

2019 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 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 \$168,302.12. 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 | - | \$100,000.00 | \$38,328.88 | \$168,301.12 | \$306,631.00 |
| Principal Paydown | \$50,127.41 | \$50,557.91 | \$50,992.10 | \$51,430.04 | \$203,107.46 |

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). 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% |

Part B - Property Summary

A number of maintenance and capital works improvements were completed in 2019. These included the replacement of the front half of the roof, the removal of dead trees and branches, repair to the exterior staircases, and repair to the sump pumps.

All tenants remained in good standing throughout 2019. The management team continues to work with all tenants on day-to-day specific needs.

Tenant / Leasing Update

During the year, Manotick Pool and Spa (now occupying 11,901 sf) expanded into the space previously occupied by Kanata Baseball, and extended their lease to a five year term. In addition, MPB Technologies Inc. (14,274 sf) extended for an additional 5 years until 2026.

The building has no vacancy and no lease expiries in 2020.

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



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 (plus a 5-year extension) | 30-Jun-26 | \$13.00 | 14,274 | \$185,562 | \$15,463.50 |

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 | 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 | \$8.50 | 11,901 | \$101,158.50 | \$8,429.88 |

Unit 103-104: Mastermind Event Rentals (MME). MME is a long-time tenant in the building. They provide event and party rental equipment such as linens, tables, costumes, etc.



| Start Date | Term | Expiry | \$/PSF | Square Feet | Annual Rent | Monthly Rent |
|------------|-----------|-----------|---------|-------------|--------------|--------------|
| 01-Nov-17 | 5.5 years | 28-Feb-23 | \$12.04 | 12,467 | \$150,114.24 | \$12,509.52 |

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 | \$12.61 | 5,857 | \$73,856.76 | \$6,154.73 |



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 property's 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 are as follows:

- Repaired shipping garage door at MPB Technologies;
- Replaced certain exterior staircases;
- Repaired sump pump;
- Repaired multiple rooftop building units;
- Installed new duct work and exhaust fan for buildings main electrical room; and
- Roof replacement for the front section of the building.



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

There are no upcoming lease expiries in 2020, and as such the main focus will be to continue working to renew tenants with leases expiring in 2021.

302 LEGGET DRIVE LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
Unaudited
for the year ended December 31, 2019

302 LEGGET DRIVE 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 302 Legget Drive 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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302 LEGGET DRIVE LIMITED PARTNERSHIP
BALANCE SHEET
for the year ended December 31, 2019
(Unaudited - see Notice to Reader)

| | 2019 | 2018 |
|--|----------------------|----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 445,936 | \$ 379,268 |
| Accounts receivable | 54,638 | 59,560 |
| Prepaid expenses | 18,692 | 26,990 |
| | <u>519,266</u> | <u>465,818</u> |
| LONG-TERM | | |
| Deferred finance charges (note 5) | 20,650 | - |
| Deferred leasing commission (note 4) | 14,104 | - |
| Property, plant and equipment (note 2) | 11,858,530 | 12,072,139 |
| | <u>\$ 12,412,550</u> | <u>\$ 12,537,957</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 185,198 | \$ 405,258 |
| Due to partner | - | 35,000 |
| Current portion of long-term debt | 210,175 | 203,107 |
| Government remittances payable | 68,290 | - |
| Deposits | 17,915 | 25,605 |
| | <u>481,578</u> | <u>668,970</u> |
| LONG-TERM | | |
| Long-term debt (note 3) | 6,102,470 | 6,284,914 |
| | <u>6,584,048</u> | <u>6,953,884</u> |
| PARTNERS' EQUITY | | |
| | <u>5,828,502</u> | <u>5,584,073</u> |
| | <u>\$ 12,412,550</u> | <u>\$ 12,537,957</u> |

Approved on Behalf of the partners:

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

| | 2019 | 2018 |
|--|------------------|-------------------|
| REVENUE | | |
| Rental income | \$ 1,383,630 | \$ 667,632 |
| Administration income | 45,764 | - |
| Interest income | 1,076 | 723 |
| | <u>1,430,470</u> | <u>668,355</u> |
| EXPENSES | | |
| Advertisement | 1,637 | - |
| Amortization of deferred finance charges | 7,080 | - |
| Amortization of leasing commissions | 2,170 | - |
| Amortization of tangible assets | 413,849 | 101,491 |
| Bad debts | 270 | - |
| Bank charges | 785 | - |
| Commission expense | 26,129 | - |
| General and administrative expenses | 32,113 | 12,409 |
| Insurance | 14,969 | 7,299 |
| Interest on long-term debt | 201,426 | 109,188 |
| Management fees | 39,776 | 20,051 |
| Other expenses | - | 2,950 |
| Professional fees | 8,617 | 7,223 |
| Property taxes | 204,948 | 96,534 |
| Repairs and maintenance | 100,029 | 22,597 |
| Utilities | 230,265 | 141,654 |
| | <u>1,284,063</u> | <u>521,396</u> |
| | <u>146,407</u> | <u>146,959</u> |
| Distributions on class B Preferred units | <u>(90,122)</u> | <u>(37,552)</u> |
| NET EARNINGS | <u>\$ 56,285</u> | <u>\$ 109,407</u> |

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

| Partners | Balance, beginning of year | Contributions | Net earnings | Withdrawals | Balance, end of year |
|---------------------------|----------------------------------|---------------|--------------|-------------|-------------------------|
| Limited Partners | 4,082,040 | 434,000 | 56,285 | 245,856 | 4,326,469 |
| Class B Preferred Partner | 1,502,033 | - | - | - | 1,502,033 |
| General Partner | 0.14 | - | 0.06 | - | 0.20 |
| | \$ 5,584,073 | \$ 434,000 | \$ 56,285 | \$ 245,856 | \$ 5,828,502 |

302 LEGGET DRIVE 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 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

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 |

| | 2019 | | | 2018 |
|-----------------------|---------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net Book Value | Net Book Value |
| Land | \$ 1,826,045 | \$ - | \$ 1,826,045 | \$ 1,826,044 |
| Building | 10,347,586 | (511,335) | 9,836,251 | 10,246,095 |
| Building improvements | 200,240 | (4,005) | 196,235 | - |
| | \$ 12,373,870 | \$ (515,340) | \$ 11,858,530 | \$ 12,072,139 |

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, 2019
(Unaudited - see Notice to Reader)

4. DEFERRED LEASING COMMISSIONS

| | 2019 | | | 2018 |
|---------------------|-----------------------------|-------------------|-------------------|------|
| Cost | Accumulated amortization | Net Book Value | Net Book Value | |
| Leasing commissions | \$ 16,273 | \$ (2,170) | \$ 14,104 | \$ - |

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

5. DEFERRED FINANCE CHARGES

| | 2019 | | | 2018 |
|----------------|-----------------------------|-------------------|-------------------|------|
| Cost | Accumulated amortization | Net Book Value | Net Book Value | |
| Financing fees | \$ 30,681 | \$ (10,030) | \$ 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.