

Patrick McGarry
Senior Environmental Assessment Officer
Manitoba Hydro
820 Taylor Ave.
Winnipeg, MB R3C 2P4

Dec. 31, 2012

Mr. McGarry,

We write you today to articulate our concerns regarding the anticipated effects of the BiPole III project on our business, Adrenaline Outfitters, and to request compensation for those effects. Please consider this letter an official follow-up to the discussion we had in person during the Manitoba Hydro open house in Winnipeg on Dec. 18.

By way of background, we operate a black bear hunting business in Game Hunting Area 9A. We have established, groomed and maintained a number of bait sites in the area for some time, where we position our clients for their hunts. A list of the locations of these sites is attached. Establishing reliable bait sites takes time and effort and is an important part of the service we offer our clientele, as this preparation and dedication has a significant impact on the success of any hunt. In addition to this experience, our clients have become accustomed to hunting in a pristine wilderness environment, and as such we believe our operation will be negatively affected by the construction of, and eventually the permanent presence of, BiPole III, as the line is set to run directly through our allocation area and hunting grounds. We do not propose to block or hinder the project because we are aware of its scope, but that being said, we do feel it is reasonable to request compensation for our anticipated losses, as outlined below.

Our understanding of the project is that the primary construction will be a three-year process, beginning with right-of-way clearance in the first year, continuing with foundation work in the second year, and finally finishing with erecting poles and stringing lines in the third year. We believe this process, however necessary, will have a significant effect on our business operations. Our concerns include, but are not limited to, the following:

- Increased traffic on the access road during the three years of construction
- The “under construction” look and feel of the area during the construction period
- Permanent change to the existing landscape
- Reduction in the number of accessible bait sites
- Costs related to relocating bait sites affected by the transmission line and its construction
- The effect on the quality of hunts at new bait sites, until they become established and reliable
- Increased traffic and access to the area upon completion of the line

More specifically, we anticipate a number of disruptions and other impacts to our business. These anticipated impacts include the extra time, effort and labour required to find, scout and establish new bait sites; increased travel costs to the new bait sites from our base camp, depending on their location; a concern that our clients will not be served a pristine wilderness-style experience (no one likes to hunt in a construction zone); as well as the potential long-term effects on the bear population in the

area due to dispersal of animals, relocation of denning sites and overall population numbers due to increased access to the area and a permanent change in the landscape.

In anticipation of these pending changes, we have decided to plan in advance to mitigate whatever damages we believe the construction period will have on our business. We intend to run at a reduced capacity for the duration of the construction for several reasons, including a concern over the number of quality, reliable bait sites we will have at our disposal, and a concern over what effect the “construction zone” look of the area may have on our re-booking rate. We also expect that running at a reduced capacity will mean a reduced profit margin related to a loss in business-related efficiencies, and a loss in word-of-mouth leads due to hosting fewer clients.

We currently host four clients during the first week of our season, then six clients for each of the next two weeks, for a total of 16 guests per season. For the reasons outlined above, we intend to reduce this to three clients per week, for a total of nine guests per season, for the three-year duration of the construction period. This will mean a loss of seven paying clients per year, or a total of 21 paying clients for the duration of the construction period. We generally book up one full year in advance, with strong bookings two years in advance, due to demand. We have already begun booking our 2015 season. With this in mind, we do not have the option of taking a “wait-and-see” approach to the BiPole III construction period and must plan in advance for these years. As outlined above, we have done so, and believe our plan is a reasonable one, given the circumstances.

For all the reasons outlined in this letter, we are formally requesting compensation of \$21,000 to account for our anticipated business losses. This figure was reached by calculating our known, measured losses, as our records indicate a profit of roughly \$1,000 per client. Given that we expect to lose 21 clients over the three-year construction period (as outlined above), we feel that it is both fair and reasonable to request the appropriate compensation for our loss. This figure does not take into account intangibles such as increased access to the area, potential long-term impacts on the animal population and any other adjustments we may have to make mid-stream during the construction period. We are not seeking any compensation for these intangibles and uncertainties, and given that, we believe the compensation we have suggested is amply fair.

Thank you for your time and for considering our request. If you have any questions or require additional information please feel free to contact either of us at your convenience. Although we understand it may take some time to officially reach an agreement and conclude our request, we would appreciate a response to this letter with some indication of intention and/or timeline, by the end of January 2013, if at all possible.

Sincerely,

Russ Mehling
Rod McGrath
Adrenaline Outfitters LTD

cc: Paul Turenne, Manitoba Lodges & Outfitters Association