

# 2021 Year-End Statement

302 Legget Drive

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





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**Part A – Notice From General Partner**

After a few relatively uneventful years, 2021 was a busy one. The biggest news item being that leases for over fifty percent of the building were completed during the year, at increased rent rates. Further, a new mortgage was entered into on December 30<sup>th</sup>, 2021 which facilitated a return of 70% of each investor’s initial investment. The combined effect of these will result in significantly higher expected returns (as a result of higher revenue and a lower capital base) in 2022 and beyond.

Each item will be described further in the below report, which will include:

- a) A summary of financial performance;
- b) A property summary for the 2021 fiscal year; and
- c) An overview of our asset management plans and a 2022 tenancy forecast.

**2021 Financial Performance**

We are pleased to confirm that the property performed well during the 2021 year. As such, the partnership will be making a **Q4 distribution of \$100,000**. Your cheque will be in the mail shortly.

On December 30, 2021, a new \$11.64M mortgage was entered into on the property. The mortgage is with CMLS Financial at a fixed interest rate of 3.208% (the previous interest rate was 3.45%), repayable over a 7-year term. The funds were used for payout of the existing loan; the payment in full of the Class B Units to Fitzgerald Road Limited Partnership which were accruing a 6% annual interest rate; a one-time distribution to the partners equal to 70% of their initial investment and the creation of a reserve for capital expenditures and improvements. Emails were previously sent to each partner with fulsome details.

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

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total 2021</b>
Income Distributions	\$15,000.00	\$25,000.00	\$40,000.00	\$100,000.00	<b>\$180,000.00</b>
Refinancing Proceeds				\$3,287,641.00*	<b>\$3,287,641.00</b>
Principal Paydown	\$53,676.18	\$54,133.29	\$54,590.40	\$55,088.84	<b>\$217,488.71</b>
<b>Total</b>	<b>\$68,676.18</b>	<b>\$79,133.29</b>	<b>\$94,590.40</b>	<b>\$3,442,729.84</b>	<b>\$3,685,129.71</b>

\* Note that refinancing proceeds are being included as part of 2021’s returns due to the mortgage funding on December 30, 2021 (funds were received by investors in early 2022).

Further, please see below our summary of the return on investment, broken out by the “cash on cash” return and the IRR. 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 annual Cash on Cash Return</u>	<u>Actual annual Cash on Cash Return (including refinancing proceeds)</u>	<u>Projected annual Cash on Cash plus principal paydown return</u>	<u>Actual annual Cash on Cash plus principal paydown return</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%
Year 4 (2021)	6.80%	<b>73.83%*</b>	11.29%	<b>78.46%*</b>

\*Note that refinancing proceeds are being included as part of 2021's returns due to the mortgage funding on December 30, 2021 (funds were received by investors in Q1 2022).

## **Part B - Property Summary**

### The Property

302 Legget Drive is an 85,092 square foot industrial building located in Kanata, Ontario.

### Tenant / Leasing Update

A seven-and-a-half-year lease extension was negotiated in Q3 with MDA for their 40,593 square foot premises, at a net rent rate commencing at \$13.50 psf, which represents an increase of 22.7% as compared to the last year of their previous term. No free rent, tenant improvement allowances or other inducements were provided to the tenant.

Further, MCL Hospitality Ltd. exercised a five-year lease extension for their 5,857 square foot premises, at a semi-gross rent rate commencing at \$13.58 psf effective November 1, 2022. No free rent, tenant improvement allowances or other inducements were provided to the tenant.

We are pleased to note that as of December 31, 2021, the building is fully leased with no leases expiring in the next 12 months.

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

Pure Water 11,901 SF Exp: Apr 2024	Lloyd Douglas Solutions Inc. 12,467 SF Exp: Dec 2025	MPB Technologies Inc. 14,274 SF Exp: Jun 2026	MCL Hospitality Ltd. 5,857 SF Exp: Oct 2027	MDA Corp. 40,593 SF Exp: Apr 2029
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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 MPB Technologies Inc. and perform compliance testing for military and commercial products



Start Date	Term	Expiry	\$/PSF	Square Feet
01-Jul-21	5 years	30-Jun-26	\$13.79	14,274

**Unit 101: MacDonald Dettwiler and Associates Inc.** (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
01-Nov-21	7.5 years	30-Apr-29	\$13.50	40,593

**Unit 102-103A: Manotick Pool and Spa.** Manotick Pool and Spa (operating as Purewater) expanded their space at the building in Q2 2019. They use the facility as a storage/warehouse space for their retail store on Robertson Road.



Start Date	Term	Expiry	\$/PSF	Square Feet
01-May-19	5 years	30-Apr-24	\$9.10	11,901

**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
01-Nov-20	5.2 years	31-Dec-25	\$14.40	12,467

**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 their storage/warehouse space for their retail location on Morrison Drive.



Start Date	Term	Expiry	\$/PSF	Square Feet
01-June-17	10 years*	31-Oct-27	\$13.25	5,857

\*includes the 5-year extension exercised in 2021



### Property Manager

Jennings Real Estate Corporation acts as 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 following is a list of some of the significant improvements completed in 2021:

- A new air conditioning unit and commercial ceiling fans were installed in the Lloyd Douglas Solutions' premises;
- All siding of the building has been repaired and repainted, as shown in the photo on page 1;
- All loading exit stairs were either repaired or replaced as required;
- The south drive was re-paved in August 2021; and
- All windowsills were repaired or replaced as required.

### **Part C – 2022 Asset Management Plan and Tenancy Forecast**

#### Capital Expenditures

The major capital expenditure anticipated for 2022 is repaving of West side of the property.

#### Tenancy Forecast

The building has no vacancy and no lease expiries in 2022.

### **Part D – Financial Statements**

See attached.

**302 LEGGET DRIVE LIMITED PARTNERSHIP**  
**FINANCIAL STATEMENTS**  
(Unaudited - see Compilation Engagement Report)  
for the year ended December 31, 2021

302 LEGGET DRIVE LIMITED PARTNERSHIP  
for the year ended December 31, 2021  
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## COMPILATION ENGAGEMENT REPORT

To Management of 302 Legget Drive Limited Partnership,

On the basis of information provided by management, we have compiled the balance sheet of 302 Legget Drive Limited Partnership as at December 31, 2021 and the statement of earnings and, statement of partners' capital for the year then ended. The accrual basis of accounting was applied in the preparation of the compiled financial information.

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with the Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We have not performed an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

*The Bookkeeping Bureau Ltd.*

The Bookkeeping Bureau Ltd.  
Ottawa, March 22, 2022

The Bookkeeping Bureau Ltd.

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302 LEGGET DRIVE LIMITED PARTNERSHIP  
BALANCE SHEET  
for the year ended December 31, 2021  
(Unaudited - see Compilation Engagement Report)

	2021	2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 4,498,349	\$ 371,538
Accounts receivable	8,931	308
Prepaid expenses	385	-
	<u>4,507,665</u>	<u>371,846</u>
<b>LONG-TERM</b>		
Deferred finance charges (note 5)	188,375	13,570
Deferred leasing commission (note 4)	451,159	10,849
Property, plant and equipment (note 2)	11,240,609	11,533,907
Security deposits	18,692	18,692
	<u>11,898,835</u>	<u>11,577,018</u>
	<u>\$ 16,406,500</u>	<u>\$ 11,948,864</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 564,936	\$ 194,731
Current portion of long-term debt	215,624	217,489
Government remittances payable	1,456	44,666
Deposits	31,127	55,076
	<u>813,143</u>	<u>511,962</u>
<b>LONG-TERM</b>		
Long-term debt (note 3)	11,424,376	5,884,981
	<u>12,237,519</u>	<u>6,396,943</u>
<b>PARTNERS' EQUITY</b>		
	<u>4,168,981</u>	<u>5,551,921</u>
	<u>\$ 16,406,500</u>	<u>\$ 11,948,864</u>

Approved on Behalf of the partners:

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302 LEGGET DRIVE LIMITED PARTNERSHIP  
STATEMENT OF EARNINGS  
for the year ended December 31, 2021  
(Unaudited - see Compilation Engagement Report)

	2021	2020
<b>REVENUE</b>		
Rental income	\$ 1,687,818	\$ 1,415,046
Interest income	3,899	2,925
	<u>1,691,717</u>	<u>1,417,971</u>
<b>EXPENSES</b>		
Advertisement	-	3,340
Amortization of deferred finance charges	7,080	7,080
Amortization of leasing commissions	24,913	3,255
Bank charges	781	1,059
Depreciation	410,803	411,372
General and administrative expenses	92,108	33,973
Insurance	17,177	16,209
Interest on long-term debt	357,466	212,958
Management fees	46,645	43,655
Professional fees	28,682	9,550
Project Management fees	-	18,716
Property taxes	237,291	232,840
Repairs and maintenance	78,181	66,035
Utilities	183,876	198,868
	<u>1,485,003</u>	<u>1,258,910</u>
<b>EARNINGS BEFORE OTHER INCOME</b>	206,714	159,061
Other Income (CECRA)	-	31,895
	206,714	190,956
Distributions on class B preferred units	<u>(82,622)</u>	<u>(87,420)</u>
<b>NET EARNINGS</b>	<u>\$ 124,092</u>	<u>\$ 103,536</u>

302 LEGGET DRIVE LIMITED PARTNERSHIP  
STATEMENT OF PARTNERS' EQUITY  
for the year ended December 31, 2021  
(Unaudited - see Compilation Engagement Report)

Name	Balance, beginning of year	Net earnings	Withdrawals	Balance, end of year
Chrisken Realty Investments Inc.	192,432	9,380	(9,826)	191,985
DH (Ottawa) Investments Inc.	29,684	2,840	(2,976)	29,549
TH (Ottawa) Investments Inc.	(3,590)	1,916	(2,007)	(3,681)
AYM Real Estate Inc.	299,422	8,323	(8,719)	299,026
BC Bockstael Holdings Ltd.	263,301	7,319	(7,667)	262,952
B. Holmes Holdings Ltd.	263,301	7,319	(7,667)	262,952
Adam Mills Holdings Inc.	263,301	7,319	(7,667)	262,952
Walker Family Wealth Ltd.	263,301	7,319	(7,667)	262,952
1394804 Ontario Inc.	263,301	7,319	(7,667)	262,952
2077188 Ontario Inc.	299,422	8,323	(8,719)	299,026
2490626 Ontario Inc,	263,301	7,319	(7,667)	262,952
Grant Castle Properties Inc.	479,665	13,333	(13,968)	479,030
Maissonneuve Investments Inc.	263,301	7,319	(7,667)	262,952
Carol Holmes	263,301	7,319	(7,667)	262,952
McLarty Family Holdings Inc	263,301	7,319	(7,667)	262,952
A.M. Food Services Ltd.	508,145	14,109	(14,781)	507,474
Fitzgerald Road Ltd Partnership	1,377,033	-	(1,377,033)	-
11189450 CANADA Inc.	0.30	0.12	-	0.42
<b>Limited Partners' Equity</b>	<b>\$ 5,551,921</b>	<b>\$ 124,092</b>	<b>(1,507,033)</b>	<b>\$ 4,168,981</b>

302 LEGGET DRIVE LIMITED PARTNERSHIP  
NOTES TO FINANCIAL STATEMENTS  
for the year ended December 31, 2021  
(Unaudited - see Compilation Engagement Report)

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

	2021			2020
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	\$ 1,826,045	\$ -	\$ 1,826,045	\$ 1,826,045
Building	10,347,586	(1,282,497)	9,065,089	9,442,801
Building improvements	402,055	(52,579)	349,476	265,062
	\$ 12,575,685	\$ (1,335,076)	\$ 11,240,609	\$ 11,533,907

Amortization of fixed assets is pro-rated on a monthly basis

3. LONG-TERM DEBT

BANK LOANS

The Partnership refinanced its first mortgage with CMLS Financial on December 31, 2021 at current interest rate of 3.208%, repayable in blended monthly instalments of \$50,255 over an 84 month term. 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, 2021  
(Unaudited - see Compilation Engagement Report)

4. DEFERRED LEASING COMMISSIONS

	2021			2020
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Leasing commissions	\$ 481,497	\$ (30,338)	\$ 451,159	\$ 10,849

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

In January 2021, rent payments on Lloyd Douglas' 5 year lease commenced, which resulted in cumulative leasing commissions of \$64,984;

In November 2021, the lease with the tenant MDA was extended for a 7.5 years period, which resulted in a cumulative leasing commission of \$389,784;

In November 2021, the lease with MCL Hospitality was extended for a 5 year period effective November 1, 2022, which resulted in a leasing commission of \$10,455.

5. DEFERRED FINANCE CHARGES

	2021			2020
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Financing fees	\$ 212,566	\$ (24,191)	\$ 188,375	\$ 13,570

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