

# Cambrian Strathcona II Limited Partnership

## Development of 149 Acres Industrial Land in Alberta

### Business Objective of the Partnership

Cambrian Strathcona II Limited Partnership has been formed to enable investors to realize superior rates of return through capital appreciation by participating in the acquisition and development of certain industrial land in Strathcona County, Alberta. The general partner is Cambrian (Strathcona II) Development Corp. Art Szabo and Don Rumpel are the directors of the general partner.

### Location of the Land

The land is situated in Strathcona County, in the northern section of Sherwood Park and on the eastern edge Edmonton. It is north of Highway 16 (Yellowhead Trail), west of Highway 21 (designated heavy haul transportation corridor), and lies immediately east of Cloverbar Road (an existing truck route). Fort Saskatchewan lies 17 km to the north along Highway 21. Refer to Maps 1, 2 and 3.

### Legal Description

Meridian 4, Range 23, Township 53, Section 24, Quarter South West

### Property Size

60.45 Hectares (149.5 Acres)

### North of Yellowhead Area Concept Plan

The land falls within the *North of Yellowhead Area Concept Plan* prepared by Strathcona County, and is designated as Light and Medium Industrial. This Area Concept Plan covers all of Sections 13, 14, and 23, in addition to Section 24.

### Raw Land

This raw land is zoned Agriculture Future Development, and is designated for industrial use, but has not yet been re-zoned, subdivided and serviced.

### Area Structure Plan

The next stage of the planning process will be the development of a comprehensive *Area Structure Plan* outlining the location of roads, storm ponds, water and sewer services and defining boundaries between specific land uses.

## **Investment Strategy**

The partnership's strategy is to acquire the land, develop an Area Structure Plan that specifically addresses the development of this property, and move it through the planning process to approval by Strathcona County. This will add significant value to the property before it is sold to a developer. The acquisition cost to the Limited Partnership is approximately \$54,000 per acre. The general partner has learned that recent sales of unserviced land in the area that is ready for development but not yet serviced range from \$150,000 to \$250,000 per acre. Serviced industrial land in and around Strathcona County, east of Edmonton, have recently traded for as much as \$600,000 per acre.

## **Development Timing**

The exact development timing for this property is unknown and will largely depend on the strength of the economy and the continued demand for serviced industrial land. The strategy from the perspective of the Limited Partnership is not to service the property, but merely to develop the Area Structure Plan and put in place the necessary plans and permits required for servicing. At that stage, the partnership will sell the land to a developer at a targeted exit price of \$150,000 per acre.

## **Investment Timing**

The general partner anticipates that up to 24 months may be required to fully develop the Area Structure Plan, acquire the necessary approvals and market the property to a developer. With the cooperation of Strathcona County and the continued strong demand for industrial land, this proposed timeline could possibly be shortened.

## **Progress to Date**

The general partner, has engaged Focus Corporation to coordinate the Area Structure Plan process. Several joint planning sessions between Focus and the GP have taken place in order to determine key inputs into the application process. Contracts for environmental, biophysical and geotechnical work have already been issued. A geotechnical drilling program is scheduled to commence onsite within the next month, with biophysical and environmental work to commence as soon as the snow has melted. Traffic engineering studies will also commence in the near future. It is anticipated that a draft Area Structure Plan will be submitted to Strathcona County for comment by the end of summer 2007.

## **Outlook for Industrial Land in Strathcona County**

The current demand for serviced light and medium industrial land is outstripping supply. New industrial land is desperately needed to cope with continued development within the area. The scope and pace of economic activity within the *Industrial Heartland* of Strathcona County and Sturgeon County is being driven by continued massive development of the heavy oil

reserves in Northern Alberta and the need for heavy fabrication facilities and related ancillary services. In addition, recent announcements for as many as 10 oil upgraders, worth \$40 billion dollars, to be located within Strathcona and Sturgeon counties will have a profound effect on land values. A major new \$200 million Edmonton-area power line is being proposed to carry huge amounts of electricity required by the oil upgraders and other development planned for the region. The airport in Strathcona County is to undergo an expansion to accommodate traffic.

### Financing Summary

Area of Land:	149 acres
Developable area:	135 acres (estimated)
Cost of Land:	\$ 8,000,000
per acre:	\$ 54,000
per developable acre:	\$ 59,300
Vendor Take Back Mortgage:	\$ 3,000,000 (at 6%)
Equity to be raised:	\$ 5,000,000 (5000 partnership units)
Development Financing:	\$ up to 2,000,000 (at 12%)

### Details of the Investment

Investors will become limited partners in Cambrian Strathcona II Limited Partnership, which will be the beneficial owner of the land. Limited partners will be entitled to 50 percent of the gain on sale of the land and any profits that may be earned by the partnership.

Partnership Units are \$1,000. To qualify for this investment, investors must either be Accredited Investors or they must invest a minimum of \$150,000. Minimum investment amount is \$50,000 for Accredited Investors.\*

Investors enter into a Subscription Agreement, to which is attached a Term Sheet.

**"Accredited Investor"** means, in the case of an individual, either:

(a) someone whose net income in each of the last two calendar years exceeded \$200,000 (or, if combined with that of a spouse, \$300,000), and who reasonably expects to exceed that amount in the current calendar year, or

(b) someone who, either alone or with a spouse, owns financial assets having an aggregate realizable value that, before taxes, but net of any related liabilities, exceeds \$1,000,000. The subscription documents include a work sheet to assist in defining financial assets.