

PUBLIC VERSION

CT-2002-001

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

AND IN THE MATTER OF an application by United Grain Growers Limited under section 106 of the *Competition Act*;

AND IN THE MATTER OF the acquisition by United Grain Growers Limited of Agricore Cooperative Ltd., a company engaged in the grain handling business.

BETWEEN:

UNITED GRAIN GROWERS LIMITED

Applicant

- and -

THE COMMISSIONER OF COMPETITION

Respondent

-and-

CANADIAN WHEAT BOARD

Intervenor

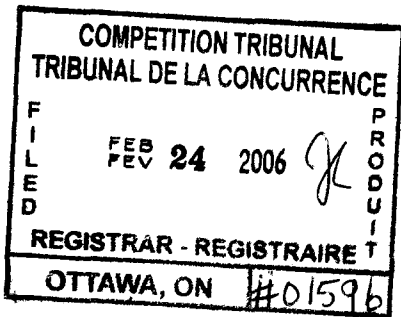
-and-

MISSION TERMINAL INC.

Intervenor

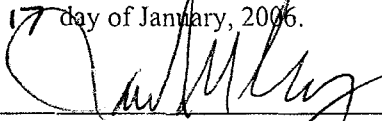
EXPERT AFFIDAVIT OF ALAN MARTYSZENKO  
(Sworn January 17, 2006)

I, ALAN MARTYSZENKO, of the City of Winnipeg, in the Province of Manitoba,  
MAKE OATH AND SAY AS FOLLOWS:



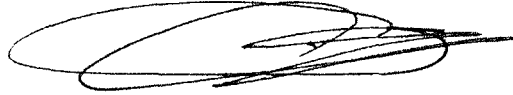
1. Attached hereto and marked as Exhibit "A" is a true copy of my expert report prepared in connection with United Grain Growers Limited's ("UGGL") application under s. 106 of the *Competition Act* for an order rescinding the Consent Agreement between UGGL and the Commissioner of Competition. The contents of Exhibit "A" represent my work, conclusions and opinions.

SWORN BEFORE ME at the City of  
Winnipeg, in the Province of Manitoba, this  
17 day of January, 2006.



~~Commissioner for taking Affidavits, etc.~~

NOTARY PUBLIC.



ALAN MARTYSZENKO

**PUBLIC VERSION**

**EXPERT REPORT OF  
ALAN MARTYSZENKO  
DECEMBER 23, 2005**

# [PUBLIC VERSION]

December 23, 2005

## **Confidential**

Davies Ward Phillips & Vineberg LLP  
44<sup>th</sup> Floor, 1 First Canadian Place  
Toronto ON M5X 1B1

**Attention: Mr. Kent Thomson and Ms. Sandra Forbes**

Dear Sir and Madam:

**United Grain Growers Limited (Applicant) and  
The Commissioner of Competition (Respondent)**

## **1.0 INTRODUCTION**

You have retained us in connection with the application by United Grain Growers Limited ("AU" or the "Applicant") for an order pursuant to section 106 of the *Competition Act*, R.S.C. 1985, c. C-34, as amended, rescinding the consent agreement between the Commissioner of Competition (the "Commissioner") and AU dated October 17, 2002 (the "Consent Agreement") (the "Section 106 Application").

Among other things, the Consent Agreement contemplates the divestiture of a port terminal in the Port of Vancouver. We have been advised that AU selected the AU Vancouver terminal (the "AUV Terminal") (formerly known as the United Grain Growers Vancouver terminal) for divestiture.

Any divestiture of a port terminal pursuant to the Consent Agreement is subject to the approval of the Commissioner, which shall be based on, among other things, the criteria outlined in paragraph 5 of the Consent Agreement. In this regard, paragraph 5 of the Consent Agreement provides as follows:

"Divestiture of the Port Terminal, whether by Agricore United or the Trustee, shall be completed on the following terms:

- (a) by way of disposition of the Port Terminal for use as a going concern;
- (b) to one or more arm's length Purchasers who:

(i) shall use the Port Terminal for the same purpose it was used prior to the Closing Date; and

(ii) shall have the managerial, operational and financial capability to operate the Port Terminal as contemplated in sub-paragraph 5(b)(i) above.”

You have requested our opinion as to the volume of grain that is required in order for a prospective purchaser of the AUV Terminal to breakeven from a financial point of view (i.e., where total revenues equal total operating costs) and the volume of grain required to achieve a defined level of cash flow.

We understand that our report will be provided to the Commissioner, the Intervenors and the Competition Tribunal (the “Tribunal”), and that we will be required to provide expert evidence in the Tribunal proceedings arising out of the Section 106 Application.

## **2.0 INFORMATION REVIEWED**

For the purpose of preparing this report, we reviewed and relied upon various documents and information extracted from:

- The Applicant’s Disclosure Statement.
- The Commissioner’s Disclosure Statement.

We also reviewed the following:

- AU’s Statement of Grounds and Material Facts (the “SGMF”) Re: Section 106 Application.
- The Commissioner’s Response to the SGMF.
- AU’s Reply to the Response of the Commissioner.
- The Request for Leave to Intervene on behalf of the Canadian Wheat Board Re: Section 106 of the *Competition Act* & Motion for Interim Relief.
- The Response of the Applicant to the Request for Leave to Intervene filed by the Canadian Wheat Board.

- The Reply of the Canadian Wheat Board to Applicant's Response Re: Request for Leave to Intervene of CWB.
- The Affidavit of Ward Weisensel, affirmed September 7, 2005 Re: Applicant's Section 106 Application & Motion for Interim Relief.
- The Affidavit of Adrian C. Measner, sworn February 19, 2002.
- The Tribunal's Reasons and Order Granting Request for Leave to Intervene (CWB).
- The Request for Leave to Intervene on behalf of Mission Terminal Inc. Re: Section 106 of the *Competition Act*.
- The Affidavit of Bruce Hayles, sworn September 26, 2005 Re: Applicant's Section 106 Application and in support of the Request for Leave to Intervene by Mission Terminal Inc.
- The Response of the Applicant to the Request for Leave to Intervene filed by Mission Terminal Inc.
- The Tribunal's Reasons and Order Granting Request for Leave to Intervene (Mission Terminal Inc.).

In addition, we have relied on information provided to us by the following AU personnel:

- Mr. Murdoch MacKay, Vice-President - Operations.
- Mr. Ed Berard, Manager - Accounting Terminal Services.

### **3.0 SUMMARY OF CONCLUSIONS**

Based on our analysis of the information outlined above, and subject to the qualifications and assumptions noted herein, our conclusions can be summarized as follows:

1. At a diversion premium range of **[CONFIDENTIAL]** to **[CONFIDENTIAL]** per tonne, the required volume of grain to breakeven from a financial point of view on an annual basis is in the range of **[CONFIDENTIAL]** to **[CONFIDENTIAL]** tonnes or an average of **[CONFIDENTIAL]** tonnes per year.
2. At a diversion premium range of **[CONFIDENTIAL]** to **[CONFIDENTIAL]** per tonne, the required volume of grain to achieve **[CONFIDENTIAL]** of EBITDA (earnings before interest, taxes and depreciation/amortization) on an annual basis is in the

range of **[CONFIDENTIAL]** to **[CONFIDENTIAL]** tonnes or an average of **[CONFIDENTIAL]** tonnes per year.

3. At a diversion premium range of **[CONFIDENTIAL]** to **[CONFIDENTIAL]** per tonne, the required volume of grain to achieve **[CONFIDENTIAL]** of EBITDA (earnings before interest, taxes and depreciation/amortization) on an annual basis is in the range of **[CONFIDENTIAL]** to **[CONFIDENTIAL]** tonnes or an average of **[CONFIDENTIAL]** tonnes per year.

As discussed below, and considering the requirements of paragraph 5 of the Consent Agreement (set out above), the breakeven analysis included in this report is conservative.

This is the case for three reasons:

1. It does not include any provision for financing costs;
2. It does not provide for a return on shareholders' capital; and
3. It does not provide for required annual capital expenditures.

Taking into account any of these relevant factors would increase the annual volume of grain required to breakeven, over and above the amounts noted above.

Paragraph 5 of the Consent Agreement provides that a prospective purchaser must have the financial capability to operate the AUV Terminal as a grain handling terminal and must operate it on a going concern basis. Recognizing that the breakeven analysis is conservative for the reasons explained above, a prospective purchaser would, at the very least, require the volume of grain identified above in order to comply with paragraph 5 of the Consent Agreement.

#### **4.0 BREAKEVEN ANALYSIS**

AU uses a computer spreadsheet model to prepare its annual budgets. The budget format is identical to its monthly financial statements. We utilized this same model in preparing our analysis. The AU budget process begins with an assumption as to the volume of grain that will be handled in the upcoming year. The revenues and expenses are then based on this volume of grain to arrive at the expected profit. Our analysis began at the opposite end.

We set the profit at nil, and then used a bottom/up approach in order to determine the volume of grain required to breakeven.

We calculated the breakeven point in tonnes, based on EBITDA, for the AUV Terminal using various mixes of Canadian Wheat Board (“CWB”) and non-CWB (“Non-Board”) grain. **[CONFIDENTIAL]**. Future depreciation is dependent on the selling price, and interest is dependent on the selling price and method of financing. These factors will affect future income taxes. In determining the breakeven point, we have also not considered the annual capital expenditures (“Capex”) that are necessary in order to maintain the existing productive capacity of the AUV Terminal. Deducting Capex from the otherwise determined EBITDA would increase the tonnage required in order to breakeven.

For the purpose of our breakeven analysis, our report first outlines the various revenue sources available to the AUV Terminal and the assumptions we made in calculating the revenue figures in Schedules 1 – 4. Next, we set out the operating costs of the AUV Terminal and the assumptions used to calculate the operating costs in Schedules 1 – 4. Finally, a summary of the various breakeven volumes is presented with supporting information in Schedules 1 – 4.

#### **4.1 Volume of CWB and Non-Board Grain**

Based on information provided by AU (including the identity of prospective purchasers and available historical information) and information contained in the parties’ Disclosure Statements, we selected the following mixture of CWB and Non-Board grain for the purpose of our breakeven analysis: (Wheat and barley are CWB grains. Canola is a Non-Board grain.)

- **[CONFIDENTIAL]**
- **[CONFIDENTIAL]**
- **[CONFIDENTIAL]**
- **[CONFIDENTIAL]**



These scenarios were chosen as being representative of the likely range of grains/mixtures that would occur if the AUV Terminal was sold to a non-integrated grain company or grain companies.

## **4.2 Revenue**

### **4.2.1 Grain Handling Revenue**

The grain handling revenue earned by a terminal is based on the volume and type of grain handled and the terminal's current tariffs. A terminal has separate tariffs for elevation (receiving, elevating and loading out), cleaning and storage. As outlined in the Canadian Grain Commission ("CGC") Licensed Terminal Elevator Tariffs, wheat and barley (CWB grains) have lower tariffs than canola (Non-Board grain). The grain handling revenue is detailed in Schedules 1 – 4.

#### **Elevation Revenue**

The elevation revenue earned by a terminal is a function of the tonnes handled (unloaded) and the elevation tariff for that grain. In the absence of an unusual crop year, unloads of grain into a terminal approximates shipments of grain out of the terminal.

#### **Cleaning Revenue**

The cleaning revenue earned by a terminal is a function of the tonnes of "dirty" grain handled versus "clean" grain and the cleaning tariff for that grain. The greater the volume of dirty grain received by a terminal, the greater cleaning revenue it will earn. Similarly, the greater the volume of dirty grain received by a terminal, the greater the opportunity to earn additional revenue from by-products (see later discussion). In calculating the breakeven point under the four scenarios as set out in Schedules 1 - 4, we used the following percentage of clean grain for each of the scenarios:

- Barley – 100% dirty
- Wheat – 85% clean/15% dirty
- Canola – 75% clean/25% dirty

The above percentages were chosen as being representative of the clean/dirty percentage split that would occur if the AUV Terminal was sold to a third party. Most of these companies have cleaning facilities in the country. The historical trend has been for more grain to be cleaned in the country. All things being equal, the shipper would prefer to clean the grain in the country if it does not own, or have an interest in, a port terminal. The independent grain companies have every incentive to clean the grain in the country as they will then earn the cleaning and by-product revenue. To the extent a prospective purchaser moves its cleaning function from the country to the port terminal, no incremental revenue is earned. Barley is generally shipped 100% dirty to the terminal. We understand that the non-integrated grain companies generally ship 85% clean wheat to the various Vancouver terminals. Similarly, the canola is generally 75% clean. Unlike wheat, canola is more expensive and more difficult to clean, and, hence, it is easier to lose volume in the cleaning process.

#### **Storage Revenue**

A terminal will earn storage fees (based on the tariffs) for each day, or part thereof, that the grain is in storage at the terminal.

#### **4.2.2 Other Revenue**

The AUV Terminal, like any other terminal, has the opportunity to earn the following additional revenues as detailed in Schedules 1 – 4.

#### **By-Products (Pellets and Screenings)**

The dirty grain that arrives at a terminal is cleaned to export standards prior to shipment. The cleaning process removes “dockage” from the grain. This dockage is then available to be processed and sold as by-products. The grains will produce 1 Feed screenings (“1FD”) (from wheat), mixed feed oats (“MFO”) (primarily from wheat), refuse screenings, and canola fines.

AUV Terminal’s recent dockage percentages are **[CONFIDENTIAL]** for wheat, **[CONFIDENTIAL]** for barley and **[CONFIDENTIAL]** for canola. The breakdown of wheat dockage is **[CONFIDENTIAL]** MFO, **[CONFIDENTIAL]** 1FD, and **[CONFIDENTIAL]**

refuse. Barley is **[CONFIDENTIAL]** refuse. Canola is **[CONFIDENTIAL]** fines. The by-products can be sold at market prices.

### **Mixing Revenue**

A terminal has the opportunity to blend various grains to increase the volume of higher priced grain. The amount of mixing revenue that a terminal can earn is dependent on the quality and condition of the crop. It is difficult to forecast in advance without knowing the quality/condition of the crop in the country and the mix of commodities and tonnages that are going to be handled by the terminal. **[CONFIDENTIAL]**.

### **Canola Shutouts**

The export market allows a terminal to ship 2% (specified) dockage. The agreement within the Port of Vancouver is that 1.4% is for the exporter's account and the remaining .6% is for the terminal's account. Therefore, a terminal has the opportunity to obtain .6% of the terminal canola volume to sell in the market as its canola.

### **Docking Fees (Wharfage and Berthage)**

A terminal also earns a variety of revenues from marine and vessel charges. The shipper or the ship's agent pays these amounts to the terminal. There are a variety of charges, which are calculated on varying bases. The AUV Terminal, like other terminals, has published rates for the various services.

#### **4.2.3 Consignment Incentives (Diversion Premiums)**

Integrated grain companies (those that have an ownership interest in a port terminal) will enter into contracts (handling agreements) with non-integrated grain companies (those that have country operations but no ownership interest in a port terminal) to handle the non-integrated companies' grain at the integrated company's port terminal. These handling agreements typically contain a fee, which is paid by the port terminal to the non-integrated company. These fees are generally referred to as diversion premiums or fees.

We reviewed the various handling agreements contained in the parties' Disclosure Statements. The handling agreements over the years have generally increased in length, with an increase in the diversion fees paid.

For purposes of our breakeven calculations (Schedules 1 – 4), we have used a diversion premium of **[CONFIDENTIAL]**/tonne and **[CONFIDENTIAL]**/tonne for each of the four scenarios. This range is supported by the handling agreements currently in force.

We have also calculated the breakeven tonnage using a \$0/tonne diversion premium. This rate is not supported by the commercial handling agreements. It would not be realistic for any prospective purchaser to expect that it could commercially obtain from non-integrated grain companies the required volume of grain at a \$0/tonne diversion premium. Any non-integrated prospective purchaser, who is currently receiving a diversion premium on the grain it currently ships to a port terminal, would factor the revenue loss into its rate of return analysis on purchasing the AUV Terminal. This breakeven calculation was performed to show that even if a buyer of the AUV Terminal entered into an arrangement with the CWB to obtain grain from it at \$0/tonne, the volume required to breakeven is still significant.

### **4.3 Expenses**

#### **4.3.1 Payroll**

The single largest operating expense associated with a port terminal, including the AUV Terminal, is the human resource/payroll expense. Payroll expense is generally fixed over the relevant volume range.

The AUV Terminal currently employs **[CONFIDENTIAL]** personnel. The AUV Terminal's standard operation is Monday to Friday with three shifts. Overtime is incurred on Saturdays and Sundays. The AUV Terminal incurred about **[CONFIDENTIAL]** of overtime (net of recovery from agents/shippers) and handled **[CONFIDENTIAL]** tonnes in its most recent fiscal year ended October 31, 2005. We have assumed that a prospective purchaser would incur at least the same level of labour costs as it would require the same level of staff to properly operate the terminal. Overtime would vary depending on numerous uncontrollable factors. However, given the breakeven volume of grain required, it is highly likely that the

same magnitude of overtime would be incurred by a prospective purchaser. The AUV Terminal's actual employee benefit rate is **[CONFIDENTIAL]** of the base payroll.

#### **4.3.2 Controllable Expenses**

The controllable expenses include insurance (grain), CGC registration and cancellation charges, CGC overtime charges, and miscellaneous expenses consisting of legal, consulting, office supplies, telephone, travel and courier. The forecasted amounts are outlined in Schedules 1 - 4 and are based on AUV Terminal's current actual expenses.

#### **4.3.3 Establishment Expenses**

Establishment expenses include: custodial and security, power, repairs, rentals, property taxes, provincial capital taxes, and insurance (premises). The forecasted amounts are outlined in Schedules 1 - 4 and are based on AUV Terminal's current actual expenses.

#### **4.3.4 Administrative Expenses**

All terminals are part of a larger organization. Future administrative costs for the prospective purchaser would not be significant. We have used **[CONFIDENTIAL]** per year in our analysis as a conservative estimate.

#### **4.4 Breakeven Summary**

The breakeven point in tonnes per year based on EBITDA, for all four scenarios, are as follows (details in Schedules 1 – 4):

	<u><b>Diversion Premium</b></u>	
	<b>[CONFIDENTIAL]</b>	<b>[CONFIDENTIAL]</b>
Scenario 1	<b>[CONFIDENTIAL]</b>	<b>[CONFIDENTIAL]</b>
Scenario 2	<b>[CONFIDENTIAL]</b>	<b>[CONFIDENTIAL]</b>
Scenario 3	<b>[CONFIDENTIAL]</b>	<b>[CONFIDENTIAL]</b>
Scenario 4	<b>[CONFIDENTIAL]</b>	<b>[CONFIDENTIAL]</b>

The breakeven point in tonnes per year is between **[CONFIDENTIAL]** and **[CONFIDENTIAL]** with an average of **[CONFIDENTIAL]**

The breakeven point in tonnes per year with a \$0/tonne diversion premium based on EBITDA, for all four scenarios, are as follows (details in Schedules 1 – 4):

	<b>[CONFIDENTIAL]</b>
Scenario 1	<b>[CONFIDENTIAL]</b>
Scenario 2	<b>[CONFIDENTIAL]</b>
Scenario 3	<b>[CONFIDENTIAL]</b>
Scenario 4	<b>[CONFIDENTIAL]</b>

The breakeven point in tonnes per year is between **[CONFIDENTIAL]** and **[CONFIDENTIAL]** with an average of **[CONFIDENTIAL]**

## **5.0 EBITDA GREATER THAN BREAKEVEN**

We have also calculated the tonnes of grain required per year, under the four scenarios, in order for a prospective purchaser to achieve an EBITDA of **[CONFIDENTIAL]** and **[CONFIDENTIAL]**. This range was selected as a number of prospective purchasers used this approximate range in their own analyses (See Commissioner's Disclosure Documents #128, #289 and #290).

**5.1 [CONFIDENTIAL] EBITDA**

The tonnes required per year to achieve a [CONFIDENTIAL] EBITDA, under the four scenarios, are as follows:

	<u>Diversion Premium</u>	
	[CONFIDENTIAL]	[CONFIDENTIAL]
Scenario 1	[CONFIDENTIAL]	[CONFIDENTIAL]
Scenario 2	[CONFIDENTIAL]	[CONFIDENTIAL]
Scenario 3	[CONFIDENTIAL]	[CONFIDENTIAL]
Scenario 4	[CONFIDENTIAL]	[CONFIDENTIAL]

The tonnes required per year to achieve a [CONFIDENTIAL] EBITDA, under the four scenarios, range between [CONFIDENTIAL] and [CONFIDENTIAL] with an average of [CONFIDENTIAL]. [CONFIDENTIAL].

The tonnes required per year to achieve a [CONFIDENTIAL] EBITDA, assuming a \$0/tonne diversion premium, range between [CONFIDENTIAL] and [CONFIDENTIAL] with an average of [CONFIDENTIAL]

**5.2 [CONFIDENTIAL] EBITDA**

The tonnes required per year to achieve a [CONFIDENTIAL] EBITDA, under the four scenarios, are as follows:

	<u>Diversion Premium</u>	
	[CONFIDENTIAL]	[CONFIDENTIAL]
Scenario 1	[CONFIDENTIAL]	[CONFIDENTIAL]
Scenario 2	[CONFIDENTIAL]	[CONFIDENTIAL]
Scenario 3	[CONFIDENTIAL]	[CONFIDENTIAL]
Scenario 4	[CONFIDENTIAL]	[CONFIDENTIAL]

The tonnes required per year to achieve a [CONFIDENTIAL] EBITDA, under the four scenarios, range between [CONFIDENTIAL] and [CONFIDENTIAL] with an average of [CONFIDENTIAL]. [CONFIDENTIAL].

The tonnes required per year to achieve a [CONFIDENTIAL] EBITDA, assuming a \$0/tonne diversion premium, range between [CONFIDENTIAL] and [CONFIDENTIAL] with an average of [CONFIDENTIAL].

## **6.0 RESTRICTIONS**

This report is not intended for general circulation or publication, nor is it to be reproduced or used for any purpose other than outlined above, without our written permission in each specific instance. We do not assume any responsibility or liability for losses occasioned to Agricore United, and/or its subsidiaries or related companies, its shareholders, or any other parties as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

We reserve the right (but will be under no obligation) to review and/or revise any and all assumptions and/or calculations and conclusions included or referred to in this report and, if we consider it necessary, to revise our conclusion in light of any information existing at the date of this report which becomes known to us after the issuance of this report.

The Curriculum Vitae for Alan B. Martyszenko is enclosed after the Schedules.

Yours truly,

**Martyszenko, Craig & Ross**

Per \_\_\_\_\_  
Alan B. Martyszenko, CA CBV CFA



# [PUBLIC VERSION]

**AGRICORE UNITED VANCOUVER TERMINAL  
BREAKEVEN VOLUMES - TONNES  
BASED ON EBITDA  
ALL WHEAT - 85% CLEAN/15% DIRTY**

SCHEDULE 1

---

**DIVERSION PREMIUM**

---

[CONFIDENTIAL]

CWB tonnes  
Non-Board tonnes

**Total tonnes handled**

CWB elevation (1)  
CWB cleaning (2)  
CWB storage (3)

Non Board elevation (4)  
Non Board cleaning (5)  
Non Board storage (6)

**Total grain handling revenue**

Pellet revenue (7)  
Screenings revenue (8)  
Mixing (9)  
Drying (10)  
Weighover (11)  
Canola shutouts (12)  
Wharfage (13)  
Berthage (14)  
Fumigation (15)  
Miscellaneous (15)  
Consignment incentive (16)

**Total other revenue**

**Net Margin**

Salaries (17)  
Overtime (18)  
Employee benefits (19)  
Misc. human resource costs (15)

**Payroll expense**

Miscellaneous (20)  
Insurance - grain, etc. (21)  
Reg. and cancellation (22)  
CGC overtime charges (15)

**Controllable expense**

Custodial & security (23)  
Power (24)  
Repairs (25)  
Rentals (26)  
Property taxes (27)  
Provincial capital tax (28)  
Insurance - properties (21)

**Establishment expense**

**Administration** (28)

**Total operating expense**

**EBITDA**

# [PUBLIC VERSION]

AGRICORE UNITED VANCOUVER TERMINAL  
BREAKEVEN VOLUMES - TONNES  
BASED ON EBITDA  
ALL WHEAT - 85% CLEAN/15% DIRTY

SCHEDULE 1  
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[CONFIDENTIAL]

# [PUBLIC VERSION]

AGRICORE UNITED VANCOUVER TERMINAL  
BREAKEVEN VOLUMES - TONNES  
BASED ON EBITDA  
150,000 TONNES BARLEY - ALL DIRTY  
BALANCE WHEAT - 85% CLEAN/15% DIRTY

SCHEDULE 2

## DIVERSION PREMIUM

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[CONFIDENTIAL]

CWB tonnes  
Non-Board tonnes

### Total tonnes handled

CWB elevation (1)  
CWB cleaning (2)  
CWB storage (3)

Non Board elevation (4)  
Non Board cleaning (5)  
Non Board storage (6)

### Total grain handling revenue

Pellet revenue (7)  
Screenings revenue (8)  
Mixing (9)  
Drying (10)  
Weighover (11)  
Canola shutouts (12)  
Wharfage (13)  
Berthage (14)  
Fumigation (15)  
Miscellaneous (15)  
Consignment incentive (16)

### Total other revenue

### Net Margin

Salaries (17)  
Overtime (18)  
Employee benefits (19)  
Misc. human resource costs (15)

### Payroll expense

Miscellaneous (20)  
Insurance - grain, etc. (21)  
Reg. and cancellation (22)  
CGC overtime charges (15)

### Controllable expense

Custodial & security (23)  
Power (24)  
Repairs (25)  
Rentals (26)  
Property taxes (27)  
Provincial capital tax (28)  
Insurance - properties (21)

### Establishment expense

Administration (28)

### Total operating expense

### EBITDA

# [PUBLIC VERSION]

AGRICORE UNITED VANCOUVER TERMINAL  
BREAKEVEN VOLUMES - TONNES  
BASED ON EBITDA  
150,000 TONNES BARLEY - ALL DIRTY  
BALANCE WHEAT - 85% CLEAN/15% DIRTY

SCHEDULE 2  
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# [PUBLIC VERSION]

**AGRICORE UNITED VANCOUVER TERMINAL**  
**BREAKEVEN VOLUMES - TONNES**  
**BASED ON EBITDA**  
**150,000 TONNES CANOLA - 75% CLEAN/25% DIRTY**  
**BALANCE WHEAT - 85% CLEAN/15% DIRTY**

SCHEDULE 3

## DIVERSION PREMIUM

---

[CONFIDENTIAL]

CWB tonnes  
Non-Board tonnes

**Total tonnes handled**

CWB elevation	(1)
CWB cleaning	(2)
CWB storage	(3)

Non Board elevation	(4)
Non Board cleaning	(5)
Non Board storage	(6)

**Total grain handling revenue**

Pellet revenue	(7)
Screenings revenue	(8)
Mixing	(9)
Drying	(10)
Weighover	(11)
Canola shutouts	(12)
Wharfage	(13)
Berthage	(14)
Fumigation	(15)
Miscellaneous	(15)
Consignment incentive	(16)

**Total other revenue**

**Net Margin**

Salaries	(17)
Overtime	(18)
Employee benefits	(19)
Misc. human resource costs	(15)

**Payroll expense**

Miscellaneous	(20)
Insurance - grain, etc.	(21)
Reg. and cancellation	(22)
CGC overtime charges	(15)

**Controllable expense**

Custodial & security	(23)
Power	(24)
Repairs	(25)
Rentals	(26)
Property taxes	(27)
Provincial capital tax	(28)
Insurance - properties	(21)

**Establishment expense**

<b>Administration</b>	(28)
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**Total operating expense**

**EBITDA**

# [PUBLIC VERSION]

AGRICORE UNITED VANCOUVER TERMINAL  
BREAKEVEN VOLUMES - TONNES  
BASED ON EBITDA  
150,000 TONNES CANOLA - 75% CLEAN/25% DIRTY  
BALANCE WHEAT - 85% CLEAN/15% DIRTY

SCHEDULE 3  
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# [PUBLIC VERSION]

**AGRICORE UNITED VANCOUVER TERMINAL**  
**BREAKEVEN VOLUMES - TONNES**  
**BASED ON EBITDA**  
**150,000 TONNES BARLEY - ALL DIRTY**  
**150,000 TONNES CANOLA - 75% CLEAN/25% DIRTY**  
**BALANCE WHEAT - 85% CLEAN/15% DIRTY**

SCHEDULE 4

## DIVERSION PREMIUM

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[CONFIDENTIAL]

CWB tonnes  
Non-Board tonnes

**Total tonnes handled**

CWB elevation	(1)
CWB cleaning	(2)
CWB storage	(3)

Non Board elevation	(4)
Non Board cleaning	(5)
Non Board storage	(6)

**Total grain handling revenue**

Pellet revenue	(7)
Screenings revenue	(8)
Mixing	(9)
Drying	(10)
Weighover	(11)
Canola shutouts	(12)
Wharfage	(13)
Berthage	(14)
Fumigation	(15)
Miscellaneous	(15)
Consignment incentive	(16)

**Total other revenue**

**Net Margin**

Salaries	(17)
Overtime	(18)
Employee benefits	(19)
Misc. human resource costs	(15)

**Payroll expense**

Miscellaneous	(20)
Insurance - grain, etc.	(21)
Reg. and cancellation	(22)
CGC overtime charges	(15)

**Controllable expense**

Custodial & security	(23)
Power	(24)
Repairs	(25)
Rentals	(26)
Property taxes	(27)
Provincial capital tax	(28)
Insurance - properties	(21)

**Establishment expense**

<b>Administration</b>	(28)
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**Total operating expense**

**EBITDA**

# [PUBLIC VERSION]

AGRICORE UNITED VANCOUVER TERMINAL  
BREAKEVEN VOLUMES - TONNES  
BASED ON EBITDA

SCHEDULE 4

Page 2

150,000 TONNES BARLEY - ALL DIRTY  
150,000 TONNES CANOLA - 75% CLEAN/25% DIRTY  
BALANCE WHEAT - 85% CLEAN/15% DIRTY

(1) [CONFIDENTIAL]

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## **ALAN B. MARTYSZENKO, CA, CBV, CFA**

### **EDUCATION**

- Bachelor of Commerce (Honors), University of Manitoba – 1980
  - University Gold Medal
- Chartered Accountant – 1983
- Chartered Business Valuator – 1987
  - Gold Medal Canada
- Chartered Financial Analyst – 1988
  - Top 10 Placement in World

### **EMPLOYMENT**

#### **1980 – 1994 Price Waterhouse**

Mr. Martyszenko joined Price Waterhouse upon graduation from the University of Manitoba. He began to practice in the Financial Advisory Services area in 1984.

In October 1988, Mr. Martyszenko was on a six-month tour of duty with the Corporate Finance & Litigation Group in Sydney, Australia. Mr. Martyszenko was admitted to partnership in 1991.

As the partner responsible for the Price Waterhouse Financial Advisory Services Winnipeg practice (seven professional staff), Mr. Martyszenko and his staff provided the following professional services:

- Business and securities valuations
- Corporate finance
- Loss quantification and litigation support
- Forensic and special investigations
- Insurance claims
- Mergers and acquisitions
- Going public
- Due diligence
- Business and strategic planning

At the time of Mr. Martyszenko's resignation from the Price Waterhouse partnership, his name was on the ballot for possible election to the Price Waterhouse Canada Policy Board.

### **1994 – 1998 G. Henderson Distributors Limited**

Mr. Martyszenko resigned from Price Waterhouse to assume the position of Executive Vice-President, Director and Shareholder of a \$100 million building material distribution company. In 1996, Mr. Martyszenko was appointed President and Chief Operating Officer. Mr. Martyszenko oversaw the successful sale of the company to a US multi-national.

### **1998 to present**

Mr. Martyszenko is a senior partner in Martyszenko, Craig & Ross. The firm provides a complete range of Financial Advisory Services identical to those services provided by Mr. Martyszenko while he was with Price Waterhouse.

Mr. Martyszenko is currently Chairman of the Board of Wes-T-Rans Company, a major truck parts distributor and brake and power train re-manufacturer, is a member of the Board of Directors of TRU-SERV Canada (True Value Hardware), ScootAround Inc. (a mobility enhancement company) and ScootAround Financial.

## **EXPERIENCE**

Mr. Martyszenko has been responsible for hundreds of business valuation, litigation and corporate finance assignments. Specific examples include:

- Fair market value determination of assets under the Marital Property Act of Manitoba
- Value determination pursuant to shareholder agreements, minority shareholder disputes, purchase and/or sale of a business, expropriations, initial public offerings, corporate reorganizations and estate planning
- Income/business loss in personal injury and wrongful death claims
- Income loss and damage claims related to breach of contract, misrepresentation and product liability claims
- Business interruption and other insurance loss claims
- Court appointed appraiser (valuator)
- Acted as Arbitrator in determining a binding value in shareholder disputes
- Fraud and special investigations for the RCMP Commercial Crime Division and corporate shareholders
- Financial viability assessments
- Business and strategic plans
- Financial due diligence
- Deal structuring

Mr. Martyszenko has appeared as an expert witness before the Land Value Appraisal Commission, the Manitoba Court of Queen's Bench and the Supreme Court of Barbados. Mr. Martyszenko has also appeared as an expert witness before The Manitoba Labour Board on corporate finance and corporate acquisition matters. In addition, Mr. Martyszenko has prepared an expert's report on various financial matters, which was submitted before the Competition Tribunal in connection with an application by the Commissioner of Competition under section 92 of the *Competition Act*, R.S.C. 1985, c. C-34; as amended.

### OTHER

- Mr. Martyszenko has lectured for the University of Manitoba, Institute of Chartered Accountants and Society of Management Accountants in Intermediate Accounting, Advanced Accounting, Advanced Financial Accounting and Introductory Auditing.
- Mr. Martyszenko has given accounting or business valuation seminars for Investors Group, Air Canada and the Government of Canada.
- Mr. Martyszenko has given numerous seminars on Corporate Strategy at the Price Waterhouse Executive Briefings Days. He was the editor of the *PW Advisor*, a quarterly Financial Advisory Services newsletter, and has written articles on business valuation and forensic investigations.
- Mr. Martyszenko has been a guest speaker at the MBA level at the University of Manitoba as well as business panelist for various MBA courses.
- Mr. Martyszenko served on the Board of the Winnipeg Society of Financial Analysts and served as treasurer for many years.