Fundamental Research Corp.

Investment Analysis for Intelligent Investors

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Summerside Development Trust – The PRISM Group - Commercial Development in Edmonton, Alberta

Sector/Industry: Real Estate **www.theprismgroup.ca**

Summary of the Offering	
Issuer	Summerside Development Trust
Securities Offered	Minimum $2 million Maximum $7.5 million
Type	Up to 7,500 blocks of trust units for $7.5 million
Expected Time Horizon	2-4 Years
Price	$100 per Trust Unit
Expected Returns	After investors receive their invested capital back distributable cash flow will be split 70% investors and 30% management.
Fees	8% selling commission, 2% marketing fee to Prism Group
Auditor	MNP LLP.

*Based on the Offering Memorandum (OM) dated January 5, 2013.

FRC Rating	
Base-Case Return (IRR)	14.57% p.a.
Rating	**4+ (Average)**
Risk	4 (Speculative)

Investment Highlights

- Summerside Development Trust ("trust"), managed by the PRISM Group of Companies, is seeking to raise up to $7.5 million for a commercial retail/office development in southeast Edmonton, Alberta.
- The PRISM Group was founded in 2000 and has been involved in 16 real estate projects in Alberta, Canada.
- The plan is to develop 4.92 acres of commercial property in the quickly expanding Summerside neighborhood of Edmonton, Alberta.
- The site is planned for 101,525 square feet of retail and office space.
- The property is zoned for commercial development and has access to water, electricity, gas and sewage.
- Management will share in 30% of the profits only after investors have received their invested capital back.
- We have a strong economic outlook for the Edmonton area, which we anticipate will result in strong demand for the commercial space.
- The total construction of the project, including land, is estimated at $26.4 million. Colliers estimates the value of the completed development at $49.9 million.

Risks

- There is no construction financing in place.
- Cost overruns.
- The investment is illiquid.
- Delays in financing and construction.
- The time horizon may be longer than management`s expectations.
- Rental and leases of commercial units are subject to market demand.
- Although management claims that they have exited seven projects to date, they have provided us third-party verified documents confirming investors' returns on just two projects.
- The current site plan has yet to receive building and development approval.

Background and Terms of the Offering

Summerside Development Trust is a Mutual Fund Trust managed by the PRISM Group of Companies, located in Calgary, AB. The trust is planning to raise a minimum of $2 million, to a maximum of $7.5 million. The proceeds will be used to purchase 4.92 acres of property in southeast Edmonton, with the intention to develop a neighborhood commercial hub. The property is zoned for a commercial development, with a site plan consisting of 101,525 square feet ("sf") of retail and office space. The site plan is awaiting building and development approval from the City of Edmonton. Total completed development, including land, is anticipated to cost $26.4 million. Management of the trust intends to finance the development in phases. Management will share in 30% of the profits only after investors have received their invested capital back.

Purpose

The purpose of this report is to analyze the risk and returns associated with the trust units.

Why Invest in Real Estate?

The following factors describe the benefits of adding real-estate investments to an investment portfolio:

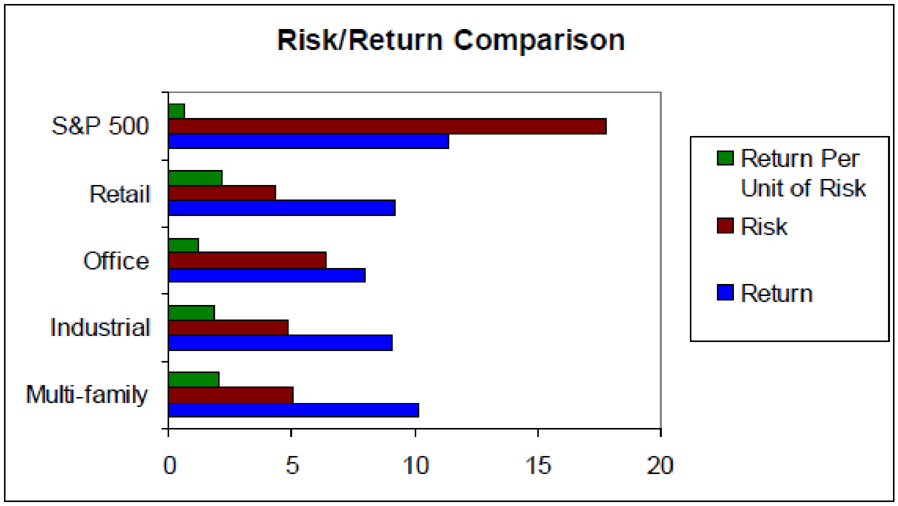
Diversification: Real estate offers significant diversification benefits to an investment portfolio. A look at US stocks/bonds, and real estate investments over the period of 2001-2010, illustrates the potential diversification benefits. **Over this period, the S&P 500 had a correlation with the NCREIF NPI index (private real estate) of 0.23.** The NAREIT Equity index, a broad index of publicly traded REITS (Real Estate Investment Trusts), had a correlation with the S&P 500 of 0.71. The lower the correlation, the higher the diversification benefits – implying that private real estate investments have historically been better for diversification compared to publicly traded REITS.

	NCREIF NPI	NAREIT Equity Index	S&P 500	Russell 2000	Barclays Agg Bond Index	Morgan Stanley EAFE Int'l Stock
NCREIF NPI	1					
NAREIT Equity Index	0.29	1				
S&P 500	0.23	0.71	1			
Russell 2000	0.21	0.77	0.94	1		
Barclays Agg Bond Index	-0.17	-0.02	-0.36	-0.39	1	
Morgan Stanley EAFE Int'l Stock	0.21	0.69	0.92	0.86	-0.24	1

Sources: NCREIF, NAREIT, S&P, Russell, Barclays Capital, and MSCI. Clarion Partners Research & Investment Strategy. Note: correlation coefficient among quarterly returns.

High risk-adjusted returns: Below is a chart illustrating the risk-adjusted returns on different real estate options over a large and, relatively, recent interval. Over the same period, the S&P 500 had an average return of 11.4%, standard deviation of 17.8% and a return per unit of risk of 0.64; which is far below the risk-adjusted return of retail or office real estate investments.

Property Type Characteristics (Q1 – 1978: Q1 – 2010)



Source: NCREIF, LaSalle Investment Management, August 2009, Marquette Associates Oct 2010

Inflation Hedging: If inflation is moderate, we believe real estate investments provide a good hedge to inflation as rental rates can be increased to offset higher input costs. **Retail and office buildings, however, provide relatively lower protection from inflation compared to apartments.**

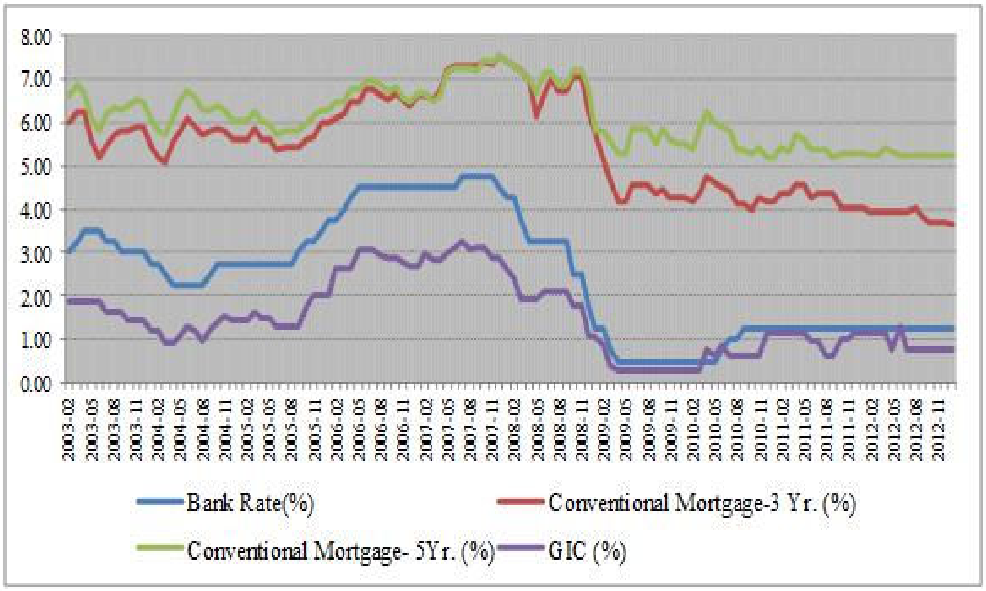
	Lease Term	Rent Indexing	Tenant Inflation Correlation	Overall Protection
Apartment	1 year	Rents renegotiated annually	Tenant wages moderately correlated to inflation	High
Industrial	3 - 10 years, 5 year average	3% rent bumps	Tenants have limited leverage to raise prices	Moderate
Office	4 - 10 years, term linked to tenant size	1 - 3% rent bumps common	Tenants have moderate pricing power	Moderate
Mall Retail	Side-shops 3 - 5 years Anchors 10 - 20 years	Bumps common Flat leases	Tenant sales moderately correlated to inflation	Low to Moderate
Strip Retail	Side-shops 3 - 5 years Anchors 10 - 25 years	Fixed rent bumps	Tenant sales highly correlated to inflation	Low to Moderate

Source: Marquette Associates 2010

Tax benefits: Real estate investments may offer tax deductions, through property depreciation, potentially offsetting the tax implications of the income received.

Leverage: Real estate investments typically offer high leverage potential whereby a property can be purchased or built with a cash outlay much less than the value. The benefit of leverage to investors is the magnification of returns (including losses). Most investments do not offer the ability to leverage as much, or as easily, as real estate investments.

Interest rates: Interest rates are still at historically low levels. As a result, we believe that PRISM should be able to acquire relatively cheap rates in the near term, allowing for better-leveraged returns. The graph below shows some key bank rates and illustrates the low rates still available.



Source: Bank of Canada

Company Overview

The PRISM Group of Companies, based in Calgary, formed the Summerside Development Trust. **PRISM Group was founded in 2000,** and specializes in real estate investments and development of commercial, retail, office, industrial and mixed-use condominium buildings in Calgary and surrounding areas.

Past Projects

Management of PRISM has been involved with 16 projects (completed and in progress) to date - all located in Alberta, Canada. A summary of the projects, as provided by management, is shown in the table below.

The Broadmoor commercial development is of particular note because of its similar objectives to Summerside. The development is a 75,000 sf retail development in Sherwood Park, Edmonton. Financing for this project closed in December of 2012, and the property is currently undergoing servicing. According to management, they are in discussions to secure financing for construction and maintain there is strong interest for leases.

	Project Name	Location (Alberta)	Summary	Total Capital Raise	Financing Commenced	Financing Closed	Structure	Current Status of the Project	Expected Exit Strategy & Year of Project Exit	Project Completion	Investors' IRR
1	**Luxstone Subdivision**	Airdrie	Airdrie Subdivision	$ 1,300,000	June-95	August-95	Corporation	Completed		1995	**NA**
2	**Falbridge Plaza**	Calgary	Commercial Retail Development	$ 900,000	January-01	February-01	Corporation	Completed		2003	**NA**
3	**Bella Vista**	Calgary, Alberta	Main Floor Retail & 3 Floors Residential above	$ 3,000,000	March-01	April-01	Corporation	Completed		2004	**NA**
4	**Luxstone Plaza**	Airdrie	2 Storey Retail & Office Development	$ 960,000	February-03	April-03	Corporation	Completed		2005	**139.4%**
5	**Kingsview Plaza**	Airdrie	1 Retail Strip mall building & 1 Industrial	$ 1,350,000	January-06	April-06	Corporation	Completed		2007	**145.5%**
6	**Bella Casa**	Calgary	Main Floor Retail & 3 Floors Residential above	$ 2,500,000	March-07	July-07	Corporation	Completed		2009	**NA**
7	**Summa Manor**	Calgary	4 Storey Residential Development	$ 2,500,000	May-07	June-07	Corporation	Completed		2010	**NA**
8	**Balzac Commercial Campus**	Balzac	160 Acres of Commercial developable lands by CrossIron Mills	$21,500,000	May-09	January-11	Limited Partnership	Servicing commenced. Completion expected in 2013	Project completion and Exit expected in 2014	2014	**In Progress**
9	**Prism Place**	Calgary	11 Storey Commercial Office + 3 level Underground parkade	$16,500,000	May-09	July-11	Corporation with Shares Classes	Construction commenced in Q3 2012	Project completion and Exit in Q2 2014	2014	**In Progress**
10	**Heritage Hills**	Cochrane	2 Levels of Retail & Office Development	$ 4,600,000	October-11	January-12	Corporation with Shares Classes	Construction to commence in Q2 2013	Project Completion and Exit expected in 2014	2014	**In Progress**
11	**Broadmoor Heritage Plaza**	Strathcona County	5 acres land with 75,000 sqft of single storey retail in 11 buildings	$ 7,272,000	October-12	December-12	Corporation with Shares Classes	Construction to commenced in Q3 2012	Project Completion and Exit expected in 2014	2014	**In Progress**
12	**The Horizon**	Edmonton	4 Floors Student Housing Development with Main Floor Retail space	$ 7,000,000	August-12	December-12	Corporation with Shares Classes	Construction commenced in Q1 2013	Project Completion and Exit expected in 2014	2014	**In Progress**
13	**Summerside Development Trust**	Edmonton	5 acres land with 101,000 sqft of 2 storey retail & office in 7 buildings	$7,500,000*	January-13		Mutual Fund Trust	Construction to commence in Q3 2013	Project Completion and Exit expected in 2016	2016	**In Progress**
14	**Westmount Development Trust**	Edmonton	1 8-Storey and 1 6-Storey Buildings of Senior Assisted Living	$15,000,000*	January-13		Mutual Fund Trust	Construction to commence in Q3 2013	Project Completion and Exit expected in 2016	2016	**In Progress**
15	**Prism Parkside Development Trust**	Fort McMurray	10 Floors of Short Term Rental Units above with Main Floor Retail space	$7,000,000*	January-13		Mutual Fund Trust	Construction to commence in Q3 2013	Project Completion and Exit expected in 2016	2016	**In Progress**
16	**Lethbridge Development Trust**	Lethbridge	39 Acres of Developable Land	$10,000,000*	January-13		Mutual Fund Trust	Construction to commence in Q3 2013	Project Completion and Exit expected in 2016	2016	**In Progress**

* Maximum offering

Source: Management

According to management, they have paid out (principal + returns) all the investors of the first seven projects: Falsbridge Plaza, Luxstone Plaza, Kingsview Plaza, Summa Manor, Bella Casa, Luxstone Subdivision, and Bella Vista. Currently, PRISM has five projects in the development phase: Balzac Commercial Campus, PRISM Place, Heritage Hills Plaza, Broadmoor Heritage Plaza, and Horizon. PRISM is currently raising capital for four: Lethbridge Development Trust, Westmount Development Trust, PRISM Parkside Development Trust, and Summerside Development Trust.

Management provided data (see below) on two out of the seven exited projects confirming the returns that investors received. For the remaining five previous projects, we were unable to receive any documents from management regarding the returns – which is concerning.

Kingsview Plaza:

Kingsview is a 24 unit project that commenced in May, 2006. We reviewed a letter from PRISM's accountants dated November 2008. The letter states the project sold 18 units as of May 31, 2008, and the Return on Investment (based on the 18 units sold) was 108.5% (source, Quon & Associates). We also reviewed a letter from PRISM's realtor, dated August 7, 2011, that the all the units are now completely sold. We were unable to review the final ROI investors achieved after all units were sold.

Luxstone Plaza:

Luxstone is a 16 unit project that commenced in June, 2003. The project was completed in August 2006, and the rate of return based on funds invested was 139.4% (source, Quon & Associates).

Bella Casa:

The PRISM Group is currently involved in civil court cases in regards to the Bella Casa project. Based on our discussion with management, and the lawyers involved in the case, we have learned the following: Due to the market downturn, the Bella Casa project was going to take longer than anticipated, so management gave the option to investors to convert their Limited Partnership Units to condominium units (and assume the mortgage on the units) in the property or stay as a Limited Partner in the project. The majority of the Limited Partners (approximately 90%) chose to convert their Limited Partnership Units in exchange for condominium units at the property. The remaining investors who chose not to convert their Limited Partnership Units are currently involved in a civil court case with the PRISM Group. The civil cases are seeking damages from the PRISM Group in regards to misrepresentation, breach of contract, negligence, and fiduciary duty. There are three cases pending against PRISM. Out of all the cases, the most advanced case is an estimated 1-2 years from trial. There is one case in the preliminary stages of questioning and is estimated to be 2-4 years from going to trial. The third case is progressing very slowly, with nothing substantial occurring in the last year. PRISM feels they have a strong defense if it goes to trial, and is unmotivated to settle. The outcome of the lawsuits likely will not be known for a few years. We believe they should not have any material effect on the Summerside Development project.

Management

Brief biographies of the management team, as provided by management, follow:

Ali Ghani

Mr. Ghani had acted as a Project Manager, Project Coordinator, Project Supervisor and General Contractor, for the construction of the following:

- November 2008 – Present. The PRISM Place project in Calgary, Alberta. The project consists of a 11-storey building with 202,000 sqft of development on 0.5 acres of land in Beltline, Calgary
- May 2007 – Present. Heritage Hills Plaza project in Cochrane, Alberta. The project consists of a 2-storey building with 41,000 sqft of development on 2.76 acres of land in Cochrane, Alberta.
- July 2007 – March 2010. The Bella Casa Condos project in Calgary, Alberta. The project consists of a 4 storey mixed-use building with 92 residential units and 11 commercial units sitting on 1.05 acres of land in Penbrooke, Calgary, Alberta.
- May 2006 – May 2008. The Kingsview Plaza project in Airdrie, Alberta. The project consists of a 1-storey high-ceiling building with 41,000 sqft of development on 2.84 acres of land in Airdrie, Alberta.
- June 2004 – May 2006. The Luxstone Plaza project in Airdrie, Alberta. The project consists of a 2 storey building with 31,000 sqft of development on 2.06 acres of land in Airdrie, Alberta.
- January 2002 – June 2004. Mr. Ghani was an investor and acted as a Consultant for, the construction of the Falsbridge Plaza project in Falconridge, Calgary, Alberta.
- January 1 – June 2004. Mr. Ghani acted as the primary consultant for the construction of the Bella Vista Condos project in Bankview, Calgary, Alberta. The project consists of a 4-storey

mixed-use building with 60 residential units and 7 commercial units.

Mr. Ali Ghani, was sanctioned by the Alberta Securities Commission on July 21, 2010 for having breached Alberta securities laws when he placed a PRISM Place advertisement containing misleading or untrue statements in the November 2009 to January 2010 edition of the Uptown magazine. Mr. Ghani entered a settlement agreement and as a result had to pay a fine of $35,000 and costs of $2,500.

Dr. Abdul Ghani

Dr. Abdul Ghani is a General Practitioner by profession, and received his medical training from University of Punjab in Pakistan in 1969. Shortly thereafter, he volunteered to be relocated to Nigeria where he worked for 23 years as a missionary doctor. While in Nigeria, Dr. Ghani went to remote areas and acquired land, secured permits and built clinics, hospitals and dispensaries for less fortunate people. In doing so, his passion for real estate with a purpose grew, as did his knowledge and commitment to creating developments that were functional, adaptable, safe and of the highest quality possible. The health and well-being of his patrons depended on it.

In Canada, that passion and dedication continued to flourish as Dr. Ghani began real estate developments and private investment syndications in 1995. He started a private family real estate investment firm, and worked with trusted business associates and partners to acquire lands with potential for development. Dr.Ghani was involved in 2 private land developments in Airdrie, primarily Luxstone.

After the successful completion of the Luxstone land subdivision, he decided to take the company to the next level by expanding the scope of his projects, and at the same time, making them accessible to private investors.

In summary, PRISM has exited seven projects and is currently advancing nine. Of the exited projects, we have been able to verify IRRs of just two projects. We are, therefore, not in a position to comment on management's ability to generate returns for investors.

Property Location

The property is located at the intersection of Ellerslie Road and 66th Street in Edmonton, Alberta. As displayed in the below map, it is in the southeast area of Edmonton, approximately 25 minutes from downtown.

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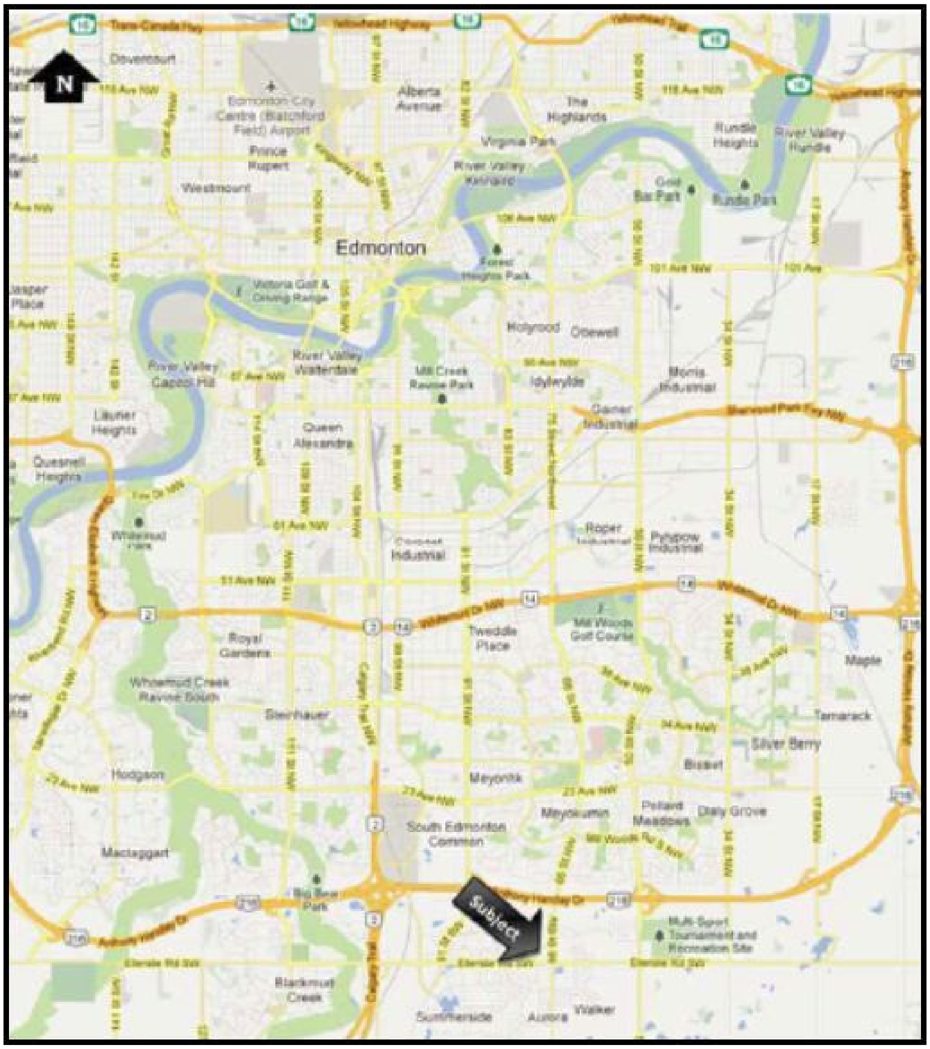
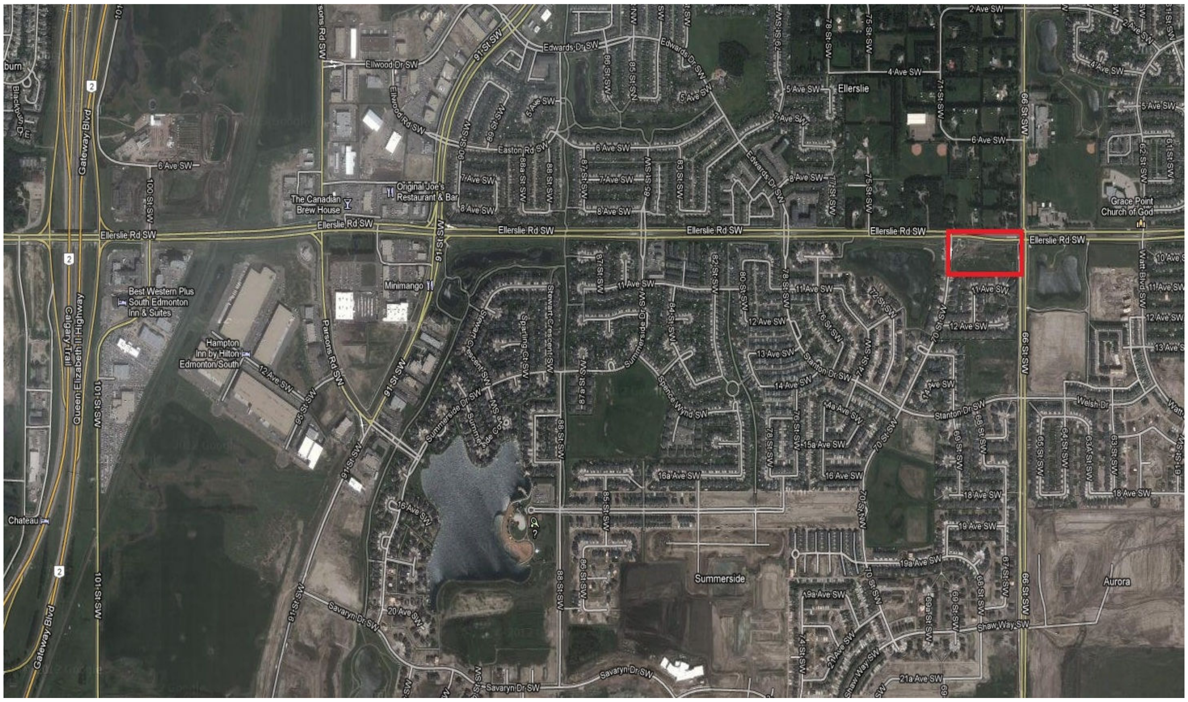


Source: Management

The property is situated at the northeast corner of the Summerside neighborhood, which is bounded by Ellerslie Road to the North, 66th Street to the East, 25th Avenue to the South, and Parsons Road (91st Street) to the West. As can be seen in the map on the next page - Ellerslie Road and 66th street are major roadways. **There is 770 feet of frontage along Ellerslie rd. and 270 feet of frontage along 66th st. The property has excellent traffic flow exposure, estimated at 24,800 vehicles per day** (Source: Cushman).

The Summerside neighborhood mainly consists of new residential development of low and medium density housing. The average price of a home in January 2013, in southeast Edmonton, was $345,000, slightly below the city average of $377,000. The median income for the neighborhood is $82,588, in comparison to the city average of $57,085 (Source: 2006 census).



Source: Management

As can be seen by the below map, there is still land that is planned for residential development. The Summerside neighborhood is rapidly expanding. From 2008-2012, the population more than doubled from 3,887 to 7,976 (Source: City of Edmonton Census). Cushman and Wakefield estimates that the population of the area 5-10 km around the project site will be about 75,000 once all the planned development in the region is built out.

Source: Management

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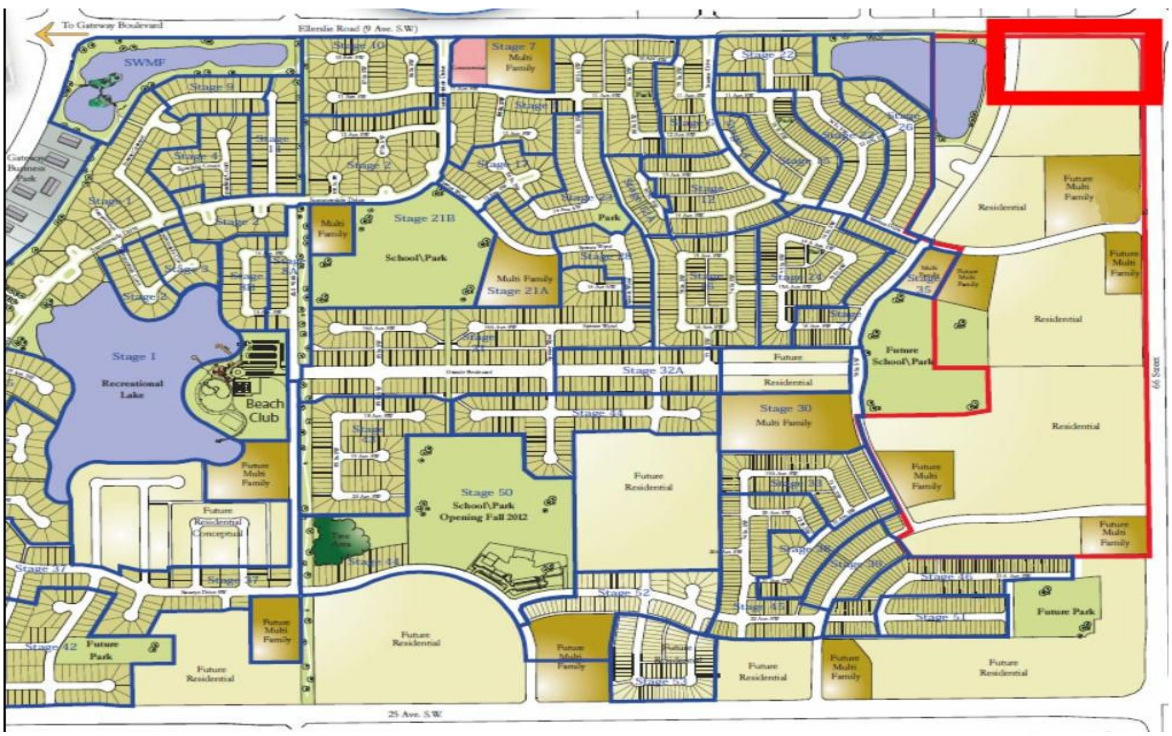
Summerside Development History

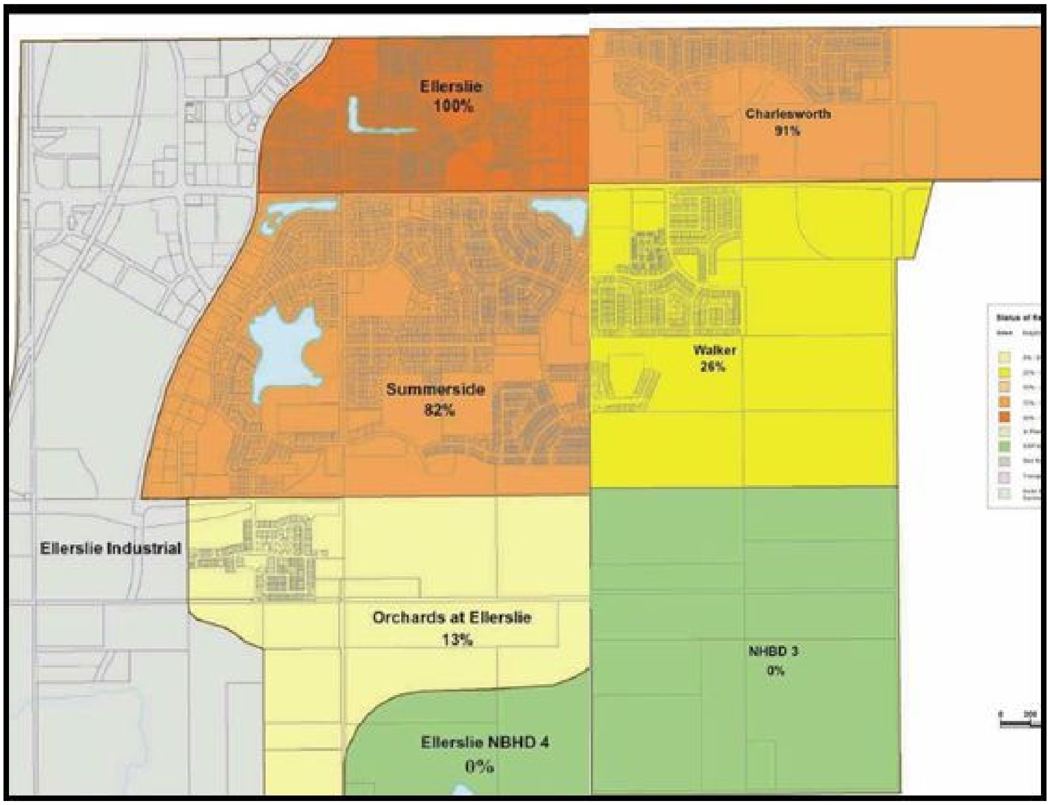
The PRISM Group of Companies entered a purchase agreement for the subject property on December 11, 2012, from Riaz Choudhry of VIP Developments for $5 million. VIP Developments is unrelated to PRISM. **The property is a 4.92 acre lot included in the Sunset Valley Estates development (highlighted red in map below), a 75 acre residential development by VIP developments.** Servicing of Sunset Valley Estates began in 2004, and was completed in 2009. The 80 acre total development consisted of 263 single family residential lots (65 acres), two multi-family residential sites (10 acres), and one commercial site (the subject site). We have spoken to Mr. Choudhry and management, and they say that all the lots in the development have been sold and the majority of homes built out. Mr. Choudhry also retains a 9% interest in distributions to management. He does not retain any trust units.

Property Details

The below map displays planned future residential and residential under construction (Beige properties in map). The City of Edmonton has zoned the Summerside neighborhood for only two commercial developments. **In addition to the subject site (outlined in red), there is an additional smaller site at Ellerslie and Summerside Drive (pink in the map).** Additional commercial services are located approximately 5-10 minutes west of Summerside at Blackmud creek and other neighborhood commercial centers along Ellerslie rd.



As of 2011, the below map shows the percent completed of planned and/or developing residential developments in Summerside and surrounding neighborhoods. We can see that Summerside was 82% completed, Charlesworth was 91%, Ellerslie 100%. The neighborhoods to the east and south of Summerside have substantial areas that are yet to be completed. According to City of Edmonton, as of 2011, southeast Edmonton had 15,661 planned and developing residences.



Source: City of Edmonton

Financing of the Property

PRISM purchased the property in December of 2012, for $5 million. The property was financed by two mortgages totaling $3.75 million, and a $1.25 million cash contribution in the form of a loan from management. Management will receive their funds back after completion of this offering. **We have reviewed the mortgage documentation for the loans and the title for the property to verify the property is owned by PRISM.**

The first mortgage is for $2.75 million and bears an interest rate of 9%, or prime + 6%, whichever is greater, for a term of 1 year. The second loan is for $1 million and bears a rate of 18%, or prime + 15%, whichever is greater for a term of 5 months. Both mortgages have charges against the property and are with Imor Capital Corp. Imor is a private mortgage lender based in Vancouver, BC. The commencement date for both mortgages was February 1, 2013. The second mortgage will soon be due and management says that they have spoken with Imor and are expected to extend the mortgage. We note the short maturity period of the second mortgage as a risk.

If the maximum for this offering is reached, the funds will be used to discharge the mortgages and the loan from management. There will be a reserve of $1 million in soft costs to prepare the land for development (accounting, consulting, design fees, engineering, etc.) and $0.34 million in working capital. The construction costs are estimated to total $21.4 million to complete the development.

An independent appraisal of the raw land parcel by Colliers estimated the market value to be $5.75 million, as of November 28, 2012. Colliers assigned the value of the completed project as $49.9 million.

We expressed concern to management that a major risk is the ability to finance construction of the project. They say they will finance the project in phases, which limits financing risk, but they can also seek financing for the whole project if needed. For example, for their Broadmoor commercial development, management is in discussions with Canadian Western Bank ("CWB") to secure financing for the whole project. They are in discussions with CWB for a $17 million loan with a term of 18 months at prime + 1.5%. We have reviewed discussion documentation from management displaying the above terms, but nothing has been finalized.

In order to finance the construction of the land in phases, management intends to use the land as collateral. The land is appraised at $5.75 million, which would allow PRISM to borrow approximately 75% of the value of the property, which would equal $4.3 million. This would give management enough cash to prepare the property for construction and construct the first building. The buildings will be strata, allowing them to be sold or leased individually once completed. Management intends to lease each building out upon completion, and then take the building to a lender to use as collateral for additional financing to construct the next building. This will allow management to avoid having to pre-lease the whole project initially, and seek construction financing for the whole project. **Management says that financing in phases will take longer to complete the project, but it limits financing risk.**

The plan is to construct the development in phases from East to West. Management plans to enter discussions with lenders once the site plan is approved and construction permits are in place.

We have reviewed a letter of intent ("LOI") to purchase a unit at Summerside and have called the person to confirm their interest**. 7/11 convenience stores has also sent an LOI expressing interest in leasing a unit.** Management has provided a list of 20 interested parties that have expressed interest in the property. Note that LOIs are not firm offers, but display that there is interest in the property. Management has engaged Colliers to begin marketing the property.

Property Details

The following discusses the specifics of the site.

The property is 4.92 acres of land zoned for commercial development. Key features of the property are as follows:

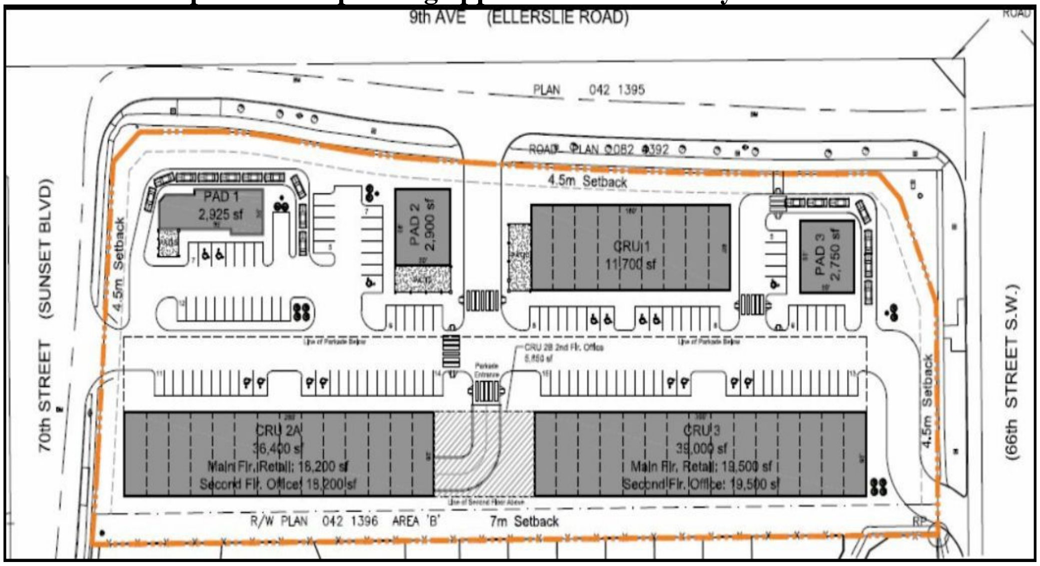
- Electricity, telephone, gas, water, and sewage are in place for development.
- 342 parking stalls, 117 will be free surface stalls, and there will be 225 underground stalls available for monthly rent.
- The site is zoned commercial and the current plan will require a development permit and building permit from the City of Edmonton to begin construction.

Site Plan

The site plan below displays the 6 buildings planned for construction at the property. There are 3 commercial retail units (CRU) and 3 Pad Units. CRU buildings have multiple retail vendors in the building. The Pad units are freestanding structures that will likely have a single tenant. Pad Units are attractive because of the visibility, ease of access and they can facilitate a drive through.

The southern two CRU buildings in the site plan will be two storey buildings with retail on the ground floor and office space above. CRU 2B is the shaded area between CRU 2A and CRU 3. It will be second floor office space that connects the two CRU buildings with no ground level retail.

Site plan that is pending approval from the City of Edmonton



Source: Dialog (Site plan designers)

The following chart displays the square footage for each building.

Buildings	Retail SF	Office SF
CRU 1	11,700	
CRU 2A	18,200	18,200
CRU 2B		5,850
CRU 3	19,500	19,500
Pad 1	2,925	
Pad 2	2,900	
Pad 3	2,750	
Total Sf	57,975	43,550

The target tenants of the development will be neighborhood-style businesses. Management expects small grocers, liquor stores, convenience stores, restaurants and other neighborhood commercial retailers. Management says that 100% of the retail square footage is rentable.

For the office space, management maintains there is interest from a banquet hall for one of the two-storey buildings. The other building is planned for office space; possible tenants are law firms, medical and dental offices. We have estimated that of the office space, 90% will be rentable and the remaining 10% will go towards halls, washrooms, etc.

The construction will begin from east to west. Management intends to construct Pad 3 then move on to CRU 1, CRU 3, Pad 2 or CRU 2 and Pad 1 last.

Renderings of the completed project are provided by Dialog, the site designers. Dialog specializes in construction and site plan design. They have offices in Vancouver, Calgary, Edmonton and Toronto.

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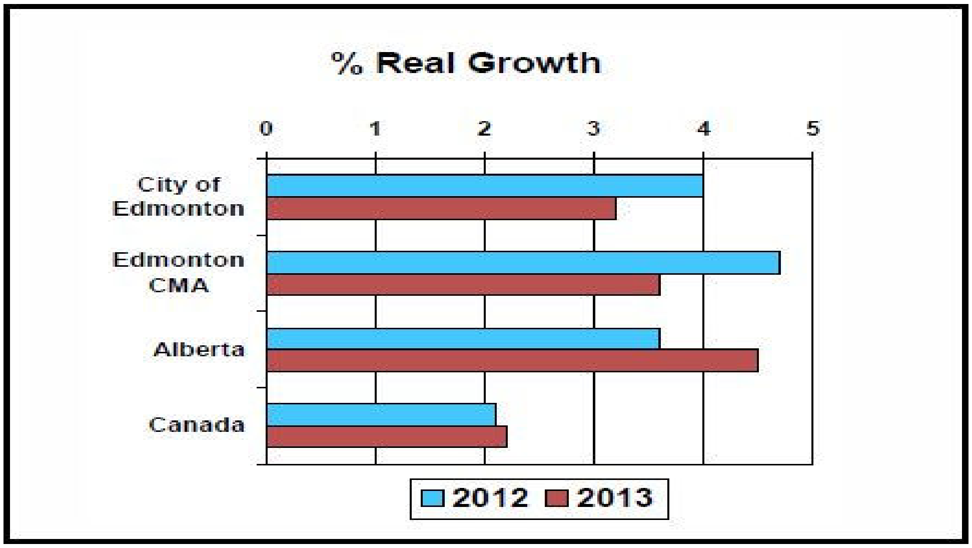
Source: Dialog

Economic Outlook

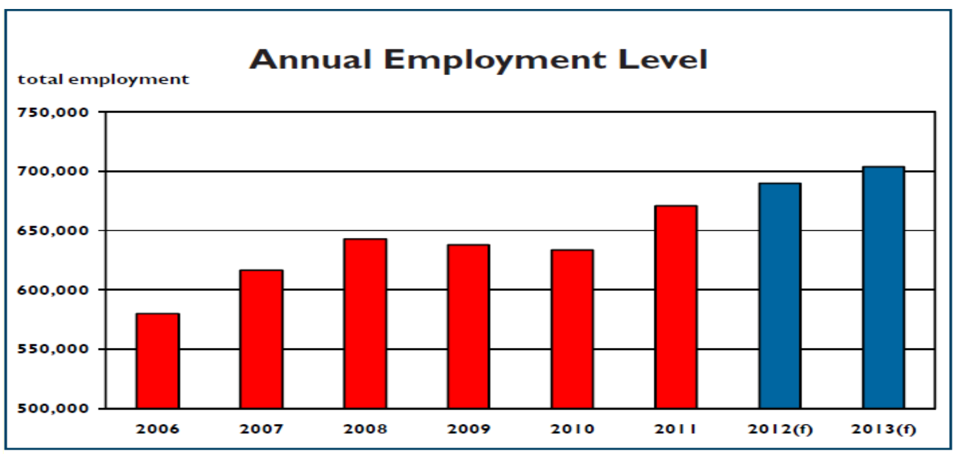
We believe that the driving factors of Edmonton's economy will have a strong effect on the Summerside neighborhood. The primary drivers of Edmonton's economy are:

- Edmonton is consistently ranked as one of Canada's best economies.
- Alberta has one of the most competitive personal and corporate tax rates throughout Canada.
- Edmonton's economy is highly correlated to the energy industry. With our positive outlook on long-term oil prices, we expect to see continued benefits to Edmonton as the energy sector continues to play a large part of Alberta and Edmonton's economy.
- Edmonton has the lowest unemployment rate in Canada. For February 2013, the unemployment rate in Edmonton was 4.3% in comparison with the national unemployment rate of 7.0% *(Statistics Canada)*
- GDP Growth: As we can see in the following bar chart, in 2012, Edmonton CMA's GDP growth was estimated as 4.6%, which is much higher than Alberta and Canada's GDP growth rates. The forecasted consensus annual rate over the next 4 years is 3.5% for Edmonton.



Source: City of Edmonton

Employment: Employment in the Edmonton CMA is estimated to have grown by 3% p.a. from 2006 to 2012, as shown in the chart below. The City of Edmonton estimates employment to increase at 2% p.a. through 2020.



Source: Statistics Canada, CMHC Forecast (f)

Edmonton – Residential Market

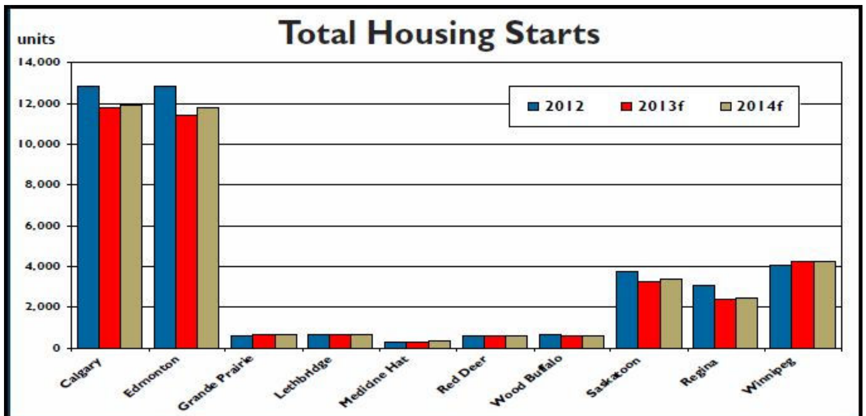
We have analyzed the residential market in Edmonton because there is substantial area around the development that is available for residential development. If there is strong housing demand, we anticipate it will lead to increased demand for commercial properties. We expect the following residential market trends to impact the demand for Summerside`s commercial property:

Affordable housing – As depicted in the table below, Edmonton real estate continues to be highly affordable in comparison to Calgary and Vancouver.

	EDMONTON	CALGARY	VANCOUVER
Class A rental rate (psf)	$17.69	$25.44	$22.32
Industrial sale price (psf)	$155.00	$169.74	$187.43

(Source: Market Outlook 2012, CBRE)

Housing starts – In 2013, total housing starts are expected to reduce from 2012 levels, as shown below. 2014 is expected to rebound slightly. As shown by the graph below, Edmonton housing starts are expected to moderate slightly, but are still strong in comparison to the region.



Source: CMHC, CMHC forecast (f)

Housing demand: During 2012, due to the high employment rate, and migrant attraction to the Edmonton CMA, the demand for existing homes increased by about 6% YOY. **It is anticipated the sales numbers and prices will continue to increase by about 2% during 2013 (Souce: CMHC).**

Due to the amount of land planned for residential development around the commercial site, we feel that the strong housing data will benefit the Summerside Development.

Edmonton – Retail Market

There is very little commercial area in the growing Summerside, and surrounding neighborhoods, making the development an attractive space. The main indicators for retail market demand are retail sales, personal income per capita, lease rates, vacancy rates and capitalization rates.

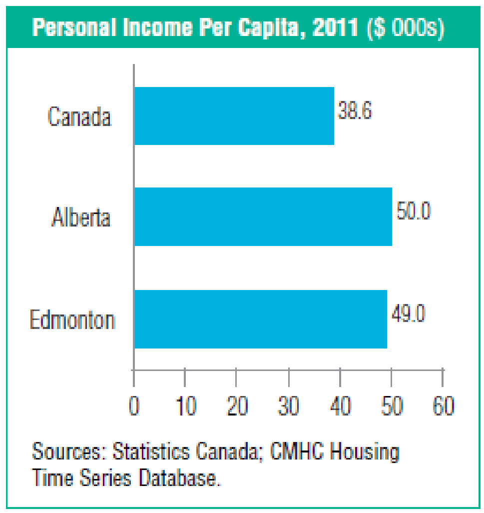
Retail sales – as seen in the chart below, retail sales are expected to have increased by 8.5% in 2012, and grow at a slower, but healthy, rate from 2013-2016. We anticipate the growth in retail sales will lead to increased demand for retail commercial space.

Retail Sales for Edmonton

Economic Indicators	2009	2010	2011	2012f	2013f	2014f	2015f	2016f
Retail sales ($ millions)	18,815	20,024	21,578	23,410	24,761	26,110	27,459	28,810
percentage change	*−7.5*	*6.4*	*7.8*	*8.5*	*5.8*	*5.4*	*5.2*	*4.9*

f = forecast
Sources: Statistics Canada; CMHC Housing Time Series Database; The Conference Board of Canada.

Personal income per capita – As seen in the chart below, Edmonton had a personal income per capita of $49,000, in comparison to the Canadian personal income per capita of $38,600 per annum. Research indicates that the prices of goods in Edmonton are lower than the Canadian average. Therefore, we believe Edmonton's disposable income per capita is much higher than the Canadian average – which is encouraging for retail sales in Edmonton.



From the above, we feel that retail sales will remain strong in Edmonton and benefit the Summerside development. We will now look at key factors that will affect the value of the Summerside development.

Retail rental rates - We reviewed a variety of sources in order to come up with a realistic rental rate that Summerside can expect to receive. We have used suburban neighborhood centers as a comparison for rental rates.

- The Colliers valuation report for Summerside estimates that lease rates for the property, given market comparable properties, are between $30 - $38 per sf.
- We have looked at comparable properties in the local area including Blackmud Creek, sites along Ellerslie and other suburban neighborhood centers. We have also spoken to commercial realtors who specialize in retail sales in the area. These locations range from the low to high $30's per sf.

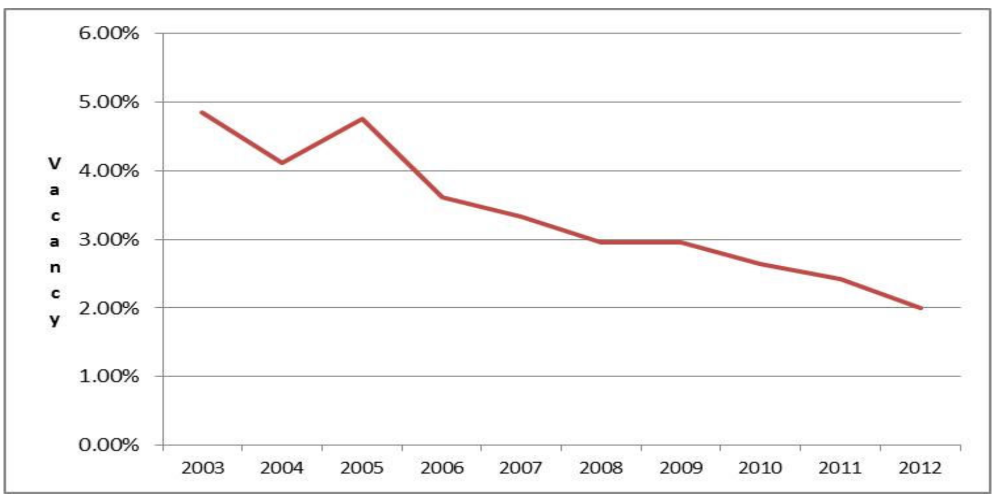
We feel that for new construction at Summerside, the conservative estimates for CRU units would be $28-32 per sf, and for pad units, would be $30-36 per sf. Pad units can charge higher because of the road exposure and ease of access.

Retail cap rates - Capitalization rates are the rate of return on a real estate property based on the expected income that the property will generate after expenses. From the below chart from Colliers, we can see that **the cap rates in Edmonton vary from 5.75% to 7.00%, depending on location of the property.** Colliers, in their report on Summerside, showed a range of properties between 5.7% - 6.8%. We believe a cap rate of 6.5% is appropriate for the subject property.

RETAIL							
MARKET	REGIONAL / POWER		COMMUNITY		STRIP MALL		TREND
CANADIAN CITY	LOW	HIGH	LOW	HIGH	LOW	HIGH	
Vancouver	5.20%	5.70%	5.60%	6.10%	5.60%	6.10%	►
Calgary	5.50%	6.00%	6.00%	6.75%	6.25%	7.00%	►
Edmonton	5.75%	6.50%	6.25%	6.75%	6.25%	7.00%	►
Toronto	5.50%	5.75%	6.00%	7.00%	6.00%	7.00%	►
Ottawa	5.75%	6.50%	6.50%	7.00%	6.25%	7.25%	►
Montreal	5.75%	6.75%	6.90%	7.75%	7.00%	7.75%	►
Winnipeg	6.00%	6.50%	6.50%	7.00%	6.75%	7.25%	►
Halifax	5.75%	6.75%	7.00%	8.00%	6.25%	7.00%	►
Victoria	6.00%	6.25%	6.25%	6.50%	6.00%	6.25%	►

Source: *Colliers - Q2-2012*

Retail vacancy - For the Edmonton city area, as seen in the chart below, the retail vacancy rates show a decreasing trend. From the market consensus of commercial realty firms, the vacancy rate for retail ranges between 2-3%. We have used a vacancy rate of 4% as our base case.



Source: Avison Young 2012

Office rental rate - The current market rate for suburban office space is approximately $17-$22 per sf. We feel that a rate of $19 per sf for a new development in an expanding area is a reasonable estimate.

Office cap rates- According to Colliers, cap rates ranged between 6.50% – 7.75% for suburban office space. We have chosen a conservative estimate of 7.75% as the exit cap rate in our models.

SUBURBAN OFFICE					
MARKET	A		B		TREND
CANADIAN CITY	LOW	HIGH	LOW	HIGH	
Vancouver	6.00%	6.50%	6.50%	7.00%	▶
Calgary	6.00%	6.50%	6.75%	7.25%	▼
Edmonton	6.50%	7.25%	7.00%	7.75%	▶
Toronto	6.25%	7.00%	7.00%	8.00%	▶
Montréal	6.75%	7.75%	7.00%	7.75%	▶
Winnipeg			7.75%	8.25%	▶
Halifax	6.75%	7.25%	7.50%	8.25%	▼
Victoria	6.25%	6.75%	6.75%	7.00%	▶
Ottawa	6.25%	6.75%	7.00%	7.50%	▶

Source: Colliers - Q4- 2012

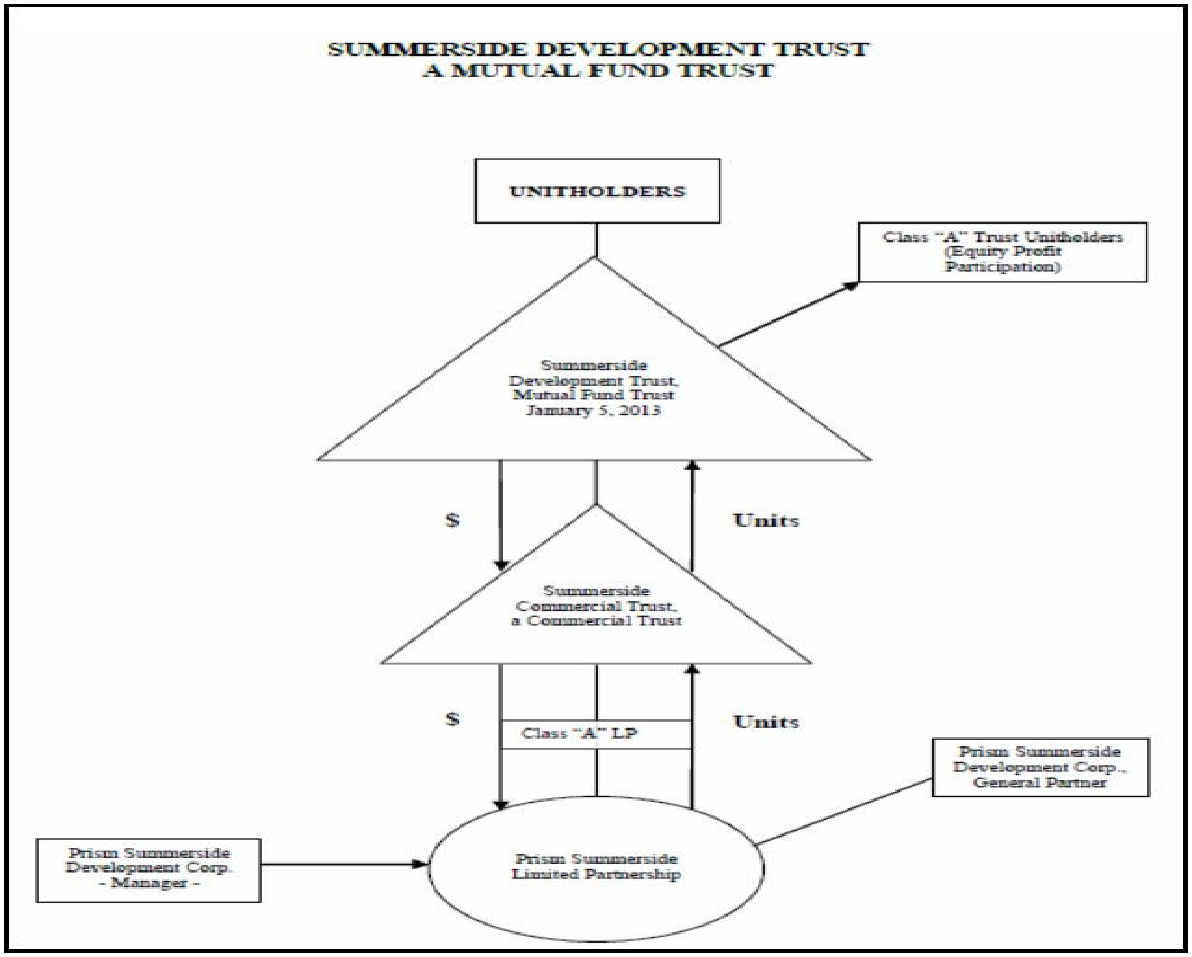
Office vacancy- The suburban market vacancy rate for office space ranges between 7.0% - 16.8% for Summerside and comparable areas. **We feel that the mid-point of this range is fair, and estimate vacancy for Summerside will be around 10.7%.**

In summary, we **believe that Summerside, due to its location in an expanding neighborhood, will offer an attractive commercial location.** We anticipate that there will be stable demand for retail and office space in Summerside. Vacancies have been on the decline and the economy looks to be expanding.

Structure

Investors will invest in the Summerside Development Trust, and receive Class "A" units in the trust. The trust units are eligible for registered plans. The trust will then invest the funds in the Summerside Commercial Trust, which in turn will invest in the Summerside Limited Partnership ("LP"). PRISM will be the general partner of the partnership. The following chart shows how the offering is structured.

FRC Fundamental Research Corp.



Source: OM

Distributions
Once the fund has satisfied all its debt, and investors' have received 100% of their invested capital, the remaining distributable cash flow will be split 70% to investors and 30% to PRISM as performance/management fee.

Management Fees
There is no annual management fee for the offering. There is a 2% advertising fee taken by the PRISM group from the offering for advertising services. Management's fee will come in the form of their 30% interest in distributable cash flows. We feel that this is beneficial for investors due to management not receiving any income until the project is completed and there are distributable funds. We think it focuses management on the long-term goals of the development, incentivizing them to complete the project on time and at a profit.

Selling Fee
The funds raised will be subject to a 7% sales commission and a 1% exempt market dealer fee totaling 8% - this is in line with the average fee in the exempt market space.

Redemption
Upon redemption request, the trust will issue an unsecured promissory note paying interest of prime +1%, which is not payable until the completed project is sold. We feel that investors are better off

just waiting to receive distributions after sale, as potential returns are likely to be better than prime + 1%.

Debt: As mentioned earlier, the property has two mortgages, which will be discharged with funds from this offering. Management will need to seek construction financing.

Use of Funds

The following table shows the use of funds after the sales commission (8%, or $600k), marketing costs (2% to PRISM, or $75k), and offering costs ($100k), assuming a maximum offering. Soft costs, which include engineering, architecture, and consulting, have been included in construction costs.

	Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum (1) Offering
A.	InstaFund Mortgage Broker Fee (First Mortgage) (3.00% of Loan Amount)	$82,500	$82,500
B.	InstaFund Mortgage Broker Fee (Second Mortgage) (4.00% of Loan Amount)	$40,000	$40,000
C.	Interest Reserve (First Mortgage – 6 Months)	$123,750	$123,7500
D.	Interest Reserve (Second Mortgage – 4 Months)	$50,000	$50,000
E.	Lender's Legal Fees, title insurance, misc., etc.	$12,500	$12,500
F.	Related Party Loan	$1,250,000	$1,250,000
G.	Payout of First Mortgage	-	$2,750,000
H.	Payout of Second Mortgage	-	$1,000,000
I.	Soft Costs	$141,250	$1,000,000
J.	Working Capital Reserve	-	$341,250
	Total	$1,700,000	$6,650,000

(1) The Partnership intends to create a revolving internal credit facility to be used in the development of the Project. If there are insufficient funds available in this facility to fund the development of the Project, funds may be borrowed from third party sources.

Source: OM

Cost Estimates

The following details the cost estimates for the total development. Tech-Cost Consultants, located in Edmonton, Alberta, provided the costs. We have spoken to Alan Nessick (founder/principal) from Tech-Cost to verify.

Estimated Project Costs		
Total Land and taxes	$	5,055,000
Consulting Fees	$	1,484,000
Marketing costs	$	2,900,000
Warranty & Insurance	$	425,000
Legal & Accounting	$	90,000
Commission fees	$	300,000
Financing & Carrying costs	$	599,000
G&A	$	40,000
Design and Soft costs	$	5,838,000
Site development & Servicing	$	3,059,000
General requirements & Contractor	$	1,680,000
Concrete work	$	1,598,000
Masonry	$	300,000
Metals	$	95,000
Wood & Plastic	$	1,540,000
Moisture protection	$	1,734,000
Doors & Windows	$	915,000
Finishes	$	826,000
Plumbing	$	1,860,000
Electrical	$	1,150,000
Total Construction	$	11,698,000
Contingency	$	792,000
Total Project Cost	$	26,442,000

**Construction costs provided by Tech-Cost Consultants Ltd.: has done construction cost consulting and surveying since 1982. Tech-Cost also works with PRISM on its other projects.*

After removing the cost of the land and tax, the total cost to construct the development is $21.4 million.

Management feels that construction could be completed in 18 months, but as the construction is expected to be done in phases, the total time would likely be longer at 24 months. Mr. Nessick feels that management's timeline is accurate. For our base case analysis, we have used a conservative timeline of 3 years to complete construction.

We have constructed a model to estimate the return to investors. The following are assumptions made for the model.

Financial Projections - Assumptions

Assumptions:

- All rental rates are net of expenses.
- Maximum offering is reached.
- Following the close of the offering, management will begin preparing the land for construction, which we anticipate should take 3 to 6 months.
- For conservatism, we applied a premium of 10% to Tech-Cost's construction cost estimate.

We anticipate the costs to prepare the land for construction at $3.69 million. In year 1 of construction, we expect costs of $7.18 million to construct Pad 3, CRU 1 and 50% of CRU 3. In Year 2, CRU 3 is completed, and CRU 2A/2B are completed for a total cost of $11.31 million. In Year 3, Pad 2 and 1 are completed for $1.36 million.

- Throughout the project, as buildings are completed, they are leased, with sales of the entire project occurring in the fourth year. The buildings will be gradually leased out from years 1 to 4. The project will be eventually sold by the end of year 4.
- In our model, we have estimated that PRISM borrows enough capital to meet their construction expenses for the year and always maintains $0.50 million in working capital for contingency.
- In year four, there are no construction costs and the rental revenue is used to cover interest expenses.

For our base case estimates, we have used the following inputs below. The above market discussion mentions how we came to estimates for rental rates, % leased and exit cap rates. We have used 6% interest p.a. on the construction financing. We have also looked at comparable parking lot rents, with rents on some lots as high as $200 per month. We have estimated that the development can rent each stall for $100 per month.

Base Case Inputs	
Interest Rate (p.a.)	6%
% Leased Retail	96%
% Leased Office	89%
Pad Rent (sf)	$32
CRU Rent (sf)	$30
Office Rent (sf)	$19
Exit Cap Rate Retail	6.50%
Exit Cap Rate Office	7.75%
Parking Stall Rental (per month)	$100

Cash Flow

The following shows our base-case cash flow projections:

Cash Flow ($)	Close of Offering and Land Prep.		Year 1	Year 2	Year 3	Year 4
	Upon Close of Financing	Preparation of land				
Beginning Cash	6,650,000	1,321,887	500,000	500,000	500,000	97,483
Construction Expenses		(3,693,800)	(7,179,798)	(11,307,087)	(1,360,690)	-
Property Tax	(31,863)	(31,863)	(31,863)	(31,863)	(31,863)	(31,863)
Debt Repayment	(5,296,250)					
Lease Income		0	42,240	1,302,352	2,243,968	2,576,440
Construction Loan Interest		0	(174,227)	(614,845)	(1,253,932)	(1,253,932)
% Leased Retail			96%	96%	96%	96%
% Leased Office			89%	89%	89%	89%
Ending Cash	1,321,887	(2,403,776)	(6,843,647)	(10,151,444)	97,483	1,388,128
Construction Loan Taken in the Year		2,903,776	7,343,647	10,651,444	-	-
Total Construction Loan		2,903,776	10,247,423	20,898,867	20,898,867	20,898,867

Sale of Buildings

Based on our NOI and exit cap rate estimates, we arrived at a valuation of $36.58 million for the completed buildings. Note that Colliers' estimate was $50 million, which was based on more optimistic inputs/assumptions. After debt and investor capital is paid, any remaining funds are split 70/30 between investors and management.

Project Sale Price	36,583,529
Less Sales Commission (5%)	($1,829,176)
Net Sale Proceeds + Cash at the end of Year 4	36,142,480
Less Loan Repayment	($20,898,867)
Proceeds after Debt	$15,243,613
Less Capital to Investors	$7,500,000
Cash Available Distribution	$7,743,613
70% to Investors	$5,420,529
Total Returned to Investors	$12,920,529

Scenario Analysis

Based on the above cash flow estimates, we estimate an Internal Rate of Return (IRR) of 14.57% for investors. The following table shows a scenario analysis. **The IRR ranges between -17.84% and 27.59% from 'poor' to 'good' case scenarios.**

Scenario Analysis	Poor	Base	Good
Interest Rate p.a.	8%	6%	5%
% Leased Retail	90.00%	96.00%	98.00%
% Leased Office	80.00%	89.00%	92.00%
Pad Rent (sf)	$30	$32	$34
CRU Rent (sf)	$28	$30	$32
Office Rent (sf)	$17	$19	$21
Exit Cap Rate Retail	7.00%	6.50%	6.25%
Exit Cap Rate Office	8.25%	7.75%	7.25%
Parking Stall Rental (per month)	$75	$100	$150
Construction Cost (cost overrun)	20%	10%	0%
IRR	-17.84%	14.57%	27.59%

Sensitivity

The wide range indicates that our IRR estimate is highly sensitive to changes in the inputs.

The following sensitivity analysis displays the impact each input has on the resulting IRR to investors. For the sensitivity analysis, we maintained the base case inputs and varied one input at a time.

Sensitivity Analysis					
Interest Rate p.a.	10%	8%	6%	4%	2%
IRR	10.79%	12.74%	14.57%	16.27%	17.87%
% Leased Retail	80.0%	90.0%	96.0%	98.0%	100.0%
IRR	6.48%	11.47%	14.57%	15.46%	16.34%
% Leased Office	70%	80%	89%	95%	100%
IRR	10.95%	12.90%	14.57%	15.64%	16.51%
Pad Rent (sf)	$20	$25	$32	$35	$40
IRR	11.89%	13.03%	14.57%	15.21%	16.25%
CRU Rent (sf)	$20	$25	$30	$35	$40
IRR	-0.51%	7.88%	14.57%	20.25%	25.23%
Office Rent (sf)	$10	$15	$19	$25	$30
IRR	6.00%	11.00%	14.57%	19.36%	22.96%
Exit Cap Rate Retail	8.50%	7.50%	6.50%	5.50%	4.50%
IRR	4.65%	9.28%	14.57%	20.77%	28.32%
Exit Cap Rate office	9.75%	8.75%	7.75%	6.75%	5.75%
IRR	11.72%	13.00%	14.57%	16.50%	18.96%
Parking Stall Rental (per month)	$0	$50	$100	$150	$200
IRR	10.38%	12.53%	14.57%	16.50%	18.33%
Construction Cost (cost overrun)	30%	20%	10%	0%	-10%
IRR	5.97%	10.52%	14.57%	18.22%	21.57%

Among all the inputs, the rent and exit cap rate for retail space have the most significant impact on our IRR estimate. IRR ranges between -0.51% and 25.23%, as CRU rents range between $20 per sf and $40 per sf. IRR ranges between 4.65% and 28.32% as exit cap rate for retail ranges between 4.5% and 8.5%.

Risks

The following, we believe, are the offering's key risks:

- There is no construction financing in place.
- Construction costs may exceed Tech-Cost's estimates- our base-case scenario uses an estimate 10% higher than Tech-Cost's estimates.
- The investment is illiquid.
- Delays in financing and construction.
- Upon redemption request, the trust will issue an unsecured promissory note paying interest of prime +1%, which is not payable until the completed project is sold.
- The time horizon may be for longer than management`s expectations.
- Rental and leases of commercial units are subject to market demand.
- Construction will be financed through debt, increasing the sensitivity of returns.
- The current site plan has yet to receive building and development approval from the City of Edmonton.

- Although management claims that they have exited seven projects to date, they have provided us third-party verified documents confirming investors' returns on just two projects.
- The second mortgage on the project ($1 million @ 18%, prime + 15%) is due in July 2013.
- The neighborhoods to the east and south of Summerside have substantial areas that are yet to be completed.

Rating

Overall, we believe that Summerside, due to its location in an expanding neighborhood, will offer an attractive commercial location. The base-case expected return of 14.57% is attractive in this environment, but returns are highly sensitive to various variables. Management has exited seven projects and is currently advancing nine projects simultaneously. Delays in financing and construction are possible – which will impact investors' returns. **Based on our review of the offering, its risks and expected returns, we assign a rating of 4+ (Average) and a risk rating of 4 (Speculative).**

FRC Rating	
Base-Case Return (IRR)	14.57% p.a.
Rating	**4+ (Average)**
Risk	4 (Speculative)

Fundamental Research Corp. Rating Scale:

Rating – 1: Excellent Return to Risk Ratio
Rating – 2: Very Good Return to Risk Ratio
Rating – 3: Good Return to Risk Ratio
Rating – 4: Average Return to Risk Ratio
Rating – 5: Weak Return to Risk Ratio
Rating – 6: Very Weak Return to Risk Ratio
Rating – 7: Poor Return to Risk Ratio
A "+" indicates the rating is in the top third of the category, A "-" indicates the lower third and no "+" or "-" indicates the middle third of the category.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk)
2 (Below Average Risk)
3 (Average Risk)
4 (Speculative)
5 (Highly Speculative)

FRC Distribution of Ratings			
Rating - 1	-	Risk - 1	-
Rating - 2	31%	Risk - 2	-
Rating - 3	52%	Risk - 3	57%
Rating - 4	10%	Risk - 4	43%
Rating - 5	7%	Risk - 5	-
Rating - 6	-		
Rating - 7	-		

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