WESTWOOD TERRACE INVESTMENT OFFERING

Westwood Terrace was conceived by Landmark Homes (the vendor) as a residential condominium project. Upon completion in 2008, it would not have been prudent to attempt sale of 151 condo-titled homes; the suites were instead successfully absorbed by the rental market. As a builder and developer, Landmark Homes does not typically hold property in an investment portfolio and is therefore seeking to dispose of this asset.

Westwood Terrance is a 'Class A' low-rise apartment complex located in Fort Saskatchewan and built to condo specification, featuring large (average 841 sq. ft.) suites, each with 6 appliances and in-suite laundry, elevator service, underground and surface parking.

Fort Saskatchewan is gateway to Alberta's Industrial Heartland – Canada's largest hydrocarbon processing region – and home to 646 commercial and industrial companies. This city is just 15 minutes northeast of Edmonton, with a growing population of greater than 23,000 people, approximately 30% of whom occupy rental accommodations. It is both a bedroom community for Edmonton, and preferred home-base for workers serving 23 current or proposed major industrial projects valued at over $26B.

Westwood Terrace is a fully-stabilized revenue-producing asset with predictable and increasing returns. We have secured an offer to purchase, conditional upon physical due diligence and financing by mid-July, with anticipated closing in early August.

We are seeking an Equity Partner to provide a secured investment of up to $8.5M. In return, this Partner will receive a Preferred Dividend of 5%, plus a 60% share in all additional Cash Distributions, Debt Retirement, and Equity Growth. The proposed minimum hold period is 5 years. If market conditions allow, sale of individual condominium units is a possible exit strategy.

One hundred percent of contributed capital is invested in this project. There are no mark-ups, marketing campaigns, commissions, or hidden fees. This is a real partnership, not a 'retail' offering.

Financial Analysis – Westwood Terrace

We are working with a Purchase Price of $24.95M ($165,232/unit) – well below replacement cost. Our analysis is indicating a normalized Net Operating Income of $1,382,259. The Capitalization Rate is 5.54%. (Cap Rate = NOI ÷ Purchase Price)

Acquisition Budget	**Year 1**
Purchase Price	24,950,000
Due Diligence	50,000
Loan Origination, Organization, Legal	142,500
Acquisition & Project Management	261,975
Reserves	535,525
Total Project Budget	25,940,000
Financing	
Total Project Budget	25,940,000
Mortgage Proceeds (~70% LTV)	(17,500,000)
Preferred Equity Required	8,440,000
Pro-forma Operating Income	
Annual Gross Income	2,504,000
Vacancy (6.0%) & Credit Loss (0.75%)	(169,020)
Net Rent (Revenue)	2,334,980
Property Tax (2015)	213,667
Utilities (~$2,120/suite)	320,000
Management (4%+GST)	98,069
Caretaker ($600/suite)	90,600
Insurance ($430/suite)	65,000
Repairs & Maintenance ($960/suite)	145,000
Advertising & Admin ($135/suite)	20,385
Operating Expenses	952,721
Net Operating Income (NOI) = Revenue - Expenses	**1,382,259**
Cash Flow	
Net Operating Income (NOI)	1,382,259
Mortgage Payment (3.1%, 30 yr amortization, 5 yr term)	(894,480)
Preferred Dividend (5%)	(422,000)
Net Cash-Flow	65,779

Equity Partner Returns

Projected **Equity Partner Returns** are listed in the table below, assuming 2% annual increases in revenue and expenses. The first two rows represent **Cash Returns** – a Preferred Dividend equal to 5% of contributed equity, and a 60% share in additional distribution of positive Cash-Flow. Equity gained through **Debt Retirement** (mortgage principal reduction) is not realized until sale or refinance. Calculation of **Appreciation** (change in value) driven by prevailing market Cap Rates is speculative, and therefore omitted from this table.

Equity Partner Returns (60%)	EOY1	EOY2	EOY3	EOY4	EOY5
Preferred Dividend (5%)	425,000	425,000	425,000	425,000	425,000
Cash-Flow (less 10% reserve) Distribution	33,901	48,829	64,056	79,587	95,430
Debt Retirement	216,303	223,061	230,029	237,215	244,626
Appreciation (+/-)	-	-	-	-	-
Equity Partner Return	***$675,204***	***$696,890***	***$719,085***	***$741,803***	***$765,056***
ROI (Return/Equity)	***7.94%***	***8.20%***	***8.46%***	***8.73%***	***9.00%***

Equity Partner risk is limited to contributed equity. Managing Partners ([redacted]) perform due diligence, arrange and personally guarantee conventional first mortgage financing, and provide ongoing management of the asset. Upon disposition, all contributed equity is returned before distribution of remaining proceeds. A detailed Term Sheet will be provided for review prior to commitment.

IMPORTANT NOTE: Our conditional offer was based upon representations made by the vendor, and our financial due diligence has already uncovered discrepancies that invite renegotiation. We have no intention of closing this transaction at the 5.54% Cap Rate presented in this document. All gains generated through due diligence and negotiation will be shared with the Equity Partner.

Information Regarding Investment Timeline

In order to secure commitment, $2M is required prior to waiver of conditions, with the balance due 5 days in advance of closing.

There is risk associated with any investment.
We are performing rigorous due diligence and can supply additional information upon request.

The Economic Environment

The most reliable predictor of real estate value is job and population growth. In March 2015, average weekly earnings in Alberta rose to $1,177 – still by far the highest in Canada (national average is $954.07). Between April and May, Alberta lost 6,400 jobs but nevertheless tied (with Quebec) for second place in year-over-year job growth at 1.7% (behind Manitoba's 2.3%). As of Q1 2015, Alberta's year-over-year population growth was 2.5% - the highest in Canada (national average: 1%).[1]

Of course, all economic data is historic.

RBC's *Provincial Outlook, June 2015* forecasts a decline of 1% in Alberta's GDP in 2015, with a gradual recovery in energy prices contributing to a turnaround in 2016. CMHC forecasts net migration in Edmonton to decline to 20,000 people in 2015, and 18,000 in 2016. Although migration will be lower, it will remain positive throughout the forecast horizon and support demand for housing. CMHC also forecasts rental apartment vacancy rates in the Edmonton CMA to rise to 2.7% in 2015, and 3.2% in 2016, due to slower employment growth and lower migration on the demand side, and completion of purpose-built rental apartments on the supply side. This higher vacancy rate would slow the rate of rent growth to about 3.1% in 2015, and 2.37% in 2016.[2]

"Multifamily is the most active asset class as institutional investors pursue defensive options."
(CBRE Edmonton Commercial Brokers)

Supplements

- 'Westwood Terrace Sales Brochure' (Colliers)
- 'Q1-2015 Cap Rate Survey' (CBRE)
- Norwood Village comparable (Avison Young)

[1] Source: http://economicdashboard.albertacanada.com/#ZZZ
[2] Source: http://www.cmhc-schl.gc.ca/odpub/esub/64343/64343_2015_B01.pdf