

BUSINESS MODEL FOR BARAKAH GREEN COOPERATIVE INC.

Ottawa-Ontario, Canada
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1.0 Executive Summary

Barakah Green Cooperative Inc. is an Ottawa based organization that specializes in buying, rehabilitating and reselling single family residences in our local neighborhoods and communities. This organization was initiated and formed by few enthusiastic individuals who were actively looking for some halal solution to become house owner in Canada. They found that becoming house owner is very challenging if one does not have a large amount of money as down payment. They also found that, a co-operative of small group of people can break such vicious circle, especially with the combination of good investment strategy, firm commitment and hardworking people with right skill sets.

Ottawa is one of the fastest growing cities in Canada over last few decades. Consistent and stable growth of the Canadian public sector along with economic activities around the National Capital Region (NCR), Ottawa's real estate market showing strong growth prospects for years to come. Compared to other large cities in Canada, Ottawa house prices are relatively cheaper and within the reach of middle-income Canadians which attracting lots Canadians including new immigrants and investors to Ottawa. Currently we are focusing on building a team with individuals who are looking for halal investment opportunities that can eventually leads to owning a house in the long run (5 to 10 years) along with some other agri-based business opportunities. Currently we are establishing strategic relationships with local realtors, contractors, inspectors, and real estate attorneys. We are in touch with few brothers in USA and Canada who already established such successful business model.

The primary investment criterion is that the properties purchased must be capable of renting and producing a positive cash flow. Barakah Green Cooperative Inc. may purchase undervalued homes and improve for immediate resale, but the underwriting criteria will be that the homes must be capable of being rented and producing a positive income stream. No properties will be purchased with the speculation that a profit can only be made by means of flipping the home. This type of speculation is too risky and does not meet the investment criteria of the risk averse portfolio.

The initial equity required to purchase the first investment property will be raised from the seven directors along with investors. The goal will be to invest in a residential town house with a purchase price under CAD \$300,000 (excluding renovation cost). Once we find a prospective investment opportunity, we perform extensive due diligence to determine if the property will meet our specific investment goals & criteria. This due diligence period includes a property inspection, repair estimation, comparable sales analysis, and maximum purchase price analysis.

2.0 Model Summary

An example of this purchasing strategy may include the following scenario:

| Step | Property | Task/Goal |
|------|-------------|---|
| 1 | Property #1 | Invest equity (67%) into severely undervalued or depressed properties with values under \$300,000. Obtain investor financing for the balance (33%). |
| 2 | Property #1 | Renovate or rehabilitate as necessary and be rented to generate monthly cash flow and held for long term value appreciation |
| 3 | Property #2 | Invest equity (67%) in vacant land under \$100,000 (large lot, 5+ acre) with long term potential for subdivision or severance in near future. |
| 4 | Property #2 | Process for sub-division or severance, can be used for agricultural purpose before we have desired level of capital gain. |
| 5 | Property #3 | Repeat Steps #1 & #2. |
| 6 | Property #3 | Repeat Steps #3 & #4 |

3.0 Business Model

Barakah Green Cooperative Inc is federally registered under the Canada Cooperatives Act. It jointly owned by its directors and in some cases, investor members. Assets purchased jointly by directors and investors will be held in Barakah Green Cooperative Inc.

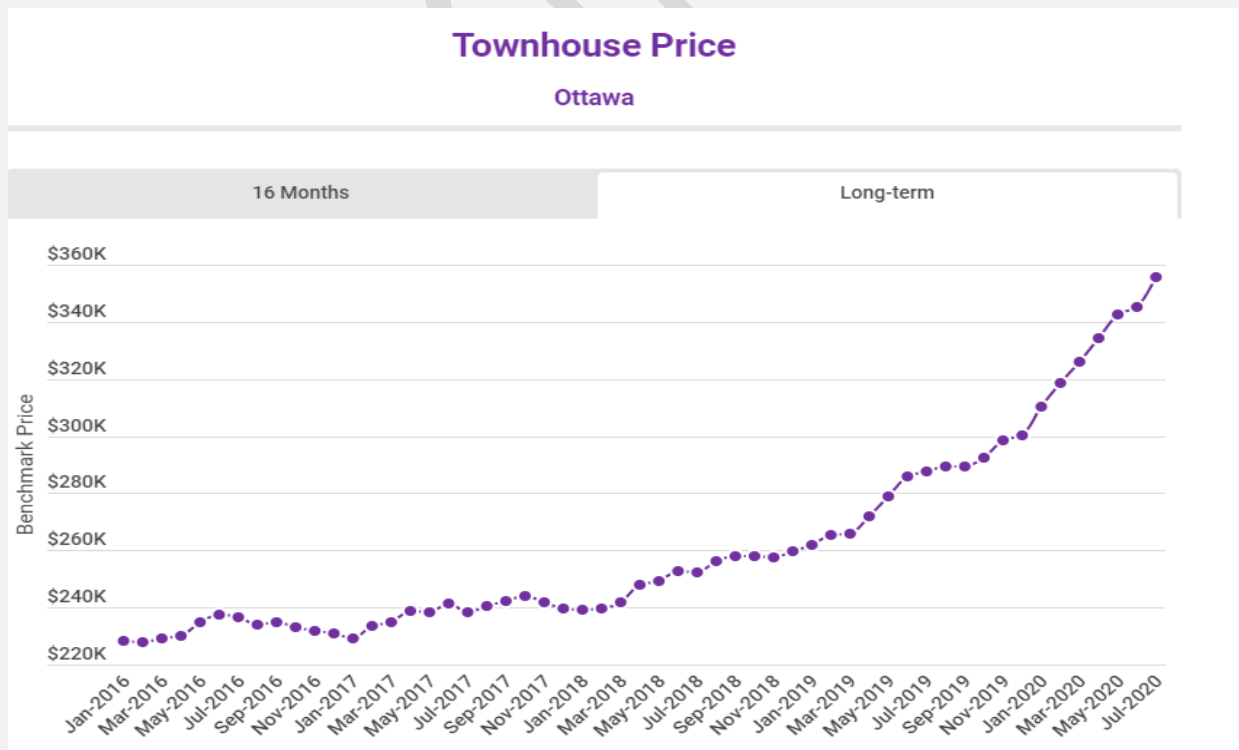
4.0 Market Analysis Summary

Ottawa is the nation's capital and the fourth largest urban region in Canada. It includes over 1.4 million people, 66% of whom live in Ottawa and the rest in neighboring municipalities, including Gatineau (located across the Ottawa River in Quebec). A special feature of the region is that both English and French are widely spoken and reflected in the City's culture and commerce. Ottawa is also multicultural with a large and growing immigrant population that enriches the city. A study by Canadian Business ranked Ottawa as Canada's best place to live based on incomes, car ownership, unemployment rate, housing, weather and lifestyle. Cultural factors were a key element of Ottawa's high ranking. No wonder why Ottawa is considered to be one of the best places for real estate investment now. With solid economic growth and a vibrant housing market, Ottawa took third place for real estate prospects in recent PWC survey. Migration from other cities, including from Toronto-area residents looking for more affordable housing options, has helped the city's

population surpass the one-million mark. With the city having reached that milestone, experts expect larger investment players to come into the market.



Unlike many regions across Canada, Ottawa is currently accurately valued, with a total average sale price of \$441,693 in 2019. Condominiums and townhomes are the two favorite property types for first-time homebuyers, with the former typically listed at an affordable price range of \$200,000 to \$350,000.



We are particularly interested in townhouses for several reasons: high demand in rental market, affordable price and condo fees includes regular maintenance along with any large unexpected costs. If you look at the above graph, average townhouse

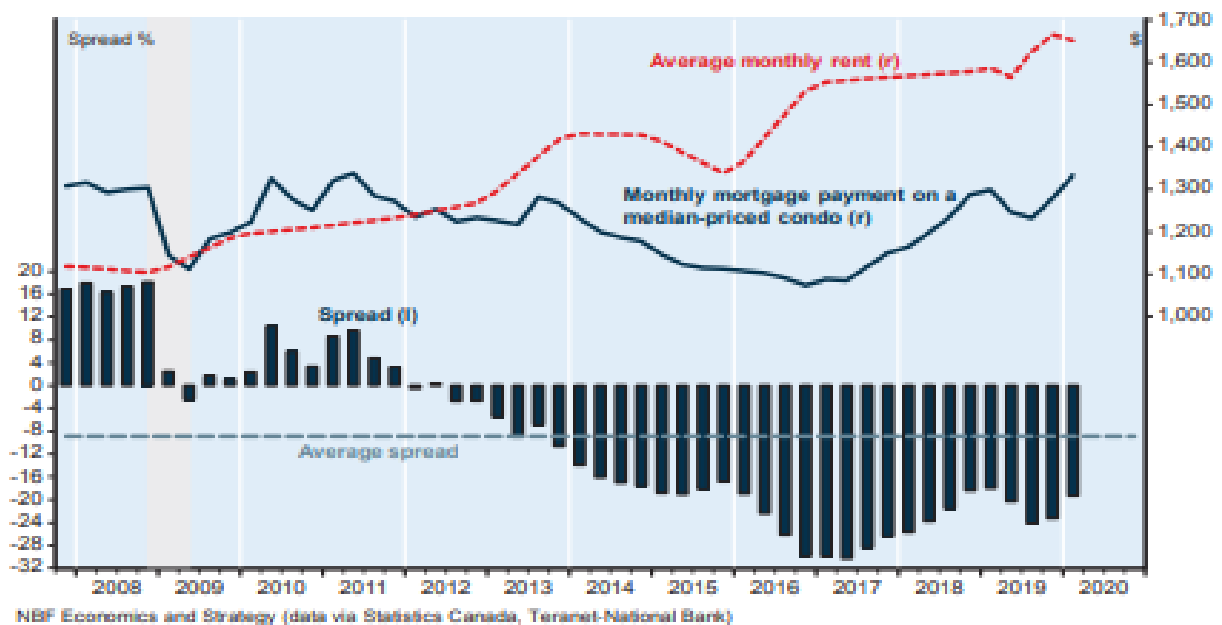
prices in Ottawa increased by 24% in last 12 months (\$287K in July 2019 to \$356K in July 2020). This trend is expected to be continued in near future.

4.1 Real Home Price vs. Rent

Following graph depicts interesting real estate opportunities in Ottawa. As per fundamentals of economics, two lines usually stay together. Depending on the market conditions, two lines might stay apart but eventually they cross. For example, red line (average monthly rent) is below the blue line (monthly mortgage payment) in Toronto which means house owners are subsidizing the renters. It's opposite in Ottawa, home owners are making positive cash flows after paying off their mortgage payments. Such cash flow accompanied by consistent capital gain over last few decades (even during recessions) bringing more investors in Ottawa. Given the consistent growth in average monthly rent over the last decade and relatively lower mortgage payments (=affordable house prices), we are expecting a growing real estate market in Ottawa (blue line to be going up to catch the red line).

Ottawa/Gatineau: Buying compared to renting

Premium/discount for buying compared to renting a two-bedroom condo



It is during this period that Barakah Green Cooperative Inc looks to take advantage of the buying opportunity of rising house prices, while rental rates hold constant, or increase. This opportunity will improve the likelihood of achieving the goal of generating positive cash flow from rental units while maximizing the capital gain from the owned properties.

4.2 Market Segmentation

Barakah Green Cooperative Inc will be targeting new-immigrants, first-time home buyers and middle-income households to rent or purchase its properties. Two large universities, internationally acclaimed colleges and growing hi-tech industries are attracting a lot of new immigrants and prospective first-time home buyers to Ottawa. Presence of ever-growing federal government and other ancillary organizations in the capital region along with still affordable housing properties created a unique opportunity for the real estate investors in this area. Barakah Green Cooperative Inc. want to take this opportunity while minimizing the risk through investing in properties that are less susceptible to any kind of unforeseen market fluctuations. Townhouses are perfect choices in this regard. When we think about long term (10+ years) investment opportunities, investment in vacant land with possible sub-division and severance opportunities are worth considering because of low investment requirement for directors and investors.

4.3 Service Business Analysis: Ottawa Demographics

Based on the Canada Mortgage and Housing Corporation data released by Statistics Canada, the rental market in Ottawa has grown in supply (number of rental units) by approximately 1% between 2016 to 2018, while over the same period, the population living in rental accommodation has grown by a faster rate of 2.9%. This has contributed to a sharp rise in rents – over that same period, apartment rents have risen by 7.8% and house rents by 11.3%.

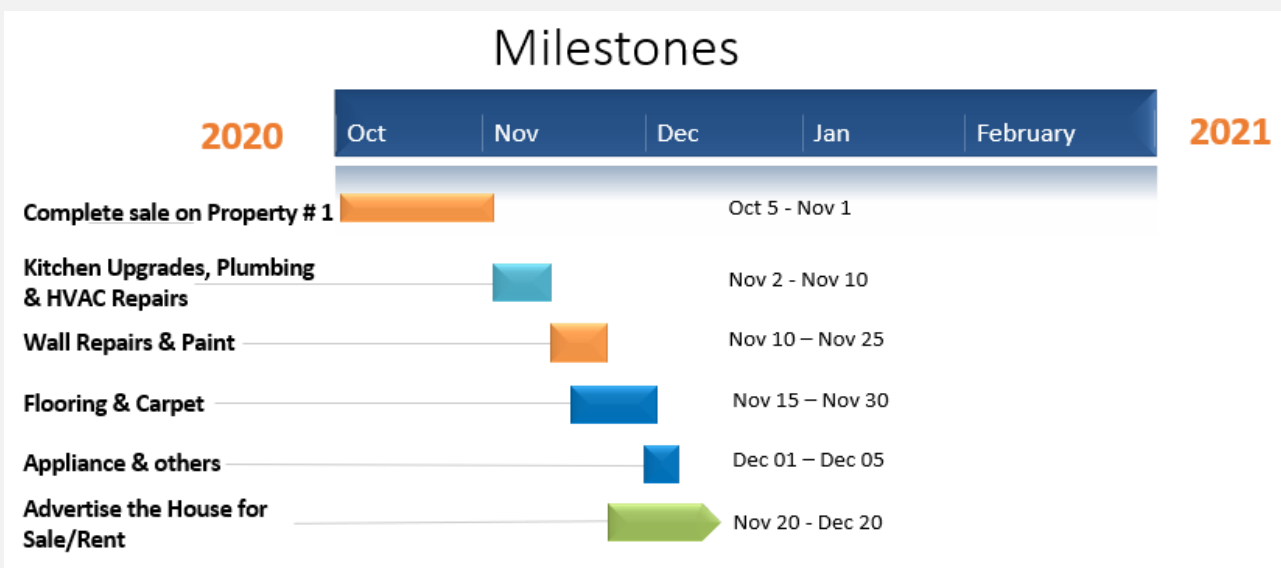
A geographic analysis of average rents in the City of Ottawa shows some common patterns can be identified when looking at specific housing types. Rents are generally higher close to the downtown core and in areas close to public transportation, but Ottawa shows an interesting contrast in that some suburban areas show relatively expensive rental markets – Barrhaven, Kanata/Stittsville, for example, has higher rental costs, than downtown neighborhoods like the Glebe. Our most sought properties are in Barrhaven, Kanata, Stittsville and growing Ottawa south (starting from Blossom park) area.

As the population ages, the average household size in Ottawa is expected to fall, from 2.50 in 2016 to 2.46 in 2031. This places pressure on housing availability, because falling household size results in higher demand for housing.

An internal report by city of Ottawa revealed that: if the current construction rates continue and are considered against current demographic forecasts, by 2031 a gap of approximately 18,000-19,000 dwellings for the population trying to settle in Ottawa. In this scenario, average apartment rents would be expected to rise by 41% in the period between 2018 and 2031.

5.0 Milestones

The following Milestones table illustrates the key steps that Barakah Green Cooperative Inc will achieve in an effort to launch this venture.



6.0 Property Disposition

| Summary of Sale | | Estimated Income Tax Consequences | |
|---|------------|--|-------------------|
| Purchase price: | \$ 330,000 | Selling Price | \$ 581,573 |
| Transaction costs: | \$ 10,000 | - Adjusted Basis | \$ 367,079 |
| Selling price: | \$ 581,573 | Gain on Disposal | \$ 214,494 |
| Selling costs: | \$ 29,079 | - Gain from depreciation recapture | \$ 2,000 |
| Tax rate on capital gains: | 25% | Long-Term Capital Gain | \$ 212,494 |
| Tax rate on depreciation recapture: | 25% | Tax on depreciation recapture | \$ 500 |
| Anticipated holding | 5 | Tax on capital gain | \$ 53,100 |
| Mortgage balance: | \$ - | Total Tax Liability on Sale | \$ 53,600 |
| Estimate of Investor's Adjusted Tax Basis | | Estimate of After-Tax Equity Reversion | |
| Purchase Price | \$ 330,000 | Selling Price | \$ 581,573 |
| + Transaction Costs | \$ 10,000 | - Selling Costs | \$ 29,079 |
| Initial Tax Basis | \$ 340,000 | Net Sales Proceeds | \$ 552,494 |
| Depreciation | \$ 2,000 | - Mortgage Balance | \$ - |
| Sale | \$ 338,000 | Reversion | \$ 552,494 |
| + Selling Costs | \$ 29,079 | - Taxes due on sale | \$ 53,600 |
| Sale | \$ 367,079 | Reversion | \$ 498,894 |

Internal Rate of Return:

| Year | 0 | 1 | 2 | 3 | 4 | 5 | IRR |
|-----------------------------|---------|-------|-------|-------|-------|--------|-----|
| Before-tax cash flow | | 13200 | 13500 | 13700 | 14000 | 14200 | |
| Before Tax Equity Reversion | | 0 | 0 | 0 | 0 | 552494 | 14% |
| Total | -340000 | 13200 | 13500 | 13700 | 14000 | 566694 | |
| After-tax cash flow | | 11200 | 11500 | 11600 | 11900 | 12100 | |
| After Tax Equity Reversion | | 0 | 0 | 0 | 0 | 498894 | 11% |
| Total | -340000 | 11200 | 11500 | 11600 | 11900 | 510994 | |

7.0 Conclusion

The above business plan fully supports Barakah Green Cooperative Inc as a start-up company and will produce the projected income stream for the directors and investors. The goal of providing an unleveraged cash-on-cash return between 7%-8% is very conservative and achievable approach given the current real estate market. The management approach that allows the directors to run the company from home offices and maintain their current employment while managing Barakah Green Cooperative Inc is viable and maintains a low overhead expense. The expertise and experience of the directors will lead to the success of the company. Their knowledge and understanding of the market area, as well as identifying and exploiting purchasing opportunities that keep cost basis low, ability to assess and diversify risk, and the ability to obtain financing will all lead to achieving the projected return on the portfolio of real estate assets.