GRANNY'S POULTRY CO-OPERATIVE
(MANITOBA) LTD.

84 Scurfield Blvd. ● Winnipeg, Manitoba R3Y 1G4 ● Telephone (204) 488-2230 ● Fax (204) 488-2796

www.grannys.ca

*** CONFIDENTIAL ***

January 2, 2006

Mr. Jim Paterson
Manager of Economic Development
The City of Winnipeg
3rd Floor, 65 Garry Street
Winnipeg, Manitoba
R3C 4K4
Fax. (204) 947-2284

Dear Mr. Patterson:

As you are aware, Granny's Poultry is moving forward expeditiously with its plans to construct an estimated 35,000 sq.ft. Corporate Office/Hatchery to replace its existing 16,000 sq.ft. facility located on Scurfield Blvd. in Winnipeg. While we are still refining our estimates, we currently project a capital investment in excess of $6 million, with initial employment of 36 full-time positions. Note that the vast majority of these positions are within our Corporate Offices.

Granny's roots, historically and today, are rural, with its owners being chicken, turkey, and hatching egg farmers in rural Manitoba. Notwithstanding these rural roots, Granny's has also remained very loyal to Winnipeg, operating its Corporate Office/Hatchery in Winnipeg since its inception in 1979. Beyond the capital investment, job creation, and tax benefits to the City, both direct and through its many Winnipeg suppliers and service providers, Granny's is also proud of the significant contributions it has made to the social fabric of Winnipeg through the many, many charitable and cultural organizations we have supported and continue to support.

Within the context of the above, in as much as Granny's remains committed to the City of Winnipeg, a number of related factors have caused us to look outside of Winnipeg for the construction of our new Corporate Office/Hatchery. As you are aware, having ruled out our

preferred location, the St. Boniface Industrial Park, due to biosecurity reasons, Granny's has had an extremely difficult time in finding an alternate location within the City of Winnipeg that meets our key site selection criteria. We have examined numerous sites, including both privately-owned sites and several sites owned by the City of Winnipeg, only to have had them ruled out for one reason or another. Beyond this, we currently have several, viable, sites outside of Winnipeg (with available utilities as well as water and sewer capacity), that are significantly lower in cost, some of which are only minutes from the City.

As at the writing of this letter, we currently have one, and only one, site within the City of Winnipeg that meets our site selection criteria. To this end, you are aware that we have reached a *Conditional Offer* to Purchase a 8.2 acre parcel of land from CN Railway on Pandora Avenue East in Transcona. Moving through our due diligence process, we have encountered a wide range of challenges on this property. Overcoming these challenges has driven the cost of getting the land to "fully serviced" status, inclusive of all City of Winnipeg fees and charges, to a level that makes the cost unacceptable to our Board of Directors. More specifically, frontage levies, land drainage trunk use charges, City administration costs (collected by the City towards the preparation and implementation of a serviceing agreement), and sanitary sewer installation costs are projected to have pushed the purchase price of the land up by between $216,000 and $255,000 over what was already a significantly higher cost relative to options outside of the City. *In order to help bridge the gap between the options outside and within the City of Winnipeg, Granny's is requesting economic development incentives to offset these extraordinary costs.*

Insofar as our company background, Granny's Poultry has been recognized as the largest Food Processor in Manitoba that is owned and controlled by Manitobans. We are the largest poultry processor in the province, operating a significant processing plant in Blumenort, Manitoba, just outside of the City of Steinbach. Granny's has been on Manitoba's *Top 100 Companies* 22 out of the last 23 years as reported by Manitoba Business Magazine, as well as the magazine's *50-Fastest Growing Companies* list for eight out of the last 14 years. Paralleling these successes, Granny's continues to make major investments in value-added processing and to increase our operating efficiencies while concurrently creating new jobs.

Given the significant delays we have already encountered on this project, and given the aggressive timelines established by Granny's Board of Directors for completion, an expedited response to this request is respectfully requested.

Yours truly,

R. Brian Walker
Director, Business Development and Marketing

c. Wayne Morrison, Chief Operating Officer

Winnipeg

Planning, Property & Development Department • Service de l'urbanisme, des biens et de l'aménagement

Office of the Director • Bureau du directeur

In reply please refer to / Référence à rappeler :

Harry Finnigan
(204) 986-5160
Fax / Téléc. : (204) 947-2284

January 3, 2007

Granny's Poultry Co-operative (Manitoba) Ltd
84 Scurfield Blvd.
Winnipeg, MB
R3Y 1G4

Via email and FAX: 488-2796

Attention: Mr. Brian Walker
Director, Business Development and Marketing

Dear Mr. Walker:

RE: CORPORATE HEAD OFFICE AND HATCHERY CONSOLIDATION ECONOMIC DEVELOPMENT INCENTIVE GRANT

On behalf of the City of Winnipeg, we thank you for the opportunity to present a proposal to Granny's Poultry Co-operative (Manitoba) Ltd., with regard to the proposed consolidation and expansion of your Corporate Office and Hatchery within Winnipeg.

We understand from the information as submitted by you in your letter dated January 2, 2007 that Granny's is planning to construct a new 35,000 sq. ft. Corporate Head Office / Hatchery to replace your existing 16,000 sq. ft. facility located on Scurfield Boulevard in Winnipeg. We understand that you have a conditional agreement with CN Railway to acquire an 8.2 acre parcel of land at 738 Pandora Avenue East. We also understand that the total value of your project including land, building, and new equipment is estimated in excess of $6 million with initial employment of 36 full-time positions.

Your project aligns with the current Council adopted Economic Development policy. We can confirm that based upon the information that you have provided, that we would be prepared to recommend to Council that the City of Winnipeg approve an economic incentive package estimated at a maximum of $180,000 based upon conditions as outlined following.

Conceptually, the proposal would provide Granny's with an economic development incentive grant of an estimated $180,000 that would be exactly equal to the incremental portion of the

municipal portion of realty taxes and the business taxes for this operation over a full six year period (2007 through 2012). The grant amount has been estimated at approximately $30,000 annually. The grant amount was determined by looking at your existing municipal portion of property and business taxes at both 84 Scurfield and 1189 Pembina Hwy. (approximately $23,380), in association with the estimated municipal portion of property and business taxes for your new proposed facility on Pandora Avenue East. The total Grant amount would be capped at a maximum of $ 180,000.

This conditional Administrative offer will be subject to Granny's satisfying conditions including:

1. That the Granny's Corporate Office and Hatchery be located within the City of Winnipeg.
2. That the planned new development be approximately 35,000 sq. ft. with an approximate $6 M total private investment.

At this time you will appreciate that this proposal is an Administrative recommendation and will require the approval of City Council as well as be subject to a mutually acceptable formal agreement including terms and conditions.

If you are in agreement with this proposal and wish to proceed, please sign the confirmation portion of this letter and return it to us at your earliest convenience. We understand that Granny's may be wishing to make an immediate decision to proceed with the proposed consolidation and expansion of your Corporate Office and Hatchery. With your cooperation, we will therefore make best efforts for consideration of this economic incentive package by City Council at its January 24, 2007 meeting.

We look forward to working with Granny's in support of your proposed consolidation of operations and expansion within Winnipeg. We trust that the content of this letter is self-explanatory, but should you have any questions, please do not hesitate to contact Mr Jim Paterson, Manager of Economic Development at 986-6633.

Yours truly,

Harry Finnigan
Director

CONFIRMATION:

We request that the Planning, Property, and Development Department proceed with the formal recommendation to Council of our economic incentive package based upon the above stated terms and conditions.

Granny's Poultry Co-operative (Manitoba) Ltd.

January 4/07
Date