8 DE GRASSI

Multi-Unit Bachelor Rental Development Project

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INVESTOR HIGHLIGHTS (*applies to Phase 1 Investors*)

SCENARIO: DEVELOP, STABALIZE, SELL

25.3%* IRR	1.66x*	$50,000
Estimated Investor IRR	Investor Cash Multiple	Minimum Investment

*Applies to Phase 1 Investors only. See appendix 6 for Phase 1/Class A investor IRR

Project Timeline: 27 months

Investor Annual Preferred Return: 8.0% (before Percy Ellis receives any profit)

Investment Required: March 28, 2016

CLOSING TIMELINE (*Phase 1 Investors*)

MARCH 2016						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

CRITICAL DATES

Package Release	March 18, 2016
Receive Investment Agreement	March 22, 2016
Execute Investment Agreement	March 25, 2016
Collect Funds	March 28, 2016
Land Closing	March 30, 2016

OVERVIEW

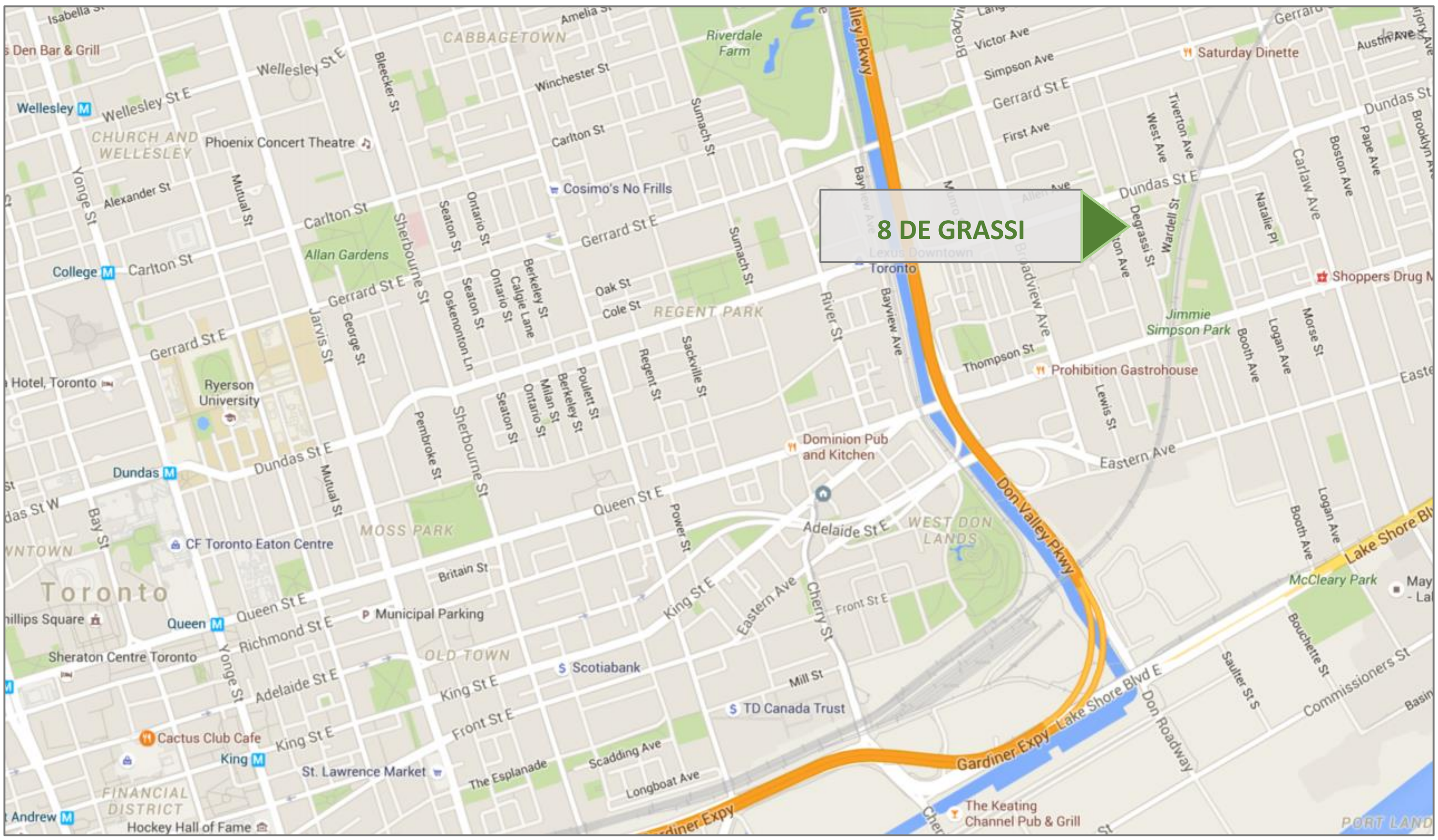
8 De Grassi will be a boutique 17-unit rental development project designed for single young professionals working in the downtown Toronto core. One of the 17 units will be a unique commercial space geared toward attracting a coffee shop or other animated use at the ground level. The 16 residential suites will be bachelor style apartments and will feature certain built in furniture (including murphy beds), in-suite laundry, glass-enclosed showers, quartz countertops, stainless steel appliances, and provide broad appeal in a growing segment of the market. 8 De Grassi capitalizes on the growing trend of mulit-purpose versatile spaces within compact units located in major city centres. A rooftop deck will offer the ultimate relaxation space with stunning skyline views. Nearly two indoor bicycle parking spaces per bachelor apartment will cater to the young mobile urban demographic.

Municipal Address	8 De Grassi Street, Toronto ON
Site Size	2,378 sq ft
As of Right Zoning	2.5 FSI (mixed residential & commercial)
Proposed Zoning	3.05 FSI (mixed residential & commercial)
Land Cost	$922,500 or $127.29 per proposed buildable sq ft
Units	17
Storeys	4 (wood frame)
Total Budget	$3,175,000
Estimated Proforma Value	$3,750,000
Stabilization	Summer 2018

The rooftop amenity will offer brilliant views of the Toronto skyline. Proximity to Eaton Centre/Queen Subway Station: 2.85 km, to Danforth: 2.04 km, to Ashbridges Bay Beach: 2.40km, to Queen Streetcar: 0.0 km, to TD Bank Tower: 3.16 km, to Union Station 3.20 km.

NEIGHBOURHOOD

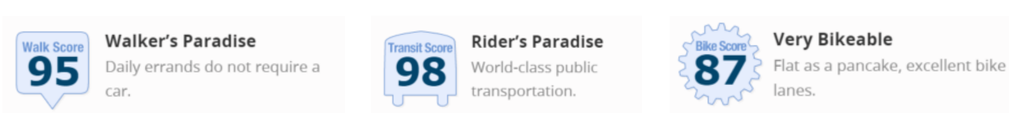
This section of Queen Street East just East of Distillery District and West of Leslieville is booming. Recent new openings on Queen East include La Carnita, Tabule, The County General, The Peasant Table and Boxcar Social. Shoppers Drug Mart open until midnight with fresh produce is a 5 min walk. Bonjour Brioche (adjacent the site), a Toronto brunch staple, and rival Lady Marmalade a stone's throw away cater to the modern tenant that entertains in their neighbourhood as much as their home. Other walkable amenities are Leslieville Cheese Market, Rowe Meat Farms, Brick Street Bakery, Ed's Real Scoop, and Starbucks. The Distillery District and the Beach are a short jaunt. Nearby large parks include Jimmy Simpson Park adjacent the site and Corktown Common, an 18 acre park located at the foot of Lower River Street. Developers have noticed the undervalued neighbourhoods of Riverdale and Leslieveille and 8 De Grassi has become the epicentre of a wave of new development along Queen St East where higher density and stronger commercialization are being encouraged by the City of Toronto.



8 De Grassi is well situated in the flourishing Downtown East commercial gentrification.

TRANSIT

8 De Grassi is a walker's dream. There is no need for a vehicle in this location as Toronto's financial core, the Eaton Centre, and all other daily amenities are within walking distance or a short streetcar ride. For example, the Streetcar trip to the Eaton Center is just 12-minutes door to door.



MARKET

Percy Ellis has built and/or owned bachelor rental units in the Ossington neighbourhood, at Bloor/Dupont, Shaw/Dundas, King/Richmond, Danforth/Woodbine and Gerrard/Main. First-hand knowledge of the central Toronto rental market confirms high demand for this style rental unit. Experience has also shown a high demand for young professionals seeking independent living spaces. A certain segment of the market requires solo living, cannot afford the cost of a 1-bedroom apartment, but is also unwilling to sacrifice on quality of finishes. Historically, this has been a difficult set of criteria to fulfill and often can only be met by living in a basement apartment (generally with lower quality finishing). These tenants choose between expensive high-rise condo bachelors or basements which sacrifice dignity and standard of living. The Percy Ellis bachelor apartment meets the needs of this growing market segment with it's highly desirable location between Riverdale and Leslieville and high-end suites made up of small versatile multipurpose spaces, while maintaining a cost below the high-rise condo alternative. Experience and CMHC data confirm the high and positive-trending rental demand for bachelor apartments in central locations.

CMHC's most recent Rental Market Data[1] (Oct 2015) reports Central Toronto vacancy rate of 1.6% which includes new and old rental stock. Riverdale shows no CMHC data for bachelor apartment rental stock (*there is a clear need in the area*). In order to find comparable product to 8 De Grassi, the Bay street corridor must be looked to, which is where the development of attractive, modern apartments has taken place in recent years. 2015 CMHC Data[1] for Bachelor apartments in the Bay Street corridor shows an average rent of $1,357, which demonstrates the demand and shows that tenants are willing to "pay-up" to live solo. This CMHC data is supported by an MLS bachelor apartment search of the last 180 days (0-499 sq ft only), showing an average leased price of $1,379. The trend toward this style of apartment comes from Asia, London England and Manhattan and has already hit the Toronto downtown core with several new micro-apartment projects being launched recently. 8 De Grassi is filling a gap in the market.

[1] https://www03.cmhc-schl.gc.ca/hmiportal/en

ESTIMATED PROFORMA VALUATION

Note: The following estimated proforma valuation of the completed project has been prepared by Percy Ellis.

SUITE TYPE	NO. UNITS	AVERAGE SQFT	AVERAGE RENTS	AVERAGE RENT / SQFT	MONTHLY INCOME	ANNUAL INCOME
Bachelor Units	16	347	$ 1,133	$ 3.27	$ 18,120	$ 217,440
Commercial Unit	1	215	$ 800	$ 3.72	$ 800	$ 9,600
TOTAL UNIT REVENUE	**17**	**339**	**$ 1,113**	**$ 3.28**	**$ 18,920**	**$ 227,040**
Bicycle Parking Revenue	20	stalls @	$ 15		$ 300	$ 3,600
Storage Locker Revenue	26	lockers @	$ 45		$ 1,170	$ 14,040
GROSS POTENTIAL INCOME						**$ 244,680**
Less: Vacancy Allowance			@	1.50%		$ 3,670
EFFECTIVE GROSS INCOME						**$ 241,010**

OPERATING EXPENSES	PER UNIT	%EGI	EXPENSE		
Management	$ 709	5.00%	$ 12,050	*5% due to small building*	
Utilities	$ 500	3.53%	$ 8,500	*Tenant utilities are separately metered*	
Repairs & Maintenance	$ 500	3.53%	$ 8,500		
Insurance	$ 180	1.27%	$ 3,060		
Wages	$ 300	2.12%	$ 5,100		
Administrative/Sundry	$ 213	1.50%	$ 3,615	*Includes snow removal & landscaping*	
Property Tax**	$ 1,300	9.17%	$ 22,107		
TOTAL OPERATING EXPENSES	**$ 3,702**	**26.11%**			**$ 62,933**

** Realty Taxes are assessed by MPAC based on applying a gross income multiplier of 13.0 times (this is a number I received from Altus) the projected gross residential revenue (including parking and storage) and multiplying the estimate by the 2015 multi-residential tax rate of 0.7056037%.

NET OPERATING INCOME	**$ 178,077**

VALUE	CAP RATE	VALUE	ROUNDED	BUILT IN EQUITY
HIGH	4.50%	$ 3,957,260	$ 3,960,000	$ 785,000
PROJECTED	**4.75%**	**$ 3,748,983**	**$ 3,750,000**	$ 575,000
LOW	5.00%	$ 3,561,534	$ 3,560,000	$ 385,000

Note: Assumption is made that only cap rate varies and effects value. In reality many other factors including but not limited to success of construction, actual rents, actual expenses, market conditions, economic market conditions will effect the stabilized value of the property.

MULTI-FAMILY CAP RATES

A search of sales conducted by Percy Ellis yielded no known trades of comparable, recently built, multi-family rentals sold in Toronto. The following representative sales history of somewhat similar-sized but older buildings yields an average cap rate of 4.04%. Some of these buildings offer redevelopment potential and rent upside, however are generally older and in need of infrastructure and/or cosmetic repair.

Sale Date	Transaction Name	Units	Cap Rate	Price	Per Unit	Notes
29-Sep-15	172 Sherwood Avenue	18	4.40%	$5,427,500	$301,528	Built 1961, rents generally at market, 9 1-bed, 6 2-bed, 3 3-bed
29-Jun-15	4 Latimer Avenue & 556 - 560 Eglinton Avenue West	64	3.20%	$11,200,000	$175,000	Built 1951, low rents, 32 bach, 29 1-bed, 3 retail
24-Jun-15	110 Oriole Parkway	33	4.70%	$8,000,000	$242,424	Built 1938, low rents, 26 1-bed, 4 2-bed, 3 3-bed
21-Apr-15	50 Gloucester Street	35	3.60%	$5,450,000	$155,714	Built 1928, no rent comment, 27 bach, 8 1-bed
23-Jul-14	143 - 145 Arlington Avenue	60	3.80%	$8,450,000	$140,833	Built 1930, low rents
14-Mar-14	680 Roselawn Avenue	64	3.30%	$17,250,000	$269,531	Built 1958, low rents, 7 bach, 25 1-bed, 31 2-bed, 2 3-bed
31-Jan-14	2808 Keele Street	53	5.10%	$6,450,000	$121,698	Built 1937, outside of downtown, no rent comment, 50 2 bed, 2 4-bed, 1 sfh
30-Jan-14	42 Glen Elm Avenue	31	4.20%	$7,700,000	$248,387	Built 1957, no rent comment
Average Cap Rate			**4.04%**			

Realnet Search Criteria: Area - City of Toronto; No. of units - max 70; Period – Nov 20, 2013-Nov 20, 2015 (search results without cap rates were excluded)

Further, the CBRE Q3 2015 Cap Rate & Investment Insights[2] reports cap rates in Toronto for Class A high-rise and low-rise multifamily rentals range from 3.25%-4.00%.

Percy Ellis believes a stabilized project comparable to 8 De Grassi would trade at +/-4.25% in today's market.

[2] http://www.cbre.ca/EN/services/capitalmarkets/Pages/investment-insights.aspx

BACHELOR APARTMENT COMPARBLES

Proposed units are functional and efficient offering an opportunity to undercut rents of other bachelor units in the city. Third party comparable data fully supports the 8 De Grassi estimated proforma bachelor apartment rents of $1,133.

Address	Apt#	Style	Size (sq ft)	Community	Leased Price	Leased Date
55 Regent Park Blvd	906	Bachelor	0-499	Regent Par...	$1,150	10/5/2015
26 Western Batt... Rd	206	Bachelor	0-499	Niagara	$1,175	9/28/2015
415 Jarvis St	116	Bachelor	0-499	Cabbagetow...	$1,200	11/22/2015
25 Cole St	619	Bachelor	0-499	Regent Par...	$1,200	11/7/2015
170 Sumach St	2111	Bachelor	0-499	Regent Par...	$1,250	10/12/2015
55 Regent Park Blvd	2211	Bachelor	0-499	Regent Par...	$1,250	1/28/2016
55 Regent Park Blvd	706	Bachelor	0-499	Regent Par...	$1,250	12/11/2015
231 Fort York Blvd	218	Bachelor	0-499	Niagara	$1,275	10/22/2015
650 Queens Quay W	Ph21	Bachelor	0-499	Niagara	$1,280	11/15/2015
8 York St	3201	Bachelor	0-499	Waterfront...	$1,300	1/16/2016
65 Harbour Sq	405	Bachelor	0-499	Waterfront...	$1,300	1/8/2016
170 Sumach St	624	Bachelor	0-499	Regent Par...	$1,300	10/8/2015
210 Victoria St	1206	Bachelor	0-499	Church-Yon...	$1,320	2/19/2016
209 Fort York Blvd	1272	Bachelor	0-499	Niagara	$1,325	12/1/2015
26 Western Batt... Rd	225	Bachelor	0-499	Niagara	$1,325	9/22/2015
169 Fort York Blvd	910	Bachelor	0-499	Waterfront...	$1,325	10/11/2015
345 Carlaw Ave	1108	Bachelor	0-499	South Rive...	$1,350	11/15/2015
101 Charles St E	1609	Bachelor	0-499	Church-Yon...	$1,350	12/25/2015
7 King St E	2202	Bachelor	0-499	Church-Yon...	$1,350	2/6/2016
75 St Nicholas St	3406	Bachelor	0-499	Bay Street...	$1,350	2/24/2016
600 Fleet St	408	Bachelor	0-499	Niagara	$1,350	11/25/2015
170 Sumach St	724	Bachelor	0-499	Regent Par...	$1,350	9/23/2015
705 King St W	807	Bachelor	0-499	Niagara	$1,350	2/12/2016
8 Mercer St	1503	Bachelor	0-499	Waterfront...	$1,375	9/28/2015
8 Colborne St	1201	Bachelor	0-499	Church-Yon...	$1,380	9/29/2015
1 Scott St	311	Bachelor	0-499	Waterfront...	$1,390	12/19/2015
1 Scott St	1010	Bachelor	0-499	Waterfront...	$1,400	12/5/2015
55 Regent Park Blvd	1606	Bachelor	0-499	Regent Par...	$1,400	9/12/2015
8 Mercer St	2203	Bachelor	0-499	Waterfront...	$1,400	10/23/2015
32 Davenport Rd	2301	Bachelor	0-499	Yonge-St. ...	$1,400	11/27/2015
32 Davenport Rd	2301	Bachelor	0-499	Yonge-St. ...	$1,400	11/27/2015
600 Fleet St	313	Bachelor	0-499	Niagara	$1,400	1/6/2016
208 Queens Quay W	3601	Bachelor	0-499	Waterfront...	$1,400	9/11/2015
14 York St	4202	Bachelor	0-499	Waterfront...	$1,400	1/12/2016
1 Scott St	2110	Bachelor	0-499	Waterfront...	$1,425	9/14/2015
5 St Joseph St	410	Bachelor	0-499	Bay Street...	$1,425	12/22/2015
199 Richmond St W	820	Bachelor	0-499	Waterfront...	$1,425	1/5/2016
208 Queens Quay Quay W	2701	Bachelor	0-499	Waterfront...	$1,450	9/24/2015
8 Mercer St	2803	Bachelor	0-499	Waterfront...	$1,450	2/16/2016
35 Balmuto St	502	Bachelor	0-499	Bay Street...	$1,450	2/19/2016
101 Charles St E	509	Bachelor	0-499	Church-Yon...	$1,450	9/27/2015
12 York St	5508	Bachelor	0-499	Waterfront...	$1,450	3/10/2016
763 Bay St	2414	Bachelor	0-499	Bay Street...	$1,480	2/5/2016
8 Charlotte St	404	Bachelor	0-499	Waterfront...	$1,500	3/11/2016
38 Grenville St	1105	Bachelor	0-499	Bay Street...	$1,550	10/13/2015
1 King St W	2805	Bachelor	0-499	Bay Street...	$1,595	10/9/2015
21 Widmer St	4003	Bachelor	0-499	Waterfront...	$1,600	10/26/2015
1 King St W	2107	Bachelor	0-499	Bay Street...	$1,650	9/16/2015
55 Stewart St	505	Bachelor	0-499	Niagara	$1,650	9/23/2015
MLS search criteria: core and outter core City of Toronto, past 180 days, all bachelor apts, all prices, 0-499 sq ft size						
Market Average					$1,379	
8 Degrassi St Average					$1,133	

Note: 8 Degrassi average price is lower than the lowest leased rented bachelor apt in Toronto in the entire downtown core and outter core in the last 180 days

FURTHER BACHELOR APARTMENT RENTAL ANALYSIS

Research was conducted by Percy Ellis at new purpose built rental buildings around Toronto in desirable central neighbourhoods – most were sold out of bachelor units. Two developers had product available in their new buildings: Concert Properties (Motion) and Oxford (1101 Bay – older renovated buiding). Per the chart below average available price per square foot among these units is $3.51 (vs 8 De Grassi at $3.28) and the average price of available units is $1,385 per month (vs 8 De Grassi at $1,133). No units were excluded from the research and these were the only two comparably located buildings of comparable quality with bachelor units available in them. Several units are fetching $3.70+psf.

In context, the unique part about 8 De Grassi St is that it's a boutique building in a very trendy part of town that has a lot to offer that these other areas may not. It's a quieter, more connected life on the East side. The area is unique and offers space, parks, friendliness, and an intimacy that some tenants require in an area they are going to call home. Granted, there are other locational advantages to the large comparable buildings mentioned above but there are also locational advantages to 8 De Grassi St that will drive people to this smaller building with only 4 stories (no 25-40 floor elevator to battle). As a broker from CBRE pointed out on a call, 8 De Grassi is an easy proposition, because besides all of the obvious reasons it's a good project, only 17 people need to be convinced to live in the building, not 217.

It is also worth noting that because 8 De Grassi is a new build it is not restricted to CMHC regulated annual rent increases (no rent control). Rent can be increased any amount on a yearly basis if desired. This information only applies to a potential long term hold scenario but is an interesting and relevant point (relevant to the future buyer as well).

Builder/ Property Name	Rent/month	Sq Ft	Price per sq ft	Balcony	Washer /Dryer Ensuite	Bedrooms	Hydro / Water
One32 (Concert Properties) -Bachelor	$1,280	371	$3.45	No	Yes	Bachelor	Hydro and water extra, it is a boiler system
One32 (Concert Properties) -Bachelor	$1,220	328	$3.72	Yes	Yes	Bachelor	Hydro and water extra, it is a boiler system
Motion (Concert Properties) Studio A10	$1,525	402	$3.79		Yes	Bachelor	Hydro and water extra
Motion (Concert Properties) Studio	$1,430	425	$3.36	Yes	Yes	Bachelor	Hydro and water extra
Motion (Concert Properties) Studio A3	$1,450	398	$3.64		Yes	Bachelor	Hydro and water extra
Oxford - 1101 Bay - Studio standard - no dishwasher	$1,365	414	$3.30	No	No	Bachelor	Hydro extra, water included
Oxford - 1101 Bay - Studio upgraded, with dishwasher	$1,425	430	$3.31	No	No	Bachelor	Hydro extra, water included
Market Average	**$1,385**		**$3.51**				
8 De Grassi Average	**$1,133**		**$3.28**				

BUDGET

The budget as outlined below has been prepared by Percy Ellis and was vetted by industry peers. A conservative approach was taken while being careful not to over-inflate any individual line items (see Appendix 2 for a detailed budget). The small scale of the project allows the possibility of in-house Percy Ellis Construction or, if an appropriate larger scale general contractor prices the job well, that direction is also an option. Due to Percy Ellis' past experience in 4-storey wood and light structural steel frame construction, the hard cost construction risk is significantly limited.

SUMMARY		BUDGET	COST PER UNIT	COST PER SQFT	%
A	LAND	$ 961,931	$ 56,584	$ 130.02	30.3%
B	HARD COSTS	$ 1,193,753	$ 70,221	$ 161.35	37.6%
C	ARCHITECTS & ENGINEERS	$ 52,500	$ 3,088	$ 7.10	1.7%
D	OTHER CONSULTANTS COSTS	$ 52,573	$ 3,093	$ 7.11	1.7%
E	FEES & PERMITS	$ 481,516	$ 28,324	$ 65.08	15.2%
F	MARKETING, LEGAL & ADMINISTRATION	$ 54,679	$ 3,216	$ 7.39	1.7%
G	GOVERNMENT TAXES	$ 150,000	$ 8,824	$ 20.27	4.7%
H	FINANCING COSTS	$ 252,915	$ 14,877	$ 34.18	8.0%
I	SOFT CONTINGENCY	$ 31,893	$ 1,876	$ 4.31	1.0%
J	OFFSETTING INCOME	-$ 56,760	-$ 3,339	-$ 7.67	-1.8%
	TOTAL PROJECT COSTS	**$ 3,175,000**	**$ 186,765**	**$ 429.13**	**100.0%**

PROJECT PROFITABILITY (STABILIZE AND SELL)

Proforma Valuation		**$ 3,750,000**	Proforma Cap Rate	**4.75%**
Budget		$ 3,175,000	Required Equity	$ 635,000
Sales Costs	2.5%	$ 93,750	Project Cash Return Multiple	1.76 x
Profit		$ 481,250	Development Yield (Cap on cost)	5.61%
Profit (% of Budget)		15.2%	Project IRR	37.1%
Ph1 Limited Partner Cash Multiple		1.66	Ph1 Limited Partner IRR	25.3%

DEVELOPMENT TIMELINE

March 2016	Site acquisition
April 2017	Site plan approval & ground breaking
Jan 2018	Lease up commences
Feb 2018	Substantial completion
March 2018	Occupancy
June 2018	Project stabilization

LAND

The subject site was previously improved with a single storey slab on grade building with partial basement. This building was demolished in 2010 and building rubble was used to fill in the basement. Land has since sat vacant.

The vendor purchased the land from the previous owner who did the demolition and filed for and received the residential record of site condition, allowing for residential construction on the land. The current vendor purchased the land and proposed/received approval for a 3 storey mixed use office/home; however, the vendor's business circumstances changed and the proposed structure was no longer required so the property went to market vacant instead (exclusive/private listing).

Percy Ellis has other development projects in the area and noticed the for sale sign on the property in early 2015 and tied up the land in May for $932,500 after negotiations took place. After going through due diligence Percy Ellis requested a discount from the price and this caused the deal to fall through. The vendor kept the property on the market. After the summer passed in 2015 Percy Ellis provided another lower offer that was then accepted by the vendor. The private nature of the transaction as well as the difficult to assess environmental status of the property led Percy Ellis into this purchase at an attractive price. The land is particularly valuable due to the flexible commercial/residential mixed use zoning as well as the fact that the land has vehicular access from three sides (North city lane, South right-of-way, East De Grassi St). In addition, this allows for windows on all 4 sides of the building, an extremely rare condition which adds great value and flexibility when it comes to interior layouts.

ZONING / ENTITLEMENT STRATEGY

After detailed discussions with Gowlings (planner) and Aba Architecture (architect), the entitlement risk was deemed extremely low for the proposed 8 De Grassi development.

8 De Grassi is in a designated Mixed Use Commercial Residential area within the official plan which mandates development and density. Our proposal, which slightly exceeds as-of-right zoning, but does not exceed to point of meeting “major status” is the ideal proposal both for the City (to get their intensification needs) and for the project to ensure a streamlined, predictable planning approvals process.

The site application will be framed as sensitive revitalization, in conformity with the City’s official plan, while meeting the general intent and purpose of the zoning by-law. The application meets the four tests required for approval, and therefore constitutes good planning. Specifically, Percy Ellis considers the prospects for approval at the committee of adjustment to be very good.

Further, two preliminary meetings with City Staff have occurred. One in September 2015 where feedback was taken and used to revise drawings and another recent meeting on March 9th showing those updated drawings. The updated drawings were received very well and City staff went as far as to say that they do not see any reason to require a zoning amendment and that notwithstanding the review of a couple small items, they will recommend and support approval through the committee of adjustment process.

A third party appeal of a committee of adjustment minor variance approval or a denial at committee of adjustment has been accounted for in our planning timeline. It is site plan approval that will be the ultimate bottle neck in our timeline and both committee of adjustment as well as dealing with an appeal or denial can run in parallel with the site plan approval process, both estimated to conclude in 12 months from the time of land acquisition.

Timeline: Assume one year to complete site plan approval, however, initial below grade construction work could commence upon receiving Notice of Approved Conditions (NOAC) which could come as soon as 6 months post application submission. Submission is targeted for April 2016. During underground work the final development agreement will be completed and registration of the agreement will trigger the City’s Final Statement of Approval. This will occur at the 10-12 month mark, assuming entitlements have also been received by this time.

ENVIROMENTAL SUMMARY

Prior to Percy Ellis’ involvement with the site Fisher Environmental was commissioned to complete Phase 1 & 2 environmental site assessments in 2011. The result was a remediation program recommendation that was carried out by JFM Environmental in May 2011. From here a record of site condition was obtained which approved the site for residential use and this RSC was filed with the Ministry of Environment. As a precaution, Percy Ellis hired Environmental Management Group (EMG) Canada to review the previous Phase 1, 2 and 3 and provide comment. EMG determined that, while there would be no issues receiving approvals and building permits, there appeared to be a risk that after JFM completed the soil remediation program, rubble from the demolition of the building that was on the site was used to fill up the hole in the ground created by the phase 3 remediation. It was specifically noted in the JFM report that the hole was left empty. In addition, there was a note about a part of the existing building remaining in place during remediation which caused confusion as to how remediation could have occurred with part of a building remaining on site. Percy Ellis decided to commission a new Phase 2 by EMG Canada. It was determined, by EMG through a new Phase 2, as summarized below, that minor site contamination remained and that some additional removal of soils is required. It was concluded that in all cases the remediation requirements are minor in nature.

Phase 1 Review/Update of previous files: The subject site has a colourful history of uses and the seemingly haphazard remediation program completed by JFM led to concern that minor contamination may remain on the site, likely from imported fill used to backfill.

Recommendations: Concern is limited to about 5-7 feet depth in the upper level soil across the site. Any environmental impacts are anticipated to be located in this upper level; however, groundwater should be tested to be sure due to liability if an issue exists in groundwater. Phase Two Environmental is recommended.

Phase 2: Lab tests confirmed existence of some MOE regulated metals exceeding allowable levels in the upper levels of the site to a depth of about 3-6.7 feet. No other environmental concerns requiring any remedial action were found at any other depth of the site including within the ground water.

Recommendations: Phase 3 soil remediation – The metal impacted soil, varying in depth from 3-6.7 feet must be taken to an MOE approved low hazardous fill site. The approximate volume of metal impacted soil for off-site disposal is 765 metric tons. EMG Canada has carried out environmental remediation programs for more than 27 years. Based on industry standards EMG Canada estimates the remedial work to cost on the high end $95,000 +HST.

INVESTMENT STRUCTURE

8 De Grassi development will be structured as a joint venture between capital contributing joint venture members and the project manager, Percy Ellis Holdings Inc., or an affiliate of Percy Ellis Holdings Inc. Title will be held and controlled by 8 De Grassi St Inc., a newly incorporated company. Capital contributing joint venture member will be issued share certificates of 8 De Grassi St Inc in their proportionate share of the carried interest. Up to $650,000 of committed capital will be raised from capital contributing joint venture members in two phases. Phase 1 will require up to a maximum of $350,000 and will bring the project through pre-development until the point that the project is “shovel-ready”. Phase 2 will take the project through construction to lease-up and stabilization. Percy Ellis (or an affiliate) will commit 15% of the required capital to phase 1 and a minimum 10% of the total (phase 1 and phase 2) committed capital on the same terms as the other capital contributing joint venture members. All capital contributing joint venture members will be required to sign a joint venture agreement which will govern the joint venture and its operations and assets.

The 8 De Grassi development offers investors healthy risk-adjusted returns. For detailed structure of the investment refer to the term sheet.

Percy Ellis will earn a 1% management fee on the total project budget as outlined in Appendix 2, earned as project costs are incurred.

DEVELOP, STABALIZE, SELL

Upon stabilization, the developed property will be sold on the open market and the joint venture and corporate entities will be wound up, unless a unanimous resolution of the joint venture partners is reached to hold the asset long term.

JOINT VENTURE PARTNER INVESTMENT HIGHLIGHTS:

25.3%*	1.66x*	8.0%
Est. Joint venture partner IRR	Est. Joint venture partner Cash Multiple	Preferred Return Per Annum (calculated on called capital)

*Applies to Phase 1 investors only. See appendix 6 for Phase 1 investor IRR

PROJECT PROFITIBILITY

Proforma Valuation		$	**3,750,000**	**Proforma Cap Rate**		**4.75%**
Budget		$	3,175,000	Required Equity	$	635,000
Sales Costs	2.5%	$	93,750	Project Cash Return Multiple		1.76 x
Profit		$	481,250	Development Yield (Cap on cost)		5.61%
Profit (% of Budget)			15.2%	Project IRR		37.1%
Ph1 Limited Partner Cash Multiple			1.66	Ph1 Limited Partner IRR		25.3%

PRIORITY OF JOINT VENTURE DISTRIBUTIONS:

At a high level the following will occur,

1. Repay construction loan and other development and partnership costs
2. Return joint venture partners' invested capital
3. Pay joint venture partners' 8% preferred return per annum
4. Thereafter, returns will be split 60% to joint venture partners, 40% to the general partner

<u>FOR FULL DETAILS REFER TO TERM SHEET.</u>

LONG-TERM HOLD (ESTIMATION)

A long term hold requires a unanimous resolution of the project manager and all capital contributing joint venture partners. Upon stabilization, the construction debt will re-financed with low rate bank financing and the developed property will be retained on a long term basis as an income producing asset (a "Long-Term Hold").

JOINT VENTURE MEMBER INVESTMENT HIGHLIGHTS:

12.18%	8.0%
Est. Joint venture partner Return on Equity Per Annum (CMHC Financing)	Joint venture partner Preferred Return Per Annum (calculated on equity in project)

ESTIMATED CASH FLOW AND LONG TERM HOLD PERFORMANCE (2 financing options)

LONG TERM ESTIMATED PROFORMA (CMHC BANK FINANCING)									
	CAP RATE[1]	VALUE[2]	ROUNDED						
CMHC Value	5.50%	$ 3,018,658	$ 3,000,000						
CMHC Premium % added to loan	3.75%								
	LEVERAGE[3]	LOAN	RATE[4]	AMORT	PMT	GP ASSET MNGT FEE[5]	NET CASH FLOW[6]	DSC RATIO	
CMHC 1st Mortgage (at CMHC value)	84%	$2,635,250	2.75%	30	$ 128,837	$ 3,615	$ 45,625	1.38 x	
	Equity Take Out	Equity Remaining	Annual Cash on Cash	Return on Equity	Total Return on Equity	% to LP until full return of LP Capital	Approx. LP ROE for Project		
Long Term Hold Performace	$ -	$ 635,000	7.19%	9.08%	16.27%	16.27%	12.96%		

(1) CMHC cap rate estimated at 5.5% based on high end of TD Bank opinion of appropriate range for CMHC attributed cap rate for similar developments as-complete
(2) Based on estimated proforma valuation of the completed project using CMHC cap rate outlined above and adding additional 5% to expense ratio to account for CMHC's tendancy to underwrite expense ratios more conservatvely than actual expenses.
(3) Loan amount used in the leverage calculation does not include the CMHC fee
(4) TD Bank current CMHC financing rates are 1.82% on 5-year term, and 2.68% on 10-year term as at Jan 19, 2016. 2.75% is used as a conservative estimate. Up to 85% leverage is available. Up to 40 year amortization is available.
(5) General partner receives 1.5% of EGI as asset management fee in a Long-Term Hold scenario
(6) Based on estimated NOI as set out in NOI section.

LONG TERM ESTIMATED PROFORMA (CONVENTIONAL BANK FINANCING)									
	CAP RATE[1]	VALUE[2]	ROUNDED						
Bank Value	4.75%	$ 3,748,983	$ 3,700,000						
	LEVERAGE	LOAN	RATE[3]	AMORT	PMT	GP ASSET MNGT FEE[4]	NET CASH FLOW[5]	DSC RATIO	
Bank 1st Mortgage (at bank value)	68%	$2,540,000	3.75%	25	$ 156,227	$ 3,615	$ 18,234	1.14 x	
	Equity Take Out	Equity Remaining	Annual Cash on Cash	Return on Amortization	Total Return on Equity (ROE)	% to LP until full return of LP Capital	Approx. LP ROE for Project		
Long Term Hold Performance	$ -	$ 635,000	2.87%	9.93%	12.80%	12.80%	10.88%		

(1) A conservative cap rate estimated at 4.75% is used as set out in cap rate derivation section.
(2) Based on estimated proforma valuation of the completed project as set out in proforma valuation section.
(3) TD Bank current conventional financing rates are 2.61% on 5-year term, and 3.45% on 10-year term as at Jan 19, 2016. 3.75% is used as a conservative estimate.
(4) General partner receives 1.5% of EGI as asset management fee in a Long-Term Hold scenario
(5) Based on estimated NOI as set out in NOI section.

PRIORITY OF JOINT VENTURE DISTRIBUTIONS: REFER TO TERM SHEET/SUBSCRIPTION AGREEMENT

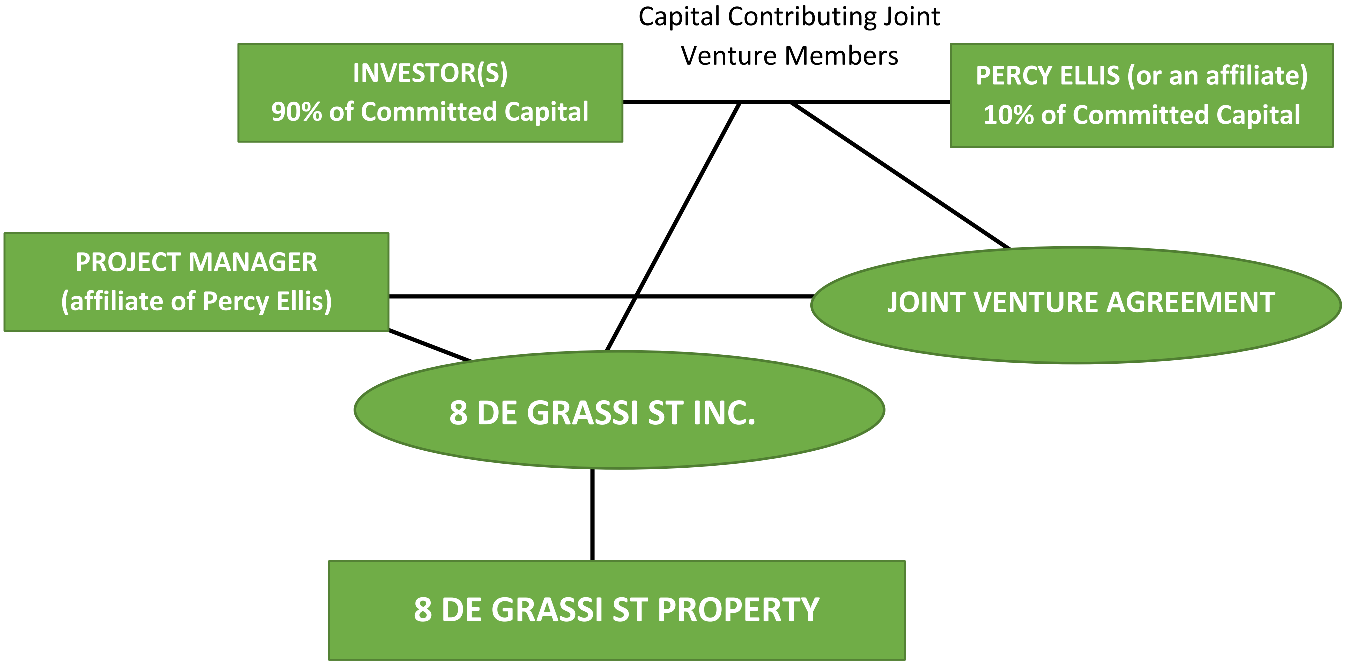
At a high level the following will occur,

1. The developed property will be re-financed, and the limited partners will participate in repayment of capital from the distributions of the re-financing, if any, pro rata according to their proportionate share of their joint venture interest (“Proportionate Share”);
2. the joint venture members will receive an annual preferred return (compounded annually) on equity in the project of 8%, paid or allocated from net cash flows and mortgage principle payments;
3. remaining net cash flows and mortgage principle payment over and above the 8% preferred return will be distributed to the JV members as return of capital until all capital is returned to the JV members;
4. thereafter, where all capital has been returned to the JV members, all net cash flows and mortgage principle payments will be distributed 60% to the JV members, and 40% to the general partner;
5. the general partner will be entitled to an asset management fee of 1.5% of effective gross income payable by the joint venture.

<u>FOR FULL DETAILS REFER TO TERM SHEET.</u>

The developed property will be held by the joint venture members indefinitely until a sale of the developed property and the wind-up of the joint venture and corporate owner is approved by a special resolution of joint venture members.

OWNERSHIP STRUCTURE



REPORTING

Formal project updates including high level status and costs to date are provided on a quarterly basis and ad hoc updates are available anytime by phone or email. Required tax information is provided annually.

RISK

Percy Ellis uses its best effort to minimize the risk to investment capital, however, there are inherent site specific and market risks with every project. All investors are urged to complete their own due diligence and risk assessment and not rely solely on the contents of this document. Independent legal, financial reporting, and tax advice is strongly encouraged.

PERCY ELLIS

Percy Ellis was founded in 2013 and represents the partnership of James Burton and Emery Daniels who have been raising investor equity and developing real estate since 2006. Percy Ellis is focused on residential properties near public transit lines and other amenities important to urban city-dwellers. Percy Ellis targets areas within central Toronto that have shown strong historic appreciation and areas poised for above average appreciation via gentrification. Compared to other major urban centers, the favourable relationship between cost and rent as well as relatively low barriers to entry continue to provide tremendous opportunities for profit.

James Burton graduated with honours in Electrical Engineering at Queen's University and was recruited by TELUS Mobility into a new graduate leadership program where he worked in the engineering, product development, and business analytics departments. During that time, James raised his first tranche of investor capital and began acquiring detached and semi-detached properties as well as preconstruction condominiums. In 2008 James left TELUS to pursue real estate investment and development full time and has since completed more than fifteen successful projects.

Emery Daniels, CPA, CA, earned his Bachelor of Science from UBC in 1993 and his Chartered Accounting designation in 2001. Emery's interest in real estate began in the late 90's while working with large-scale real estate marketing, design, and fulfillment clients as Senior Manager at Ernst & Young in Vancouver. In 2007, Emery relocated his family to Toronto to capitalize on opportunities in the GTA's larger and more dynamic real estate market. Emery acquired and redeveloped five long-term hold properties with a focus on high-end residential triplexes. Emery's key knowledge base includes multi-family development, the Ontario Building Code, private company financial reporting and taxation and the Residential Tenancies Act. Emery manages Percy Ellis' reporting and taxation and oversees site construction.

PERCY ELLIS' INVESTMENT GOAL: Preserve capital while achieving maximum returns on investor equity through urban redevelopment.

INVESTMENT STRATEGY: Percy Ellis' investment strategy is based on the acquisition of undervalued and/or distressed real estate with the objective of unlocking the investments' inherent rent-based valuation through creativity and a solid understanding of market fundamentals, the construction process and residential leasing. Years of experience testing various investment strategies have led us to our current area of focus, infill multi-family residential properties. We are attracted to this segment of the market for the following reasons:

- Shortage of quality rental accommodations;
- Lack of available building sites;
- Municipal multi-family buy-in; and
- High demand for turn-key cash flowing investments.

DISPOSITION: Tenanted investments are subsequently listed, marketed, and sold. From sale to close, stabilized investments generate rents offsetting carrying costs and providing short-term cash flows. As a contingency should market conditions not be conducive to reaching targeted projections, investments can be held as profit-generating income properties until the market improves. To date, such contingencies have not been utilized.

CURRENT PROJECTS:

Address	Purchase Date	Description
167 Carlaw Ave	2016-04-30	Multi-family project
41 River St	2016-03-30	Multi-family project
8 De Grassi St	2016-03-30	Multi-family project
160 Lansdowne Ave	2016-01-12	Multi-family project
50 Pape Ave	2015-08-14	Multi-family project
1415 Gerrard St E	2015-06-01	Multi-family project with commercial at grade
512 Eastern Ave	2015-03-13	Multi-family project
189 Sheridan Ave	2014-04-23	Multi-family project
910 Dundas St E	2014-11-11	Multi-family project
912 Dundas St E	2014-11-11	Multi-family project
1553 Bloor St W	2014-09-19	Multi-family project
1555 Bloor St W	2014-09-19	Multi-family project
1557 Bloor St W	2014-09-19	Multi-family project
111 Boston Ave	2014-08-18	Multi-family project
78 Teignmouth Ave	2014-07-25	Multi-family project
2243 Gerrard St E	2014-06-06	Multi-family project
260 Sackville St, Unit 210	2011-10-18	Condonmium rental unit
322 Shaw St	2010-04-15	Multi-family project
62 Mackenzie Cres.	2009-04-30	Multi-family project
63 Lakeview Ave	2008-10-31	Multi-family project

PAST PROJECTS:

Address	Purchase Date	Description
85 Carlaw Ave	2014-09-12	Single family home renovation
1169 Ossington Ave	2014-01-16	Multi-family project
104 Jones Ave	2014-01-08	Single family home renovation
13 Wade Ave	2013-12-31	Multi-family project
993 Gerrard St E	2013-09-23	Multi-family project
1431 Woodbine Ave	2013-08-02	Multi-family project
185 Munro	2013-05-21	Multi-family project
1012 Greenwood Ave	2013-03-12	Multi-family project
510 King St E, Unit 316	2012-06-15	Condominium rental unit
720 Richmond St W	2011-02-01	Multi-family project
55 Stewart St, Unit 419	2009-12-23	Condominium rental unit
71 Government Rd E	2009-04-17	Multi-family project
1297 Dufferin St	2009-03-30	Multi-family project
356 Painted Post Dr	2008-01-31	Single family home renovation
17 Churchill Ave	2008-01-15	Multi-family project
36 Lee Centre Dr, Unit 1612	2006-08-20	Condominium rental unit