DRAFT
BUSINESS PLAN

Blackstone Joint Venture

Fix & Flip Investment Program

CONTENTS

OPPORTUNITY

1. Opportunity: Invest alongside an experienced Calgary General Contractor in a Fix & Flip Investment Program of Calgary and area houses, earning an attractive and steady return on investment (ROI).
2. Objective: Acquire cosmetically outdated (ugly) houses, preferably at a discount, on or off the MLS, renovate them to updated designs and styles, sell them on or off the MLS for a profit, repeat.

HOUSES

1. General location Boundary Lines (BL) the Program is most interested in investing in: Glenmore Trail (North BL), Deerfoot Trail (East BL), Ring Road (South and West BLs).
2. Neighbourhoods inside these BLs which are experiencing higher than average renovation activity in the last decade, and where neighbourhoods can support the demand for newly renovated houses in the last decade, are neighbourhoods the Program is most interested in investing in.

3. House types the Program is most interested in investing in: average size single family detached houses, specifically: bungalows, bi-levels, 2-storeys, 2-storey splits.
4. House price range: to reduce real estate market risk the Program's strategy is to buy houses priced slightly left of the middle of the 'bell curve' of the unique market's comparables. To facilitate faster sales upon renovated houses the Program's strategy is to list the renovated houses for sale at slightly right of the middle of the bell curve of the new and different market's comparables. The before and after renovations status of the house changes its market position within the neighbourhood, as such the comparable houses of the before and after renovated house change accordingly. In other words, an apple to orange comparison of market comparables for respective before and after status of the same house. Turnover rate is important to the Program because fewer MLS days on market (DOM) produce better ROI with less investment risk and real estate market exposure time. The Program's strategy is not to hold out as long as possible for an offer at the maximum ceiling range. An acceptable DOM would be 30-60 days.
5. The Program's house acquisition price ranges:

Column A	Column B	Column C
	House Acquisition Price	
Year	Min	Max
2020	$300,000	$500,000
2021	$300,000	$600,000
2022	$300,000	$700,000
2023	$300,000	$800,000
2024	$300,000	$900,000
2025	$300,000	$1,000,000

RENOVATIONS

1. Renovations can be thought of in terms of complex renovations or simple renovations.
   1.1. Complex renovations at the extreme pole means pushing the envelope of what a house can absorb for forced value improvement before it reaches its breakeven point of being no longer profitable or worth the extra effort and money to invest into a house. A Fix and Flip house can become unprofitable if this occurs.

1.2. Simple renovations at the extreme pole means pushing the envelope of doing the least amount of work to breakeven or be deemed acceptable by clients or inspectors. HGTV is a great place to find entertaining examples of the consequences of contractors cutting corners to try to get off a jobsite and make a buck. A Fix and Flip house can become unprofitable if this occurs.

1.3. So, Blackstone wants to participate in the renovation spectrum safely inside of these two polar extremes, called the "sweet spot". However, for the purposes of labelling and categorizing the renovation work Blackstone does on houses and STILL remains safely within the profitability margins, the terms complex renovations and simple renovations shall serve as handles for this Program.

2. COMPLEX RENOVATIONS: Blackstone's renovation production rate of developed finished living space for complex comprehensive high-quality renovations is ~800sf/month. This level of full-blown renovations typically includes: architects, engineers, city inspectors, building permit (BP), development permit (DP), gutting rooms and/or floors and rebuilding from original studs, reconfiguring floorplans, structural changes, adding an addition, moving walls and stairwells, all new building materials per room, custom-order high-end finishing materials with long delivery horizons.

2.1. RATE OF SPEED: Example of Blackstone's renovation production rate of complex renovations: Blackstone can renovate a 1200sf bungalow (1200sf upstairs + 1200sf downstairs = 2400sf) in 3 months @ ~800sf/month production rate. Extrapolated, Blackstone's renovation production rate can turnover 4 houses @ 1200sf bungalows / bi-levels annually, or 3 houses @ 2300sf 2-storeys / 2-storey splits annually, or a mix of each.

2.2. HOLDING DURATION: The Program anticipates that complex renovations would take 5-10 months per house, per 3 holding duration phases:

2.2.1. PRE-CONSTRUCTION: 1-2 months from acquisition closing date to renovations physically beginning. Pre-construction time is used for: permitting, estimating, materials ordering.

2.2.2. CONSTRUCTION: 3-6 months of renovations.

2.2.3. POST-CONSTRUCTION: 1-2 months of being listed for sale, after renovation is completed.

2.3. RENOVATION BUDGET: The complex renovations budget varies depending on the capacity of the house within its market to be able to absorb the forced value investment relative to its market comparables at its divestiture price point. Specific areas of neighbourhoods during specific real estate market conditions (aka hot neighbourhoods in hot markets) can more than absorb 1:1 ratios of renovation budget to house acquisition price. Management monitors its favorite neighbourhoods at this level of price sensitivity required to profit from all market conditions during all market cycles. The Program's complex renovations budget ranges:

Column A	Column B	Column C	Column D	Column E	Column F	Column G
	House Acquisition Price		Max Reno Budget of Column B houses		Max Reno Budget of Column C houses	
Year	Min	Max	%	$	%	$
2020	$300,000	$500,000	50%	$150,000	50%	$250,000
2021	$300,000	$600,000	60%	$180,000	60%	$360,000
2022	$300,000	$700,000	70%	$210,000	70%	$490,000
2023	$300,000	$800,000	80%	$240,000	80%	$640,000
2024	$300,000	$900,000	90%	$270,000	90%	$810,000
2025	$300,000	$1,000,000	100%	$300,000	100%	$1,000,000

3. SIMPLE RENOVATIONS: Commonly nicknamed ‘splash & dash’ or ‘paint & lipstick’ always includes repainting as their nicknames suggest. They also include updating / replacing fashionable “lipstick items” like: front door, countertops, backsplashes, sometimes updating plumbing / electrical fixtures and cabinetry hardware and door hardware, clean up the yard, and fix a handful of biggest neglected eyesores that are penalizing the house’s market appeal. Lastly, sometimes they include replacements of ONLY big-ticket items that are at the end-of-life status like: flooring, roofing, appliances, furnace, hot water tank, failing windows, etc. Blackstone performs simple renovations at equally high-quality as complex renovations, yet at a fraction of the complexity and planning and time, as such Blackstone’s renovation production rate of developed finished living space for these simple renovations can be as much as 3 times faster than the complex renovations of the 800sf/month speed.

3.1. RATE OF SPEED: Example of Blackstone’s renovation production rate of simple renovations: Blackstone can renovate a 1200sf bungalow (1200sf upstairs + 1200sf downstairs = 2400sf) in 1-3 months @ 1-3 times the speed of ~800sf/month production rate. Extrapolated, Blackstone’s renovation production rate can turnover 4-12 houses @ 1200sf bungalows / bi-levels annually, or 3-9 houses @ 2300sf 2-storeys / 2-storey splits annually, or a mix of each.

3.2. HOLDING DURATION: The Program anticipates that simple renovations would take 2-5 months per house, per 3 holding duration phases:

3.2.1. PRE-CONSTRUCTION: 0 months from acquisition closing date to renovations physically beginning. Pre-construction time is unnecessary for: permitting, estimating, materials ordering. Reason: no permitting required; estimating and materials ordering can be done in the first week of construction.

3.2.2. CONSTRUCTION: 1-3 months of renovations.

3.2.3. POST-CONSTRUCTION: 1-2 months of being listed for sale, after renovation is completed.

3.3. RENOVATION BUDGET: The simple renovations budget varies depending on the capacity of the house within its market to be able to absorb the forced value investment relative to its market comparables at its divestiture price point. Specific areas of neighbourhoods during specific real estate market conditions (aka hot neighbourhoods in hot markets) can more than absorb 1:1 ratios of renovation budget to house acquisition price. Management monitors its favorite neighbourhoods at this level of price sensitivity required to profit from all market conditions during all market cycles. The Program's simple renovations budget ranges:

Column A	Column B	Column C	Column D	Column E	Column F	Column G
	House Acquisition Price		Max Reno Budget of Column B houses		Max Reno Budget of Column C houses	
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2021	$300,000	$600,000	60%	$180,000	60%	$360,000
2022	$300,000	$700,000	70%	$210,000	70%	$490,000
2023	$300,000	$800,000	80%	$240,000	80%	$640,000
2024	$300,000	$900,000	90%	$270,000	90%	$810,000
2025	$300,000	$1,000,000	100%	$300,000	100%	$1,000,000

4. The Program will include complex renovations and simple renovations. It cannot be forecasted months or years in advance if the acquisition houses will require complex or simple renovations to optimize their profitability. This section shows the production rates of speed for average size houses based on complex or simple renovations. Real estate market supply and demand forces will largely dictate the ratio of complex to simple renovations management will pursue. Management's profit strategy is to be adaptable to capitalizing on variable market conditions. Blackstone Renovations Inc. as a General Contractor (GC) has the experience and capability to increase / decrease throughput production via subcontracting out phases of renovations or performing them with the "in-house crew", all the while maintaining quality control and managing renovations budgets to optimize profitability.

DEAL STRUCTURE

1. The Fix & Flip Investment Program is operated inside the investment vehicle of a Joint Venture, which is comprised of many non-manager venturers, but only 3 manager venturers. Both non-manager venturers and manager venturers are invited to contribute capital to the Joint Venture, with one key distinction between both groups:
   1.1. Manager venturers manage the Joint Venture's financial performance via overseeing daily operational business activities, whereas non-manager venturers do not.
2. Blackstone Renovations Inc. is a family business serving residential and commercial clients. The 3 manager venturers are the 3 family members involved in Blackstone Renovations Inc., and each manager will be responsible for primary duties within the Joint Venture as follows:
   2.1. Warren Kowalenko, Investment Manager, primary duties: raise capital, returns yields to non-manager venturers' and manager venturers' capital accounts.
   2.2. Paul Kowalenko, Renovations Manager, primary duties: manages renovations, manages renovations budgets.
   2.3. Darrel Kowalenko, Real Estate Manager, primary duties: buys / holds / sells houses, selects appropriate renovations.

INVESTMENT

Note: Because this section deals with money, it is covered in greater detail for clarification. This section is easier to comprehend when read alongside of the Pro Forma Income Statement Excel spreadsheet workbook's 3 worksheets tabs: 'Calculator', 'Waterfall', and 'Yields Table'. Additionally, the Joint Venture Agreement, Features Sheet, Private Mortgage Rates Sheet, and Private Equity Rates Sheet also deal with these investment terms. The tables and charts in these other documents provide visual pictures and better illustrate 'cash flow' of this section's more technical descriptions. It is highly recommended that this section be read AFTER browsing through the above mentioned documents.

1. Most importantly, only a mortgagee (example: a bank or an individual investor acting as a private lender) are offered security via a mortgage on title with a fixed rate). In most cases, if a private lender is an individual investor then there will only be one single individual investor per mortgage (example: a 1st mortgage, a 2nd mortgage, a 3rd mortgage), and this investment contribution will be for the full amount of a mortgage (example: tens or hundreds of thousands of dollars) based on the qualifying mortgagor's funding requirements. If an individual investor is interested in additional

information on participating in the Venture as a private lender then please refer to the 'Private Mortgage Rates Sheet' pdf attachment available on Blackstone's website under the Joint Venture webpage. Therefore, non-mortgagee investors are not offered security (example: a mortgage on title with a guaranteed 'Fixed Rate'). As such, non-mortgagee individual investors are simply referred to as either a 'Preferred Rate Investors' or a 'Profit Sharing Investors' for this Venture. In general terms, a Preferred Rate means a non-fixed rate which is paid before a Profit Sharing return is paid. The following points will outline the payments to Mortgagees, Preferred Rate Investors, Profit Sharing Investors, and Bonus Sharing Investors.

2. On a first come, first serve basis, investors are invited to invest a minimum of $5,000 in contributions of any combinations of upfront cash, AND/OR deferred portions of their trades / vendors' invoices until sale of house.

3. Investors choose to receive cumulative returns in any combinations of Preferred Rates, AND/OR Profit Sharing, per any combinations of the Group A / B / C investors. 6 available options in total.

4. Investors cumulative returns and bonuses are paid from the net income from the sale of the renovated house.

5. Investment term is expected to be 5-8 months, but may be shorter or longer due to controllable and uncontrollable variables.

6. The Venture will not receive investors contributions until a house is almost ready to be purchased and renovations are almost ready to begin. Similarly, the Venture will not purchase a house or start renovations until both the house acquisition budget and renovation budget are funded from: 1) private mortgage lender(s), AND/OR 2) investors cash contributions, AND/OR 3) legally binding signed funding commitment letters are received from investors interested in deferring payment on portions of their upcoming trades / vendors invoices until sale of renovated house.

7. Blackstone Corporation is invited to invest in Group A, B, or C at its prerogative, but is required first and foremost to fund the project's contingency reserve fund of 10% of project's Equity To Cost (ETC%).

8. Blackstone Managers as private investors are invited to invest in Group A, B, or C at their prerogative.

9. [Please refer to the visual illustration in the ‘Waterfall’ worksheet tab in the Pro Forma Income Statement Excel spreadsheet workbook for this section.] Distributable profit waterfall is paid out on an annualized rate (up to max % per return) in this payment pool sequence: 1) Group A Preferred Rate Investors earn 9%, 2) Group B Preferred Rate Investors earn 12%, 3) Group C Preferred Rate Investors earn 15%, 4) Group A Profit Sharing Investors earn 10%, 5) Group B Profit Sharing Investors earn 15%, 6) Group C Profit Sharing Investors earn 20%. Distributable profit waterfall may run out of distributable profit at any payment pool in this sequence, and therefore the last paid pool may not receive their full payment (up to max % per return), and all remaining payment pools will go unpaid. In this scenario, all investors will receive their principal investment returned to them upon sale of renovated house, but not all investors will receive a return on investments (aka yield via preferred rate or profit sharing).

10. Bonus sharing is payable ONLY after all 3 Groups of Investors have been paid up to their respective limits for both or either preferred rates AND / OR profit sharing, from the distributable profit waterfall. Only profit sharing investors and management are eligible to receive their share of bonuses, paid out from net profits, as follows: Group A Profit Sharing Investors earn 5%, Group B Profit Sharing Investors earn 10%, Group C Profit Sharing Investors earn 35%, Management earns 50%.

11. If the venture fails to break even, then a distributable loss is applied in these 4 sequential steps:

    11.1. Haircuts #1: Reversed Profit Sharing. ONLY Profit Sharing Investors will receive a haircut (Haircuts #1) which reverses the profit share affect that would have been otherwise paid out had there been sufficient distributable profit to pay out all payment pools (up to max % per return). The distributable loss is applied out (up to max % per return) in this loss application pool sequence: 1) Group C Profit Sharing Investors lose 20%, 2) Group B Profit Sharing Investors lose 15%, 3) Group A Profit Sharing Investors lose 10%. Distributable loss may run out at any loss pool in this sequence, and therefore the last loss pool may not receive their full loss accruable (up to max % per return), and all remaining loss pools will not experience loss of capital.

    11.2. Haircuts #2: Reversed Bonus. If the venture’s loss exceeds the loss applied to Haircuts #1, then Haircuts #2 begin as follows. ONLY Profit Sharing Investors will receive a haircut (Haircuts #2) which reverses the bonus share affect that would have been otherwise paid out had there been sufficient distributable bonus to pay out all eligible payment pools up to their bonus share. The distributable loss is applied out in this loss application pool sequence: 1) Group C Profit Sharing Investors lose 35%, 2) Group B Profit Sharing Investors lose 10%, 3) Group A Profit Sharing Investors lose 5%. Distributable loss may run out at any loss pool in this sequence, and therefore the last loss applied loss pool may not receive their full loss accruable up to their reverse bonus share limit, and all remaining loss pools will not experience loss of capital. The exception would be if the distributable loss is greater than a loss pools invested equity, then the loss pools equity shall be the extent of the loss pools loss. The intent of this safety–mechanism is that all investors are offered the benefit of limited liability of capital losses to not exceed an individual's invested capital. In other words, an investor may lose more than their share of invested captial, but only be held liable to the limit of capital they invested.

11.3. Haircuts #3: Net Loss For Profit Sharing Investors. If the venture's loss exceeds the loss applied to Haircuts #1 and #2, then Haircuts #3 begin as follows. ONLY Profit Sharing Investors will receive a haircut (Haircuts #3). The distributable loss is applied out in this loss application pool sequence: 1) Group C Profit Sharing Investors lose all invested, 2) Group B Profit Sharing Investors lose all invested, 3) Group A Profit Sharing Investors lose all invested. Distributable loss may run out at any loss pool in this sequence, and therefore the last loss applied loss pool may not receive their full loss accruable up to their invested equity limit, and all remaining loss pools will not experience loss of capital. The exception would be if the distributable loss is greater than a loss pools invested equity, then the loss pools equity shall be the extent of the loss pools loss. The intent of this safety–mechanism is that all investors are offered the benefit of limited liability of capital losses to not exceed an individual's invested capital. In other words, an investor may lose more than their share of invested captial, but only be held liable to the limit of capital they invested.

11.4. Haircuts #4: Net Loss For Preferred Rates Investors. If the venture's loss exceeds the loss applied to Haircuts #1, #2, and 3#, then Haircuts #4 begin as follows. ONLY Preferred Rates Investors will receive a haircut (Haircuts #4). The distributable loss is applied out in this loss application pool sequence: 1) Group C Preferred Rate Investors lose all invested, 2) Group B Preferred Rate Investors lose all invested, 3) Group A Preferred Rate Investors lose all invested. Distributable loss may run out at any loss pool in this sequence, and therefore the last loss applied loss pool may not receive their full loss accruable up to their invested equity limit, and all remaining loss pools will not experience loss of capital. The exception would be if the distributable loss is greater than a loss pools invested equity, then the loss pools equity shall be the extent of the loss pools loss. The intent of this safety-mechanism is that all investors are offered the benefit of limited liability of capital losses to not exceed an individual's invested capital. In other words, an investor may lose more than their share of invested captial, but only be held liable to the limit of capital they invested.

RISK MANAGEMENT

1. Special Management Rights: Risk management mitigation strategies are deployed for the investment capital preservation of the Venture. Emergency scenarios or catastrophic unforeseen events include but are not limited to: hyper-recession, hyper-inflation, stock market crash, real estate market crash, war, terrorism, riot, crime, vandalism, strike, epidemic, extreme weather, fire, flood, force majeure, etc. Within the last couple of years, more than a few of these worldly events have negatively impacted our local economy. Our intent is to use common sense practical defensive measures to reduce risk exposure, which include:
   - 1.1. Retaining appropriate insurance coverages.
   - 1.2. Increasing security levels of physical assets, ex: thoroughly locking up house, tools, equipment nightly and over weekends, security patrol watches, and developing neighbourly friendships with neighbours of the house being renovated with the hopes that neighbours will actively alert Management if they observe unusual activity on the property.
   - 1.3. Not buying acquisition house in flood plains.
   - 1.4. Holding a minimum balance of 10% of projects capital requirements in cash for restricted use of emergencies only.
   - 1.5. Using rigid terms as described in detail in the Joint Venture Agreement, and following clauses.
2. Blackstone Joint Venture reserves the Special Management Rights to, upon 30 days written notice issued by the Venture to the non-manager venturers:
   - 2.1. Repay partial or all capital contributions without an early repayment penalty. A warranted example may be if real estate market conditions drastically limit supply of qualified acquisition houses available to Management, or likewise if Management anticipates real estate market conditions could drastically limit the future demand of renovated divestiture houses.
   - 2.2. Encumber the Venture's assets (primarily the house) with additional alternative financing to complete renovations, supplement carrying costs, cover administration services, retain special services, pay professional fees, which may or may not subordinate venturers positions, and may favourably or unfavourably affect venturers yields rates.

3. No venturer will have the right to demand or withdraw any portion of their capital contribution during the term of the venture. The Venture will be dissolved, and its assets liquidated upon the completion of the sale of the renovated house. On the liquidation of the Venture assets, distributions of any amounts to venturers will be made in proportion to their respective capital accounts. There is no sympathetic mechanism that allows for special circumstances relief if a venturer needs withdrawal of any portion of their capital contribution. However, if Management by happenstance becomes aware of a satisfactory financial option to offer special circumstances relief (withdrawal of capital) to an individual venturer experiencing financial pressure – while not failing to act in the best interests of the Venture and all its venturers as a whole, then Management will in good faith not unreasonably withhold actions to cause financial relief to come to the individual venturer seeking withdrawal of part or whole of their capital contribution from the Venture.
4. Venturers agree to give right of first refusal (ROFR) of sale or transfer of their capital contribution (invested stake) to the Venture's Management. Venture's Management will then re-offer right of first refusal (ROFR) of sale or transfer of that respective venturer's capital contribution (invested stake) to the Venture's other existing venturers. If no other existing venturers agree to purchase respective venturer's capital contribution (invested stake), than Venture's Management will then re-offer right of first refusal (ROFR) of sale or transfer of that respective venturer's capital contribution (invested stake) to the individuals on the Venture's waiting list who are seeking opportunity to participate in the Venture.
5. Special Services Fees: Blackstone Joint Venture reserves the option to acquire special services for a fair market value fee for the operations of the Venture, and expense such fees to the Venture. Special services include but are not limited to: accounting, advertising, appraisals, auditing, architectural, bookkeeping, brokering, constructing, designing, directing, engineering, estimating, inspections, insurance, interest, investor relations, legal, lending, licensing, management, marketing, mortgage, printing, professional, sales, securities underwriting, surveying, tax services, utilities, etc. This clause provides the Management with options to perform many of these special services themselves in whole or in part for a fair market value fee or retain the special services of others as required.

REPORTING

1. Regular Reporting: All reports will be e-mailed (mail by request only) to venturers. Reports will provide financial performance reviews of the Program, real estate market forecasts, and updates on the house and its renovations progress.

1.1. Firstly, Quarterly Management Reports will be sent to venturers before month's end of the following month after each of the Ventures quarters' ends (Mar, Jun, Sep, Dec).

1.2. Secondly, Annual Management Reports with unaudited financials will be sent to venturers before month's end of the following month after each of the Ventures fiscal year ends (Dec).

1.3. Lastly, irregularly scheduled Management Reports will be sent out to venturers on an as needed basis to report one-off matters as they arise.

2. Available upon request, when available: appraisals, title, audited financials, real property reports, renovation budgets, scope of work, blueprints, house's before/after pictures, MLS listings, permits. Excluding audited financials, other documents listed here may only be available in redacted or summary level versions for the mutual protection of venturer's individual privacy rights as well as and Management's proprietary profitability strategies.
3. Paul Kowalenko, President, Blackstone Renovations Inc., and a Venture Manager would be pleased to meet with you and offer you a personal tour of the Venture house undergoing active renovations. Please contact Warren Kowalenko today to book your visit with Paul!
4. With all real estate investing it is important to find exceptional properties at exceptional prices, and the Venture is no different. As such, a $1000 / house Finder's Fee will be awarded to the first individual that emailed an acquisition candidate house address to Warren@BlackstoneRenovations.ca. The Finder's Fee will be payable to the Finder upon the purchase date of that house, and the email's time and date stamp will confirm the winner. To increase chances of winning the Finder's Fee please see Sections 1 and 2 at the beginning of this Business Plan for investment criteria of a house.
5. For more information, please visit https://www.blackstonerenovations.ca/fix-and-flip-jv-program-members-access. Password: flipper
6. Investment opportunities should be reviewed with your professional investment advisors.

Thank you for your consideration,

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ABOUT US

We are a family owned & operated General Contracting business based out of our home office on Lake Midnapore, Calgary. We have been proudly serving our Calgary and area community with distinguished craftsmanship / WCB / Licensed / Insured / References / Warranties and a smile, since 2001. Specializing in new developments, major renovations, and additions, for commercial, residential, and multi-residential projects.

We offer full Construction Management services for 'Turn-Key' results (Design, Estimate, Permit, Sub-Trades Scheduling & Supervision, Construction, Inspection, Completion, Warranty). As a proud 3rd and 4th generation Calgary carpentry family - we prefer to do most of the work directly ourselves (along with our 'in-house' carpentry crew) and call on our loyal team of specialty sub-trades as required. Our "in-house" carpentry crew and our sub-trades have been with us on average for 8 years - something rarely seen in the fast-paced world of the construction industry known for its labour force swings especially in a boom-and-bust province like Alberta. We treat our guys like family, and they end up sticking around just like family!

Blackstone Renovations Inc. is built on the belief that our customers' needs are of the utmost importance. Our entire team is committed to meeting those needs. As a result, a high percentage of our business is from repeat customers and referrals.