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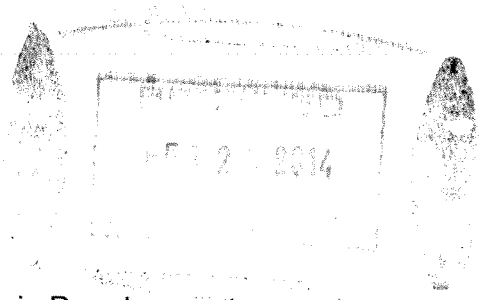

February 14, 2014

Mr. Barry Thorgrimson, Director
Planning, Property and Development

Mr. Gary Holmes
Manager of Economic Development
Planning, Property and Development

City of Winnipeg
65 Garry Street, Third Floor
Winnipeg, Manitoba
R3C 4K4

Good morning Gary and Barry,

Further to our conversations this week, please accept this as our formal request for property tax relief on the contemplated expansions of our facilities on Raleigh Street in East Kildonan, and Egesz Street in West Kildonan. I have already provided a detailed summary of the potential expansions, including the estimated additional jobs that will be created.

The rationale for this request is two-fold:

1. Both of these properties are single purpose properties. They are also quite large and specialized, and located immediately adjacent to residential properties. Adding square footage, or parking, to the above referenced properties adds no value whatsoever in terms of the market value of the property.

2. From a business perspective, expanding our base of manufacturing in Winnipeg is fundamentally more expensive for us on an operating basis than locating in the USA. This is especially true because 95% of the market for these products is in the USA, meaning we incur extra cost and time from a shipping and logistics standpoint. In addition, labor and other operating costs, such as heating and cooling these buildings is comparatively more expensive. Other staff that we need to employ, such as management and engineering, are relatively more expensive here as well.

Taking on additional property tax while we are incurring large-scale investment losses as we launch these new product lines is a cost impediment that we cannot afford. In the interests of creating a more cost competitive economic circumstance so that we can afford to build and grow these jobs in Winnipeg rather than a location in the USA, we would ask you to wave the increase for a period of ten years. The alternative approach you suggested this morning, with a four year waiver, followed by an additional 6 years of relief that might be spread out over a period of 12 years, could possibly work as well. As a small caveat on this approach, I would ask that we review the situation in year four to see how things are progressing. We only ask this in the interests of working together to ensure that the economic climate supports the continued addition of good, solid, long-term jobs by our company in our community.

We appreciate the "fast track" service you have already offered with regard to approvals.

We look forward to your response.

Sincerely yours,

Joe Cyr
President and Chief Operating Officer