

**UPDATE TO PAC:
GROUPE RENAISSANCE GROUP
Community Association Communautaire
CORNWALL, ONTARIO**

**Review of Development Feasibility of
High-Rise Residential Loft Condominiums
Specific to the Property Located at
710 Cotton Mill Street, Cornwall, Ontario**

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1.0 Introduction and Overview

Terms of Mandate

Capital Business Management Group (“CBMG”) has been engaged by the Groupe Renaissance Group to complete a feasibility study specific to the potential development of the property located at 710 Cotton Mill Street for the purpose of high-rise residential condominium development.

Specifically the following comprised the business advisory services ("Services") to be provided by CBMG:

1. Assist with the negotiation of a transaction involving the subject properties now presently in the possession of private citizens (the "Vendors"), with CBMG working in tandem with GRG and potential developers;
2. Assist GRG with their consideration of alternative development strategies presently being contemplated by GRG, including an analysis of the **highest and best use** of the properties in question, the **marketability** of the proposed development, the **economic viability** of the proposed development and, most importantly, the prospect of generating financing in an amount sufficient to complete the proposed development project. The preferred development scenario is that of an owner-occupied loft-condominium development;
3. Working in tandem with GRG and potential developers, the development and implementation of a marketing program deemed acceptable to all parties which would generate the level of interest necessary from potential purchaser groups to satisfy pre-sale requirements specific to the residential component of the proposed development, and as imposed on the project by potential financiers, as well as to meet projected disposition period representations made by GRG and CBMG;
4. Develop a financial program that is best suited for GRG, all the while taking into consideration the guidelines of potential financial partners relating to the construction and take-out financing requirements specific to this project;
5. The preparation and subsequent presentation to potential financiers of a Financing Submission specific to the proposed development;
6. Co-ordinate the retention, if required, of all outside parties necessary to assist with the completion of the financing document to be presented to potential lenders. This will include the negotiation of the mandate with third parties and the related fee structure. The engagement of said third parties will be subject to the prior approval of GRG;
7. Pursue potential lending sources, identify and pre-qualify prospects and negotiate deal structure, subject to the final approval of GRG;

8. Co-ordinate and satisfy all agreed upon pre-funding conditions imposed upon GRG by the Lender;
9. Deal with all administrative issues evolving from the funding of the transaction(s) forming the basis of CBMG's mandate;
10. Assist with the development and implementation of additional financial development programs specific to the overall Group Renaissance GRG may pertain to individual single-family homes for which assistance may be required.

During the course of our engagement we reviewed and relied upon documents and information provided by a number of stakeholders of the project. These documents, included:

- Analysis of Cornwall's Industrial Supply Capability, Prepared by Doyletech Corporation, March 2000
- Community Profile - Key Facts About The City of Cornwall, Updated 2001
- Construction Estimates and Design Drawings as prepared by RMP Construction Ltd.
- Cotton Mills Complex Redevelopment Plan - City of Cornwall, 1994 - 1995
- Le Village - A Blueprint For Action, April 1999
- Le Village: Retooling For The Next Century, Volumes 1 and II, August 1999
- Needs Analysis of Ottawa-Carleton's High Technology Industry, Prepared by Doyletech Corporation, January 2000
- Rosemount Thompson Parking Strategy and Traffic Impact Assessment, May 2002
- Rosemount Thompson Phase I and Phase II Environmental Site Assessment, June 2002
- Rosemount Thompson Structural Evaluation, May 2002
- Short Narrative Appraisal Report, Tarle & McAllister Appraisals Inc., October 29, 2003
- St. Lawrence Testing & Inspection Co. Ltd. Environmental Opinion Letter, October 8, 2003

We also relied on representations made by a number of interested parties during meetings and telephone discussions.

2.0 For Consideration

The acquisition and redevelopment of the property located at 710 Cotton Mill Street in Cornwall, Ontario, known as the “Finishing Mill”.

This study contemplates the development of 60,000 square feet of existing building area, with the resulting development taking the form of a four-storey concrete brick residential condominium, offering forty-four underground parking spaces, forty-six exterior parking spaces, and containing a total of sixty-four residential suites.

3.0 Background

The textile industry played an important role in the development of the City of Cornwall during its industrial era. The closing of the last of the major textile firms in late 1991 represented the final chapter of what up until then had been the sectoral mainstay of the local economy.

The first of the major textile companies to open its doors in Cornwall, as well as the first to close them, was Canadian Cottons Limited; a company whose operations were located at the subject property. At the height of its production, the company operated four mills in Cornwall, employing over 3,000 men and women.

The cotton mills influenced the ethnic and cultural mix of the City of Cornwall, as we see it today. Canadian Cottons enticed several hundred French Canadians from Montreal to settle in what was then the Township of Cornwall, and to work in the mills. The residential area around the mill complex, known as Lorneville South, reflects in building style and community layout, the typical factory town prior to the automobile age. The commercial area to the north of the cotton mills complex located on Montreal Road is called Le Village, in recognition of its unique history and ethnic character.

The area in which the subject property is located has been the site of various industries since the middle of the nineteenth century. Surveyed as a primitive industrial park by Philip Vankoughnet, the venture was not a success until purchased by local merchant and industrial land speculator William Mattice. Mattice purchased the water rights with the land, and convinced the Board of Works to construct a power canal eastward along the north edge of the site. The first industry to locate in the new industrial park site was William Mack who constructed a flourmill in 1861 - 1862, using the water privileges for power. A pottery was built in the early 1860's by American A.L. Ballard, later purchased by Messrs. Flack and Van Arsdale.

In 1868, a woolen mill was built by the Cornwall Manufacturing Company, formed by businessmen George Stephen and Hugh Allen from Montreal. The mill, located between the pottery and Mack's Speed Mill, burned in 1872. The building was replaced by a larger factory on the same site. In 1903, the wool mill, named the Dundas Mill, was converted to cotton manufacturing and became part of the Canadian Cottons, Limited. In the same year as the woolen mill was reconstructed, a cotton mill was built by the Canadian Cotton Manufacturing Company, just east of the woolen mill. This structure, called the Canada Mill, was built as a four-storey mansard roofed brick building 90 feet by 300 feet (108,000 square feet). During subsequent remodeling, the mansard roof was replaced by a flat roof. In 1882, a single floor weave shed was constructed, measuring 550 feet by 120 feet (66,000 square feet). In 1916, an addition to the weave shed was constructed, adding 35,200 square feet of weaving area.

Over the next half-century a series of new buildings were erected and existing structures enlarged and remodeled to keep pace with the overall expansion of the mill operation. Major changes took place between 1935 and 1937, mainly on the Canada mill site.

Ultimate site development was completed by 1955. In 1959, Canadian Cottons, Limited ceased manufacturing cotton goods on the entire site.

The advent of cotton manufacturing in the mills and factory lots also began a process of land consolidation. The woolen mill became part of the cotton mill complex in 1903. In 1907, the Flack and Van Arsdale Pottery lands were transferred to the newly constituted Canadian Coloured Cottons Limited. Several parcels of land including the former Mack Speed Flour Mill were sold to the Canadian Cottons, Limited in 1922. No additional property transactions took place until the mill complex was sold piecemeal in 1960 - 1961 to a variety of interested parties.

The redevelopment site as it exists today bears little physical resemblance to how it appeared in the 1950's. Gone is the Cornwall shipping canal, filled in section by section over the past twenty years until only the entrance to Lock 15 remains. The old mill head race that gave supplementary and emergency power to both the Dundas and Canada mills has been likewise filled in. Only a short section remains filled with water, to provide water for fire sprinklers in the 1872 cotton mill. The dry dock area was filled in 1978.

4.0 Existing Climate

The redevelopment of the subject properties represents a significant part of the revitalization of the Lorneville South neighbourhood and the greater Cornwall community. As a result, this project has the unparalleled support of the community and all three levels of government.

By way of example, the Province has recognized the subject properties as a Brownfield site. As a result, various provincial grants are available, a portion or all of which can be used for due diligence purposes, ie. environmental studies, flow studies, parking studies, etc., as well as the construction of a model suite for unit sale marketing purposes.

It should also be noted that the potential of the project has been publicly articulated by Dr. Avi Friedman; Professor of Architecture at McGill University, and an individual of world re-known specific to this particular type of urban redevelopment.

During the period 1994-1995, the City of Cornwall commissioned the Cotton Mills Complex Redevelopment Plan, which addressed the commercial, retail, institutional and residential retrofit of the Cotton Mills Complex Redevelopment Area. The City of Cornwall continues to be committed to this redevelopment as the waterfront area has the potential to be transformed into a major public resource for all of the citizens of Cornwall. The location of the subject properties provides an excellent opportunity to take advantage of this redevelopment initiative and the related commitment on the part of the City to create a re-development friendly environment in the trading area.

One of the goals of the redevelopment initiative was to increase the level of accessibility to and through the waterfront precinct. Cotton Mill Street was built, linking Edward Street to McConnell Street, thus providing a convenient passage through the heart of the old industrial district. Immediate access to the waterfront along this district has been improved by the extension of the bike path from the Cornwall Civic Complex to St. Lawrence College. Recreationalists traveling this route will pass through the section of the bike path floating off the shore of the water - the floating dock. New decorative signs have replaced old street signs in the area; reminding people that they have entered a historically important area of the city. In addition, sidewalks on streets such as Race Street have been significantly improved with interlocking brick replacing the old cement sidewalks.

5.0 Location

The subject property is located along the St. Lawrence River in the Le Village district of Cornwall and is part of a section of the waterfront known as “Harbour to College”. The area is one of the City’s greatest assets and is a resource that can contribute to continuing improvement of the physical image of the area and the real estate value of the homes adjacent to the subject property. The area has significant heritage value and potential.

The view from the top floors of the subject property is magnificent and unquestionably enhances the property’s marketability. The developer will be able to offer large residential units with high ceilings and the layout of units will be innovative, as evidenced by the accompanying design drawings.

The harbour area in which the subject property is located will also become host to many activities with tremendous positive impact on both local pride and economic performance. Many North American cities adjacent to waterways have been able to capitalize on this valuable resource by setting up a range of festivals and converting old cotton mills into shopping facilities, heritage museums, office and institutional uses, as well as high-end residential housing. The subject property is very representative of the successful redevelopment experienced by property owners in similar urban locations throughout North America given it’s historical and architectural attributes and, of course, the property’s location in relation to the waterfront.

6.0 Improvements

The proposed improvement will comprise a four-storey, brick multi-family residential condominium development of four levels, with forty-four secured underground parking stalls and forty-six outside parking stalls. Two elegantly designed elevators will provide access to the residential floors, with sixty-four units comprising approximately 60,000 square feet of saleable area, and a variety of suite layouts ranging from 951 square feet to 1,451 square feet. The initial proposed unit breakdown is as follows:

<u>Unit Type</u>	<u>No. Of Units</u>	<u>No. of Baths</u>	<u>Average Size S.F.</u>
Two Bedroom	Four	Two	1,451
Two Bedroom	Sixteen	Two	1,000
Two Bedroom	Four	Two	1,140
Two Bedroom	Eight	Two	951
Two Bedroom	Four	Two	1,008
Two Bedroom	Four	Two	981
Two Bedroom	Four	Two	1,094
Two Bedroom	Four	Two	1,066
Two Bedroom	Four	Two	955
Two Bedroom	Four	Two	1,250
Two Bedroom	Eight	Two	1,272

Each unit will have a gas fireplace, one or two French balconies accessed by patio doors, full sized refrigerator, stove with vent hood, dishwasher and a combined washer / dryer combination. Each suite will have two bathrooms, including one ensuite. The project will offer modern condominium quality accommodation, with the exterior of the subject property attractively landscaped.

7.0 The Community

The City of Cornwall is a community with a population of approximately 47,400, situated along Highway 401 approximately one hour west of Montreal and one-hour southeast of Ottawa.

In March 2000, Doyletech Corporation prepared an analysis of Cornwall's industrial supply capability as it relates to the Ottawa technology cluster. This report was intended to identify opportunities for Cornwall-based industrial and service companies to supply products and services to the Ottawa high technology cluster.

This report suggests that the best opportunities for Cornwall companies to act as suppliers to Ottawa companies is specific to those products and services that go into their costs of goods sold (COGS). In 1999, it is estimated that COGS purchases amounted to \$2.4 billion for products and \$1.5 billion for outside services. The companies spent an additional \$2.5 billion on internally supplied services. While a typical high technology company purchases products and services for carrying out all of its activities (sales, marketing, R & D, administration, etc.), COGS purchases offer the best opportunities to outside suppliers. COGS purchases are not only larger in terms of dollar value but they occur on a regular basis.

Ottawa's technology cluster includes approximately 1,000 companies who employ in the area of 60,000 people. These companies have combined sales of \$12 Billion, with the majority of these sales to companies located outside of Canada. Because of their export orientation and a somewhat reduced Canadian dollar, these companies are seeking as much Canadian content as possible specific to the products and services that they purchase. As a result, there are opportunities for suppliers of products like machined and fabricated parts and services like transportation, warehousing and brokerage. Based on interviews with thirty companies, it is estimated that Cornwall companies could be supplying approximately \$73 million worth of products and services to the Ottawa technology cluster alone by 2005.

Certainly, the geographical proximity of Cornwall to Ottawa, Montreal, Toronto, and the United States alone represents a significant opportunity to Cornwall based industry. When one also considers the cost of living and of doing business in Cornwall when compared to larger urban centres in Canada and the North-eastern United States, as well as the location of Cornwall insofar as major transportation routes to markets in Canada and the United States is concerned, Cornwall provides to companies looking to locate or re-locate with an undisputed competitive advantage when compared to competing communities.

In light of the incredible opportunity presented to companies located in Cornwall specific to providing goods and services to companies in other markets, there is an obvious requirement within Cornwall for appropriate space to house these businesses and / or employees and their families. The property the subject of this presentation is without peer in the Eastern Ontario area insofar as it's redevelopment potential is concerned. One

need only look to the example presented by the successful redevelopment of the Weave Shed across the street from the subject property to see the development opportunity afforded by this project.

8.0 The Market

Overall building activity in Cornwall has increased significantly during the past two years, after two years of fairly slow growth. The only two condominium apartment projects that have been built during this period are located at 331 Water Street West and 321 Water Street West, both of which are sixteen unit four-storey upscale facilities with elevators and underground parking. The most recent of these projects, being 321 Water Street West, experienced absorption of all sixteen units within seven months, or over two unit sales per month. Using this simplistic methodology, the subject property could expect to be fully absorbed within three years, although initial interest expressed by potential purchasers in the subject property would indicate much greater absorption momentum than represented in this report.

Discussions with the City of Cornwall Planning Department indicate that there are no new condominium projects at the planning stage at present, although another sixteen-unit facility next to the existing Water Street projects may commence in the spring of 2004.

9.0 Marketing and Advertising Plan

Projects of this scope, design and magnitude have enjoyed certain successful marketing strategies that consistently result in divestiture of condominium units within the timelines represented in the respective project's financing model. Coupled with the unique marketing opportunities available as a result of the City of Cornwall and Groupe Renaissance Group's participation in this project, it is recommended that the following strategies be pursued and implemented.

1. GRG would arrange a social / business mixer to take place at the time at which the contents of this report are presented to Cornwall City Council. Such an event would include media participation and interviews with the various stakeholders involved in this project, ie. GRG, CBMG, RMP Construction Ltd., supportive members of Council and the business community at large, etc.
2. Billboard advertising at strategic locations within the Greater Cornwall area that are owned or controlled by the City of Cornwall and GRG.
3. Personalized letters from GRG addressed to Cornwall residents in the income category in excess of \$70,000 per annum, as identified in the latest Census data.
4. Personalized letters from GRG addressed to Cornwall residents in excess of fifty years of age, as identified in the City of Cornwall tax roll.
5. GRG would arrange a kick-off social / business mixer to take place at the time at which the model suite is ready for presentation at the subject property. Such an event would include media participation and interviews with the various stakeholders involved in this project, ie. GRG, CBMG, RMP Construction Ltd., supportive members of Council and the business community at large, etc.
6. Local newspaper advertising.
7. Pursue and obtain the financial commitment of certain Cornwall based high net worth individuals for the purpose of individual unit divestiture, particularly on the second and third floors.

The timing of these marketing and advertising strategies will be developed in greater detail when the recommendations from this study are implemented and executed by GRG.

10.0 Conclusion

Based on the findings presented in this report, we recommend that Groupe Renaissance Group proceed on the following basis:

1. Accept the recommendations as presented.
2. Finalize the agreement specific to the transfer of beneficial ownership of the subject property to the Developer.
3. GRG to finalize the identification of certain available tools (Bill 56) that could be applied to the project as well as various Brownfield site related financial programs, ie. via Canada Mortgage and Housing Corporation (“CMHC”). Additionally, GRG would obtain commitment on the part of the City of Cornwall to provide support via Bill 56 and advice as may be required to proceed with various aspects of this project.
4. Engage the services of a qualified Project Manager.
5. Engage the services of a qualified Construction Manager.
6. Initiate and complete the tendering process.
7. Upon completion of the tendering process, finalize the detailed construction budget and commence the pursuit of the various required government approvals.
8. Retain the various professional firms required to assist with this redevelopment initiative, ie. environmental engineers, real estate appraisers, legal counsel, architect and structural engineers, etc.
9. Pursue construction mortgage financing.
10. Execute marketing strategy and generate the requisite level of unit pre-sales.
11. Commence construction.

From the time at which the results and recommendations of this study are agreed to and accepted by the City of Cornwall and Groupe Renaissance Group, we anticipate that construction may commence within six months thereof, leading to project completion sometime in 2006.

15.0 Attachments

Schedule "A" - Basement and Typical Floor Design Layouts

SCHEDULE "A"

**BASEMENT AND TYPICAL
FLOOR DESIGN LAYOUTS**