

2019 Year End Statement

15 & 17 Fitzgerald Road

Presented to: **the Limited Partners of the Fitzgerald Road Limited Partnership**





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Part A - Notice from General Partner

On behalf of the general partner of the Fitzgerald Road Limited Partnership, we will set out below:

- a) A summary of financial performance;
- b) A property summary for the 2019 fiscal year; and
- c) An overview of our asset management plans and a 2020 tenancy forecast.

2019 Financial Performance

We are pleased to confirm that the property performed well during the 2019 year. As such, the partnership has made a Q4 distribution of \$74,647.37. The cheques have already been mailed and should have been received.

A summary of this year’s distributions is set out below for your review.

	Q1	Q2	Q3	Q4	Total 2019
Distributions	-	\$50,000.00	\$17,810.61	\$74,674.40	\$142,485.40
Principal Paydown	\$33,718.21	\$33,833.94	\$33,784.62	\$34,881.00	\$136,217.77

For your review below, please see our calculation of the return on investment, broken out by “cash on cash” return and the IRR (which factors in the principal pay-down on the mortgage). We are including both actual returns, as well as those projected in the investment package that we distributed prior to your investment.

<u>Year</u>	<u>Projected Cash on Cash Return</u>	<u>Actual Cash on Cash Return</u>	<u>Projected IRR</u>	<u>Actual IRR</u>
Year 1 (2017)	8.20%	12.00%	12.63%	16.62%
Year 2 (2018)	6.63%	10.00%	11.21%	16.18%
Year 3 (2019)	6.87%	7.60%	11.61%	14.92%

Part B - Property Summary

With the bankruptcy of AET (the largest tenant), the property underwent some unexpected tenancy changes in 2019, which required the demising of the ground floor at 17 Fitzgerald. However, this has worked out well, as a new tenant, CFR Engines, took occupancy of the majority of their space immediately (with minimal landlord costs). Further, the remaining vacant space of approximately 3,000 square feet has been attracting attention and we expect it to be leased in the near future.

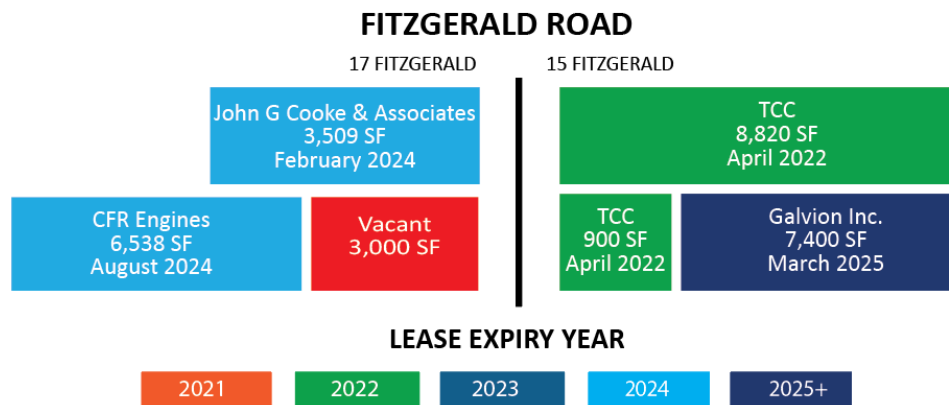
The neighboring property is being developed into a 124-room hotel and restaurant. The hotel is expected to open in 2020. This development, and others in the Bells Corners area, are being fueled by the DND campus moving to Carling Campus on Moodie drive, sparking the need for more amenities. These new developments and amenities provide benefit to the property in the long term.

Tenant / Leasing Update

As mentioned, the building encountered unexpected vacancy in the second quarter, when AET (9,538 sf) filed for bankruptcy two years before their lease expiry. The property manager undertook the task of working with AET and the bankruptcy trustee through their insolvency, and ultimately was successful in leasing the bulk of their space to CFR Engines (an American company that acquired some of AET’s assets) at a net rent rate approximately 5% higher than AET was paying.

As a result of successfully leasing the majority of AET’s former space, only 3,000 sf of remains vacant at 17 Fitzgerald. This space has been demolished, to remove AET’s specialized chambers, and is being marketed for lease by Darwin Properties brokerage. There are no lease expiries in the upcoming calendar year.

Please see below a stacking chart outlining each tenant’s square footage and lease expiration, followed by a summary of the existing leases:

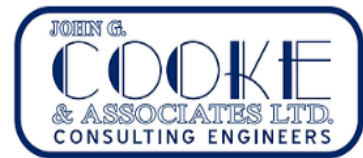


17 Fitzgerald - Unit 101: CFR Engines. CFR Engines Inc. is an American based research company in the petrochemical and engine/combustion technologies industry.



<u>Start Date</u>	<u>Term</u>	<u>Expiry</u>	<u>\$/PSF</u>	<u>Square Feet</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>
31-Aug-19	5 years	31-Aug-24	\$13.38	6,538	\$87,478.44	\$7,289.87

17 Fitzgerald - Unit 200: John G. Cooke & Associates LTD. John G. Cooke & Associates is an engineering consulting firm which was established in Ottawa in 1992. They specialize in historic conservation and structural rehabilitation.



<u>Start Date</u>	<u>Term</u>	<u>Expiry</u>	<u>\$/PSF</u>	<u>Square Feet</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>
01-Mar-11	13 Years	29-Feb-24	\$ 14.00	3,509	\$ 49,126.00	\$ 4,093.83

15 Fitzgerald - Unit 100: Galvion Inc. (formerly Revision Electronics and Power Systems Inc.) Galvion is an multi-national corporation that designs, develops and delivers protective armor and head systems, as well as innovative power supply and management solutions for soldiers and military vehicles.



<u>Start Date</u>	<u>Term</u>	<u>Expiry</u>	<u>\$/PSF</u>	<u>Square Feet</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>
01-Apr-15	10 Years	31-Mar-25	\$ 10.00	7,400	\$ 74,000.00	\$ 6,166.67

15 Fitzgerald - Unit 101, 200: TCC Canada. The Corporate Centre Canada provides fully managed office and meeting spaces for people to rent for short- and long-term purposes. They have multiple locations across Canada and the shared / co-working office space is a growing industry.



<u>Start Date</u>	<u>Term</u>	<u>Expiry</u>	<u>\$/PSF</u>	<u>Square Feet</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>
01-May-15	7 Years	30-Apr-22	\$ 11.75	8,820	\$ 103,635.00	\$ 8,636.25
01-May-15	7 years	30-Apr-22	\$ 12.50	900	\$ 11,250.00	\$ 937.50

Storage Space Update

This space is partially leased to the building tenants and some third-party tenants. The remaining space is being marketed for lease.



Property Management Update

Jennings Real Estate Corporation is the property manager and completes daily site visits and ongoing maintenance of the property as well as oversees all contracts to ensure work is being completed correctly and up to standard. The management team is set out below:

<u>Title</u>	<u>Name</u>	<u>Phone Number</u>	<u>Email</u>
Property Manager	John Rowan	613-402-1260	jrowan@jenningsdevelopments.com
Property Manager	Ryan Dickie	613-697-5178	rdickie@jenningsdevelopments.com
Accountant	Andrew Irving	613-401-9008	airving@jenningsdevelopments.com
Administrator	Kelli Vidiuk	613-286-8691	admin@jenningsdevelopments.com
Analyst	Dan Donnelly	613-302-7302	ddonnelly@jenningsdevelopments.com

Building Improvements

Some of the larger improvements made in 2019 at this property are as follows:

- Separating the ground floor of 17 Fitzgerald into 2 units;
- Demolition of the interior of the vacant unit to return it to base building condition. This included:
 - Demolition of concrete engine testing chambers, and removal of mezzanine;
 - Returned front office space to base building condition;
 - Selective removal of old plumbing, electrical and mechanical systems;
 - Completing a designated substance report to ensure compliance with regulations; and
- Installed a new carpet to upgrade John G Cooke & Associates' space.



Part C – 2020 Asset Management Plans and Tenancy Forecast

Asset Management Plans

Although certain minor capital projects are planned for 2020, no major improvements are anticipated.

Tenancy Forecast

With increasing rent rates and low vacancy in Bells Corners, the first floor vacancy comes at a time that should allow the building to capitalize on a strong leasing market.

There are no leases expiring in 2020, and we anticipate continued steady cashflow from the property. As noted above, the Bell's Corners leasing market continues to improve (in large part as the result of the continued move of DND to the area, as well as the strong Kanata office market) and we anticipate further upward pressure on rents, which bodes well for future tenant expiries and turnover.



Part D – Financial Statements

See attached.

FITZGERALD ROAD LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
Unaudited
for the year ended December 31, 2019

FITZGERALD ROAD LIMITED PARTNERSHIP
for the year ended December 31, 2019
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NOTICE TO READER

On the basis of information provided by management, we have compiled the balance sheet of Fitzgerald Road Limited Partnership as at December 31, 2019 and the statement of earnings, and statement of partner's capital for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

The Bookkeeping Bureau Ltd.

The Bookkeeping Bureau Ltd.
Ottawa, March 19, 2020

The Bookkeeping Bureau Ltd.

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FITZGERALD ROAD LIMITED PARTNERSHIP
BALANCE SHEET
for the year ended December 31, 2019
(Unaudited - see Notice to Reader)

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 212,948	\$ 313,634
Accounts receivable	19,408	57,582
Prepaid expenses	3,091	7,679
	<u>235,447</u>	<u>378,895</u>
LONG-TERM		
Investments	1,502,033	1,502,033
Deferred leasing commission (note 5)	44,972	10,271
Deferred tenant inducements (note 4)	8,676	-
Property, plant and equipment (note 2)	4,940,041	5,086,279
	<u>6,495,722</u>	<u>6,598,583</u>
	<u>\$ 6,731,169</u>	<u>\$ 6,977,478</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 29,183	\$ 54,029
Current portion of long-term-debt	141,747	137,638
Government remittances payable	7,904	-
Deposits	29,159	-
	<u>207,993</u>	<u>191,667</u>
LONG-TERM		
Long-term debt (note 3)	4,677,200	4,817,623
	<u>4,885,193</u>	<u>5,009,290</u>
PARTNERS' EQUITY		
	<u>1,845,976</u>	<u>1,968,188</u>
	<u>\$ 6,731,169</u>	<u>\$ 6,977,478</u>

Approved on behalf of the partners:

FITZGERALD ROAD LIMITED PARTNERSHIP
STATEMENT OF EARNINGS
for the year ended December 31, 2019
(Unaudited - see Notice to Reader)

	2019	2018
REVENUE		
Rental income	\$ 800,576	\$ 908,099
Income from investment in partnership	90,122	37,551
Interest income	724	-
	<u>891,422</u>	<u>945,650</u>
EXPENSES		
Advertisement	389	-
Amortization of leasing commissions	4,527	-
Amortization of tangible assets	180,704	179,300
Amortization of tenant inducements	174	-
Bad debts	13,962	-
Bank charges	4,316	1,000
General and administrative expenses	20,904	703
Insurance	9,724	7,476
Interest on long-term debt	156,624	145,959
Management fees	39,668	36,488
Professional fees	14,295	25,406
Property taxes	105,034	106,220
Repairs and maintenance	127,987	96,129
Telecommunication	469	-
Utilities	79,547	100,941
	<u>758,324</u>	<u>699,622</u>
NET EARNINGS	<u>\$ 133,098</u>	<u>\$ 246,028</u>

FITZGERALD ROAD LIMITED PARTNERSHIP
 STATEMENT OF PARTNERS' EQUITY
 for the year ended December 31, 2019
 (Unaudited - see Notice to Reader)

Limited partners	Balance, beginning of year	Contributions	Net earnings	Withdrawals	Balance, end of year
Limited Partners' Equity	1,968,188	-	133,098	255,311	1,845,976
General Partner Equity	0.38	-	-	-	0.38
	\$ 1,968,188	\$ -	\$ 133,098	\$ 255,311	\$ 1,845,976

FITZGERALD ROAD LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2019
(Unaudited - see Notice to Reader)

1. LIMITED PARTNERSHIP AND NATURE OF ACTIVITIES

The limited partnership, came into agreement on May 5, 2017 pursuant to laws of Ontario and is managed by its General partner, Fitzgerald Road Properties Limited. It manages a commercial rental property in Nepean, ON.

2. PROPERTY

Fixed assets are accounted at cost. Amortization of fixed assets is calculated using the following rates and methods:

Land	NIL	
Building	4%	diminishing balance
Building improvements	4%	diminishing balance
Information systems	55%	diminishing balance

	2019			2018
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	\$ 798,408	\$ -	\$ 798,408	\$ 798,408
Building	4,524,309	(409,767)	4,114,542	4,285,981
Building improvements	34,466	(8,225)	26,241	-
Information systems	2,607	(1,757)	851	1,890
	<u>\$ 5,359,790</u>	<u>\$ (419,749)</u>	<u>\$ 4,940,041</u>	<u>\$ 5,086,279</u>

Amortization of fixed assets is calculated at 50% in the year of acquisition.

3. LONG-TERM DEBT

BANK LOANS

The Partnership has two interest bearing loan of \$3,825,000 and \$1,300,000 at fixed annual interest rate of 3.158% and 4.278% respectively with Scotiabank. The mortgages are secured by first priority fixed charge over land & building, and general security agreement.

FITZGERALD ROAD LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2019
(Unaudited - see Notice to Reader)

4. DEFERRED TENANT INDUCEMENTS

	2019			2018
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Tenant inducements	\$ 8,850	\$ (174)	\$ 8,676	\$ -

Deferred tenant inducements are amortized on a straight line basis over the term of corresponding leases.

5. DEFERRED LEASING COMMISSIONS

	2019			2018
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Leasing commissions	\$ 49,686	\$ (4,714)	\$ 44,972	\$ 10,271

Deferred leasing commissions are amortized on a straight line basis over the term of corresponding leases.