



BDMC
 Building & Development Mortgages Canada Inc.
 BROKERAGE L.P. # 10102



FORTRESS
 REAL DEVELOPMENTS

SYNOPSIS

Fortress Real Developments Inc. ("FRDI") is pleased to present the following profit share agreement on +/- 554-bed student rental development in Hamilton, ON, Canada with Rockwater Group in exchange for bringing a portion of required equity/participating debt funds to the transaction. This injection will enter via Building & Development Mortgages Canada Inc. ("BDMC") (FSCO Administrator license #12304).

Date:	March 22, 2016
Borrower/Partner:	Rockwater Group ("ROCKWATER")
Financing Opportunity:	Participating Mortgage Debt/ Equity Participation
Facility:	\$9,468,685 Subordinate Mortgage Debt Net Funds to Project: \$4,878,000 <i>Gross Equity Obligation</i> \$9,468,685 as follows: <i>Principal Portion:</i> \$ 7,434,545 <i>Interest Portion:</i> \$ 2,034,140
Purpose:	To provide \$9,468,685 of mortgage debt & participating mortgage debt/equity participation to assist with soft & hard costs to development the project, and interest costs for the subject facility.
Project Description:	A +/- 554-unit student rental development project located at 64 Main Street East, Hamilton, ON. The subject facility will assist with soft & hard costs to develop the project.
Special Features:	<ul style="list-style-type: none"> • BDMC secures a mortgage on the property that fully postpones, subordinates and standstill to construction financing, deposit insurance, etc. • An 8% note is charged on the loan facility of \$9,468,685 and will be funded by way of advances from BDMC through additional capital raises and/or an accrual, at the Lender's discretion (see "Schedule A" for projected costs). • BDMC raises additional capital to cover the expense of its net equity capital raise, which is included in the loan facility provided. • Should any additional partners or guarantee fees be applicable for the purpose of satisfying requirements for construction financing, the cost of said partner or fee shall be borne by ROCKWATER, and not FRDI or the project. Approval of 3rd party guarantors to be at FRDI's sole and absolute discretion.
Major Conditions:	<ul style="list-style-type: none"> • Construction & Mezzanine Financing commitments • Completion of due diligence, including but not limited to site visit by FRDI • Confirmation of borrower equity of \$542,000 in the project
Cost of Capital/Pricing:	Fortress will be entitled to 50% of profits from net sale proceeds. Setup Fee: \$100,000
Cashflow Waterfall:	<ol style="list-style-type: none"> a) Repayment of Senior Debt Facility b) Repayment to FRDI of Net Equity to the Project, pari-passu with Net equity provided by ROCKWATER c) Priority Profit to FRDI \$5,348,179 d) Profit Equalization to ROCKWATER \$5,348,179 e) Balance of profit to be split 50/50

Term: 36 months

Security:

1. Third mortgage charge in the amount of \$9,468,685 subordinate to land financing & mezzanine loan, and eventually conventional development financing.
2. All other standard security required for a transaction of this nature, including liability insurance.
3. No personal Guarantee will be required.

Availability:

Tranched advances, equal to \$4,878,000 in net funds, as detailed under Schedule "A".

Project Economics:

PROJECT ECONOMICS			
Land Cost		7%	\$ 3,100,000
Hard Costs		63%	\$ 26,060,000
Other Soft Costs		2%	\$ 730,000
Sales, Marketing, Admin, and Fees		24%	\$ 9,830,000
Financing Costs		4%	\$ 1,760,000
TOTAL COSTS			\$ 41,480,000
Net Revenues			\$ 54,680,000
TOTAL REVENUES			\$ 54,680,000
PROJECTED PROFIT			\$ 13,200,000

Financing Program:

FINANCING PROGRAM			
Construction Financing		70%	\$ 29,060,000
Borrower's Cash Equity		1%	\$ 542,000
FRDI net Equity		12%	\$ 4,878,000
Mezzanine Loan		12%	\$ 5,000,000
Subordinate VTB		5%	\$ 2,000,000
TOTAL SOURCE OF FUNDS			\$ 41,480,000
PROJECT BUDGET			\$ 41,480,000
TOTAL USES OF FUNDS			\$ 41,480,000

NEXT STEPS:

BDMC/FRDI will present ROCKWATER a Letter of Interest along with conditions list. Upon execution and satisfaction of conditions, a Loan Agreement between the borrowing entity and investors is negotiated along with a Development Consultant Agreement between ROCKWATER and FRDI. First funding is usually scheduled for 30-60 days after execution of the loan agreement and development loan agreement, or as outlined above.

Sincerely,



Vince Petrozza,
COO Fortress Real Developments Inc.

