Electric and Laird Constructors include engineering firms, prime contractors and industrial owners.

Competition

The principal competitors of Laird Electric are Chemco Electrical Contractors Ltd., PCL Intracon, Casca, Sepam Canada, Pyramid Corporation and Powell Canada. The principal competitors of Laird Constructors are Aecon, Tesk Mechanical and S&T Group. The competitive factors affecting Laird Electric and Laird Constructors include: price and solution driven approach philosophies to project execution; management information systems; client relationships; scope of service capabilities; quality of service; record of completing similar projects on time and on budget; operating plant experience (brownfield); 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

Brand name prevalence and experience – Management believes that Laird Electric is one of the more prevalent electrical contractors operating in the Canadian oil sands industry. Similarly, management of Laird Constructors believes that the company has a distinct competitive advantage in terms of the depth of the experience of its management team and its ability to leverage Laird Electric's industrial experience.

Local contractor –Laird Electric is a local contractor to the oil sands industry in Fort McMurray and Edmonton areas with talented, locally-based project management teams. Laird Constructors is also a local contractor to the mining industry in the Sudbury and Thunder Bay areas with talented, locally based project management teams.

Strong project management and execution – The project management teams at Laird Electric and Laird Constructors have a proven track record of delivering projects ahead of client schedules. This strong execution model and commitment to quality, safety and transparent project control solutions has allowed them to secure projects where they were not initially the prime electrical or mechanical subcontractor.

Ability to access labour – The strong relationships that Laird Electric and Laird Constructors have with the building trades and their union-contractor status enables them to access a reliable and qualified trade labour supply via the local union halls. As such, they have been able to successfully access labour in the midst of province-wide labour shortages. This can be beneficial during periods of major plant turnarounds and other unexpected events that require large numbers of craft labour to mobilize for short durations.

Power line and substation work – The ability of Laird Electric and Laird Constructors to perform "greenfield" electrical infrastructure work on industrial construction projects allows them early entry onto new sites. This enables the two operating companies to establish good working relations with the project owner and results in the company being invited to participate in requests for proposals as a preferred supplier coming out of engineering and design phases.

Safety – Laird Electric and Laird Constructors are continuously improving their safety and loss prevention programs as they develop and strengthen internal safety cultures. The commitment of Laird Electric and Laird Constructors to safety and proven track record is seen by management as a key competitive advantage in earning the trust of customers.

Seasonality

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

Overview of Broda

Broda is based in Prince Albert, Saskatchewan and has been in business since 1967. Broda is a heavy construction company specializing in aggregate processing, earthwork, civil construction and concrete production. Historically, more than 80% of Broda's client engagements have been unit price contractual arrangements.

Services

Broda is comprised of three distinct and specialized divisions. Broda itself, the group's original enterprise, was established in 1967 and specializes in railroad ballast production, drilling and blasting, rock and gravel crushing, aggregate processing, quarry and open pit mine work. It serves both the public and private sectors, producing more than three million tonnes of aggregate per year in a variety of sizes and applications. Its major clients include Canadian Pacific Railway and Canadian National Railway. North American Rock and Dirt Inc. ("**NARD**"), a wholly-owned subsidiary of Broda, specializes in the construction of highways, roads, railways, industrial sites, airports, canals, waterways, dams, reservoirs, containment ponds, leach pads, site reclamation, and oil and gas leases. NARD currently focuses on the public and private sectors in Saskatchewan and Alberta and has the capacity to move more than five million cubic metres of material per year. It has formed strong working relationships with several major corporations, including Cameco Corporation, Agrium Inc., Potash Corporation of Saskatchewan, the Mosaic Company and Dundee Development. Kam-Crete Ltd., another wholly-owned subsidiary of Broda, specializes in concrete production and sand and gravel work. It currently serves local markets in Saskatchewan and produces up to 10,000 cubic metres of concrete per year.

Market Sector

Broda serves a broad range of organizations, including Canada's two major railway corporations and Saskatchewan's potash, uranium, oil and gas and infrastructure industries.

Competition

Broda's principal competitors are: Aecon, Points Athabasca Construction Limited, Kelly Panteluk Construction, Sigusson Northern, Johnson Brothers, Procyk Brothers, Kays Construction, Nemanishen Contracting, Morsky Construction and Peter Kiewit. The competitive factors affecting Broda include: price and solution driven approach philosophies to project execution; management information 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; and relevant project experience.

Competitive Strengths

Local contractor – Broda has developed brand recognition from operating its business for over 50 years. That recognition has translated into numerous repeat customers in the industrial and infrastructure market in northern Saskatchewan, where adverse weather conditions limit competition, while creating a strong need for well-maintained equipment and comprehensive mobile maintenance programs.

Expertise – Broda's management believes the company has a distinct competitive advantage in terms of the depth of experience of its personnel. In this regard, the company has established a corporate culture that emphasizes quality of work, client satisfaction and the ongoing need to innovate and improve productivity. The company is also distinguished by its in-house design-build capability and third-party alliances.

Equipment and maintenance – Broda owns one of the largest fleets of heavy construction equipment in Saskatchewan, with more than 400 trucks and specialized earthmoving equipment. These assets continue to expand in tandem with new work opportunities. Broda's units are serviced and maintained to the highest standard, either at Broda's 18,000 sq. ft. maintenance facility in Prince Albert, Saskatchewan, by one of the company's mobile mechanical repair vehicles or by factory authorized dealers when required. Broda uses genuine original equipment manufacturer parts and follows manufacturer guidelines to perform repairs. By stocking a large inventory of major components and replacement parts and providing an onsite daily service program, Broda minimizes equipment downtime. This positively impacts schedules, productivity and bottom line performance of Broda and its clients.

Safety – Broda is continuously improving its safety programs as it develops and strengthens internal safety cultures. The commitment of Broda to safety and its proven track record is seen by management as a key competitive advantage in earning the trust of customers.

Seasonality

Broda's business is highly seasonal, with the majority of annual revenue generated between April and September. Additionally, field conditions and productivity can be severely impacted by wet weather conditions.

HEALTH, SAFETY AND ENVIRONMENT

Churchill and its subsidiaries are subject to federal, provincial and municipal health, safety and environmental ("**HS&E**") 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, 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 its legal, employee, community and ethical obligations. These procedures and processes include policies, training programs and high level governance oversight.

The financial and operational effects of environmental protection and compliance requirements on the capital expenditures, earnings and competitive positions of Churchill are not expected to be material in the 2014 financial year and in future years.

The Board of Directors has established a Health, Safety and Environment Committee to provide greater oversight of the Corporation's compliance with applicable legislation and regulations. The Health, Safety and Environment Committee is supported by an integrated HS&E Council consisting of senior management and safety representatives from each Operating Segment in order to monitor performance and facilitate the sharing of best practices.

EMPLOYEES

Churchill and its subsidiaries had 681 full-time salaried employees on December 31, 2013. Churchill's operating subsidiaries also employ additional construction personnel on an hourly and subcontracting basis, which vary within a range of 1,000 to 3,500 people depending on the number, size and stage of active projects. As at December 31, 2013, Churchill and its subsidiaries employed 2,604 hourly personnel. The table below sets out the number of hourly and salaried employees of the Corporation by the reportable segments of the Corporation.

Segment	Hourly	Salaried	Total
General Contracting	413	321	734
Commercial Systems	864	131	995
Industrial Services	1,327	189	1,516
Corporate & Other	0	40	40
Total	**2,604**	**681**	**3,285**

DIVIDENDS

On May 25, 2011, Churchill announced that the Board of Directors had declared its first quarterly dividend of $0.12 per Common Share for the second quarter of 2011. Churchill has paid a quarterly dividend of $0.12 per Common Share since that date. During 2013, the Corporation made dividend payments totalling $10,165,914.24, and during 2012 the Corporation made dividend payments totalling $9,196,553.40. The amount of future dividends will be determined by the Board from time to time and will be subject to the Corporation's earnings, financial requirements and other conditions prevailing at that time. The record date for the payment of dividends is typically set as the last day of the applicable financial quarter and the payment date follows approximately two weeks thereafter. Churchill did not declare any dividends at any time prior to the second quarter of 2011. Churchill also announced on June 20, 2011 the commencement of its dividend reinvestment plan (the "**DRIP**"). The DRIP allows Churchill shareholders to elect to direct that any portion of any future cash dividends paid by Churchill be reinvested in Common Shares, which when issued from treasury, are issued at 95% of the weighted average market price of the Common Shares for the 10 days preceding the dividend payment date.

CREDIT FACILITY

Churchill entered into the Credit Facility (as defined herein) in July 2010 with, among others, HSBC Bank Canada, as Administrative Agent. The Credit Facility was amended once in 2011, twice in 2012 and once in 2013. The Credit Facility includes a restrictive covenant which limits the dividends Churchill may pay in any 12 month period to $25 million or less. Management of Churchill does not believe this restriction will have a direct correlation or impact on Churchill's ability to pay dividends in the near term. See the section of this AIF entitled "Material Contracts" for further information about the Credit Facility and the sections entitled "Three Year History of the Business – 2011", "Three Year History of the Business – 2012" and "Three Year History of Business – 2013" for a discussion of the material amendments to the Credit Facility in 2011, 2012 and 2013 respectively.

CAPITAL STRUCTURE

General Description of Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. As at December 31, 2013, there were 24,797,163 Common Shares and no Preferred Shares issued and outstanding.

Common Shares

The holders of Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of Churchill, to receive any dividends declared by Churchill on the Common Shares, to receive notice of, attend and vote at all meetings of the shareholders of Churchill and, upon a ballot, are entitled to one vote for each Common Share held. In the event of the liquidation or winding-up of Churchill or any other distribution of the assets of Churchill among its shareholders for the purpose of winding-up its affairs, holders of Common Shares have the right, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of Churchill, to share rateably in all such distributions in proportion to the number of Common Shares held by them.

Preferred Shares

Subject to the provisions of the ABCA, the provisions applicable to the Preferred Shares as a class and to the provisions of any outstanding series of Preferred Shares, the Board of Directors is authorized to fix the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Shares. The Preferred Shares are non-voting, except as provided by law or as otherwise determined by the Board of Directors before the issue thereof.

Debentures

The 6% convertible extendible unsecured subordinated debentures (the "**Debentures**") of the Corporation were issued pursuant to a Trust Indenture between Churchill and Valiant Trust Company ("**Valiant**"), as trustee, dated June 15, 2010 (the "**Indenture**"). As at December 31, 2013, there were $86.3 million aggregate principal amount of Debentures issued and outstanding which mature on June 30, 2015. The Debentures are direct, subordinated unsecured obligations of Churchill and rank equally with one another and with all of Churchill's other existing and future subordinated unsecured indebtedness. The Debentures were issued in principal amount denominations of $1,000 and bear interest at a rate of 6.00% per annum, payable semi-annually in arrears on June 30 and December 31 of each year. Churchill may elect, from time to time, provided that there is not a current event of default under the Indenture, and subject to applicable regulatory approval, to satisfy its obligation to pay interest on any interest payment date (including following conversion, at the time of redemption, or at the time of maturity): (i) in cash; (ii) by delivering Common Shares to the trustee, in which event the holders of Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares by the trustee; or (iii) any combination of (i) and (ii) above. The Debentures are convertible at the holder's option into Common Shares at any time, subject to prior redemption or recall for purchase pursuant to a Change of Control (as defined below), prior to the close of business on the business day immediately prior to June 30, 2015 at a conversion price of $22.75 per Common Share. The Debentures were not redeemable by Churchill before June 30, 2013. After June 30, 2013 and prior to June 30, 2015, the Debentures are redeemable in whole or in part from time to time at the option of Churchill on not more than 60 days' and not less than 40 days' notice at a price equal to 100% of the principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. A "**Change of Control**" in the context of the

Debentures is generally defined as: (i) the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction of an aggregate of 66.66% or more of the outstanding Common Shares; or (ii) the sale of all or substantially all of the assets of the Corporation, but shall not include a sale, merger, reorganization, arrangement, combination or other similar transaction if the previous holders of Common Shares hold at least 50% of the voting control or direction in such merged, reorganized, arranged, combined or other continuing entity immediately following the completion of such transaction. In the event of a Change of Control transaction, Churchill shall be required to purchase all of the Debentures on the date that is 30 business days after the date that the offer respecting such Change of Control is delivered to Churchill at a price equal to 100% of the principal plus accrued and unpaid interest. Additionally, if a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a change of control consists of: (i) cash; (ii) trust units, limited partnership units or other participating securities of a trust, limited partnership or similar entity; (iii) equity securities that are not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or (iv) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange (a "**Cash Change of Control**"), then, subject to regulatory approvals, during the period beginning ten trading days before the anticipated date on which the Cash Change of Control becomes effective and ending 30 days after the Cash Change of Control purchase offer is delivered, holders of Debentures will be entitled to convert their Debentures and, subject to certain limitations, receive, in addition to the number of Common Shares they would otherwise be entitled to receive, an additional number of Common Shares per $1,000 principal amount of Debentures as set forth in the Indenture.

Shareholder Rights Plan

Churchill has a shareholder rights plan (the "**Rights Plan**") that was adopted to ensure, to the extent possible, that all shareholders of Churchill are treated fairly in connection with any take-over bid for Churchill. The Rights Plan creates a right that attaches to each present and subsequently issued Common Share. Until the separation time, which would generally occur at the time of an unsolicited take-over bid whereby a person acquires or attempts to acquire 20% or more of the Common Shares, the rights are not separable from the Common Shares, are not exercisable and no separate rights certificates are issued. When exercisable, each right will entitle the holder (other than the 20% acquirer) to purchase from Churchill that number of Common Shares having an aggregate market price equal to twice the exercise price (i.e. at a 50% discount). For example, if the exercise price is $75 and the market price of the Common Shares is $25, the holder of each right would be entitled to purchase Common Shares having an aggregate market price of $150 for $75. The Rights Plan was reconfirmed at the 2013 annual meeting of shareholders of Churchill and will expire at the close of business on the date of Churchill's annual meeting of shareholders in 2016, unless terminated at an earlier date by the Board of Directors or unless amended and continued with the approval of shareholders at Churchill's annual meeting of shareholders in 2016.

DIRECTORS AND OFFICERS

The Board of Directors

The following are the names and municipalities of residence of the directors of the Corporation as at December 31, 2013 and their respective principal occupations during the last five years. 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	Principal Occupation During Preceding Five Years	Service as a Director since
Richard T. Ballantyne, P.Eng Salt Spring Island, British Columbia	President of Timple Consulting Ltd., a consulting services firm.	May 23, 2013
Albrecht W.A. Bellstedt, B.A., J.D., Q.C.[(1), (2)] Canmore, Alberta	Corporate director and independent consultant.	May 17, 2007
Rod Graham, CFA, MBA Edmonton, Alberta	Senior Vice President, Corporate Development and Planning of Horizon North Logistics Inc. (a resource development service company) since January 2014. Prior thereto, President and CEO of ZCL Composites Inc. from September 2010 until August 2012. Prior thereto, a co-founder and from 2005 until 2010 the managing director of Northern Plains Capital Ltd., a private equity firm.	May 23, 2013
Wendy L. Hanrahan, CA Calgary, Alberta	Executive Vice President, Corporate Services, TransCanada Corporation since May 1, 2011. Prior thereto, Vice President Human Resources, Communications and Facilities Management, TransCanada Corporation since January 1, 2005.	December 9, 2009
Harry A. King, B.A., CA Vancouver, British Columbia	President, Harking Investments Ltd. (a holding company) since April 17, 1984.	August 13, 1997
David J. LeMay, MBA Calgary, Alberta	President and Chief Executive Officer of the Corporation since June 1, 2013. Prior to that, President and Chief Operating Officer of the Corporation from August 2012 to May 2013. Prior thereto, President and Chief Operating Officer, Churchill Services Group from January 2012 to August 2012; prior thereto, President and Chief Operating Officer, Laird Electric from November 2008 to December 2011; and prior thereto, Vice President Operations at Laird Electric from July 2007 to November 2008.	June 1, 2013
Carmen R. Loberg, Calgary, Alberta	Corporate Director. Prior to June 2010, President and CEO of NorTerra Inc. (a privately held investment and management company owned by the Inuvialuit of the Western Arctic and Inuit of Nunavut with diverse interest in transportation, logistics, manufacturing and industrial supplies).	July 1, 2009
Allister J. McPherson, B.Sc., M.Sc. Edmonton, Alberta, Canada	Corporate Director	January 5, 2009
Ian M. Reid, B.Comm.[(3)] Edmonton, Alberta	Corporate Director and independent business person.	May 17, 2007
George M. Schneider Sundre, Alberta	President, Schneider Investments Inc. (a real estate holding company) since January 13, 2003.	May 18, 2006
Brian W.L. Tod, B.A., LL.B., Q.C. [(4)] Edmonton, Alberta	Counsel to Miller Thomson LLP (a national law firm) since July 1, 2011. Prior to June 30, 2011, Partner, Miller Thomson LLP.	May 20, 1993

Notes:

(1) Mr. Bellstedt is the Chairman of the Corporation.

(2) Mr. Bellstedt, who served as a trustee of Atlas Cold Storage Income Trust, was subject to an Ontario Securities Commission cease trade order that was issued in respect of all insiders of Atlas Cold Storage Income Trust on December 2, 2003 due to the late filing of financial statements required to reflect certain re-statements. The cease trade order was rescinded in January 2004. Mr. Bellstedt ceased being a director of Sun Times Media Group, Inc. (formerly Hollinger International Inc.) in June of 2008. Sun Times Media Group, Inc. went into Chapter 11 bankruptcy protection under the U.S. Bankruptcy Code in 2009.

(3) Mr. Reid is the Vice Chairman of the Corporation.

(4) Mr. Tod resigned as a director of Tirecraft Group Inc. on March 20, 2008. That corporation filed for bankruptcy on June 23, 2008.

Board Committee Members

The Board has four committees, being the Audit Committee, the Human Resources and Compensation Committee, the Corporate Governance and Nominating Committee and the Health, Safety and Environment Committee. The members of each of these committees as at December 31, 2013 were as set out in the table below. As Chairman of the Corporation, Mr. Bellstedt is an ex-officio non-voting member of every Committee.

Audit Committee	Corporate Governance & Nomination Committee	Health, Safety & Environment Committee	Human Resources & Compensation Committee
Richard T. Ballantyne	Harry A. King	Richard T. Ballantyne	Wendy Hanrahan (Chair)
Wendy L. Hanrahan	Allister J. McPherson	Rod Graham	Carmen R. Loberg
Rod Graham	Ian M. Reid (Chair)	Carmen R. Loberg	Ian M. Reid
Harry A. King	Brian W.L. Tod	George M. Schneider (Chair)	George M. Schneider
Allister J. McPherson (Chair)			Brian W.L. Tod

Executive Officers

The following are the names and provinces of residence of the executive officers of Churchill (other than Mr. LeMay) and its Operating Segments as at December 31, 2013 and their respective principal occupations during the last five years.

Name and Municipality of Residence	Principal Occupation During Preceding Five Years
Daryl E. Sands, B.Comm., CA Calgary, Alberta	Executive Vice President and Chief Financial Officer of the Corporation since November 2009. Prior thereto, Senior Vice President, Finance and Chief Financial Officer of the Corporation from June 2007 to November 2009.
Joette C. Decore, B.Sc., MBA Edmonton, Alberta	Vice President, Strategy and Development since December 2012. Prior thereto, Vice President, Corporate Development of the Corporation since November 2010 to December 2012; prior thereto, Vice President of Strategic Planning and Human Resources of the Corporation from June 2009 to November 2010; prior thereto, Vice President, Performance Improvement of the Corporation; and prior thereto, management consultant with PricewaterhouseCoopers (a management consultancy firm) from 2000 to 2008.
Evan Johnston, B.Comm, LLB, CFA Calgary, Alberta	Vice President, General Counsel and Corporate Secretary of the Corporation since May 2012. Prior thereto, Vice President, General Counsel of the Corporation since September 2011; prior thereto, Vice-President, General Counsel and Corporate Secretary of The Forzani Group Ltd. (a national sporting goods retailer) since April 2009; and prior thereto, associate lawyer, Blake, Cassels & Graydon LLP (an international law firm) from November 2007 to April 2009.

Operating Segment Executives

Gord Broda Prince Albert, Saskatchewan	President, Broda since 2003.
Al Miller Calgary, Alberta	President and Chief Operating Officer, Canem since May 2010. Prior thereto, Executive Vice-President, Alberta, of Canem.
Allan Tarasuk Edmonton, Alberta	President and Chief Operating Officer, Churchill Services Group since February 2013. Prior thereto, President, EPC, URS Flint from July 2012 to January 2013; and prior thereto, President, URS Canadian Operations from November 2008 to July 2012.
Don P. Pearson B.Sc., P.Eng. Edmonton, Alberta	President and Chief Operating Officer, Stuart Olson Dominion from February 2009 until he retired from the Corporation on December 31, 2013. Prior thereto, Executive Vice President, Stuart Olson Constructors from October 2008 to February 2009; and prior thereto, Vice President, Northern Alberta, Stuart Olson Constructors from 2004 to October 2008.

As at December 31, 2013, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over782,452 Common Shares, or approximately 3.2% of the Common Shares of the Corporation on a fully diluted basis. The information as to the beneficial ownership of the Common Shares, not being within the knowledge of the Corporation, has been confirmed by the directors and executive officers of the Corporation individually.

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. Directors who have a material interest in 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.

The Corporation incurred legal fees during the three most recently completed financial years with Miller Thomson LLP, a law firm for which Mr. Tod, a director of the Corporation, currently acts as counsel and is a former partner. Mr. Tod retired from the partnership at Miller Thomson LLP on June 30, 2011. The legal fees were for services rendered in the ordinary course of the Corporation's business. The amounts paid to Miller Thomson LLP during the last three financial years were $175,000 (2011), $380,778 (2012) and $317,363 (2013).

Mr. Schneider, a Director, owns Schneider Investments Inc., which has a 50% interest in a company that owns a building which is leased to the Corporation. The amounts paid to the company that owns the building in respect of that lease during the last three financial years were $155,000 (2011), $136,000 (2012) and $351,000 (2013).

The Corporation incurred facility costs related to an office lease agreement with a company controlled by Mr. Broda, an officer of the Corporation. The office lease agreement provides for rent payments of $403,000 per annum plus operating expenses. For the years ended December 31, 2011, December 31, 2012 and December 31, 2013, the Corporation incurred facility costs of $424,000, $432,000 and $398,000 respectively.

MARKET FOR SECURITIES

The Common Shares and the Debentures are listed and posted for trading on the TSX under the stock market symbol "CUQ" and "CUQ.DB", respectively. The following are the price ranges as well as the total monthly volumes traded for the Common Shares and the Debentures during 2013 as reported by the TSX for the periods indicated:

	Common Shares			Debentures		
Month	**High ($)**	**Low ($)**	**Total Monthly Volume Traded**	**High ($)**	**Low ($)**	**Total Monthly Volume Traded**
January 2013	9.25	8.25	522,500	105.13	101.25	604,000
February 2013	9.00	7.40	416,100	103.65	101.50	606,800
March 2013	7.71	7.00	1,094,500	103.14	98.55	2,256,100
April 2013	7.99	7.05	526,200	102.00	99.97	1,759,000
May 2013	8.59	7.04	980,300	102.50	100.55	984,000
June 2013	8.49	8.08	471,800	102.44	101.00	426,000
July 2013	9.46	8.10	299,200	101.91	100.01	262,000
August 2013	9.55	8.51	260,300	102.50	101.31	61,170
September 2013	10.76	8.42	351,300	102.25	101.80	442,000
October 2013	10.12	8.54	455,000	101.80	100.50	739,000
November 2013	10.09	8.39	433,300	101.69	100.00	1,416,000
December 2013	9.60	8.46	308,500	101.50	100.72	610,000

RISK FACTORS

The Corporation is subject to certain risks and uncertainties that are common in the construction industry and that may affect future performance. The risks described below are not exhaustive. The Corporation operates in a very competitive and ever-changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Corporation's business.

Contractual Factors

The Corporation performs construction activity under a variety of contracts including lump-sum, fixed price, guaranteed maximum price, cost reimbursable and design-build. Some forms of these construction contracts carry more risk than others.

Historically, a portion of the Corporation's revenue has been derived from lump sum contracts pursuant to which a commitment is provided to the owner of the project to complete the project at a fixed price ("**Lump Sum**") or guaranteed maximum price ("**GMP**"). In Lump Sum and GMP projects, in addition to the risk factors of a unit price contract (as described below), any errors in quantity estimates or schedule delays or productivity losses, for which contracted relief is not available, must be absorbed within the Lump Sum or GMP, thereby adding a further risk component to the contract. These contracts, given their inherent risks, have from time to time resulted in significant losses on projects. The failure to properly assess a wide variety of risks, appropriately execute these contracts or contractual disputes may have an adverse impact on financial results.

The Corporation is also involved in fixed unit price construction contracts under which Churchill is committed to provide services and materials at a fixed unit price. While this shifts the risk of estimating the quantity of units to the contract owner, any increase in the Corporation's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect the Corporation's profitability.

In certain instances, the Corporation guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, the Corporation could incur additional costs or penalties commonly referred to as liquidated damages. Although the Corporation attempts to negotiate waivers of consequential or liquidated damages, on some contracts the Corporation is required to bear the risk for failure to meet certain contractual provisions. These penalties may be significant and could materially impact the Corporation's financial position or results of future operations. Furthermore, schedule delays may also reduce profitability because staff may be prevented from pursuing and working on new projects. Project delays may also reduce customer satisfaction which could impact future awards.

Churchill occasionally participates in design-build projects whereby, in addition to the responsibilities and risks of a unit price or Lump Sum contract, it assumes the additional risk of quality or design-related flaws or failures. This risk is managed by using 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.

Certain of the Corporation's contractual requirements may also involve financing elements, where the Corporation is required to provide one or more letters of credit, performance bonds or financial guarantees. There can be no assurance that the Corporation will be able to obtain the necessary financing on favourable or commercially reasonable terms and conditions for such equity investments, nor that its working capital and bonding facilities will be adequate in order to issue the required letters of credit and performance bonds.

Change orders, which modify the nature or quantity of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed. Disputes regarding the quantum of unpriced change orders could impact the Corporation's profitability on a particular project, ability to recover costs, or in a worst case scenario, result in significant project losses. The timing of the resolution of these events can have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of the Corporation in any one reporting period.

Ongoing Financing Availability

Churchill's operations, particularly its industrial operations, require a significant amount of working capital due to the requirement for large workforces on many projects. The Corporation's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the industrial services 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. As well, 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 significant dilution to existing shareholders.

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 or be cancelled. 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 the same may never be finalized, resulting in such engagement being terminated or such may result in substantially different terms within the formal contract which may materially adversely affect the margins relative to such projects. Backlog reductions can adversely affect the revenue and profit Churchill actually receives from projects reflected in its backlog.

Penalties Related to Total Costs and Completion Dates

A portion of Churchill's revenue may be derived from contracts which have performance incentives and penalties depending on the total cost of a project as compared to the original estimate. Churchill could incur significant penalties based on cost overruns. In addition, the total project cost as defined by the contract may include work performed by other contractors or subcontractors. As a result, Churchill could incur penalties due to work performed by others over which it has no control. Churchill may also incur penalties if projects are not completed by their specified completion date milestones. These penalties, if incurred, could have a significant impact on Churchill's profitability under these contracts.

Any catastrophic occurrence in excess of insurance limits at projects where Churchill's structures are installed or services are performed could result in significant professional liability, product liability, warranty or other claims against the Corporation. Such liabilities could potentially exceed Churchill's current insurance coverage and the fees derived from those services. A partially or completely uninsured claim, if successful and of a significant magnitude, could result in substantial losses.

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, an increase in the number of international companies entering the western Canadian marketplace has also made the market more competitive. Each competitor has its own advantages and disadvantages relative to Churchill. New contract awards and contract margin are dependent upon the level of competition and the general state of the markets in which Churchill operates. Fluctuations in demand in the segments in which Churchill operates may impact the degree of competition for new work. 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 Corporation's business may be adversely impacted to the extent that it 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.

Volatile Market Conditions

The volatility created by the global financial crisis damaged investor confidence in global equity markets and negatively impacted the value of publicly-traded securities of many companies. This global financial crisis also resulted in reduced access to capital and a significant decline in commodity prices including the price of oil and natural gas. Additionally, changing fiscal, taxation, and royalty policies of various levels of government can impact the decisions of oil and gas companies to conduct business in western Canada. These macro-economic conditions did have a significant adverse effect on the operating conditions of the clients and industries to which the Corporation provides services, resulting in significant declines in capital expenditures by oil and gas companies over the last several years. It remains possible that a future economic crisis, outside of management's control, may yet cause instability in the financial system. Future market conditions could negatively impact the outlook, financial performance and the price of the Common Shares.

Loss of Key Management; Inability to Attract and Retain Management

The success of the Corporation is highly influenced by the efforts of key members of management including its executive officers and office managers. The loss of the services of any of the Corporation’s key management personnel could negatively impact the Corporation. The future success of the Corporation also depends heavily on its ability to attract, retain and develop high-performing personnel in all areas of its operations. Most organizations throughout the construction industry face this challenge, and accordingly, competition for professional staff is significant. If the Corporation ceases to be seen by current and prospective employees as a highly attractive place to work, it could experience difficulty in hiring and retaining the right people. This could have an adverse effect on current operations of the Corporation and would limit its prospects and impair its future success.

Litigation Risk

In the normal course of the Corporation’s operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings and legal actions relating to, among other things, construction disputes for which insurance is not available, human resources matters, personal injuries, property damage and general commercial and contractual matters arising from its business activities. In view of the quantum of the amounts claimed, the insurance coverage maintained by the Corporation and, in some cases, the provisions included in the Corporation’s financial statements for any potential settlements in respect of these matters, management of the Corporation does not believe that any existing litigation or pending litigation will ultimately result in a final judgement against the Corporation that would have a material adverse impact on the operations of the Corporation. Litigation is, however, inherently uncertain. Accordingly, adverse outcomes to current litigation or pending litigation are possible. These potentially adverse outcomes could include financial loss, damage to the Corporation’s reputation or reduction of prospects for future contract awards.

Performance Bonds

Churchill’s operating companies are often required to provide performance and labour and material payment bonds as assurance for contract completion. The surety industry has endured a certain degree of instability and uncertainty as a result of the recent economic conditions, which may constrain the overall industry capacity. Furthermore, the issuance of bonds under the Corporation’s Surety Program is at the sole discretion of the surety companies on a project by project basis. As such, even sizable sureties can no longer guarantee bonding support on every project. Although the Corporation believes that it will be able to continue to maintain adequate surety capacity under the Surety Program to satisfy its requirements, should those requirements be materially greater than anticipated, or should sufficient surety capacity not be available to the Corporation for any reason, this may have an adverse impact on the ability of the Corporation to operate its business or take advantage of all market opportunities.

Corporate Guarantees and Letters of Credit

In the course of business operations, the Corporation may be required to guarantee the performance pursuant to a contract of one or more of its Operating Segments by way of providing guarantees or letters of credit. If Churchill’s capacity to issue letters of credit under its Credit Facility and its cash on hand is insufficient to satisfy clients and surety providers, its business and results of operations could be adversely affected. Letters of credit are issued mainly to provide security to third parties in the case of non-performance under a contract. Significant claims under letters of credit and/or corporate guarantees could materially and adversely affect the Corporation’s business, financial stability and operating capacity.

Reputation

Reputation in the construction industry is a significant factor in the long-term success of the Corporation. Adverse opinions may impact long-term financial results and can arise from a number of factors including errors or losses on specific projects, employee sentiment, questions concerning business ethics and integrity, corporate governance, the accuracy and quality of financial reporting and public disclosure as well as the quality and timing of the delivery of key products and services. Churchill has put in place various controls and procedures to mitigate this risk; however, these controls and policies cannot guarantee that future breaches of such controls and procedures will not occur, which may or may not impact the financial results of the Corporation.

Labour Shortages

Periods of high construction activity can create shortages of labour. In the past, the rapidly expanding markets in, among others, Alberta and British Columbia, has created general shortages of tradesmen and management personnel. However, in recent years, the labour market softened as a result of a weaker demand for commodities, amid a global economic slowdown. Churchill's operating companies attempt to mitigate labour shortages through positive union relationships, competitive remuneration, enhanced in-house training programs and expanded recruiting, both within Canada and internationally. If Churchill is unable to recruit and retain enough employees with the appropriate skills, the Corporation may be unable to maintain its client service levels, and it may not be able to satisfy increased demand for its services. Any future labour shortage may lead to construction cost escalation which could decrease contract margins, should clients not agree to absorb these additional costs.

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 the oil and gas industry. Oil and gas pricing affect relative activity levels in the oil and gas industry which, in turn, 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 project schedules. Either movement could put pressure on the Corporation's organizational infrastructure in the short term. Slowdowns, delays or cancellations could have a material adverse impact on the Corporation's financial condition.

Dependence on the Public Sector

A significant portion of the Stuart Olson Dominion's revenue is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for Stuart Olson Dominion's services by the public sector, whether from funding constraints, changing capital spending plans 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.

Client Concentration

Canem does a significant amount of work with a small number of major general contractors. Consequently, the loss of, or a significant reduction in business with, one or more of these contractors, whether as a result of completion of a contract, early termination, or a failure or inability to pay amounts owed, could have a material adverse effect on Canem's and consequently Churchill's business and results of operations. Similarly, Laird Electric and Broda also each have a narrow concentration of clients. The loss of, or significant reduction in business with, one or more of these clients could have a material adverse effect on Laird Electric and Broda, and consequently on Churchill's business and results of operations.

Unanticipated Shutdowns

A portion of Churchill's work is generated from the development, expansion and ongoing maintenance of oil sands mining, extraction and upgrading facilities. Shutdowns of these facilities due to events outside of the Corporation's control or the control of the Corporation's clients, such as the cancellation of projects due to a downturn in oil and gas prices, fires, mechanical breakdowns, technology failures or pressure from environmental activists, 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 which 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.

Joint Venture Partners

Churchill undertakes certain contracts with joint venture partners. The success of its joint ventures depends on the satisfactory performance of Churchill's joint venture partners in their joint venture obligations. The Corporation may provide joint and several guarantees in connection with these joint ventures. The failure of the joint venture partners to perform their obligations could impose additional financial and performance obligations on Churchill that could result in increased costs.

Cost Overruns by Churchill's Clients

In the past, several of Churchill's clients' projects have experienced significant cost overruns, impacting their returns. As new projects are contemplated or built, if cost overruns continue to challenge Churchill's clients, they could reassess future projects and expansions which could adversely affect the amount of work Churchill receives.

Potential for Non-Payment and Credit Risk

During the term of a contract, Churchill may be required to use 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 cannot be assured. A greater incidence of payment default by clients 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

Churchill has historically grown partly by acquisition. The Corporation's growth strategy may in the future contemplate more acquisitions; however, future acquisition opportunities may not be identified and obtainable on suitable terms. Similarly, the integration of any acquisition raises a variety of issues including, without limitation, identification and execution of synergies, elimination of cost duplication, systems integration (including accounting and technology), execution of pre-deal business strategy, development of a common corporate culture and values, integration and retention of key staff, retention of current clients as well as a variety of issues that may be specific to Churchill and the industries in which it operates. There can be no assurance that Churchill will maximize or realize the full potential of any acquisition. A failure to properly integrate an acquisition and execute a combined business plan could materially impact the future financial results of Churchill.

Cyclicality of Construction Industry

The success of the construction industry is inherently linked to the state of the general economy. Fluctuating cycles are common and can have a significant impact on the level of capital spending by the Corporation's clients, which thereby impacts the Corporation's backlog, margins and overall financial results. The Corporation attempts to insulate itself from the effects of negative economic conditions. However, there is no assurance that these methods will be effective in insulating the Corporation from a general downturn in the economy. A decrease in construction activity as a result of a general economic decline could have an adverse effect on the Corporation's financial performance and results of operations.

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.

Insurance Risk

The Corporation maintains insurance in order to satisfy the requirements of its construction contracts and part of its corporate risk management policies. The Corporation believes it maintains an appropriate amount of insurance coverage; however, there can be no assurance that the Corporation's insurance arrangements will be sufficient to cover claims incurred.

Ability to Lease Equipment

A portion of Churchill's equipment fleet is currently leased from third parties. Further, as project demands fluctuate, Churchill may be required to lease substantial amounts of equipment to perform the work on projects it has been awarded. In addition, future projects may require Churchill to lease additional equipment. If equipment lessors are unable or unwilling to provide Churchill with the equipment it needs to perform its work, Churchill's results of operations may be adversely affected.

Ability to Obtain Long Lead Time Equipment and Tires

Broda's ability to grow its business is, in part, dependent upon obtaining equipment on a timely basis. Due to the long production lead times of suppliers of large earthmoving equipment during strong economic times, Broda may have to forecast its demand for equipment many months or even years in advance. If Broda fails to forecast accurately, it could suffer equipment shortages or surpluses, which could have a material adverse impact on Broda's financial condition and results of operations. In strong economic times, global demand for tires of the size and specifications Broda requires for the operation of its large vehicles and equipment can exceed the available supply. Broda's inability to procure tires to meet the demands for its existing fleet as well as to meet new demand for Broda's services could have an adverse effect on Broda's ability to grow its business.

Ability to Maintain and Repair Churchill's Equipment Fleet

The outdoor environment in which Churchill's equipment operates is harsh and demanding, subjecting the equipment to conditions that may cause significant and long-term breakdown and failure. Due to long lead times to supply some of Churchill's equipment parts, the limited number of trained and qualified service technicians, and the potential for multiple failures occurring at the same time, the Corporation experiences periods where equipment is inoperative and non-productive. Churchill's financial condition and results of operations could be adversely impacted due to events of this nature.

Weather

The climate in western Canada can generate severe weather, including heavy rain, snow and extreme winter temperatures, which could slow down or delay construction for periods of time, impacting costs and delivery schedules. This could adversely impact results of operations. Broda's earthmoving business is particularly sensitive to adverse weather conditions if not appropriately mitigated.

Interruption of Information Technology Systems

Churchill is heavily dependent on computers and related communications systems to effectively run its operations. On January 1, 2011, Churchill launched the transition to a SAP-based enterprise resource planning system. If the Corporation is unable to maintain the integrity of Churchill's data, or train Churchill's staff effectively in the use of the new system, the Corporation's processes could be disrupted and its financial reports may be delayed or inaccurate. Natural disasters, computer viruses, security breaches, and similar events or disruptions could cause computers and related communications systems failures that may adversely affect Churchill's business and financial results.

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. During its history, Churchill has experienced incidents, emissions and spills of a non-material nature. None of these incidents has resulted in any liability to the Corporation to date, although there can be no guarantee that any future incidents will be of a non-material nature. 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.

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 Churchill's services they require.

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.

Volatility of Market Trading

The market price of both the Common Shares and the Debentures may be volatile and could be subject to fluctuations in response to quarterly variations in operating results, changes in financial estimates by securities analysts, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many companies providing services to the commodity industry. Often these fluctuations have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. Broad market fluctuations, or any failure of the Corporation's operating results in a particular quarter to meet market expectations, may adversely affect the market price of the Common Shares and the Debentures.

Dividends

The payment of dividends on the Common Shares is at the discretion of the Board of Directors of the Corporation. In establishing the amount of any dividend, the Board of Directors will take into consideration, among other things, the need to meet future requirements for increases in working capital and equity to meet contract security requirements, provide the financial capacity to withstand any downturn in the construction industry should it occur, expand the business and the desirability of maintaining the dividend rate. There can be no assurances that the current dividend rate will not change in the future.

SIGNIFICANT ACQUISITIONS

There has been no acquisition completed by the Corporation during its most recently completed financial year which would be considered a "significant acquisition" pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations*.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is involved in various legal proceedings in the ordinary course of its business. In the opinion of management, all such legal proceedings are adequately covered by insurance, or if not so covered, the amount of any such claim for damages, exclusive of interest and costs, does not exceed 10% of the Corporation's current assets.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein, there were no material interests, direct or indirect, of directors or executive officers of the Corporation, any shareholder that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Corporation's voting securities, or any Associate or Affiliate (as those terms are defined in the *Securities Act* (Alberta)) of any of the foregoing persons, in any transaction in the Corporation's three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation.

INTEREST OF EXPERTS

The Corporation's independent auditors are Deloitte LLP. Deloitte LLP has advised management of the Corporation 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

CST Trust Company, at is offices in Calgary and Toronto, is the transfer agent and registrar of the Common Shares.

Valiant, at is offices in Calgary and Toronto, is the transfer agent and registrar of the Debentures.

MATERIAL CONTRACTS

Churchill entered into the Credit Facility with, among others, HSBC Bank Canada on July 22, 2010, as later amended on each of July 12, 2011, July 12, 2012, December 21, 2012 and July 12, 2013. The Credit Facility provides Churchill with a committed $200 million revolving credit facility, maturing on July 12, 2017, less what is currently drawn to fund the Corporation's continuing operations. The Credit Facility has no required principal payments prior to maturity and revolves through the application of funds received by Churchill and the additional advance of available loan amounts as requested from time to time by Churchill. The Credit Facility is collateralized by a general security agreement covering all of the current and future assets of Churchill.

Churchill entered into the Indenture with Valiant on June 15, 2010. The Indenture sets out the terms and conditions of the Debentures. See "Capital Structure – Debentures".

Churchill established the` Surety Program with Travelers and Continental in October of 2011 and later amended that program in June of 2012. The Surety Program was again amended in 2013, at which time Travelers and Continental were replaced by Chubb and Liberty with respect to the issuance of future performance and labour and material bonds as assurance against contract completion. See "Risk Factors – Performance Bonds" and "Three Year History of the Business".

AUDIT COMMITTEE INFORMATION

Pursuant to National Instrument 52-110 *Audit Committees* ("**NI 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 Audit Committee's Terms of Reference, the text of which is attached as Schedule "A" to this AIF.

Composition of the Audit Committee

As at the date hereof, the Audit Committee of the Corporation was composed of Allister J. McPherson (Chair), Rod Graham, Wendy L. Hanrahan, Harry A. King and Richard T. Ballantyne.

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 NI 52-110. The Board has made this determination based on the education, 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 NI 52-110.

Relevant Education and Experience of Audit Committee Members

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

Mr. Rod Graham has significant public and private company management and board experience in private equity, financial markets, operations, strategic planning and general financial management. He is currently the Senior Vice President, Corporate Development and Planning of Horizon North Logistics Inc. Prior to serving in his current position, he was a director and the Chief Executive Officer of ZCL Composites Inc. and, prior thereto, a co-founder and managing director of Northern Plains Capital Ltd., a private equity firm. Mr. Graham has also served as a director, member and Chair of the Audit Committee of several other public and private companies. In addition to his practical experience, Mr. Graham is a Chartered Financial Analyst, holds a Business Administration degree from Wilfrid Laurier University (Honours) and an MBA from the University of Western Ontario (Ivey Scholar).

Ms. Wendy L. Hanrahan is a Chartered Accountant, having worked in public practice with Ernst & Young LLP. In that capacity, Ms. Hanrahan supervised audit engagements of publicly and privately owned companies in various industries. Ms. Hanrahan then went on to various financial and accounting roles with Gulf Canada Resources Ltd. and TransCanada Corporation where she has provided financial and accounting leadership including supervision of production and capital accounting, budgeting and financial reporting processes. Additionally, Ms. Hanrahan has supervised the analysis and reporting of financial results, including preparation of financial statements, shareholder reports, proxy documents and presentations to Boards of Directors during her career. Ms. Hanrahan has completed a Bachelor of Business Administration degree from the University of South Carolina.

Mr. Harry A. King 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. Mr. King is also the former Chair of the Audit Committee of the Corporation. 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. Allister J. McPherson is Chairman of the Audit Committee. Mr. McPherson has extensive senior financial management experience with demonstrated skills in financial markets and institutions, investment management, strategic planning and management of complex organizations. Mr. McPherson has analyzed and used financial statements for most of his career including 12 years as Deputy Provincial Treasurer, Finance and Revenue for the Province of Alberta and 8 years in senior financial executive roles with Canadian Western Bank. Mr. McPherson has completed accounting courses at the University of Alberta designated as prerequisites for chartered accountants and has provided oversight of the internal audit function in previous roles. Mr. McPherson holds a Master of Science degree from the University of British Columbia. Mr. McPherson chaired the Audit Committee of the Board of Edmonton Regional Airport Authority and is a member of the Audit Committee of EPCOR Utilities Inc. and Capital Power Corporation.

Mr. Richard T. Ballantyne is the President of Timple Consulting Ltd., a consulting services firm in the pipeline and port infrastructure sectors. Mr. Ballantyne retired in 2005 as the President of Terasen Pipelines Ltd. (a transportation and service provider to the energy industry), having held such position since 2001. From 1998 to 2000, Mr. Ballantyne was the Director, Transmission and Project Development of BC Gas Utility Ltd. and previously held various positions with Trans Mountain Pipe Line Co. Ltd. and Shell Canada Ltd.

During his career, Mr. Ballantyne has been a Director on numerous public and private boards and currently serves as the Chair of the British Columbia Safety Authority. He previously was a director of Canadian Hydro Developers Inc. where he sat on the Audit Committee and Special Committee, Cimarron Engineering Ltd. and Terasen Pipelines (Trans Mountain) Inc. He is currently the Chair of the Trustees of Scott Point Waterworks District and has been a director on several other not-for-profit boards.

Mr. Ballantyne holds a Bachelor of Applied Science in Mechanical Engineering from the University of British Columbia and has completed the Executive Program at the Banff School of Advanced Management and the Director's Education Program through the Institute of Corporate Directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy for the engagement of non-audit services of Deloitte LLP. The text of the policy is attached as Schedule “B” to this AIF.

External Auditor Service Fees

Aggregate fees ($ thousands, but excluding GST) billed by Deloitte LLP during the fiscal years ended December 31, 2013 and 2012 were as follows:

	2013	**2012**
Audit Fees	$879	$982
Audit-Related Fees	29	33
Tax Fees (1)	Nil	22
All Other Fees (2)	27	21
Total	$935	$1,058

Notes:
(1) Tax fees relate to advice provided on tax compliance and tax planning.
(2) All other fees relate primarily to professional services rendered associated with the Canadian Public Accountability Board fees.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be obtained by accessing the Corporation’s profile on SEDAR, the electronic system recording Canadian public securities filings, at www.sedar.com.

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, 2013.

Copies of any of the foregoing documents and this Annual Information Form may be obtained by accessing SEDAR at www.sedar.com, or are available upon request from the Investor Relations department of the Corporation (inquiries@churchill-cuq.com or 403-685-7135).

SCHEDULE "A" – Audit Committee Terms of Reference
To the Annual Information Form of
The Churchill Corporation

Purpose

The Audit Committee (the "**Committee**") is a standing committee of the Board of Directors of The Churchill Corporation (the "**Corporation**"). Its purpose is to assist the Board of Directors in fulfilling its oversight responsibilities in respect of (i) the integrity of the Corporation's financial statements and other public financial disclosure documents (ii) the effectiveness of the Corporation's accounting and financial reporting processes and systems of internal controls (iii) the identification and monitoring of financial risks (iv) the Corporation's compliance with legal and regulatory requirements (v) the qualifications, performance and independence of the external auditors of the Corporation (vi) the performance of the Corporation's internal audit function and (vii) in consultation with the Corporate Governance and Nominating Committee, the disclosure policies and procedures 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), (2) and (3) of National Instrument 52-110 - *Audit Committees* and section 171 (2) of the *Business Corporations Act* (Alberta), the Committee must be composed of a minimum of three independent Directors.

2. The Corporate Governance & Nominating Committee will recommend to the Board of Directors members for appointment to the Committee and the Chair of the Committee.

3. 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 National Instrument 52-110 - *Audit Committees*.

4. The Committee shall be provided with appropriate and timely access to information on new regulatory requirements, accounting and audit standards as outlined by the Canadian Institute of Chartered Accountants or other relevant international standard setting authorities, best practices in Corporate Governance as outlined by the Institute of Corporate Directors and any other training, both in the form of an induction program for new members and on an ongoing basis, as required to support the Audit Committee in fulfilling their responsibilities.

5. The Committee shall meet at least once each quarter before interim and annual financial reports are filed with the regulators, with authority to convene additional meetings as circumstances require.

6. The Committee shall meet periodically, and at least annually, with the external auditor without management being present. In addition, the Committee shall meet with the external auditor, as it deems appropriate to consider any matters of concern that the external auditor determines should be brought to the attention of the Board or shareholders.

7. A majority of the Committee will constitute a quorum. Minutes of each meeting will be prepared by a person designated by the Committee to act as secretary.

8. 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.

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/her concerns or complaints regarding accounting, internal accounting controls and auditing matters.

10. Following a Committee meeting, the Committee Chair shall report on the Committee's activities to the Board of Directors at the next Board of Directors meeting.

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:

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) Significant accounting and reporting issues impacting the financial statements, including complex or unusual transactions, highly judgmental areas and key estimates determined by management; and

e) Procedures for the receipt, retention and treatment of any complaints or concerns received by the Corporation (either directly or anonymously) regarding accounting, internal accounting controls, auditing or any other matters.

3. Financial Risk Management

The Committee will review and obtain reasonable assurance that financial risk management practices are operating effectively to produce accurate, appropriate and timely management and financial information. These include:

a) Review the Corporation’s financial risk management controls and policies;

b) Obtain reasonable assurance that the information systems of the Corporation are reliable;

c) Reviewing the adequacy of security of information, information systems and recovery plans;

d) Monitoring compliance with statutory and regulatory obligations; and

e) Reviewing the adequacy of accounting and finance resources.

4. Internal Control

The Committee shall require management to implement and maintain appropriate systems of internal controls, including internal controls over financial reporting and for the prevention and detection of fraud and error. The Committee shall:

a) Meet with the internal auditor and with management to assess the adequacy and effectiveness of the systems of internal control and to obtain on a regular basis reasonable assurance that the organization is in control;

b) Receive reports from the CEO and the CFO as to the existence of any significant deficiency or material weakness in the design or operation of the internal controls over financial reporting which are reasonably likely to adversely affect the corporation’s ability to record, process, summarize and report financial information;

c) Receive reports from the CEO and the CFO as to the existence of fraud, whether or not material, that involves management or other employees;

d) Review the procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing matters and ethical breaches that may be submitted by any party internal or external to the organization;

e) Review complaints that might have been received, current status, and resolution if one has been reached;

f) Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters; and

g) Review external auditors’ management letters and management’s response to such letters.

5. 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) Receive and review reports from the Disclosure Committee related to financial matters.

6. Internal Audit

The Committee shall:

a) Review the appointment, replacement, reassignment or dismissal of the head of the Corporation’s internal audit function;

b) Review the independence of the head of the Churchill internal audit function;

c) Review with management, the external auditors and internal audit the charter, plans, activities, staffing and organizational structure of the internal audit function;

d) Approve the annual internal audit plan;

e) Approve the internal audit charter periodically, at least once every three years;

f) Review with the internal auditor the results of their audit examinations, including but not limited to any restrictions imposed by management during the audit, any significant findings on internal audits and management’s responses thereto, the auditor’s evaluation of the Corporation’s system of internal accounting controls, procedures, documentation and any changes required in the scope of their internal audit; and

g) On a regular basis meet separately with the Director of Internal Audit to discuss any matters that the Committee or the Director of Internal Audit believes should be discussed privately.

7. External Audit

The external auditor shall report directly to the Committee, shall meet at least twice annually with the Committee and will 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 external auditor’s duties.

The Committee will review the planning and results of external audit activities and oversee the work of the external auditor, including:

a) Review and recommend to the Board, for shareholder approval, the external 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;

b) Recommend to the Board the appropriate compensation of the external auditor;

c) Review and approve the annual audit plan, including but not limited to:

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

VIII. Coordination of audit efforts between the internal auditors and external auditors to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources.

d) Meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of material accounting policies and underlying estimates;

e) Review any significant disagreement between management and the external auditor regarding financial reporting;

f) Review and advise 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 changes required in the external auditors audit plan;

III. Any significant accounting or financial reporting issues;

IV. The external auditor's evaluation of the Corporation's system of internal controls, procedures and documentation;

V. The post audit or management letter containing any findings or recommendations of the external auditor and schedule of unadjusted differences, including management's response thereto and the subsequent follow-up of any identified internal control weaknesses; and

VI. Any other matters the external auditor brings to the Committee's attention;

g) Review the external auditor's report on all material subsidiaries;

h) Review and receive assurances on the independence of the external auditor;

i) Review and pre-approve the non-audit services to be provided by the external auditor firm or its affiliates in accordance with the Audit Committee Pre-Approval Policy;

j) Review and approve the Corporation's policy restricting the hiring of certain employees or former employees of the external auditors;

k) Review and evaluate the performance of the independent auditors on an annual basis, with a more comprehensive evaluation at least once every five years;

l) Review with the full Board of Directors any proposed discharge of the independent auditors;

m) Ascertain that the lead audit partner is performing audit services in accordance with applicable Canadian securities regulations and Canadian professional standards on independence with respect to length of service; and

n) Consider, with management, the rationale for engaging audit firms other than the principal independent auditors.

8. Pension Plans

a) Receive and review information in respect of the financial aspects of the Canem Systems Ltd. ("**Canem**") and Stuart Olson Dominion Construction Ltd. ("**Stuart Olson**") pension plans (the "Pension Plans"), including:

   i. Review and consider financial and investment reports and the funded status relating to the Pension Plans. Provide recommendations to the Canem and Stuart Olson Boards on pension contributions;

   ii. Receive, review and report to the Churchill Board on the actuarial valuation and funding requirements for the Pension Plans;

   iii. Review annually the Statement of Investment Policies and Procedures ("**SIP&P**");

   iv. Report to the Human Resources and Compensation Committee with regard to the financial impact of any proposed changes in the Corporation's pension plans;

   v. Approve the appointment and termination of auditors; and

   vi. Review the decisions of the Canem and Stuart Olson Boards in regard to the appointment and termination of investment managers.

9. 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 executive expenses and perquisites;

d) Review correspondence with the regulators;

e) Periodically review the Corporation's Code of Conduct Policy to ensure that it is adequate and up to date;

f) Review the Terms of Reference for the Committee annually and make recommendations to the Board as required;

g) Review all related party transactions between the Corporation and any officers or directors;

h) Review policies and practices with respect to trading and hedging activities; and

i) Engage independent outside counsel and other advisors as it determines necessary to carry out its duties.

SCHEDULE "B" – Audit Committee Pre-Approval Policy
To the Annual Information Form of
The Churchill Corporation

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 client[2]
- Financial information systems design and implementation[2]
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports[2]
- Actuarial services[2]
- Internal audit outsourcing services[2]
- 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.