



JENNINGS
REAL ESTATE

2022 ANNUAL REPORT

15 & 17 Fitzgerald Road

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



Jennings Real Estate

Unlocking Potential, One Property at a Time

141 Laurier Avenue West, Suite 402

Ottawa, ON K1P 5J3

www.jenningsdevelopments.com

2022 HIGHLIGHTS

Located in the Bells Corners node of Ottawa, only minutes away from Department of National Defence National Headquarters and Highway 417



30,314

Square Feet



100%

Occupancy



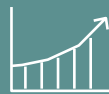
4.7 YR

Weighted Average
Lease Term



\$388K

Net Operating Income



14.04%

Cash on Cash



27.33%

IRR

17 Fitzgerald Road
Ottawa, ON



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APPENDIX A



PART A – NOTICE FROM THE GENERAL PARTNER

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

- a) A summary of financial performance;
- b) A property summary for the 2022 fiscal year; and
- c) An overview of our asset management plans and a 2023 tenancy forecast.

2022 Financial Performance

2022 was another successful year for these properties. The properties remained fully leased throughout the year, the largest tenant renewed for an additional 11 years, and for the first time since acquiring the property, all-below grade space is leased to a combination of office and storage tenants. We will be making a distribution of \$72,000 at this time, which when combined with the other distributions made in respect of the 2022 year will provide investors with a cash on cash return that exceeds 14%.

A summary of this year's distributions is set out below for your review along with our projections for 2023.

Year	Q1	Q2	Q3	Q4	Total	Cumulative Distributions (including refinancing)	% of investment Returned
2018-2020	\$0	\$70,000	\$37,360	\$317,174	\$424,534	\$624,534	30%
2021	\$20,000	\$20,000	\$30,000	\$50,000	\$120,000	\$744,534	36%
2022	\$20,000	\$20,000	\$20,000	\$72,000	\$132,000	\$1,811,534	87%
2023 Outlook	\$28,000	\$28,000	\$28,000	\$56,000	\$140,000	\$1,951,534	94%

Despite the general office market headwinds, these properties have continued to be in high demand. This can be attributed to the accessibility of the location, the majority of the space include rear loading capabilities and the high-quality upkeep and improvements at the properties. As we had anticipated upon acquisition of these properties, the Bells Corners node continues to improve, with the most obvious reflection of this being the transition of our neighbor from an auto body shop / thrift store, into a new 6-storey Hilton hotel and one of the areas most popular restaurants (the Brew Table), which are valuable amenities to our tenants. The buildings are currently fully leased, with no expiries in 2023.

The existing loan at this property is steadily reducing and currently sits at \$4.11M with an interest rate of 3.70%. The term of the loan extends until 2027, and as such, we believe we are well-positioned with the current volatile interest rate environment.

Prepared below is a summary of key performance metrics along with our projection for 2023.

Key Performance Metrics: Cash on Cash Return and IRR for the last three years, as well as 2023 estimates

Cash on Cash Return			IRR		
Year	Estimate	Actual	Year	Estimate	Actual
2020	7.54%	4.24%	2020	12.44%	11.78%
2021	8.26%	6.40%	2021	13.33%	14.24%
2022	8.98%	14.04%	2022	14.23%	27.33%
2023	14.89%		2023	28.83%	

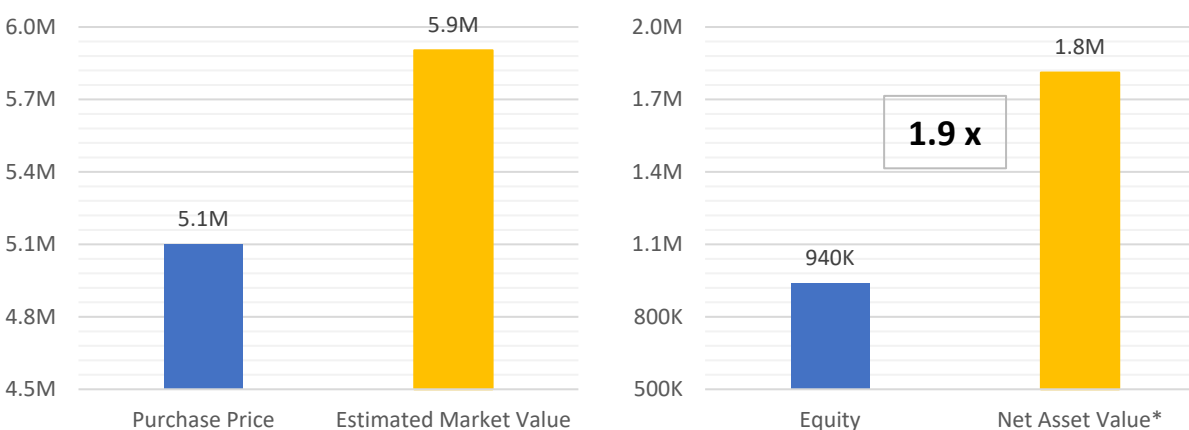
Cash-on-cash return is calculated by dividing the annual distribution for the year by the remaining equity in the partnership. IRR factors in the principal paydown on the mortgage in addition to cash-on-cash calculation.

Results of Operations: The Net Operating Income (NOI) and Funds From Operations (FFO) for the last three years and our projections for the next two years:

	2020	2021	2022	Change	Projection	
					2023	2024
NOI	\$360,004	\$371,836	\$388,213	\$16,377	\$395,087	\$396,367
FFO	\$260,858	\$262,783	\$233,329	-\$29,454	\$233,105	\$239,315
FFO Payout Ratio			56.6%			

Increase in NOI was largely due to increase in occupancy and base rent in 2022. Higher interest payments after refinancing the loan in the first quarter of 2022 resulted in a decrease in FFO.

Valuation: The estimated current market value of the property compared to purchase price paid for the property in 2017 and Net Asset Value compared to remaining invested capital (equity):



(*) The Net Asset Value (NAV) has been calculated by dividing the 2023 net operating income, by the average midpoints of the market capitalization rates from each of the following reports: CBRE Q4 2022 Ottawa Cap Rate Report; Cushman & Wakefield Q4 2022 Ottawa Cap Rate Report; and the Colliers Q4 2022 Ottawa Cap Rate Report. The outstanding principal amounts and current liabilities as of December 31, 2022 were then subtracted and any cash on hand as of December 31, 2022 was added. Note that these figures do not reflect any future capital expenditures, nor do they incorporate any tax attributes of the units. Further, the cap rates used are not property specific and may not accurately reflect the cap rate that a purchaser would assign to this specific property. NAV is an estimated value and should not be perceived as the actual value of the property and may not be reflective of future values.

See Appendix A for breakdown of Net Asset Value by Limited Partners.

PART B - PROPERTY SUMMARY

The Property

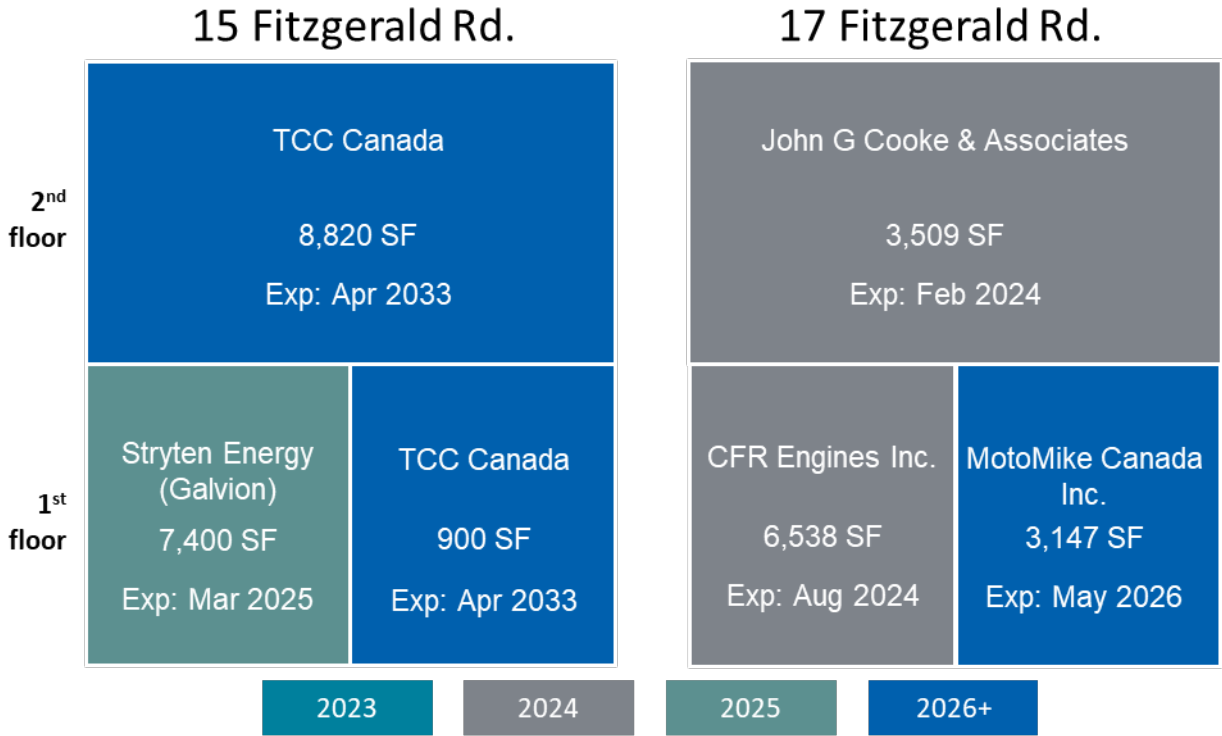
15 Fitzgerald Road and 17 Fitzgerald Road are two office buildings with a combined 30,314 square feet of space in Bells Corners in the City of Ottawa.

Tenant / Leasing Update

As of December 31, 2022, the above-grade space building remains 100% leased, with no tenant expiring in 2023.

John G Cooke & Associates’ lease will expire on February 28, 2024. We have engaged the tenant and are actively working on a 5-year lease extension at market rent.

Below is a stacking plan outlining each above-grade tenant’s square footage and lease expiration, followed by a summary of existing above-grade leases.



Tenant Profiles

17 Fitzgerald - Unit 102: CFR Engines Inc. CFR Engines Inc. is an American-based research company in the petrochemical and engine/combustion technologies industry.



Start Date	Term	Expiry	\$/PSF	Square Feet
31-Aug-19	5 years	31-Aug-24	\$13.99	6,538

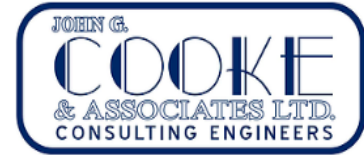
17 Fitzgerald - Unit 101: Motomike. Motomike is an online distributor of motorcycle parts, powersports parts, auto parts, including accessories, clothing, and apparel.



Start Date	Term	Expiry	\$/PSF	Square Feet
1-Jun-21	5 years	31-May-26	\$8.00*	3,147

*increasing to \$11.50 over the term of the lease.

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



Start Date	Term	Expiry	\$/PSF	Square Feet
01-Mar-19	5 years	28-Feb-24	\$14.71	3,509

15 Fitzgerald - Unit 100: Stryten Energy (formerly Galvion Inc.) Stryten Energy delivers premium energy storage solutions that power everything from warehouses and distribution centers to cars, trains and trucks that keep people on the move and essential supply chains running.



Start Date	Term	Expiry	\$/PSF	Square Feet
01-Apr-15	10 years	31-Mar-25	\$12.00	7,400

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



Start Date	Term	Expiry	\$/PSF	Square Feet
01-May-22	11 Years	30-Apr-33	\$ 12.00	8,820
01-May-22	11 years	30-Apr-33	\$ 12.00	900

Below Grade Space

As of December 31, 2022, the below-grade space is 100% leased.

A lease extension with Figment Image Centre was successfully completed in Q4 of 2022 for 850 square feet. The lease was extended by a term of 3 years commencing August 1, 2023, with a gross rent rate of \$975 per month. The tenant also has annual contracted increases of \$25 per month. The remaining 400 square feet of vacancy was leased to Magenta Exterior Solutions Inc., which will provide additional income to the property.

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

Some of the major improvements made in 2022 at this property are as follows:

- 17 Fitzgerald:
 - Two heat exchangers were replaced that serve the property. This is a major component that will extend the life of the equipment.
 - TTF Engineering have provided stamped drawings and a permit to proceed with the installation of a back-flow preventer, a requirement of the City of Ottawa to be installed in 2023. We have obtained multiple quotes in a competitive bid process and are completing this work in 2023.
- 15 Fitzgerald:
 - TTF Engineering is currently working on drawings and a permit to proceed with the installation of a back flow preventer, a requirement of the City of Ottawa.
 - Dated hardscaping was removed from the front of the property to improve the building's curb appeal.
 - Stryten Energy invested in improvements throughout the unit including upgraded kitchen cabinetry, kitchen flooring, and paint throughout.

PART C – 2022 ASSET MANAGEMENT PLAN AND TENANCY FORECAST

Capital Expenditures

No major capital expenditures are anticipated in 2022.

PART D – FINANCIAL STATEMENTS

See attached.

DISCLAIMER

Certain statements contained in this report may contain forward-looking statements and forward-looking information (collectively, “forward-looking statements”). In some cases, forward-looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "potential", "continue", "target", "committed", "priority", "remain", "strategy", or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. Such forward-looking statements contained in this report may include, among other things, statements regarding: the general partner’s expectations with regard to market demand and rent growth; the partnership’s growth strategy; planned growth of the property portfolio; future acquisitions; including the amount expected to be invested in such acquisitions, the location of such acquisitions, improvements in profitability or rent growth of the portfolio, property developments, including cost and timing of completion thereof, and the general partner’s expectations regarding capital improvement costs; portfolio growth, debt maintenance or reductions, and return on investment; maintenance costs; the effect of completed developments on the portfolio; uncertainties and risks arising as a result of the spread of the COVID-19 pandemic, including uncertainty surrounding disruptions to financial markets, regional economies and the world economy; interest rate fluctuations; credit availability; financing costs; market values; pace and scope on future acquisitions, construction, development and renovation, renewals and leasing. Readers should be aware that these forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements. Given these uncertainties, readers are cautioned not to rely upon any forward-looking statements contained, or incorporated by reference, in this report. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events contained therein may not occur. Although the general partner believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. While the general partner anticipates that subsequent events and developments may cause it’s view to change, the general partner does not intend to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information.

The general partner makes commercially reasonable efforts to ensure the information presented in this report is accurate, but it is not responsible for any errors and omissions contained in the information included in this report.

FITZGERALD ROAD LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
(Unaudited - see Compilation Engagement Report)
for the year ended December 31, 2022

FITZGERALD ROAD LIMITED PARTNERSHIP
for the year ended December 31, 2022
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COMPILATION ENGAGEMENT REPORT

To Management of Fitzgerald Road Limited Partnership,

On the basis of information provided by management, we have compiled the balance sheet of Fitzgerald Road Limited Partnership as at December 31, 2022 and the statement of earnings and, statement of partner's 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 20, 2023

The Bookkeeping Bureau Ltd.

200 - 2618 St-Joseph Blvd | Ottawa | Ontario | K1C 1G3 | T 613 424 1101 | F 613 424 5299

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FITZGERALD ROAD LIMITED PARTNERSHIP
BALANCE SHEET
for the year ended December 31, 2022
(Unaudited - see Compilation Engagement Report)

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 261,324	\$ 1,600,534
Accounts receivable	13,937	16,869
	<u>275,261</u>	<u>1,617,403</u>
LONG-TERM		
Security deposits	1,897	3,091
Deferred finance charges (note 6)	16,882	417
Deferred leasing commission (note 5)	74,654	126,019
Deferred tenant inducements (note 4)	2,429	4,512
Property, plant and equipment (note 2)	4,667,065	4,830,755
	<u>4,762,927</u>	<u>4,964,794</u>
	<u>\$ 5,038,188</u>	<u>\$ 6,582,197</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 54,579	\$ 169,108
Current portion of long-term-debt	131,000	146,978
Government remittances payable	18,073	955
Deferred revenue	37,814	16,270
	<u>241,466</u>	<u>333,311</u>
LONG-TERM		
Deposits	39,899	40,099
Long-term debt (note 3)	3,974,133	4,386,109
	<u>4,014,032</u>	<u>4,426,208</u>
	<u>4,255,498</u>	<u>4,759,519</u>
PARTNERS' EQUITY		
	<u>782,690</u>	<u>1,822,678</u>
	<u>\$ 5,038,188</u>	<u>\$ 6,582,197</u>

Approved on Behalf of the partners:

DocuSigned by:
Christian Jennings
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FITZGERALD ROAD LIMITED PARTNERSHIP
STATEMENT OF EARNINGS
for the year ended December 31, 2022
(Unaudited - see Compilation Engagement Report)

	2022	2021
REVENUE		
Rental income	\$ 843,982	\$ 811,171
Income from investment in a partnership	-	82,622
Interest income	5,003	953
	<u>848,985</u>	<u>894,746</u>
EXPENSES		
Amortization of deferred finance charges	4,637	1,000
Amortization of leasing commissions	55,115	16,259
Amortization of tenant inducements	2,082	2,082
Bank charges	2,957	2,936
Depreciation	166,484	174,114
General and administrative expenses	97,679	55,583
Insurance	8,088	8,342
Interest on long-term debt	154,500	172,246
Management fees	37,218	37,218
Professional fees	5,565	18,205
Property taxes	101,870	102,374
Repairs and maintenance	103,370	120,884
Telecommunication	867	795
Utilities	103,541	94,045
	<u>843,973</u>	<u>806,083</u>
NET EARNINGS	<u>\$ 5,012</u>	<u>\$ 88,663</u>

FITZGERALD ROAD LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' EQUITY
for the year ended December 31, 2022
(Unaudited - see Compilation Engagement Report)

Name	Balance, beginning of year	Net earnings	Withdrawals	Balance, end of year
A.M. Realty Corp Ltd.	194,768	501	(104,500)	90,769
1394804 Ontario Inc.	194,768	501	(104,500)	90,769
2490626 Ontario Inc,	194,768	501	(104,500)	90,769
B. Holmes Holdings Ltd.	194,768	501	(104,500)	90,769
BC Bockstael Holdings Ltd.	140,799	362	(75,542)	65,619
2540583 Ontario Inc.	53,967	139	(28,958)	25,148
AYM Real Estate Inc.	194,768	501	(104,500)	90,769
Walker Family Wealth Ltd.	194,768	501	(104,500)	90,769
Adam Mills Holdings Inc.	194,768	501	(104,500)	90,769
Chrisken Realty Investments Inc.	132,268	501	(104,500)	28,269
TH (Ottawa) Investments Inc.	66,134	251	(52,250)	14,135
DH (Ottawa) Investments Inc.	66,134	251	(52,250)	14,135
10875767 Canada Inc.	0.58	0.01		0.59
Limited Partners' Equity	\$ 1,822,678	\$ 5,012	(1,045,000)	\$ 782,690

FITZGERALD ROAD LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2022
(Unaudited - see Compilation Engagement Report)

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, 10875767 Canada Inc.. It manages a commercial rental property in Nepean, 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
Information systems	55% diminishing balance

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	\$ 798,408	\$ -	\$ 798,408	\$ 798,408
Building	4,524,309	(884,026)	3,640,283	3,791,962
Building improvements	272,473	(44,098)	228,375	240,386
	\$ 5,595,189	\$ (928,124)	\$ 4,667,065	\$ 4,830,755

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

3. LONG-TERM DEBT

BANK LOAN

The Partnership refinanced the real property in February 2022 with a credit facility of \$4,220,583 at fixed annual interest rate of 3.70% for a term of 5 years amortized over 22 years with blended monthly principal and interest payments in the amount of \$23,390.23. The mortgage is secured with a first priority fixed charge over the land & building, and general security agreement.

FITZGERALD ROAD LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2022
(Unaudited - see Compilation Engagement Report)

4. DEFERRED TENANT INDUCEMENTS

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Tenant inducements	\$ 8,850	\$ (6,420)	\$ 2,429	\$ 4,512

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

5. DEFERRED LEASING COMMISSIONS

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Leasing commissions	\$ 164,482	\$ (89,828)	\$ 74,654	\$ 126,019

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

6. DEFERRED FINANCE CHARGES

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Financing fees	\$ 26,103	\$ (9,221)	\$ 16,882	\$ 417

Finance charges were incurred at the time of the mortgage refinancing and are amortized on a straight line basis over the five year term.

APPENDIX A

Investors	Remaining Equity*	Net Asset Value
3030 A.M. Realty Corp Ltd.	\$94,000	\$181,153
3040 1394804 Ontario Inc.	\$94,000	\$181,153
3050 2490626 Ontario Inc	\$94,000	\$181,153
3060 B. Holmes Holdings Ltd.	\$94,000	\$181,153
3070 BC Bockstael Holdings Ltd	\$67,952	\$130,954
3080 2540583 Ontario Inc.	\$26,048	\$50,199
3090 AYM Real Estate Inc.	\$94,000	\$181,153
3110 Walker Family Wealth Ltd.	\$94,000	\$181,153
3120 Adam Mills Holdings Inc.	\$94,000	\$181,153
3130 Chrisken Realty Investments Inc.	\$94,000	\$181,153
3140 TH (Ottawa) Investments Inc.	\$47,000	\$90,576
3150 DH (Ottawa) Investments Inc.	\$47,000	\$90,576
Total	\$940,000	\$1,811,529

(*) Equity remaining after refinancing proceeds was distributed in Q1 of 2022