



JENNINGS
REAL ESTATE

2022 ANNUAL REPORT

302 LEGGET DRIVE

Presented to: The Limited Partners of 302 Legget Drive
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

This industrial building includes numerous dock and grade level loading doors, excellent highway access, ample parking and large turning radius for trucking access.



85,092

Square Feet



100%

Occupancy



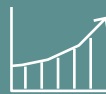
4.6 YR

Weighted Average
Lease Term



\$1.14M

Net Operating Income



28.39%

Cash on Cash



43.69%

IRR

302 Legget Drive,
Kanata, ON

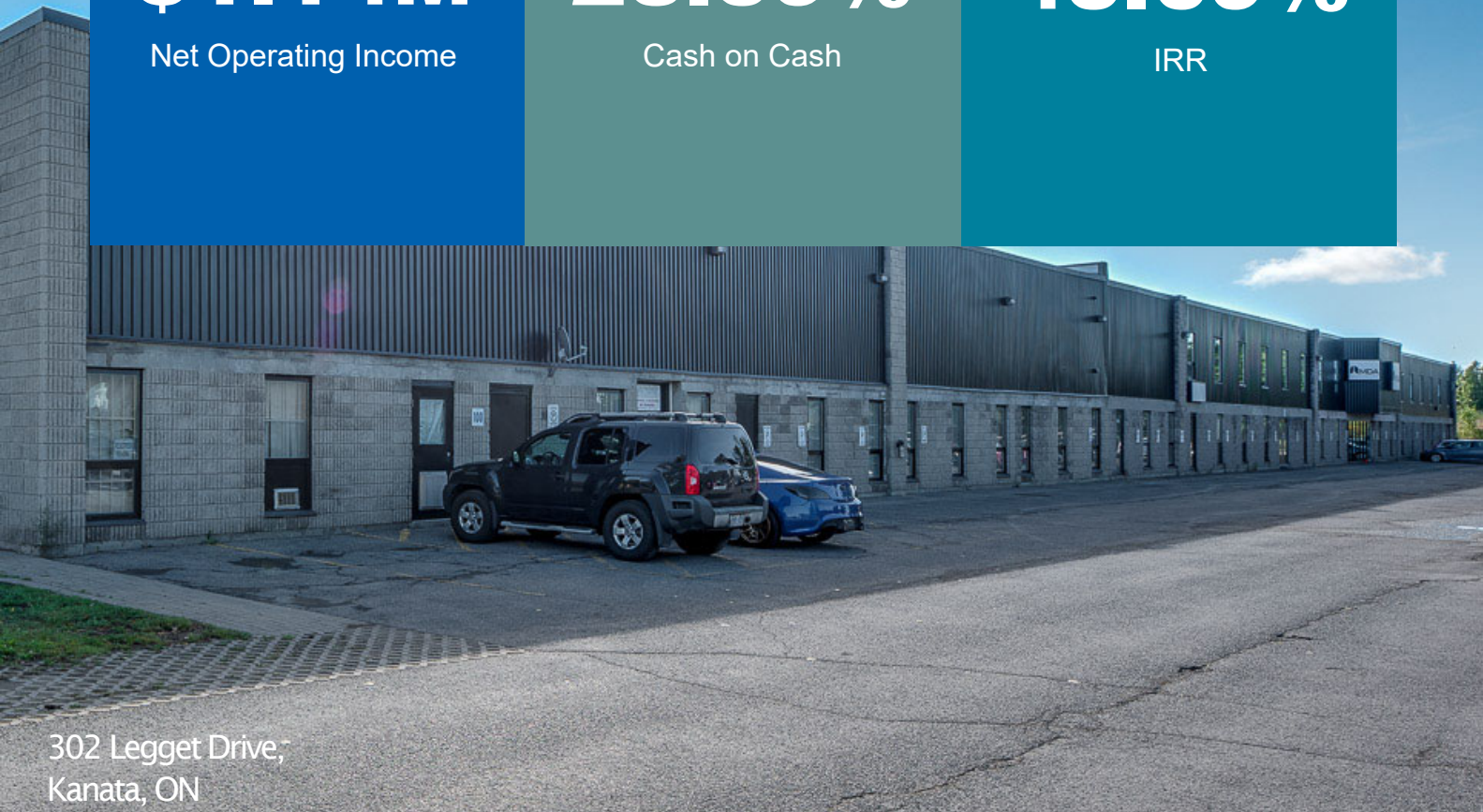


TABLE OF CONTENTS

- **Part A – Notice from the General Partner**
 - 2022 Financial Performance
- **Part B – Property Summary**
 - The Property
 - Tenant / Leasing Update
 - Tenant Profiles
 - Property Manager
 - Building Improvements
- **Part C – Asset Management Plan and Tenancy Forecast**
 - Capital Expenditures
 - Tenancy Forecast
- **Part D – Financial Statements**
 - Disclaimer

APPENDIX A



PART A – NOTICE FROM THE 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 2022 fiscal year; and
- c) An overview of our asset management plan and a 2023 tenancy forecast.

2022 Financial Performance

2022 was another successful year for this investment. This fully-leased property continued to be in high demand and the industrial market strengthened further. We will be making a distribution of **\$250,000** at this time, which when added to the other distributions made in 2022, provides an annual cash-on-cash return exceeding 28%.

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	\$140,000	\$77,669	\$333,301	\$550,970	\$550,970	12%
2021	\$15,000	\$25,000	\$40,000	\$100,000	\$180,000	\$4,018,612	86%
2022	\$50,000	\$50,000	\$50,000	\$250,000	\$400,000	\$4,418,612	94%
2023 Outlook	<i>\$70,000</i>	<i>\$70,000</i>	<i>\$70,000</i>	<i>\$190,000</i>	<i>\$400,000</i>	<i>\$4,818,612</i>	<i>103%</i>

Highlights from this year include the capital reinvestments in the property, including a new roof, as well as a new heating and air conditioning unit. With the continued strength of the industrial market in this area, and the strong current leasing profile at this property, we are focused on improving the property, and are planning to undertake further capital improvements in 2023 (including paving of the West parking lot), with the goal of ensuring that the property is maintained to a high standard and can continue to attract strong tenants in the years to come.

The existing loan at this property is steadily reducing and currently sits at \$11.42M with an interest rate of 3.208%. The term of the loan extends until 2029, 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	6.55%	2.75%	2020	10.85%	9.89%
2021	6.80%	12.78%	2021	11.29%	28.21%
2022	7.00%	28.39%	2022	11.68%	43.69%
2023	28.39%		2023	45.54%	

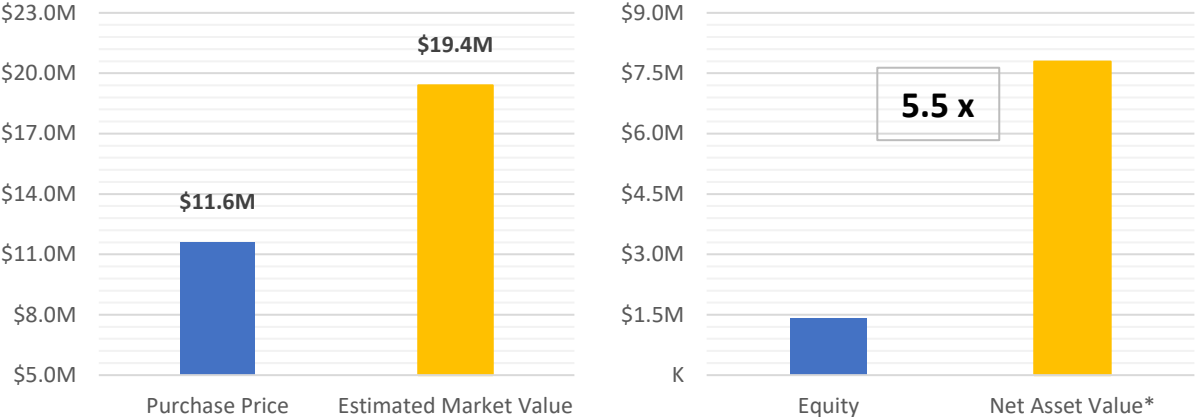
Cash-on-cash return is calculated by dividing the annual distribution for the year by the remaining equity in the partnership. IRR factors in the principal paydown on the mortgage in addition to cash-on-cash calculation.

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	\$844,797	\$1,007,821	\$1,143,965	\$136,145	\$1,201,564	\$1,236,958
FFO	\$525,242	\$566,887	\$810,701	\$243,815	\$838,603	\$881,867
FFO Payout Ratio			43.2%			

This property stabilized in 2022, with 100% occupancy throughout the year, organic growth in NOI and refinancing that was completed in the fourth quarter of 2021. This resulted in a 43% and \$243,815 increase in FFO compared to previous year.

Valuation: The estimated current market value of the property compared to purchase price paid for the property in 2018 and Net Asset Value of the Partnership’s assets (less liabilities) 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 as of December 31, 2022, and current liabilities 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

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

Tenant / Leasing Update

As of December 31, 2022, the building is fully leased with no leases expiring in the next 12 months.

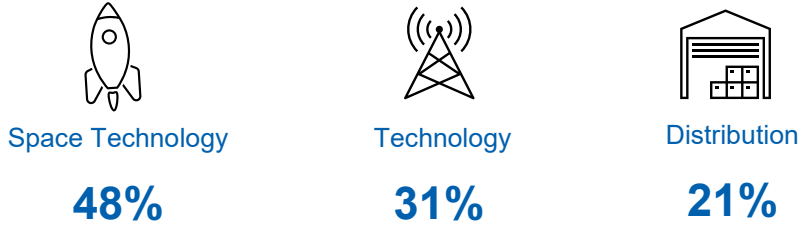
In Q4, 2022, Syntronic AB, a global engineering design house with over 1800 employees in 9 countries acquired local business and tenant, Lloyd Douglas Solutions Inc.

The chart below outlines each tenant’s square footage and lease expiration, followed by a summary of the existing leases.

Pure Water 11,901 SF Exp: Apr 2024	Syntronic (Formerly Lloyd Douglas) 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
--	---	--	--	---



Tenant allocation by Industry:



Tenant Profiles

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	\$14.21	14,274

Unit 202: MDA Corp. (formerly Neptec). MDA is a publicly traded company that 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	\$14.00	40,593

Unit 102-104: 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	\$9.40	11,901

Unit 126: Syntronic AB (formerly Lloyd Douglas Solutions Inc.) specializes in the design and development of electronics, electro-mechanics, technical, and administrative software.



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-Nov-22	5 years	31-Oct-27	\$13.58	5,857

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 2022:

- The oldest section of the roof, the north portion, was replaced;
- MDA, will be investing in a liquid nitrogen tank at the exterior of the building to support its operation. Drawings have been produced and the equipment has been ordered for installation in 2023. This improvement is completely paid for by the tenant.; and
- Roof top unit, that provides heating and cooling was replaced.

PART C – 2022 ASSET MANAGEMENT PLAN AND TENANCY FORECAST

Capital Expenditures

The major capital expenditure anticipated for 2023 is repaving of the parking lot on the west side of the property.

In addition, we anticipate having to replace at least one roof top unit at the property that is coming to the end of its useful life.

Tenancy Forecast

The building has no vacancy and no lease expiries in 2023.

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 its 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.

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

302 LEGGET DRIVE LIMITED PARTNERSHIP
for the year ended December 31, 2022
CONTENTS

	Page
COMPILATION ENGAGEMENT REPORT	1
UNAUDITED FINANCIAL STATEMENTS	
Balance sheet	2
Statement of earnings	3
Statement of partners' equity	4
Notes to unaudited financial statements	5-6



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, 2022 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 21, 2023

The Bookkeeping Bureau Ltd.
200 - 2618 St-Joseph Blvd | Ottawa | Ontario | K1C 1G3 | T 613 424 1101 | F 613 424 5299
W bookkeepingbureau.ca | E info@bookkeepingbureau.ca

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

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 762,607	\$ 4,498,349
Accounts receivable	24,439	8,931
Prepaid expenses	773	385
	<u>787,819</u>	<u>4,507,665</u>
LONG-TERM		
Deferred finance charges (note 5)	162,472	188,375
Deferred leasing commission (note 4)	382,587	451,159
Property, plant and equipment (note 2)	11,279,591	11,240,609
Security deposits	18,633	18,692
	<u>11,843,283</u>	<u>11,898,835</u>
	<u>\$ 12,631,102</u>	<u>\$ 16,406,500</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 249,772	\$ 564,936
Current portion of long-term debt	242,512	215,624
Government remittances payable	11,239	1,456
Deposits	31,127	31,127
	<u>534,650</u>	<u>813,143</u>
LONG-TERM		
Long-term debt (note 3)	11,181,864	11,424,376
	<u>11,716,514</u>	<u>12,237,519</u>
PARTNERS' EQUITY		
	<u>914,588</u>	<u>4,168,981</u>
	<u>\$ 12,631,102</u>	<u>\$ 16,406,500</u>

Approved on Behalf of the partners:

DocuSigned by:
Christian Jennings
A864FCDF37504E2...

302 LEGGET DRIVE LIMITED PARTNERSHIP
STATEMENT OF EARNINGS
for the year ended December 31, 2022
(Unaudited - see Compilation Engagement Report)

	2022	2021
REVENUE		
Rental income	\$ 1,864,711	\$ 1,687,818
Interest income	31,271	3,899
	<u>1,895,982</u>	<u>1,691,717</u>
EXPENSES		
Amortization of deferred finance charges	47,108	7,080
Amortization of leasing commissions	68,571	24,913
Bank charges	795	781
Depreciation	411,771	410,803
General and administrative expenses	128,794	92,108
Insurance	17,114	17,177
Interest on long-term debt	367,519	357,466
Management fees	73,725	46,645
Professional fees	4,192	28,682
Property taxes	245,150	237,291
Repairs and maintenance	71,771	78,181
Utilities	176,221	183,876
	<u>1,612,731</u>	<u>1,485,003</u>
EARNINGS BEFORE OTHER INCOME	283,251	206,714
Distributions on class B preferred units	-	(82,622)
NET EARNINGS	<u>\$ 283,251</u>	<u>\$ 124,092</u>

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

Name	Balance, beginning of year	Transfer of Partnership Equity	Net earnings	Withdrawals	Balance, end of year
Chrisken Realty Investments Inc.	191,985	8,565	24,045	(267,397)	(42,802)
DH (Ottawa) Investments Inc.	29,549	-	6,483	(80,972)	(44,940)
TH (Ottawa) Investments Inc.	(3,681)	-	4,372	(54,609)	(53,918)
AYM Real Estate Inc.	299,026	7,600	21,335	(237,267)	90,694
BC Bockstael Holdings Ltd.	262,952	-	16,706	(208,645)	71,014
B. Holmes Holdings Ltd.	262,952	-	16,706	(208,645)	71,014
Adam Mills Holdings Inc.	262,952	-	16,706	(208,645)	71,014
Walker Family Wealth Ltd.	262,952	6,683	18,762	(208,645)	79,753
1394804 Ontario Inc.	262,952	6,683	18,762	(208,645)	79,753
2077188 Ontario Inc.	299,026	(61,755)	-	(237,270)	0
2490626 Ontario Inc.	262,952	6,683	18,762	(208,645)	79,753
Grant Castle Properties Inc.	479,030	12,175	34,179	(380,102)	145,282
Maissonneuve Investments Inc.	262,952	6,683	18,762	(208,645)	79,753
Carol Holmes	262,952	-	16,706	(208,645)	71,014
McLarty Family Holdings Inc	262,952	6,683	18,762	(208,645)	79,753
A.M. Food Services Ltd.	507,474	-	32,205	(402,225)	137,454
11189450 CANADA Inc.	0.42	-	0.28	-	0.71
Limited Partners' Equity	\$ 4,168,981	(0)	\$ 283,251	(3,537,644)	\$ 914,588

302 LEGGET DRIVE 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 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

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	\$ 1,826,045	\$ -	\$ 1,826,045	\$ 1,826,045
Building	10,347,586	(1,645,101)	8,702,485	9,065,089
Building improvements	838,781	(87,719)	751,061	349,476
	<u>\$ 13,012,411</u>	<u>\$ (1,732,820)</u>	<u>\$ 11,279,591</u>	<u>\$ 11,240,609</u>

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 with principal of \$11,640,000 over a term of 84 months at current interest rate of 3.208%, repayable in blended monthly instalments of \$50,255, amortized over 30 years. This mortgage is secured with a first priority fixed charge over the land and building, and general security agreement.

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

4. DEFERRED LEASING COMMISSIONS

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Leasing commissions	\$ 481,497	\$ (98,909)	\$ 382,587	\$ 451,159

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

5. DEFERRED FINANCE CHARGES

	2022			2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Financing fees	\$ 233,771	\$ (71,299)	\$ 162,472	\$ 188,375

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

APPENDIX A

Investors	Remaining Equity*	Net Asset Value
Chrisken Realty Investments Inc.	\$106,500	\$639,611
DH (Ottawa) Investments Inc	\$32,250	\$193,685
TH (Ottawa) Investments Inc	\$21,750	\$130,625
AYM Real Estate Inc.	\$94,500	\$567,542
BC Bockstael Holdings Inc.	\$83,100	\$499,077
B Holmes Holdings Ltd.	\$83,100	\$499,077
Adam Mills Holdings Inc.	\$83,100	\$499,077
Walker Family Wealth Ltd.	\$83,100	\$499,077
1394804 Ontario Inc.	\$83,100	\$499,077
2077188 Ontario Inc.	\$94,500	\$567,542
2490626 Ontario Inc.	\$83,100	\$499,077
Grant Castle Properties Inc.	\$151,389	\$909,202
Maisonneuve Investments Inc.	\$83,100	\$499,077
Carol Holmes	\$83,100	\$499,077
McLarty Family Holdings Inc.	\$83,100	\$499,077
A.M. Realty Corp Ltd.	\$160,200	\$962,119
Total Class A Capital	\$1,408,989	\$8,462,017

(*) Equity remaining is calculated by subtracting the refinancing proceeds distributed in Q4 of 2021 from the original investment.