
EXECUTIVE SUMMARY

- ▽ **Direct Equity participation with Prism Developments in a Mixed-Use Residential/Commercial condo development on International Avenue in Calgary, Alberta.**
- ▽ The land for the mixed use development is brought to the Partnership **AT COST**, which means that there is no mark-ups for our investors
- ▽ There are no marketing fees, no referral fees, no sales commissions nor middle-men involved.
- ▽ PRISM will only earn any profit **AFTER** the completion of the project and takes **NO profits up front**
- ▽ A **construction project** by PRISM DEVELOPMENTS where value is added by purchasing a properly zoned land and then completing all engineering drawings, securing development and building permits, subcontracting all the required trades and then constructing the building. Thereafter, selling all of the **92 residential units and 11 commercial retail units** to the general public and making a profit.
- ▽ Professionally managed by a proven, profitable, major Calgary area community developer, PRISM DEVELOPMENTS
- ▽ No cash calls to the Limited Partners at anytime whatsoever during the whole course of the project
- ▽ Investment to mature in Fall/Winter 2009. Construction has already commenced on the project in fall 2007 and proceeding rapidly.

LIMITED PARTNERSHIP FREQUENTLY ASKED QUESTIONS

WHAT IS LIMITED PARTNERSHIP? WHAT DOES IT MEAN TO AN INVESTOR?

The limited partnership defines the liabilities and responsibilities of both the general and limited partners as well as how each of them is compensated. The general partner assumes full responsibility for the day to day development and management of the project. The limited partner does have voting rights and would be called upon to vote on any major decisions. The General Partner also assumes 100% responsibility for the mortgage. The **Limited Partnership Agreement** also outlines how profits are distributed to the Limited Partners as well as the General Partner at the end of the project.

WHAT IS THE MINIMUM INVESTMENT AMOUNT? WHY IS IT THAT HIGH?

We do not offer these investments to the general public, but to those people who we feel comfortable working with. It is also just as important, if not more important, for the investor to be comfortable working with us. It is also our obligation to make sure that the investor knows exactly what they are doing, where their money is being invested and how long it is being invested for. Therefore, the minimum investment we work with is quite high and this gives us more quality time to work with each investor. Our investments are meant for accredited and eligible investors as defined by the Alberta Securities Commission. It is our obligation to make sure that the investor knows exactly what they are doing and they have to acknowledge that, in writing when completing our Subscription Agreement. In fact, in the past, we have not taken money from investors who we did not believe were eligible.

WHAT SECURITY DOES AN INVESTOR HAVE WHEN HE INVESTS WITH YOU?

The partnership owns the property and the investor owns Limited Partnership Units in the partnership. The investor can drive over to the development anytime and touch it. **PRISM ONLY DEVELOPS PROJECT IN AND AROUND IN THE CITY OF CALGARY AND THEREFORE OUR INVESTORS FEEL REALLY SECURE AND SAFE INVESTING WITH US.**

WHEN DOES THE LIMITED PARTNER GET A RETURN ON INVESTMENT?

None of PRISM's projects are shorter than 2 years and on the same note, none of our projects are longer than 4 years from the time the Subscription Agreement is prepared and the investment starts. All of PRISM's development projects **MUST MATURE IN UNDER 4 YEARS.**

HOW DOES THE LIMITED PARTNER GET A RETURN ON INVESTMENT?

With respect to how funds are distributed our limited partnerships favors our investors. The return on investment is paid out at the end of each specific development project. Upon completion of the project, the Limited Partner earns 100% of their initial investment (the seed capital investment). Thereafter, any remaining investment fund in the development project is then split in an 80/20 manner, 80% to the Limited Partner and 20% to the General Partner.

HOW DOES THE GENERAL PARTNER GET PAID FOR MANAGEMENT?

The General Partner is entitled to 20% of any remaining investment fund in the company **ONLY AFTER** the Limited Partners have earned 100% of their initial investment.

IS THIS A TRUE PROFIT SHARING INVESTMENT?

YES, the Limited Partnership offered by PRISM is a profit-sharing setup. Upon completion of the project, the Limited Partner earns 100% of his initial investment (the seed capital investment). Thereafter the **profits** of the developments projects are then split in an 80/20 manner, which entitles the Limited Partners to 80% of the profits and the General Partners to 20% of the profits.

HOW LIQUID IS MY INVESTMENT?

As is the situation with most real estate; your units are not as liquid as stocks or other investments where there is a ready market available. However, you do have the ability to sell your unit at any time. The details of the transaction are in the Limited Partnership Agreement. Should you decide to sell you will retain any cash distributions you have received to date.

IS THIS INVESTMENTS RRSP ELIGIBLE?

In this case the investment is not RRSP eligible.

WHAT IF SOMETHING HAPPENS TO PRISM DEVELOPMENTS AND THEY CAN NO LONGER ACT AS THE GENERAL PARTNER? HOW AM I PROTECTED?

In the event that the General Partner is unable to continue, the trustee (DMBH LLP) will appoint a new General Partner, subject to the approval of the Limited Partners.

WILL INVESTORS BE INFORMED HOW THINGS ARE GOING WITH THE DEVELOPMENT OF A PROJECT?

Yes we will periodically (usually quarterly) send a newsletter or email to all of our investors of a particular development project advising them of the status of the development. At any time if there is a major decision to be made with respect to the development, a special meeting of Limited Partners is called.

WHO LOOKS AFTER MANAGEMENT OF THE DEVELOPMENT?

The General Partner (PRISM DEVELOPMENTS) takes care of all development process and management of the project.

**WHO FUNDS ALL THE COSTS RELATED TO THE DEVELOPMENT?
AS AN INVESTOR, WILL I HAVE TO PAY FOR ANY DEVELOPMENT
COSTS?**

No. All development costs are the responsibility of the General Partner (PRISM DEVELOPMENTS). Also, as an investor, you will NEVER be expected to ever put in more money to fund the project nor will PRISM ever make any cash calls to the investors at anytime whatsoever.

WHO IS LIABLE FOR ANY MORTGAGE ON THE DEVELOPMENT?

The General Partner assumes 100% responsibility for the mortgage. Also, the General Partners act as guarantors for the mortgage, not the Limited Partners. The General Partner is responsible for all mortgage payments.

DO YOU DEDUCT TAX ON THE MONEY I RECEIVE?

No. The funds are distributed to you without deductions of any kind. With the only exception being RRSP investments which do have some fees included which are necessary to make the investment RRSP eligible.

ARE THERE ANY OTHER TAX ADVANTAGES?

We recommend that our investors consult with their accountants regarding their specific tax situation.

**WHEN THE PROCEEDS ARE DISTRIBUTED TO THE UNIT HOLDERS, WHEN
DOES TAX HAVE TO BE PAID ON THIS INCOME?**

The taxes (in the form of capital gains) are payable when the development is completed.

TAX IMPLICATIONS OF A LP INVESTMENT - DISTRIBUTIONS

The LP agreement states that income and net taxable capital gains, for purposes of the Tax Act, will be allocated to LP Unit holders in the same proportion as distributions received by Unit holders. Distributions may consist of the following for income tax purposes for which T5013-Partnership Income Statements are issued, usually in the latter half of March for the previous tax year

- ∇ distributions that are currently taxable. This portion of distributions for income tax purposes will be treated as regular taxable income (and not treated as dividends or capital gains) to each Unit holder

- ∇ distributions that are treated as a dividend received from a Canadian or US subsidiary corporation. As such, it will be subject to a preferential tax treatment that all dividends from Canadian corporations receive (subject to the dividend tax credit)
- ∇ distributions that represent your portion of capital gains allocated to you relating to gain on the sale of a property in the year, if any. Please note that of the portion reported as capital gains on your tax return, only 50% of this is included in the calculation of your taxable income. The non-taxable portion of the capital gain is not deducted from the adjusted cost base of your Units.
- ∇ distributions that are not currently taxable and will be treated for income tax purposes as a return of capital. Accordingly, this currently non-taxable portion will reduce the adjusted cost base of the Units owned by each LP Unit holder. If, after deducting the return of capital portion, your adjusted cost base of your Units is a positive amount, no portion of the return of capital will be taxable. If, however, after deducting the return of capital, your adjusted cost base of your Units is a negative amount, you will realize a capital gain equal to the negative amount and your resultant adjusted cost base of your Units will be nil.

LP Unit holders should consult their tax advisors/accountant with respect to any questions they may have concerning tax matters.

BENEFITS TO THE INVESTORS (LIMITED PARTNERS)

- ∇ Limited risk – to the amount invested, even in case of a major disaster, law suit or any mishap
- ∇ Clear delineation of responsibility – PRISM is the general partner which does all the work with a clearly defined fee structure and compensation – usually a combination of (hopefully small) fixed fees and variable, profit oriented share of profits (40% in our case, up to doubling your money, after you have received all your original investment)
- ∇ Allocation of 100% of losses for potential tax savings (usually in early years due to startup costs and development expenses)
- ∇ Clearly defined time line (up to 3 years in this case)
- ∇ Possibility to sell LP units later to partners at annually set prices (usually higher)
- ∇ Existing and well tested legal framework, with oversight by provincially appointed regulators
- ∇ Annual reporting

Contrary to a publicly traded or private company (often with a joint venture contract), capital gains/losses and/or income are flown through to the LP Unit holders in a pre-determined fashion.