

2020 Year-End Statement

302 Legget Drive

Presented to: **the Limited Partners of 302 Legget Drive Limited Partnership**





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Part A – Notice From General Partner

On behalf of the general partner of 302 Legget Drive Limited Partnership, we will set out below:

- a) A summary of financial performance;
- b) A property summary for the 2020 fiscal year; and
- c) An overview of our asset management plans and a 2021 tenancy forecast.

2020 Financial Performance

We are pleased to confirm that, despite the COVID-19 pandemic, the property performed reasonably well during the 2020 year. As such, the partnership has made a **Q4 distribution of \$50,000**. Your cheque will be in the mail shortly.

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

	Q1	Q2	Q3	Q4	Total 2020
Distributions	-	\$40,000	\$39,340.38	\$50,000	\$129,340.38
Principal Paydown	\$51,871.72	\$52,317.20	\$177,766.51*	\$53,219.67	\$335,175.10

*includes redemption of 125,000 Class B Units held by Fitzgerald Road Limited Partnership

We note that the returns this year were affected by three material items: (i) the redemption in Q3 of 125,000 Class B Partnership Units held by Fitzgerald Road Limited Partnership for the predetermined price of \$1 per unit, which was done to reduce the number of such units and the corresponding 6% annual return payable on such units, (ii) the vacating, without notice, by Mastermind Event Rentals, and (iii) the costs associated with the re-leasing of such premises to Lloyd Douglas Solutions Inc.

For your review below, please see our accounting 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 and repurchase of Class B Partnership Units). 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 (2018)	6.11%	6.31%	10.07%	10.85%
Year 2 (2019)	6.38%	6.53%	10.51%	10.85%
Year 3 (2020)	6.55%	2.75%	10.85%	9.89%



Part B - Property Summary

The Property

302 Legget Drive is a 84,499 square foot industrial building located in Kanata, Ontario.

Tenant / Leasing Update

Mastermind Event Rentals Inc., an event rental company severely impacted by the COVID-19, vacated their premises without notice in September 2020. A lease termination settlement agreement was entered into with them post-move out which mitigated the vacancy losses. The newly vacant unit was immediately prepared for lease, and it was successfully leased to Lloyd Douglas Solutions Inc. in October 2020.

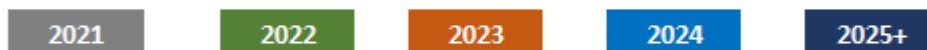
The term of the agreement with Lloyd Douglas Solutions is 5 years and two months from November 1, 2020, with a base rental rate of \$14.40 psf commencing January 1, 2021. This is a significant increase in rent generated from such unit and is indicative of the demand for industrial space in the Kanata area. As a comparison, the previous tenant was paying base rent equal to approximately \$6.00 – 6.50 psf and this is therefore an increase of over 121% of base rent for this 12,467 square foot unit.

We are pleased to note that as of December 31, 2020, the building is fully leased.

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

MDA Corporation 40,000 SF Exp: Oct 2021	MCL Hospitality Ltd. 5,857 SF Exp: Oct 2022	Pure Water 11,901 SF Exp: April 2024	Lloyd Douglas Solutions Inc. 12,467 SF Exp: Dec 2025	MPB Technologies Inc. 14,274 SF Exp: Jun 2026
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LEASE EXPIRY YEAR



Unit 100: MPB Technologies. MPB is a long-time tenant of the Property. They are a division of MP Technologies Inc. and complete compliance testing for military and commercial products



Start Date	Term	Expiry	\$/PSF	Square Feet	Annual Rent	Monthly Rent
01-Jul-16	5 years*	30-Jun-26	\$13.39	14,274	\$191,128.86	\$15,927.41

*plus a 5-year extension exercised in 2020

Unit 101: MDA Corp. (formerly Neptec). MDA develops and delivers advanced surveillance and intelligence solutions, space robotics, and other highly specialized communication and defence technology.



Start Date	Term	Expiry	\$/PSF	Square Feet	Annual Rent	Monthly Rent
01-Nov-11	10 years	31-Oct-21	\$11.00	40,000	\$440,000	\$36,666.67

Unit 102-103A: Manotick Pool and Spa. Manotick Pool and Spa (operates under the name Purewater) expanded their space at the building in Q2 2019. They use the facility has a storage/warehouse space for there retail store on Robertson Road. They offer home leisure products like hot tubs, pool services, game rooms, etc.



Start Date	Term	Expiry	\$/PSF	Square Feet	Annual Rent	Monthly Rent
01-May-19	5 years	30-Apr-24	\$8.80	11,901	\$104,728.80	\$8,727.40

Unit 126: Lloyd Douglas Solutions. Lloyd Douglas Solutions offers a unique industry value proposition with expertise in Collaborative Design Services (DFM-DFT), Rapid Proto-typing, New Product Introduction (NPI) as well as low to medium volume manufacturing capabilities.



Start Date	Term	Expiry	\$/PSF	Square Feet	Annual Rent	Monthly Rent
01-Nov-20	5.2 years	31-Dec-25	\$14.40	12,467	\$179,524.80	\$14,960.40

Unit 127: MCL Hospitality Ltd. MCL is a restaurant equipment supplier. They offer equipment for commercial food services ranging from refrigerators, cooking equipment, furniture, and more. They use the facility as there storage/warehouse space for their retail location on Morrison Drive.



Start Date	Term	Expiry	\$/PSF	Square Feet	Annual Rent	Monthly Rent
01-June-17	5.4 years	31-Oct-22	\$12.93*	5,857	\$75,731.01	\$6,310.92

*semi-gross lease. The tenant pays operating costs, but the rent rate includes taxes and utilities.



Property Manager

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.

Building Improvements

The major building improvement made in 2020 was to Unit 126 following the vacating of the premises by the previous tenant. After vacating, the unit was brought back to base building condition, which included demolition, painting and the completion of minor electrical work.

Part C – 2020 Asset Management Plan and Tenancy Forecast

Capital Expenditures

The only major capital expenditure anticipated for 2021 is the installation of air conditioning units in Unit 126 as part of the Lloyd Douglas Solutions lease.

Tenancy Forecast

MDA Corporation, the building's largest tenant has a lease expiring on October 31, 2021. We have been working on an extension with the tenant and although we are hopeful to enter into an extension with the existing tenant, we have also engaged Cushman Wakefield to market the space to third parties for lease effective November 1, 2021. Given the low vacancy for this type of space (Kanata has a 0.9% vacancy rate for industrial space), we are hopeful to either extend the existing tenant or bring on a new tenant with minimal vacancy.

There are no other lease expiries in 2021.

Part D – Financial Statements

See attached.

302 LEGGET DRIVE LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
Unaudited
for the year ended December 31, 2020

302 LEGGET DRIVE LIMITED PARTNERSHIP
for the year ended December 31, 2020
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NOTICE TO READER

On the basis of information provided by management, we have compiled the balance sheet of 302 Legget Drive Limited Partnership as at December 31, 2020 and the statement of earnings, and statement of partners' 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 15, 2021

The Bookkeeping Bureau Ltd.

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302 LEGGET DRIVE LIMITED PARTNERSHIP
BALANCE SHEET
for the year ended December 31, 2020
(Unaudited - see Notice to Reader)

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 371,538	\$ 445,936
Accounts receivable	308	54,638
Prepaid expenses	18,692	18,692
	<u>390,538</u>	<u>519,266</u>
LONG-TERM		
Deferred finance charges (note 5)	13,570	20,650
Deferred leasing commission (note 4)	10,849	14,104
Property, plant and equipment (note 2)	11,533,907	11,858,530
	<u>\$ 11,948,864</u>	<u>\$ 12,412,550</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 194,731	\$ 185,198
Current portion of long-term debt	217,489	210,175
Government remittances payable	44,666	68,290
Deposits	55,076	17,915
	<u>511,962</u>	<u>481,578</u>
LONG-TERM		
Long-term debt (note 3)	5,884,981	6,102,470
	<u>6,396,943</u>	<u>6,584,048</u>
PARTNERS' EQUITY		
	<u>5,551,921</u>	<u>5,828,502</u>
	<u>\$ 11,948,864</u>	<u>\$ 12,412,550</u>

Approved on Behalf of the partners:

302 LEGGET DRIVE LIMITED PARTNERSHIP
STATEMENT OF EARNINGS
for the year ended December 31, 2020
(Unaudited - see Notice to Reader)

	2020	2019
REVENUE		
Rental income	\$ 1,364,446	\$ 1,383,630
Administration income	50,601	45,764
Interest income	2,922	1,076
	<u>1,417,969</u>	<u>1,430,470</u>
EXPENSES		
Advertisement	3,340	1,637
Amortization of deferred finance charges	7,080	7,080
Amortization of leasing commissions	3,255	2,170
Depreciation	411,372	413,849
Bad debt	-	270
Bank charges	1,059	785
Commission expense	-	26,129
General and administrative expenses	33,973	32,113
Insurance	16,209	14,969
Interest on long-term debt	212,958	201,426
Management fees	43,655	39,776
Professional fees	9,550	8,617
Project Management fees	18,716	-
Property taxes	232,840	204,948
Repairs and maintenance	66,035	100,029
Utilities	198,868	230,265
	<u>1,258,910</u>	<u>1,284,063</u>
EARNINGS BEFORE OTHER INCOME	159,059	146,407
Other Income (note 6)	31,895	-
	<u>190,954</u>	<u>146,407</u>
Distributions on class B Preferred units	(87,420)	(90,122)
NET EARNINGS	<u>\$ 103,534</u>	<u>\$ 56,285</u>

302 LEGGET DRIVE LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' EQUITY
for the year ended December 31, 2020
(Unaudited - see Notice to Reader)

Partners	Balance, beginning of year	Net earnings	Withdrawals	Balance, end of year
Chrisken Realty Investments Inc.	203,333	7,817	18,718	192,432
DH (Ottawa) Investments Inc.	32,981	2,371	5,668	29,684
TH (Ottawa) Investments Inc.	(1,362)	1,594	3,823	(3,590)
AYM Real Estate Inc.	309,084	6,947	16,609	299,422
BC Bockstael Holdings Ltd.	271,798	6,108	14,606	263,301
B. Holmes Holdings Ltd.	271,798	6,108	14,606	263,301
Adam Mills Holdings Inc.	271,798	6,108	14,606	263,301
Walker Family Wealth Ltd.	270,773	6,108	13,580	263,301
1394804 Ontario Inc.	271,798	6,108	14,606	263,301
2077188 Ontario Inc.	310,110	6,947	17,634	299,422
2490626 Ontario Inc,	279,271	6,108	22,079	263,301
Grant Castle Properties Inc.	495,153	11,120	26,608	479,665
Maissonneuve Investments Inc.	271,798	6,108	14,606	263,301
Carol Holmes	271,798	6,108	14,606	263,301
McLarty Family Holdings Inc	271,798	6,108	14,606	263,301
A.M. Food Services Ltd.	524,541	11,761	28,157	508,145
Fitzgerald Road Ltd Partnership	1,502,033	-	(125,000)	1,377,033
11189450 CANADA Inc.	0.20	0.10	-	0.30
	\$ 5,828,502	\$ 103,534	\$ (380,116)	\$ 5,551,921

302 LEGGET DRIVE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2020
(Unaudited - see Notice to Reader)

1. LIMITED PARTNERSHIP AND NATURE OF ACTIVITIES

The limited partnership, came into agreement on June 5, 2018 pursuant to laws of Ontario and is managed by its General partner, 11189450 Canada Inc. It manages a commercial rental property in Kanata, ON.

2. PROPERTY, PLANT AND EQUIPMENT

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

	2020			2019
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	\$ 1,826,045	\$ -	\$ 1,826,045	\$ 1,826,045
Building	10,347,586	(904,785)	9,442,801	9,836,251
Building improvements	286,768	(21,706)	265,062	196,235
	\$ 12,460,398	\$ (926,492)	\$ 11,533,907	\$ 11,858,530

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

3. LONG-TERM DEBT

BANK LOANS

The Partnership has a mortgage with Institutional Mortgage Servicing at interest rate of 3.45% repayable in blended monthly instalments of \$35,261.08. This mortgage is secured by a first charge on real property and general security agreement with the guarantee of general partner.

302 LEGGET DRIVE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2020
(Unaudited - see Notice to Reader)

4. DEFERRED LEASING COMMISSIONS

	2020			2019
Cost	Accumulated amortization	Net Book Value	Net Book Value	
Leasing commissions	\$ 16,273	\$ (5,425)	\$ 10,849	\$ 14,104

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

5. DEFERRED FINANCE CHARGES

	2020			2019
Cost	Accumulated amortization	Net Book Value	Net Book Value	
Financing fees	\$ 30,681	\$ (17,111)	\$ 13,570	\$ 20,650

Deferred finance charges were incurred at the time of mortgage financing and are amortized on a straight line basis over the term of mortgage.

6. GOVERNMENT ASSISTANCE

During the year, the partnership received government assistance in the amount of \$31,895 through the Canada Emergency Commercial Rent Assistance ("CECRA") program for commercial landlords. This amount has been forgiven as of December 31, 2020 and is reported as other income in the statement of earnings as the partnership has complied with the terms and conditions of the program.