MUNICIPAL PROPERTY ASSESSMENT CORPORATION

Analysis of Economic Obsolescence

Ontario Food & Beverage Manufacturing Industry

2016 BASE YEAR

June 23, 2015

ANALYSIS OF ECONOMIC OBSOLESCENCE IN THE ONTARIO FOOD AND BEVERAGE MANUFACTURING INDUSTRY AS AT JANUARY 1, 2016

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June 23, 2015

Mr. Malcolm Stadig
Manager, Centralized Properties
Municipal Property Assessment Corporation
1340 Pickering Parkway, Suite 101
Pickering ON L1V 0C4

Re: Analysis of Economic Obsolescence in the Ontario Food and Beverage Manufacturing Industry as at January 1, 2016

Dear Mr. Stadig:

EXECUTIVE SUMMARY

1. This report details the results of an analysis undertaken to determine the extent of economic obsolescence ("EO") present within the Ontario Food and Beverage Manufacturing Industry (the "Industry"), or lack thereof, as at January 1, 2016 (the "Effective Date"). The analysis to determine the extent of EO present within the Industry has been broken down into ten broad subsectors as outlined further below.

2. This report should be read in conjunction with the attached schedules, which are integral to the analysis and report commentary.

3. It is important to note that this estimate of EO as at the Effective Date reflects analysis and assumptions based on the most recently publicly disclosed financial results of guideline public companies, current economic data, and expectations regarding future economic events and financial trends that are anticipated to impact the Industry as at the date of this report (the "Report Date). Further, no guarantee is made or implied as to the accuracy of forecasts, projections or predictive statements referenced herein.

Summary of Conclusion on Economic Obsolescence

4. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, the estimated rate of EO present within the Industry as at January 1, 2016 is summarized below for each of the major subsectors reviewed

(see Schedule 1):

Ontario Food & Beverage Manufacturing Sectors		Estimated Rate of EO
Animal Food	Schedule 2	0.0%
Grain & Oilseed Milling	Schedule 3	0.0%
Sugar & Confectionary Product	Schedule 4	0.0%
Fruity & Vegetable Preserving & Frozen Food	Schedule 5	19.0%
Dairy Food Product	Schedule 6	0.0%
Meat Product	Schedule 7	0.0%
Bakeries & Other Food	Schedule 8	0.0%
Soft Drink	Schedule 9	19.0%
Breweries	Schedule 10	4.0%
Distilleries and Wineries	Schedule 11	0.0%

INTRODUCTION & PURPOSE

5. It is understood that you have requested this report in order to confirm the existence of EO within the Industry (or lack thereof), on a broad level, as at the Effective Date. It is further understood that you will be incorporating this analysis into a mass appraisal of special purpose food and beverage manufacturing plants in Ontario using the Cost Approach method of valuation.

STATEMENT OF INDEPENDENCE AND IMPARTIALITY

6. The writer of this report has no stake, directly or indirectly, in the results of this analysis. The fee for this assignment is based solely on an hourly rate, and is in no way dependent upon the conclusion(s) expressed herein.

ECONOMIC OBSOLESCENCE

7. EO can be described as a form of depreciation or an incurable loss in value that occurs when influences external to an asset itself reduce the value of the asset.

8. In industry, EO exists when external influences occurring in an industry have an adverse impact on profits, thereby preventing industry participants from earning an optimal return on their asset investment. Consequently, the current value of the industry's assets is less than what it would be if the profits derived from the operation of those assets were optimal.

9. EO is most often present when external influences prompt a change in the supply and/or demand of an industry's products and/or cause a change in competition, leading to a decline in operating profits. Some examples of external influences that adversely impact operating profits, giving rise to EO, include (but are not limited to):

    - changes in industry economics, such as reduced demand or excess supply, which can put downward pressure on prices, thereby negatively impacting sales revenue and weakening profitability;

    - an increase in direct costs such as raw materials and labour without a corresponding increase in sales price due to adverse market conditions, thereby weakening profitability. Such a scenario results from declining demand for an industry's products and/or increased competition leading to excess supply and price pressure;

    - increased domestic and/or foreign competition, which puts downward pressure on prices and negatively impacts sales revenue and profits;

    - government legislation and/or changes in regulations, which can negatively impact sales revenue and weaken profitability;

    - economic factors over which an industry has no control, including changes in inflation, interest rates, foreign currency rates, all of which can negatively impact sales revenue and profitability; and,

    - adverse global economic conditions.

SCOPE OF REVIEW

10. In preparing these comments and calculations, the following has been reviewed, considered and relied upon, inter alia:

    - information contained in a report published by IBISWorld entitled "Animal Food Production in Canada – March 2015";

    - information contained in a report published by IBISWorld entitled "Flour Milling in Canada – May 2015";

- information contained in a report published by IBISWorld entitled “Margarine & Cooking Oil Processing in Canada – November 2014”;

- information contained in a report published by IBISWorld entitled “Cereal Production in Canada – July 2014”;

- information contained in a report published by IBISWorld entitled “Candy Production in Canada – March 2015”;

- information contained in a report published by IBISWorld entitled “Chocolate Production in Canada – March 2015”;

- information contained in a report published by IBISWorld entitled “Frozen Food Production in Canada – February 2015”;

- information contained in a report published by IBISWorld entitled “Canned Fruit & Vegetable Processing in Canada – December 2014”;

- information contained in a report published by IBISWorld entitled “Dairy Product Production in Canada – March 2015”;

- information contained in a report published by IBISWorld entitled “Ice Cream Production in Canada – October 2014”;

- information contained in a report published by IBISWorld entitled “Meat, Beef & Poultry Processing in Canada – July 2014”;

- information contained in a report published by IBISWorld entitled “Bread Production in Canada – January 2015”;

- information contained in a report published by IBISWorld entitled “Cookie, Cracker & Pasta Production in Canada – January 2015”;

- information contained in a report published by IBISWorld entitled “Snack Food Production in Canada – April 2015”;

- information contained in a report published by IBISWorld entitled “Seasoning, Sauce & Condiment Production in Canada – February 2015”;

- information contained in a report published by IBISWorld entitled “Soda Production in Canada – March 2015”;

- information contained in a report published by IBISWorld entitled “Breweries in Canada – May 2015”;

- information contained in a report published by IBISWorld entitled “Distilleries in Canada – March 2015”;

- excerpts from an economic report for Ontario as published by TD Economics entitled “Provincial Economic Forecast” and dated April 10, 2015;

- excerpts from an economic report for the U.S. entitled “Quarterly Economic Forecast” as published by TD Economics and dated March 24, 2015;

- excerpts from a report as published by the Bank of Canada entitled “Monetary Policy Report - April 2015” and “Monetary Policy Report Summary - April 2015”;

- various financial and statistical data as published by Statistics Canada;

- various information as published on the Industry Canada website (http://www.ic.gc.ca);

- various information as published on the Industry Canada website (http://www.agr.gc.ca); and,

- various financial and market data of publicly traded food and beverage manufacturing companies as retrieved from the Thomson Reuters Eikon database.

CURRENT AND FUTURE OUTLOOK OF CANADIAN AND GLOBAL ECONOMY

11. The state of the domestic and global economy is a key factor impacting consumer disposable income and the demand for food and beverage products. As disposable income rises or falls along with changing economic conditions, so does the amount of income available to be spent on food and beverage products. Consequently, in order to validate and support a conclusion on EO, this review incorporates an assessment of the domestic and global economic conditions existing around the Report Date.

12. Major economic indicators which are used to assess the overall state of the economy include changes in manufacturing activity, retail sales, gross domestic product, unemployment rates, the consumer price index and inflationary pressures, currency strength and interest rates, among others.

13. Below is commentary on the economic conditions and future outlook for the global economy extracted from a report entitled “Monetary Policy Report – April 2015” as

published by the Bank of Canada.

Global Economy

Global financial conditions have eased further in recent months, as many central banks have added to monetary policy stimulus in response to persistent economic slack and below-target inflation. The effects of lower prices for oil and other commodities are working their way through the world economy, boosting overall global growth, but weakening growth prospects in some countries. All things considered, the Bank expects global economic growth to strengthen and average about 3 1/2 per cent over the 2015-17 period.

In this global context, the economic prospects of major economies continue to diverge. As the U.S. economy strengthens, the Federal Reserve is widely expected to start normalizing monetary policy later this year – in contrast to the ongoing easing in other advanced economies. The substantial strengthening of the U.S. dollar against most other currencies, notably the euro, the yen and the Canadian dollar, largely reflects such differences and, over time, will contribute to mitigating them by boosting net exports in the weaker economies.

The sharp drop in oil prices as well as lower commodity food prices have been key common factors behind weak total CPI inflation globally. Although the disinflationary effects of lower oil and food prices are generally expected to be transitory, core inflation in many countries has been well below inflation targets for an extended period. Persistent excess global supply has been a steady source of downward pressure on underlying inflation in the advanced economies. Labour gaps also remain large. While some countries have achieved significant reductions in headline unemployment rates, in many advanced economies, high rates of long-term unemployment and modest wage growth suggest that labour market slack remains.

14. Below is commentary on the economic conditions and outlook for the US economy extracted from a report entitled “Monetary Policy Report Summary - April 2015” as published by the Bank of Canada and a report entitled “Quarterly Economic Forecast” as published by TD Economics and dated March 24, 2015.

US Economy

In the United States, despite a weak start to 2015, real GDP growth is expected to strengthen and to become increasingly self-sustaining, led by strong private domestic demand. Economic activity in the first quarter of 2015 was negatively affected by several transitory factors, including severe winter weather and disruptions caused by the West Coast port strike. Much

of this activity is expected to be recovered over the coming months, however, as suggested by other indicators, such as employment growth and confidence. Together with low oil prices, an improving labour market should contribute to solid growth in real disposable income and household spending.

A sustained expansion in U.S. residential investment - a key market for Canada's exports - has been slow to materialize. However, with robust growth in labour income, low mortgage rates and signs that household formation is improving, new housing construction is still expected to post strong growth later this year. A pickup in household demand and ongoing improvements in confidence, combined with healthy firm balance sheets, should further stimulate business investment. The appreciation of the U.S. dollar, which reflects this relatively positive economic outlook, is nevertheless expected to be a drag on U.S. growth.

. . . . we expect the economy to grow by 3.0% in 2015, up from 2.4% in 2014. With the Federal Reserve slowly beginning to normalize monetary policy and with the unemployment rate falling to 5.0% in 2016, economic growth is expected to edge down to 2.8%.

15. Below is commentary on the economic conditions and outlook for the Canadian economy extracted from a report entitled "Monetary Policy Report Summary - April 2015" as published by the Bank of Canada.

Canadian Economy

GDP

The Canadian economy is estimated to have stalled in the first quarter of 2015. The Bank's assessment is that the impact of the oil price shock on growth will be more front-loaded – but not larger – than predicted in January. The ultimate size of this impact will need to be monitored closely. Underneath the effects of the oil price shock, the natural sequence of stronger non-energy exports, increasing investment, and improving labour markets is progressing. This sequence will be bolstered by the considerable easing in financial conditions that has occurred and by improving U.S. demand.

As the impact of the oil shock on growth dissipates, this natural sequence is expected to re-emerge as the dominant trend around mid-year. Real GDP growth is projected to rebound in the second quarter and subsequently strengthen to average about 2 1/2 per cent on a quarterly basis until the

middle of 2016. The Bank expects real GDP growth of 1.9 per cent in 2015, 2.5 per cent in 2016, and 2.0 per cent in 2017.

After picking up in the middle of last year, business investment declined in the fourth quarter. The drop in oil prices is expected to lead to a rapid contraction in investment in the oil and gas sector. Steep cuts to capital expenditures in the oil industry have been announced, and rigging activity has decreased precipitously since the beginning of the year.

The Bank's estimate of real GDP in the first quarter of 2015 has been revised down since the January Report, to essentially no growth, primarily reflecting the pulling forward of the impact of the oil price shock. Other factors at play included harsh winter weather and temporary weakness in U.S. economic activity.

On an average annual basis, real GDP is expected to grow by 1.9 per cent in 2015 and 2.5 per cent in 2016, roughly the same as anticipated in January. However, the composition of growth will be somewhat different, with stronger exports and a smaller pickup in investment. In 2017, real GDP is expected to grow by 2.0 per cent.

Oil Prices

Three main oil price benchmarks are relevant for the Canadian economy: Brent, a global benchmark; West Texas Intermediate (WTI), the benchmark for light oil in North America; and Western Canada Select (WCS), a benchmark for heavy oil in Western Canada.

Following their sharp slide in the second half of 2014, the benchmark oil prices that are relevant for the Canadian economy have been quite volatile, fluctuating at or below levels assumed in the January Report. Prices for West Texas Intermediate (WTI) and Western Canada Select (WCS) - the main pricing benchmarks for Western Canadian producers - continue to be influenced by rising U.S. oil production, even as refinery maintenance and strikes have curbed demand.

By convention, the Bank assumes that energy prices will remain near their recent levels over the projection horizon. The U.S.-dollar prices for Brent, WTI and WCS have averaged roughly $55, $50 and $35 per barrel, respectively, since early March. Relative to assumptions in the January *Report,* these prices are $5 weaker for all three benchmarks.

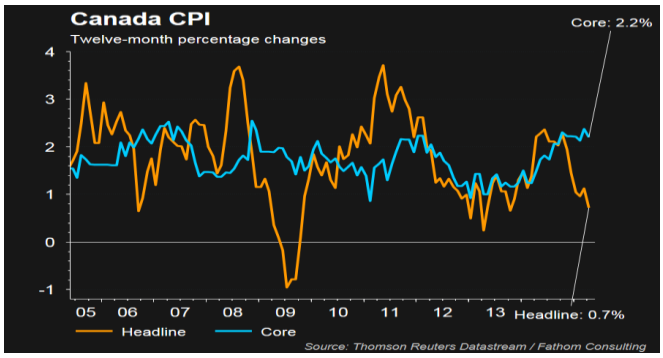
Inflation

Core inflation is expected to remain near 2 per cent throughout the projection period. In the near term, the widening of the output gap is expected to exert additional downward pressure on inflation. Based on the assumption that the Canadian dollar stays around 79 cents, the pass-through effects are expected to peak in the second half of 2015 and to dissipate by the end of 2016. Meanwhile, as economic growth picks up and the output gap narrows, the disinflationary pressures from excess supply are expected to gradually diminish. The effects on core inflation of the lower dollar and the narrowing output gap roughly offset each other over the projection horizon.

As the economy reaches and remains at full capacity around the end of 2016 and with well-anchored inflation expectations, both total and core inflation are projected to be close to 2 per cent on a sustained basis.

While short-term expectations for total CPI inflation remain near the lower end of the control range, medium-term inflation expectations continue to be well anchored at 2 per cent. The March Consensus Economics forecast for total CPI inflation for 2015 is 0.9 per cent, down slightly from January, while the forecast for 2016 has remained unchanged, at 2.1 per cent. Results from the Bank's spring *Business Outlook Survey* show that the majority of firms anticipate that, over the next two years, total CPI inflation will be in the bottom half of the Bank's 1 to 3 per cent inflation-control range. This is consistent with low total CPI inflation in 2015, reflecting the downward pressures coming from gasoline prices.

Based on the assumption that Brent will be priced at US$55 per barrel, total CPI inflation is expected to ease to slightly below 1 per cent in the coming months before rising to the 2 per cent target early in 2016. Core inflation is anticipated to remain near 2 per cent over the projection horizon, as the upward pressure from past exchange rate depreciation offsets the ongoing downward pressure from excess supply, which will gradually diminish as the output gap closes. The Bank continues to expect that core and total CPI inflation will be at 2 per cent on a sustainable basis around the end of 2016 as the economy reaches full capacity.



Thomson Reuters

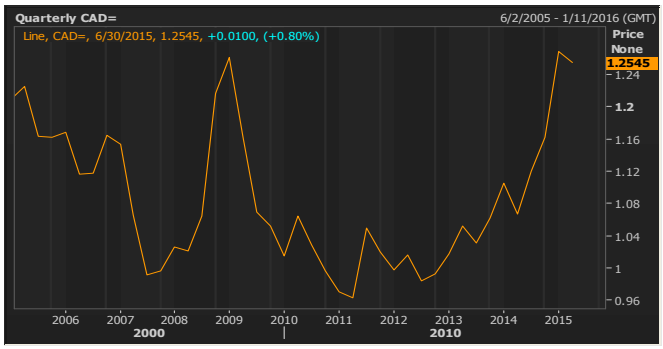
Key Interest Rate

Risks to the outlook for inflation are now roughly balanced and risks to financial stability appear to be evolving as expected. The Bank judges that the current degree of monetary policy stimulus remains appropriate and therefore is maintaining the target for the overnight rate at 3/4 per cent.

Exchange Rates

Since January, the Canadian dollar has depreciated against the U.S. dollar largely reflecting the broad strength of the U.S. dollar and the expected divergence in the paths for monetary policy in the two countries. The current level of the Canadian dollar is also consistent with the dollar's historical relationship with oil prices. By convention, the Canadian dollar is assumed to be close to its recent average level of 79 cents over the projection horizon. . . .

USD/CAD Exchange Rate



Thomson Reuters

Labour Markets

. . . . labour market conditions appear to have improved modestly, on balance, over the past six months. For example, the unemployment, underutilization and long-term unemployment rates have all eased, while prime-age labour force participation has begun to recover in recent months following weakness in the middle of 2014. Despite these encouraging developments, a material degree of slack persists in the labour market, as illustrated by the Bank's labour market indicator. Moreover, the full impact of the decline in oil prices has yet to show up in employment statistics. The balance of opinion on hiring intentions in the Business Outlook Survey fell to its lowest level since 2009, and firms reported that labour shortages remain low and are less intense than 12 months ago.

Capacity Utilization

Measures of the utilization of existing capital stock continue to indicate less excess capacity than do measures of labour market slack, consistent with the pattern expected following a destructive recession. Total industrial capacity utilization has risen above its historical average, to 83.6 per cent. Capacity utilization in many non-energy industries has also increased in recent quarters, a precursor to greater investment spending. The most recent Business Outlook Survey indicates that capacity pressures were more prevalent among export-oriented firms, which frequently cited physical capacity constraints as a key obstacle to meeting a sudden rise in demand.

Taking into account the various indicators of capacity pressures, the Bank judges that there is material slack in the Canadian economy. The amount of excess capacity in the first quarter is estimated to be between 1/2 and 1 1/2 per cent, suggesting more slack and disinflationary pressures than estimated in January.

16. The key Canadian financial market indicators around the date of this report are summarized below.

Government of Canada marketable bond average yield:	
1 to 3 years	0.65%
3 to 5 years	0.81%
5 to 10 years	1.33%
More than 10 years	2.15%
Canadian chartered bank prime lending rate	2.85%
Conventional mortgage lending rates:	
3 years	3.39%
5 years	4.64%
Chartered bank guaranteed investment certificate rates:	
3 years	1.03%
5 years	1.50%

17. Below is commentary on the economic conditions and outlook for the Ontario economy extracted from a report entitled "Provincial Economic Forecast" as published by TD Economics and dated April 10, 2015.

Ontario Economy

Ontario is projected to be the fastest growing economy over the 2015-16 period, with real GDP growth estimated at 2.7% on average.

U.S. real GDP growth is forecast to run at around 3% annually over the next two years which will translate into solid demand for Ontario's manufacturing sector. A lower Canadian dollar will also benefit Ontario producers. Already there is evidence of rising momentum in factory production, with manufacturing real GDP in Ontario up almost 5% Y/Y in 2014Q3. Somewhat mitigating the positive outlook for manufacturing is an expected contraction in auto production on account of the planned 14-week shutdown for retooling at the Chrysler plant in Windsor and the gradual shutdown of GM's Oshawa 2 plant.

A low interest rate environment has continued to fuel the housing market over the first few months of 2015 with both resales and average prices tracking higher. While our housing demand outlook has been nudged up since our January update, we still expect to see a gradual moderation in the resale market on account of an expected deterioration in affordability and elevated household debt. New construction activity is projected to

decline over the next few years after a period of overbuilding.

The Ontario government's fiscal outlook remains challenging, with a deficit elimination timetable still set for fiscal 2017-18. The upcoming spring budget should provide some additional details on how the government plans to keep program spending essentially flat through fiscal 2017-18.

Employment growth in Ontario has been slow out of the gate in 2015, up only 0.6% on a trend basis. Surprisingly, manufacturing employment is still tracking lower through February despite the uptick in activity. Our forecast pegs employment growth at 1% over the 2015-16 period. Steady gains in export-based manufacturing and tourism industries are expected to translate into increased hiring as 2015 progresses.

18. Economic conditions for the province of Ontario as at April 2015 are summarized in the chart below.

SELECTED ECONOMIC STATISTICS - ONTARIO
(Annual average % change, unless otherwise noted)

	Actual	Actual	Actual	Forecast (as at April 2015)		
	2012	2013	2014	2014E	2015F	2016F
Real GDP	1.7	1.3	-	2.4	2.8	2.5
Nominal GDP	3.2	2.4	-	4.0	3.8	4.7
Employment	0.7	1.8	0.8	-	1.0	1.0
Unemployment Rate (annual, %)	7.9	7.6	7.3	-	6.9	6.7
Retail Trade	1.6	2.3	4.8	-	3.6	4.0
Housing Starts (000's units)	77.4	60.9	58.4	-	57.4	57.3
Housing Starts	14.2	-21.4	-4.0	-	-1.8	-0.2
Existing Home Sales (000's units)	197.6	198.5	206.0	-	211.1	212.6
Existing Home Sales	-1.9	0.5	3.7	-	2.5	0.7
Average Home Price (000's C$)	381.3	400.7	428.6	-	446.7	455.5
Average Home Price	5.0	5.1	7.0	-	4.2	2.0
Consumer Price Index	1.4	1.0	2.3	-	0.7	2.2

SOURCE: *TD Economics – April 2015 (www.td.com/economics)*

FOOD & BEVERAGE MANUFACTURING INDUSTRY IN CANADA AND ONTARIO

General Background

19. The food and beverage manufacturing industry is the largest manufacturing industry in Canada in terms of value of production and is an essential channel for Canadian agricultural products. Total combined manufacturing revenues for the food industry in Canada were approximately $99.9 billion in 2013, an increase of 1.1% from 2012.[1]

20. The Canadian food and beverage manufacturing industry supplies approximately 75% of all food and beverage products available in the country. It is also the largest manufacturing employer providing jobs to approximately 290,000 Canadians.[2]

21. Total Ontario exports of food and beverage products were $8.4 billion in 2014, an increase of 6.0% over 2013.

22. The Industry encompasses the following ten major subsectors described in greater detail further below:

    - animal food manufacturing
    - grain and oilseed milling
    - sugar and confectionary product manufacturing
    - fruit and vegetable preserving and frozen food manufacturing
    - dairy food product manufacturing
    - meat product manufacturing
    - bakeries and other food manufacturing
    - soft drink manufacturing
    - breweries
    - wineries and distilleries

1 (http://www.statcan.gc.ca).
2 (https://www.ic.gc.ca).

General Discussion of the Qualitative Analysis of Economic Obsolescence

23. As discussed previously, EO exists when external influences adversely impact the economic returns an industry earns from the operation of its assets, thereby diminishing the value of those assets. The first step in determining if EO exists in an industry is to perform a qualitative analysis assessing the current economic conditions within the industry and the impact of external influences on that industry.

24. A discussion of the current economic conditions as well as the external influences impacting each of the subsectors described above is separately outlined further below for each major subsector.

General Discussion of the Approach to Quantifying Economic Obsolescence

25. In addition to a review of the qualitative factors associated with EO as discussed above, a quantitative analysis of key profitability and efficiency ratios of guideline public companies operating in each of the major subsectors within the Industry was completed as a method of quantifying the level of EO present, or lack thereof, on a broad level.

26. The guideline public companies considered most appropriate for this analysis were selected based on the leading publicly owned food and beverage manufacturing companies that currently operate in each of the Industry's major subsectors described previously.

27. The specific profitability and efficiency ratios analyzed (and explained in greater detail further below) are as follows:

    - return on invested capital;
    - gross margin percentage;
    - inventory turnover ratio;
    - fixed asset turnover ratio;
    - price to book ratio; and,
    - industrial capacity utilization rates.

28. The key profitability and efficiency ratios reviewed were analyzed over a ten year period from 2004 to 2013 in order to derive historical industry performance benchmarks. The current profitability and efficiency ratios of the guideline public companies based on 2014 were then compared against the historical benchmarks.

29. If the current performance ratios of the guideline public companies are trending below their historical performance benchmarks by a material amount, on a collective basis, this can signal that EO is present in the Industry.

30. The percentage decline in the current ratios from their historical performance benchmarks, as measured on a collective basis based on the results of the guideline companies, can be used as an overall benchmark for the rate of EO present in each major subsector, on a broad level.

31. A description of the key profitability and efficiency ratios reviewed follows below.

Return on Invested Capital Analysis

32. Return on invested capital ("ROIC") is a profitability ratio that measures how efficiently a company generates income from capital invested by comparing net operating profit to capital invested. The ROIC is a better measurement than return on equity as it measures how well a company is using both its equity and debt to generate profits. A low ROIC indicates that a company is making poor use of its capital resources.

33. The return on invested capital is calculated as follows:

Return = (Net Operating Profit after Taxes)

divided by

Invested Capital = (Interest-bearing Debt + Equity)

34. The ROIC is informative when tracked on a trend line annually as it will indicate long-term changes in the operating performance of a company. A decline in operating profits while invested capital remains constant or increases will cause the ROIC to decline.

35. A decline in the ROIC can signal that external influences occurring in the marketplace are negatively impacting profitability, giving rise to EO.

36. Any or all of the following external influences can negatively impact operating profits and the ROIC, giving rise to EO: a declining demand for an industry's products; increased competition creating excess supply and price pressure; and, government regulations requiring increased investment and/or price caps. All of these factors can impede the ability of an industry to earn an economic rate of return on its assets.

Gross Profit Margin (%) Analysis

37. Gross profit margin percentage is a profitability ratio that measures the percentage by which sales revenue exceeds the expenses required to manufacture a product, known as the cost of goods sold (the "COGS").

38. The COGS includes the cost of the raw materials, direct labour and production overheads that go into producing the goods sold and is included on a company's income statement where is it is deducted from revenue in order to calculate the company's gross margin dollars. The gross margin dollars reflect the amount of dollars earned from the sale of products and services before consideration of non-production costs such as selling and administrative costs.

39. Gross profit margin percentage is calculated as follows:

Gross Profit Margin (%) = (Sales Revenue – COGS / Sales Revenue) x 100

40. The gross profit margin percentage when tracked on a trend line indicates if any significant changes in sales and/or the COGS have occurred over a period of time. The gross profit margin percentage declines when sales revenue decreases however, the COGS remains constant or increases, as less gross margin dollars are being generated per unit sold.

41. A decline in the gross profit margin percentage can be an indication that external influences occurring in the marketplace are negatively impacting sales and/or the COGS, thereby giving rise to EO.

42. Similar to the ROIC, external influences that cause declining demand for an industry's products and/or increased competition leading to excess supply put downward pressure on prices and can negatively impact an industry's gross profit, thereby impeding the ability of an industry to earn an economic return on its assets.

43. In addition, when the COGS increases however, the increase cannot be passed on to the consumer through a price increase due to adverse market conditions such as government price caps and/or price pressure due to increased competition, the additional costs must be absorbed by the manufacturer and gross profits decline, negatively impacting industry returns.

Inventory Turnover Ratio Analysis

44. The inventory turnover ratio ("ITR") is an efficiency ratio that reflects how frequently a company flushes inventory from its system by comparing cost of goods sold with average inventory for a period. In other words, it measures how many times a company sells its total average inventory dollar amount during the year.

45. The ITR is calculated as follows:

Inventory Turnover Ratio = COGS / Average Dollar Value of Inventory On-Hand

46. Generally, a higher ITR implies a stronger demand for an industry's products given a certain amount of inventory. In contrast, a low ITR is generally indicative of excess production capacity and/or excess supply and can signal that external influences occurring in the marketplace are causing a decline in demand for an industry's products.

Fixed asset turnover Ratio Analysis

47. The fixed asset turnover ratio ("FATR") measures a company's ability to generate net sales from fixed-asset investments; specifically property, plant and equipment, net of depreciation. This ratio is often used as a measure in manufacturing industries, where major purchases are made for property, plant and equipment to help increase output.

48. The FATR is calculated as follows:

Fixed Asset Turnover Ratio = Sales Revenue / Net Property, Plant and Equipment

49. Generally, a high FATR indicates that a company has been more effective in using its investment in fixed assets to generate revenues and/or a stronger demand for an industry's products given a certain amount of fixed-asset investment.

50. In contrast, a low FATR is generally indicative of over-investment in fixed assets and can signal that external factors occurring in the marketplace are causing a decline in demand for an industry's products and negatively impacting an industry's economic return on its fixed-asset investment, giving rise to EO.

Price to Book Ratio Analysis

51. The price-to-book ratio ("PBR") measures the market price of a company's net assets in relation to their book value. The ratio denotes how much equity investors are paying for each dollar in net assets.

52. A company's market price is the market value of a company's outstanding shares, also known as its market capitalization. Book value is the value of a company's net assets according to its balance sheet. Traditionally, a company's book value is its total assets based on original cost less any depreciation, amortization or impairment costs minus liabilities.

53. A company's PBR is impacted by external factors related to investor sentiment regarding the current economic state of the industry that the company operates in; i.e., demand for

industry products, competitive landscape, etc. If the market price of the company declines significantly or drops below its book value, this may be an indication that investors are becoming wary of the company and/or the industry that the company operates in and can signal that EO may be present.

54. The PBR of the S&P/TSX Industrials Sector Index can be used as a benchmark to gauge investor-perception of the value of the net assets of a particular industry in comparison to the weighted average value of the net assets of all other industries included in the index.

55. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things.

Industrial Capacity Utilization Rate Analysis

56. The capacity utilization rate indicates the rate of production capacity which is actually being utilized in comparison to the maximum production capacity available.

57. A decline in the utilization rate when compared to historical industry norms indicates that current production is below the supply capacity available and may be a signal that external factors occurring in the marketplace are causing a decline in demand for an industry's products, which can negatively impact an industry's economic return, giving rise to EO.

58. The capacity utilization rate can be calculated as follows:

Capacity Utilization Rate =

[(Actual Output – Potential Output) / Potential Output]^scale factor

59. It is important to note that EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

Animal Food Manufacturing

Background

60. The animal food manufacturing industry is divided into two segments: dog and cat food manufacturing and animal livestock food manufacturing.

61. The animal food manufacturing sector processes raw ingredients into food for animal

livestock and pets. The products are packaged and sold to cattle ranches, dairy farms, other animal-production farms, grocery wholesalers and retailers.

62. The industry is divided into two primary segments: animal feed and pet food production. Dog and cat food production makes up the largest segment of the Animal Food Production industry due to the large number of Canadians that own household pets. According to Agriculture and Agri-Food Canada, 38.2% of Canadian households owned a cat in 2011, while 35.0% owned a dog.[3]

63. The Canadian animal food manufacturing sector's primary market for exports is the United States. IBISWorld estimates that the United States represented approximately 61% of total exports for this sector in 2015.[4]

Key External Market Influences Impacting the Subsector

64. The key external influences impacting the revenue growth and profitability of the sector are identified and discussed below.

Per Capita Disposable Income

65. Per capita disposable income determines an individual's ability to purchase goods or services. It is measured by taking the aggregate of all income sources minus taxes of a population and then dividing by the total population.

66. As the economy continues to recover, consumer household income is expected to increase. Higher household incomes along with growth in pet ownership will support an increase in demand for pet food products.

67. Per capital disposable income is expected to increase in 2015.

Canadian-dollar Effective Exchange Rate Index

68. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

69. When the CERI decreases, the Canadian dollar depreciates and domestic products become relatively less expensive for foreign buyers typically increasing demand for exports of domestically produced goods. Alternatively, when the CERI rises, this trend causes

3 (http://www.agr.gc.ca).
4 Report published by IBISWorld entitled "Animal Food Production in Canada – March 2015".

domestically manufactured goods to be relatively more expensive for global consumers, thereby cutting into global demand for Canadian exports.

70. Given that a significant portion of production is exported to the United States, the value of the Canadian dollar is a significant factor in the sector's ability to remain competitive. A stronger dollar makes exports relatively more expensive and imports relatively cheaper. As a result, Canadian exports may become less competitive. However, if the Canadian dollar depreciates against the currencies of its major trading partners, exports become cheaper and imports become more expensive, causing the sector's price competitiveness to improve.

71. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

Per Capita Meat Consumption

72. Livestock producers require more animal feed when consumers demand more meat. Consequently, as global meat consumption increases, demand will rise for the sector's products.

73. Per capita meat consumption is expected to increase in 2015, representing a potential opportunity for the industry.

Price of Feed

74. The price of feed is largely determined by the price of key input ingredients, including crops such as corn and soybeans. When the price of these input ingredients rises, manufacturers are forced to increase the price of feed. In turn, livestock producers, a primary market for animal feed products, can afford less industry products.

75. The domestic price of feed is expected to increase in 2015, presenting a potential threat to the demand for animal feed.

Population

76. More than half of Canadian households own some kind of pet, according to the Ontario Veterinary Medical Association. An increase in population and the number of households will likely lead to growth in pet ownership levels in Canada.

77. The total Canadian population is expected to increase slowly in 2015.

Current Performance and Market Trends

78. Revenues for the sector increased at an annualized rate of 3.7% to $7.6 billion for the five-

year period to 2015.[5] Revenue was bolstered by rising domestic demand for pet food and global demand for feed exports from Canada. Profit margins for the sector declined from 6.9% in 2010 to 6.0% in 2015.[5]

79. Rising per capita disposable income and higher pet ownership fuelled industry sales of pet food products. For these consumers, pet food is a nondiscretionary expense and pet owners are willing to pay a premium to ensure their pets receive the best quality products.

80. Exports of animal food products from Canada have increased steadily over the past five years at an estimated average annual rate of 10.7% to $1.0 billion.[6] Demand for pet food and animal feed has increased in the United States since the end of the recession. Further, the Canadian dollar has depreciated against the US dollar over the past three years, making Canadian exports more competitively priced.

Future Outlook for the Industry

81. Revenue for the sector is expected to grow over the next five years as rising disposable incomes encourage more Canadians to purchase pets. Growth in per capita disposable income is expected to increase at an average annual rate of 1.4% over the next five years.[6]

82. In particular, premium brands will benefit as consumers are better situated financially to purchase premium products for their pets. In addition, meat consumption in the developing world will continue to rise as consumers in emerging market countries are able to afford a greater variety of meat products. As a result, Canadian producers will increase their export of feed products.

83. These factors will help drive revenue growth at an average annual rate of 2.5% to $8.6 billion in the five years to 2020.[6]

84. Total exports for the sector are also expected to grow at an average annual rate of 6.8% to $1.4 billion in 2020.[6] Profit margins will remain just slightly below their historical high mainly due to strong competition from foreign pet food products.[6]

Analysis of Existence of Economic Obsolescence

85. Based on the above, total revenue and exports for the sector have grown steadily over the past five years and are expected to continue to grow. Profits for the sector are also expected to remain just slightly below their historical level. Consequently, there are no significant factors indicating that EO was present within the sector at the Report Date.

5 Report published by IBISWorld entitled "Animal Food Production in Canada – March 2015".
6 Report published by IBISWorld entitled "Animal Food Production in Canada – March 2015".

Approach to Quantifying Economic Obsolescence

86. The guideline public companies considered most appropriate for this analysis were selected based on the larger animal food manufacturing companies that currently operate in Canada, or have divisions that operate in Canada; generate at least 50% of their revenue from production in this subsector; and, have publicly available financial results.

87. Of the various manufacturers operating within this subsector, Nutreco NV is the only company operating in Canada that publicly discloses its financial results. Consequently, this company was identified as the only available comparable for purposes of the quantitative analysis portion of this report. Nutreco NV is referred to hereafter as the "Guideline Company".

Quantifying Economic Obsolescence

88. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

89. The historical rates of ROIC of the Guideline Company from 2004 to 2013 were analyzed to derive a historical benchmark. The historical benchmark was based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

90. The historical benchmark was then compared against the current rate of ROIC based on 2014 to gauge if current rate of ROIC is consistent with the historical benchmark.

91. The Guideline Company realized an increase in its rate of ROIC in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, this subsector has suffered any decline in its rate of ROIC based on the ROIC analysis of the Guideline Company.

92. The overall rate of indicated EO chosen was based on the indicated EO value of the Guideline Company. The calculation of the rate of indicated EO based on the ROIC analysis is presented on **Schedule 2.1**.

Gross Profit Margin (%) Analysis

93. The historical gross profit margin percentages of the Guideline Company from 2004 to 2013 were analyzed to derive a historical benchmark. The historical benchmark was based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

94. The historical benchmark was then compared against current gross profit margin percentage based on 2014 to gauge if the current gross margin percentage is consistent with the historical benchmark.

95. The Guideline Company realized only a nominal decline in its gross profit margin percentage in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, this subsector has suffered any significant decline in its gross profit margin percentage based on the analysis of the gross profit margin percentages of the Guideline Company.

96. The overall rate of indicated EO chosen was based on the indicated EO value of the Guideline Company. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 2.2**.

Inventory Turnover Ratio Analysis

97. The historical ITR's of the Guideline Company were analyzed from 2004 to 2013 to derive a historical benchmark. The historical benchmark was based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

98. The historical benchmark was then compared against the current ITR based on 2014 to gauge if the current ITR is consistent with the historical benchmark.

99. The Guideline Company realized only a nominal decline in its ITR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, this subsector has suffered any significant decline in its ITR based on the ITR analysis of the Guideline Company.

100. The overall rate of indicated EO chosen was based on the indicated EO value of the Guideline Company. The calculation of the rate of indicated EO based on the ITR analysis is presented on Schedule 2.3.

Fixed Asset Turnover Ratio Analysis

101. The historical FATR's of the Guideline Company were analyzed from 2004 to 2013 to derive a historical benchmark. The historical benchmark was based on the median FATR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

102. The historical benchmark was then compared against the current FATR based on 2014 to gauge if the current FATR is consistent with the historical benchmark.

103. The Guideline Company's FATR in 2014 was unchanged when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, this subsector has suffered any decline in its FATR based on the FATR analysis of the Guideline Company.

104. The overall rate of indicated EO chosen was based on the indicated EO value of the Guideline Company. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 2.4**.

Price to Book Ratio Analysis

105. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the PBR of the Guideline Company approximate to the Report Date. The PBR of the Guideline Company of 3.4 falls slightly below the PBR of the S&P TSX Industrials Sector Index of 3.6. Consequently, the market values the net assets of the Guideline Company operating in this sector to be worth slightly less than the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

106. As discussed previously, the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO. Nonetheless, the results of the analysis are presented on **Schedule 2.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

107. Data on the industrial capacity utilization rates of manufacturing plants operating in this subsector in Ontario and/or Canada was not available. As a substitute, the industrial capacity utilization rates of the Canadian Food Manufacturing sector, as a whole, were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

108. The current capacity utilization rate for the Food Manufacturing sector (NAICS 311) based on the average capacity utilization rate for 2014 falls just slightly below the median rate for the past ten years.

109. Accordingly, it appears that the current productivity rate of the Canadian Food Manufacturing sector is consistent with its historical levels.

110. As noted previously, EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

111. The results of the analysis of industrial capacity utilization rates for the Canadian Food Manufacturing sector have not been factored into the conclusion on the rate of EO present in this sector given that sector specific data was not available and because of the limitations regarding the analysis as discussed above, however, the calculations are presented on **Schedule 2.6** for information purposes.

Conclusion on Rate of Economic Obsolescence

Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the animal food manufacturing sector in Ontario is estimated to be 0.0% as at January 1, 2016.** The calculation of the estimated rate of EO is detailed below **(see Schedule 2)**:

ANIMAL FOOD MANUFACTURING INDUSTRY

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	0.0%	2	0.0%
Gross Profit Margin (%)	1.4%	2	2.8%
Inventory Turnover Ratio	4.8%	1	4.8%
Fixed Asset Turnover Ratio	0.0%	1	0.0%
Price to Book Ratio	0.0%	0	0.0%
Industrial Capacity Utilization	0.8%	0	0.0%
		6	7.6%
	divide by total assigned weight		*6*
Calculated rate of EO (rounded)			1.0%
Estimated Rate of EO as at January 1, 2016			**0.0%**

112. In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

113. The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

114. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment. Accordingly, this analysis is presented for information purposes only.

115. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described previously.

116. The calculated rate of EO was considered nominal. Accordingly, the rate of EO was estimated to be 0.0%.

Grain & Oilseed Milling

Background

117. The grain and oilseed milling industry is divided into three primary segments: milling grains and oilseeds; refining and blending fats and oils; and making breakfast cereal products.

118. The grain milling segment engages in the following activities; milling grains and vegetables into flour; cleaning, polishing and milling rice; and producing malt from a variety of cereal grains. Manufacturers purchase grain inputs such as wheat, corn, barley and rice from wholesalers or directly from growers, which they then process into flour, gluten, starch and malt, and sell these products to grocery wholesalers or other food-related industries.

119. Manufacturers operating in the fat and oil processing segment produce cooking oil, shortening and margarine. Activities include wet milling corn and vegetables, crushing oilseeds and tree nuts, refining and blending cooking oils and blending purchased animal fats with vegetable fats.

120. The cereal production segment acquires raw materials, such as corn, wheat, flour, sugar, malt extract, rice and salt from various sources, and processes these ingredients into ready-to-eat cereal, granola cereal and hot cereal. This segment also purchases raw materials such as plastic and paperboard containers from other manufacturers for packaging purposes. The finished breakfast cereals are subsequently sold to grocery wholesalers, retailers and food service providers.

121. The flour milling segment of the subsector engages in the following activities: milling grains and vegetables into flour; cleaning, polishing and milling rice; and producing malt from a variety of cereal grains. After purchasing grain inputs, manufacturers process them into flour, gluten, starch and malt and sell these products to grocery wholesalers or other food-related industries.

Key External Market Influences Impacting the Subsector

122. The key external influences impacting the revenue growth and profitability of some or all of the segments within this sector are identified and discussed below.

Demand from Supermarkets and Grocery Stores

123. Supermarkets and grocery stores buy industry products to sell to the end user. When consumers buy fewer products from grocery stores, these retailers buy fewer products from manufacturers in this sector, leading to a decrease in revenue.

124. The Supermarkets and Grocery Stores industry is expected to grow in 2015, representing an opportunity for the industry.

Demand from Food Manufacturing

125. The food manufacturing industries represent one of the largest markets for margarine and cooking oils. Manufacturers use this industry's products as ingredients for making their own food products and purchase them in large quantities.

126. Demand from food manufacturing is expected to rise in 2015.

Canadian-dollar Effective Exchange Rate Index

127. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

128. As the Canadian dollar strengthens against the currencies of its major trading partners, imported products become more affordable in the domestic market, increasing competition for producers. On the other hand, the depreciation of the Canadian dollar versus the currency of its major trading partners has a large impact on the price competitiveness of Canadian goods in foreign markets.

129. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

Per Capita Disposable Income

130. Per capita disposable income determines an individual's ability to purchase goods or services. It is measured by taking the aggregate of all income sources minus taxes of a population and then dividing by the total population.

131. As disposable income increases, consumers are more likely to purchase price-premium cereals that boost revenue and improve returns. However, consumers are also less likely to make breakfast at home and can afford more costly alternatives, such as breakfast sandwiches, when disposable income is high.

132. Per capital disposable income is expected to increase in 2015.

World Price of Sugar

133. Since sugar is the major raw material used to make cereal products, the industry is highly dependent on its world price and quality. An increase in the world price of sugar can adversely impact cereal producers, unless they are able to pass on the higher costs to consumers.

134. The world price of sugar is expected to slightly decline in 2015.

World Price of Wheat

135. Wheat is the sector's main input. Consequently, its price impacts this sector's input costs. Manufacturers usually pass price increases down to retailers and wholesalers, meaning revenue typically increases with wheat prices. However, fluctuations in the price and availability of wheat can significantly impact the sector's profit performance when manufacturers are unable to pass on price increases.

136. While the world price of wheat is expected to fall in 2015, its volatility represents a threat to the industry.

World Price of Soybeans

137. Soybeans are a primary input for processing margarine and a variety of cooking oils. The price at which processors purchase soybeans has a large influence on the oil processing segment's revenue and profit.

138. The world price of soybeans is expected to decline in 2015, representing an opportunity for the industry.

Current Performance and Market Trends

139. Revenue for the oil processing segment was estimated to rise at an average annual rate of 5.4% over the five years to 2014, including a rise of 0.3% in 2014, reaching $7.4 billion. Exports for the oil processing industry were estimated to account for 64.7% of industry revenue in 2014 and were estimated to increase at an average annual rate of 12.2% over

the five years to 2014. Profits for this sector declined to 10.3% of revenue in 2014, a decrease from 11.4% in 2009.[7]

140. Revenue for cereal producers declined in 2009 as strong appreciation of the Canadian dollar relative to the US dollar drove demand for low-cost imported cereal, however, Canadian households have evened out their spending in 2011 and 2012 to include cereals, namely branded products and more expensive healthy whole grain and organic options. This trend was expected to continue through 2014, with revenue climbing another 1.2%, although revenue for this segment was estimated to fall 1.3% per year on average to $1.7 billion in the five years to 2014, outweighed by strong dips in demand over 2009 and 2010.[8]

141. Higher levels of per capita disposable income drove demand for the flour milling industry's products over the past five years, driving up revenue. Overall, industry revenue for the flour milling segment increased at an annualized rate of 0.5% to an estimated $2.3 billion in the five years to 2015 The flour milling segment is characterized by low profit margins. However, the larger manufacturers realize high profit margins given their well-established, long-standing products benefit from brand loyalty among consumers.[9]

Future Outlook for the Subsector

142. Over the four years to 2019, IBISWorld expects oil processing industry revenue to grow at an annualized rate of 2.3%, reaching $8.3 billion by the end of the period. Over the same period, exports are forecast to increase at an average annual rate of 10.5%, totaling $7.9 billion in 2019.[7]

143. Over the next five years, the cereal production industry will continue to face challenges due to fluctuations in demand. However, revenue performance is forecast to increase at a modest average annual rate of 0.8% to $1.8 billion. The depreciation of the Canadian dollar relative to the US dollar over the next four years is forecast boost exports of cereal products at an annualized rate of 3.6%, to $410.5 million by 2019.[8]

144. Canada's declining dollar is also making the sector, as a whole, an appealing trading partner for countries with stronger dollars that can purchase more for a lower price. Although exchange rates are volatile and less predictable, business growth within Canada from industry manufacturers is reassuring of a positive future for the oil processing industry.

145. IBISWorld expects the flour milling segment to record some small growth in the five years to 2020 due to a more rapid increase in per capita disposable income, which drives demand

7 Report published by IBISWorld entitled "Margarine & Cooking Oil Processing in Canada – November 2014".
8 Report published by IBISWorld entitled "Cereal Production in Canada – July 2014"
9 Report published by IBISWorld entitled "Flour Milling in Canada – May 2015".

for industry products among consumers. Also, consumers will continue to demand healthier versions of existing products over the period, allowing manufacturers to expand their customer base. During the five years to 2020, total exports for this segment are expected to increase at an annualized rate of 4.0% to $961.8 million representing 54.9% of total revenue for this segment.[10]

Analysis of Existence of Economic Obsolescence

146. Based on the above, overall revenue and exports for this sector are projected to continue to grow and profits are expected to remain stable. Consequently, there are no significant factors indicating that EO was present within the subsector at the Report Date.

Approach to Quantifying Economic Obsolescence

147. The guideline public companies considered most appropriate for this analysis were selected based on the larger manufacturing companies that currently operate in this sector in Ontario and/or Canada; generate at least 50% of their revenue from production in this sector; and, have publicly available financial results.

148. The companies selected were as follows: Ingredion Inc.; Bunge Ltd.; MGP Ingredients Inc.; Archer Daniels Midland Company; and Kellogg Company. The selected guideline public companies are collectively referred to hereafter as the "Guideline Companies".

Quantifying Economic Obsolescence

149. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

150. The historical rates of ROIC of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

151. The historical benchmarks were then compared against the current rates of ROIC based on 2014 to gauge if current rates of ROIC are consistent with historical benchmarks.

152. Half of the Guideline Companies realized a material decline in their rate of ROIC in 2014 when compared to their historical benchmark. However, the remainder of the Guideline Companies realized either an increase in their rate of ROIC or only a nominal decline. Consequently, there was a wide divergence in the rates of indicated EO based on the ROIC

10 Report published by IBISWorld entitled "Flour Milling in Canada – May 2015".

analysis.

153. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ROIC analysis is presented on **Schedule 3.1**.

Gross Profit Margin (%) Analysis

154. The historical gross profit margin percentages of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

155. The historical benchmarks were then compared against current gross profit margin percentages based on 2014 to gauge if the current gross margin percentages are consistent with historical benchmarks.

156. Half of the Guideline Companies realized a material decline in their gross profit margin percentage in 2014 when compared to their historical benchmark. However, the remainder of the Guideline Companies realized an increase in their gross profit margin percentage or only a nominal decline. Consequently, there was a wide divergence in the rates of indicated EO based on the gross profit margin percentage analysis of the Guideline Companies.

157. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 3.2**.

Inventory Turnover Ratio Analysis

158. The historical ITR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

159. The historical benchmarks were then compared against the current ITR's based on 2014 to gauge if the current ITR's are consistent with historical benchmarks.

160. The majority of the Guideline Companies realized some decline in their ITR in 2014 when compared to their historical benchmark. The rate of the decline ranged from nominal to significant. Consequently, there was a wide divergence in the rates of indicated EO based on the ITR analysis.

161. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ITR analysis is presented on **Schedule 3.3**.

Fixed asset turnover Ratio Analysis

162. The historical FATR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median FATR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

163. The historical benchmarks were then compared against the current FATR's based on 2014 to gauge if the current FATR's are consistent with historical benchmarks.

164. Only one of the Guideline Companies realized a decline in its FATR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufacturers in this sector have experienced any substantial decline in their FATR based on the analysis of the FATR's of the Guideline Companies.

165. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 3.4**.

Price to Book Ratio Analysis

166. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the median PBR of the Guideline Companies approximate to the Report Date. The median PBR of the Guideline Companies of 2.7 falls well below the PBR of the S&P TSX Industrials Sector Index of 3.7. Consequently, the market values the net assets of the Guideline Companies operating in this sector to be worth approximately 25% less than the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

167. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things. Notwithstanding this, the results of the analysis are presented on **Schedule 3.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

168. As noted previously, data on the industrial capacity utilization rates of manufacturing plants operating in this subsector in Ontario and/or Canada was not available. As a

substitute, the industrial capacity utilization rates of the Canadian Food Manufacturing sector overall were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

169. The current capacity utilization rate for the Food Manufacturing sector (NAICS 311) based on the average capacity utilization rate for 2014 falls just slightly below the median rate for the past ten years.

170. Accordingly, it appears that the current productivity rate of the Canadian Food Manufacturing sector is consistent with its historical levels.

171. As noted previously, EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

172. The results of the analysis of industrial capacity utilization rates for the Canadian Food Manufacturing sector have not been factored into the conclusion on the rate of EO present in this sector given that sector specific data was not available and because of the limitations regarding the analysis as discussed above, however, the calculations are presented on **Schedule 2.6** for information purposes.

Conclusion

173. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the grain and oilseed milling industry in Ontario is estimated to be 0.0% as at January 1, 2016.** The calculation of the estimated rate of EO is detailed below **(see Schedule 3)**:

GRAIN & OILSEED MILLING INDUSTRY

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	1.2%	2	2.4%
Gross Profit Margin (%)	2.2%	2	4.4%
Inventory Turnover Ratio	3.5%	1	3.5%
Fixed Asset Turnover Ratio	0.0%	1	0.0%
Price to Book Ratio	25.0%	0	0.0%
Industrial Capacity Utilization	0.8%	0	0.0%
		6	10.3%
	divide by total assigned weight		*6*
Calculated Rate of EO (rounded)			2.0%
Estimated Rate of EO as at January 1, 2016			**0.0%**

174. In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

175. The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

176. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment. Accordingly, this analysis is presented for information purposes only.

177. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described previously. Accordingly, this analysis is presented for information purposes only.

178. The calculated rate of EO was considered nominal. Accordingly, the overall rate of EO was estimated to be 0.0%.

Sugar and Confectionary Product Manufacturing

Background

179. The sugar and confectionary product manufacturing industry is divided into three primary segments: chocolate confectionary production; non-chocolate confectionary production; and sugar refining.

180. The chocolate production segment manufactures cocoa-based confectionery such as chocolate bars, boxed chocolates and filled and unfilled chocolate blocks.

181. The non-chocolate production segment manufactures non-chocolate confectionery such as candy, marshmallows, toffee, candied fruits, fudge, breakfast bars and chewing gum. Manufacturers in this industry sell these products to retailers and wholesalers who then distribute it to household consumers and other consumers.

182. The sugar manufacturing segment's primary activities include manufacturing raw sugar, sugar syrup and refined sugar from sugar cane, raw cane sugar or sugar beets.

183. The sugar manufacturing industry's financial performance is closely tied to the chocolate and non-chocolate industries given they are the segment's largest demand industries. Consequently, it is assumed that the economic conditions and financial performance of the sugar manufacturing industry approximates that of the chocolate and non-chocolate confectionary industries given that financial performance statistics were not available for this segment.

Key External Market Influences Impacting the Sector

184. The key external influences impacting the revenue growth and profitability of some or all of the segments within this sector are identified and discussed below.

Canadian-dollar Effective Exchange Rate Index

185. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

186. As the Canadian dollar strengthens against the currencies of its major trading partners, imported products become more affordable in the domestic market, increasing competition for producers. On the other hand, depreciation of the Canadian dollar versus the currency of trading partners has a large impact on the price competitiveness of Canadian goods in foreign countries, stimulating demand.

187. Almost half of the chocolate manufacturing industry's revenue is derived from exports. The level of exports is partly determined by the strength of the Canadian dollar against its trading partners' currencies.

188. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

Per Capita Disposable Income

189. Per capita disposable income represents consumers' ability and likelihood to purchase non-essential items, such as chocolate. High disposable income also encourages consumers to switch to purchases of premium chocolate, boosting the profit margins of this industry. Over the past five years, per capita disposable income has fluctuated due to the recession and subsequent recovery.

190. In 2015, disposable income levels are anticipated to rise sluggishly, thereby still posing a threat to the industry.

World Price of Sugar

191. Sugar is a key ingredient in most candies; therefore, an increase in the price of sugar raises manufacturing costs. However, producers are generally able to pass on costs to consumers in the form of higher prices, especially when the product is a popular brand with significant consumer loyalty.

World Price of Cocoa

192. Cocoa is the primary ingredient in chocolate production. Rising world cocoa prices raise the input costs of manufacturers. If manufacturers are unable to pass the full cost increase onto consumers, their profits decline.

193. The world price of cocoa is expected to drop slightly over 2015 but will remain high due to global demand outpacing global supply.

Current Performance and Market Trends

194. In the five years to 2015, sluggish disposable income growth has kept revenue growth moderate for the chocolate production industry, at 2.8% per year on average. This includes higher projected growth of 3.3% in 2015 due to ongoing depreciation of the Canadian dollar and a subsequent boost of export revenue, bringing total revenue to $3.3 billion.[11]

11 Report published by IBISWorld entitled "Chocolate Production in Canada – March 2015".

195. Falling cocoa prices through 2013 had relaxed industry costs and boosted profit to 17.5% of revenue. However, this trend has since reversed, with global demand for cocoa outstripping global supply and causing cocoa prices to soar. This is raising purchase costs for manufacturers and limiting profit to an estimated 10.0% of revenue by 2015.[11]

196. Canadian exports of chocolate products grew at an annualized 6.9% to $1.5 billion in the five years to 2015.[11] The majority of exports go to the United States. Exchange rate movements have aided the industry's export growth.

197. Over the past five years, increasing health consciousness has reduced demand for non-chocolate confectionery and caused revenue to decline at an annualized rate of 0.4%. Exports were estimated to grow an annualized 5.3% in the five years to 2015, to $894.1 million. Profits for this segment are also expected to reach 12.5% of revenue in 2015, boosted by export sales.[12]

Future Outlook for the Subsector

198. IBISWorld projects the chocolate industry's revenue to increase by 1.2% per year on average for the five years to 2020, to $3.5 billion.[11] The larger manufacturers in the chocolate production industry are able to hedge some of their costs and more easily pass on commodity price hikes by charging higher prices without hurting demand. These companies are expected to retain profit margins close to 15.0% to 2020.[11] IBISWorld expects export growth to slow down to 2.8% per year on average to $1.7 billion through 2020.[11]

199. Despite some improvement in disposable income, Canadians will likely reduce their intake of non-chocolate candy. IBISWorld projects revenue for this segment to fall an annualized 0.5% over the next five years, beginning with 2.6% decline in 2016, however, the Canadian dollar is expected to keep falling through 2015, boosting exports of non-confectionary industry revenue.[12]

200. As domestic demand drops for non-chocolate confectionary products, manufacturers in this segment will continue to rely on global markets to generate revenue and remain profitable for the short run. Exports are projected to grow at 3.4% per year on average to $1.1 billion by 2020.[12] Consequently, exports will generate an estimated 83.9% of industry revenue by 2020. The US market will remain the largest export major for Canadian exports of non-chocolate.[12]

201. Multinationals with one or two facilities in Canada and an established presence in US markets and other export markets tend to operate profitably given their ability to hedge

12 Report published by IBISWorld entitled "Candy Production in Canada – March 2015";

some of their costs and pass on price increases to consumers, despite generally weak demand conditions.

Analysis of Existence of Economic Obsolescence

202. Based on the above, total revenue and exports for the sector are expected to continue to grow moderately. Profits for the sector are also expected to remain stable. Consequently, there are no significant factors indicating that EO was present within the subsector at the Report Date.

Approach to Quantifying Economic Obsolescence

203. The guideline public companies considered most appropriate for this analysis were selected based on the larger manufacturing companies that currently operate in this sector in Ontario and/or Canada; generate at least 30% of their revenue from production in this sector; and, have publicly available financial results.

204. The companies selected were as follows: Hershey Company; Nestle SA; Tootsie Roll Industries Inc.; and Mondelez International Inc. The selected guideline public companies are collectively referred to hereafter as the "Guideline Companies".

Quantifying Economic Obsolescence

205. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

206. The historical rates of ROIC of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

207. The historical benchmarks were then compared against the current rates of ROIC based on 2014 to gauge if current rates of ROIC are consistent with historical benchmarks.

208. Half of the Guideline Companies realized a decline in their rate of ROIC in 2014 when compared to their historical benchmark. The rate of the decline ranged from nominal to significant. However, the remainder of the Guideline Companies realized an increase in their rate of ROIC. Consequently, there was a wide divergence in the rates of indicated EO based on the ROIC analysis of the Guideline Companies.

209. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on

the ROIC analysis is presented on **Schedule 4.1**.

Gross Profit Margin (%) Analysis

210. The historical gross profit margin percentages of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

211. The historical benchmarks were then compared against current gross profit margin percentages based on 2014 to gauge if the current gross margin percentages are consistent with historical benchmarks.

212. Only one of the Guideline Companies realized a decline in its gross profit margin percentage in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufacturers in this sector have experienced any substantial decline in gross profit margin percentage based on the analysis of the gross profit margin percentages of the Guideline Companies.

213. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 4.2**.

Inventory Turnover Ratio Analysis

214. The historical ITR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

215. The historical benchmarks were then compared against the current ITR's based on 2014 to gauge if the current ITR's are consistent with historical benchmarks.

216. The majority of the Guideline Companies realized some decline in their ITR in 2014 when compared to their historical benchmark. The rate of the decline ranged from nominal to significant. Consequently, there was a wide divergence in the rates of indicated EO based on the ITR analysis of the Guideline Companies.

217. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ITR analysis is presented on **Schedule 4.3**.

Fixed asset turnover Ratio Analysis

218. The historical FATR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median FATR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

219. The historical benchmarks were then compared against the current FATR's based on 2014 to gauge if the current FATR's are consistent with historical benchmarks.

220. Only one of the Guideline Companies realized a decline in its FATR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufacturers in this sector have experienced any substantial decline in their FATR based on the analysis of the FATR's of the Guideline Companies.

221. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 4.4**.

Price to Book Ratio Analysis

222. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the median PBR of the Guideline Companies approximate to the Report Date. The median PBR of the Guideline Companies of 3.0 falls slightly below the PBR of the S&P TSX Industrials Sector Index of 3.6. Consequently, the market values the net assets of the Guideline Companies operating in this sector to be worth approximately 17% less than the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

223. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things. Notwithstanding this, the results of the analysis are presented on **Schedule 4.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

224. As noted previously, data on the industrial capacity utilization rates of manufacturing plants operating in this subsector in Ontario and/or Canada was not available. As a substitute, the industrial capacity utilization rates of the Canadian Food Manufacturing sector overall were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

225. The current capacity utilization rate for the Food Manufacturing sector (NAICS 311) based on the average capacity utilization rate for 2014 falls just slightly below the median rate for the past ten years.

226. Accordingly, it appears that the current productivity rate of the Canadian Food Manufacturing sector is consistent with its historical levels.

227. As noted previously, EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

228. The results of the analysis of industrial capacity utilization rates for the Canadian Food Manufacturing sector have not been factored into the conclusion on the rate of EO present in this sector given that sector specific data was not available and because of the limitations regarding the analysis as discussed above, however, the calculations are presented on **Schedule 2.6** for information purposes.

Conclusion

229. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the sugar and confectionary product manufacturing industry in Ontario is estimated to be 0.0% as at January 1, 2016.** The calculation of the estimated rate of EO is detailed below **(see Schedule 4)**:

SUGAR & CONFECTIONARY PRODUCT MANUFACTURING

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	6.5%	2	13.0%
Gross Profit Margin (%)	0.0%	2	0.0%
Inventory Turnover Ratio	2.5%	1	2.5%
Fixed Asset Turnover Ratio	0.0%	1	0.0%
Price to Book Ratio	16.7%	0	0.0%
Industrial Capacity Utilization	0.8%	0	0.0%
		6	15.5%
	divide by total assigned weight		*6*
Calculated Rate of EO (rounded)			3.0%
Estimated Rate of EO as at January 1, 2016			**0.0%**

230. In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

231. The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

232. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment. Accordingly, this analysis is presented for information purposes only.

233. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described previously. Accordingly, this analysis is presented for information purposes only.

234. The calculated rate of EO was considered nominal. Accordingly, the overall rate of EO was estimated to be 0.0%.

Fruit & Vegetable Preserving & Specialty Food Manufacturing

Background

235. The fruit and vegetable preserving and specialty food manufacturing industry is divided into two primary segments: frozen food manufacturing and fruit and vegetable canning, pickling and drying.

236. The frozen food manufacturing segment produces frozen food products, such as frozen fruits, vegetables and juices; frozen entrees and side dishes (excluding seafood); frozen whipped toppings (excluding dairy); and frozen waffles, pancakes and french toast. These products are subsequently distributed to outlets such as grocery wholesalers, retail food stores and manufacturers in the hospitality industry.

237. The fruit and vegetable canning industry's primary activity include the processing of fruits and vegetable with other ingredients to create a variety of food products including canned fruit and vegetables, juices and drinks (except frozen), canned soups (except seafood), jams, baby food, sauces and dehydrated fruits and vegetables. The final products are then packaged and sold to consumers at various retail channels.

Key External Market Influences Impacting the Sector

238. The key external influences impacting the revenue growth and profitability of some or all of the segments within this sector are identified and discussed below.

Canadian-dollar Effective Exchange Rate Index

239. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

240. As the Canadian dollar strengthens against the currencies of its major trading partners, imported products become more affordable in the domestic market, increasing competition for producers. Alternatively, when the Canadian dollar depreciates, domestic goods become more price-competitive in the global market, boosting demand for industry exports.

241. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

Demand from Supermarkets and Grocery Stores

242. Supermarket chains buy frozen foods from manufacturers and resell these products to end consumers. As consumers demand more frozen food products from grocery stores, retailers will purchase more goods from manufacturers, driving up industry revenue.

243. Grocery stores and supermarkets represent the most important retail channel for the purchase of canned fruits and vegetables. Therefore, an increase in demand from this market segment significantly boosts industry revenue.

244. Demand from supermarkets and grocery stores is expected to increase in 2015.

Demand from Specialty Food Stores

245. Specialty food stores also represent an important point of purchase for industry goods. As more consumers purchase food and beverages from specialty food stores, demand for canned fruit and vegetables rises, driving up industry revenue.

246. Demand from specialty food stores is anticipated to increase in 2015.

Consumer Price Index

247. The consumer price index represents the price that consumers pay for a basket of goods at the retail level. Increases in the price of retail goods, including frozen food and canned fruit and vegetables, is reflected in a rising consumer price index, generally leading to lower demand for goods.

248. In 2015, the consumer price index is expected to rise.

Per Capita Disposable Income

249. While higher per capita disposable income enables consumers to purchase a greater volume of industry goods and premium products, many consumers also opt for alternative goods, such as fresh produce and fast food, which tend to cost more relative to frozen food varieties. Consequently, as income levels rise, demand for frozen food and canned fruit and vegetables falls as competitive products become more popular.

250. In 2015, disposable income levels are anticipated to rise sluggishly, thereby still posing a threat to the industry.

Current Performance and Market Trends

251. The frozen food and canned fruit and vegetables industries experienced weak growth over the past five years as rising discretionary income levels and growing health consciousness motivated consumers to switch from the convenience and affordability of frozen and canned foods towards fresher alternatives offered by other industries.

252. IBISWorld estimates that total frozen food industry revenue grew at 0.5% per year on average to $3.5 billion over the five years to 2015. The Canadian dollar's appreciation had a negative impact on export volume early on in the five-year period, with exports dropping a significant 12.7% in 2010, however, exports have picked up again during the last half of the period, rising an annualized 3.7% to $1.7 billion over the five years to 2015.[13]

253. The frozen food industry's profit margins have declined during the past five years, largely due to rising raw materials costs and mounting price-based competition among manufacturers. While frozen food manufacturers passed on some of the cost increases to consumers through product price increases, intense competition forced manufacturers to keep prices low in order to compete and most manufacturers were forced to absorb the extra costs. Consequently, the segment's industry profit margins are expected to drop from 5.7% in 2010 to 4.8% in 2015.[13]

254. IBISWorld estimates that the canned fruit and vegetable industry's revenue declined at an average annual rate of 3.6% to $3.7 billion over the five years to 2014, including a contraction of 3.1% in 2014 although increased exports boosted the industry's performance over that same time period, rising at an expected annualized rate of 1.7% to $985.7 million.[14]

255. The leading canned food producers have lowered their product prices to entice shoppers and maintain market share. As a result, profit margins shrunk, as the cost of key inputs rose over the past five years.[14]

Future Outlook for the Subsector

256. While health concerns and rising discretionary income will continue to suppress demand, the affordability and improvement in the nutrition of frozen prepared meals will continue to attract customers. Consequently, IBISWorld forecasts the frozen food manufacturing industry's revenue to increase an annualized 0.8% to $3.6 billion over the five years to 2020 and expects total Canadian exports for this segment to rise an annualized 1.6% to $1.9 billion over the same period.[13]

13 Report published by IBISWorld entitled "Frozen Food Production in Canada – February 2015".
14 Report published by IBISWorld entitled "Canned Fruit & Vegetable Processing in Canada – December 2014".

257. Despite the canned fruit and vegetable manufacturers' efforts to introduce healthier products and safer packaging materials, lower demand is anticipated to cause industry revenue to decline at an average annual rate of 0.4% to $3.6 billion over the five years to 2019.[15]

258. As the US dollar continues to appreciate, demand for Canadian exports of canned fruits and sauces will increase. Consequently, exports are projected to increase an annualized 5.3% to $1.3 billion during the five years to 2019.[15]

Analysis of Existence of Economic Obsolescence

259. Based on the above, total revenue and profits for this sector, as a whole, have been on a decline due to reduced demand overall for this sector's products. Although revenue and exports are expected to grow modestly over the next five years, intense competition and rising input costs have shrunk profits. Consequently, there is some evidence indicating that EO was present within the subsector at the Report Date.

Approach to Quantifying Economic Obsolescence

260. The guideline public companies considered most appropriate for this analysis were selected based on the larger manufacturing companies that currently operate in the various segments of this sector in Ontario and/or Canada; generate at least 30% of their revenue from production in this sector; and, have publicly available financial results.

261. The companies selected were as follows: Campbell Soup Company; ConAgra Foods Inc.; J. M. Smucker Company; Bonduelle SAS; and Kraft Foods Group Inc. The selected guideline public companies are collectively referred to hereafter as the "Guideline Companies".

Quantifying Economic Obsolescence

262. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

263. The historical rates of ROIC of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

264. The historical benchmarks were then compared against the current rates of ROIC based on 2014 to gauge if current rates of ROIC are consistent with historical benchmarks.

15 Report published by IBISWorld entitled "Canned Fruit & Vegetable Processing in Canada – December 2014".

265. The majority of the Guideline Companies realized a material decline in their rate of ROIC in 2014 when compared to their historical benchmark. Consequently, there is some indication that, on an industry wide level, manufacturers in this sector may have experienced a material decline in their ROIC based on the analysis of the ROIC of the Guideline Companies.

266. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ROIC analysis is presented on **Schedule 5.1**.

Gross Profit Margin (%) Analysis

267. The historical gross profit margin percentages of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

268. The historical benchmarks were then compared against current gross profit margin percentages based on 2014 to gauge if the current gross margin percentages are consistent with historical benchmarks.

269. Three out of five of the Guideline Companies realized a material decline in their gross profit margin percentage in 2014 when compared to their historical benchmark. The remaining two realized an increase in the gross profit margin percentage. Consequently, there was a wide divergence in the rates of indicated EO based on the analysis of the gross profit margin percentages of the Guideline Companies.

270. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 5.2**.

Inventory Turnover Ratio Analysis

271. The historical ITR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for the Industry.

272. The historical benchmarks were then compared against the current ITR's based on 2014 to gauge if the current ITR's are consistent with historical benchmarks.

273. Three out of five of the Guideline Companies realized some decline in their ITR in 2014

when compared to their historical benchmark. The rate of the decline ranged from nominal to significant. Consequently, there was a wide divergence in the rates of indicated EO based on the ITR analysis.

274. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ITR analysis is presented on **Schedule 5.3**.

Fixed asset turnover Ratio Analysis

275. The historical FATR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median FATR over this period under the assumption that this benchmark is the best measurement of an economic rate for the Industry.

276. The historical benchmarks were then compared against the current FATR's based on 2014 to gauge if the current FATR's are consistent with historical benchmarks.

277. Only one of the Guideline Companies realized a decline in its FATR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufacturers in this sector have experienced any substantial decline in their FATR based on the analysis of the FATR's of the Guideline Companies.

278. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 5.4**.

Price to Book Ratio Analysis

279. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the median PBR of the Guideline Companies approximate to the Report Date. The median PBR of the Guideline Companies of 3.2 falls just slightly below the PBR of the S&P TSX Industrials Sector Index of 3.6. Consequently, the market values the net assets of the Guideline Companies operating in this sector to be worth just slightly less than the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

280. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things. Notwithstanding this, the results of the analysis are presented on **Schedule 5.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

281. As noted previously, data on the industrial capacity utilization rates of manufacturing plants operating in this subsector in Ontario and/or Canada was not available. As a substitute, the industrial capacity utilization rates of the Canadian Food Manufacturing sector overall were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

282. The current capacity utilization rate for the Food Manufacturing sector (NAICS 311) based on the average capacity utilization rate for 2014 falls just slightly below the median rate for the past ten years.

283. Accordingly, it appears that the current productivity rate of the Canadian Food Manufacturing sector is consistent with its historical levels.

284. As noted previously, EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

285. The results of the analysis of industrial capacity utilization rates for the Canadian Food Manufacturing sector have not been factored into the conclusion on the rate of EO present in this sector given that sector specific data was not available and because of the limitations regarding the analysis as discussed above, however, the calculations are presented on **Schedule 2.6** for information purposes.

Conclusion

286. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the frozen food and canned fruit and vegetable product manufacturing industry in Ontario is estimated to be 19% as at January 1, 2016.** The calculation of the estimated rate of EO is detailed below **(see Schedule 5)**:

FRUIT & VEGETABLE PRESERVING & FROZEN FOOD

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	40.9%	2	81.8%
Gross Profit Margin (%)	13.3%	2	26.6%
Inventory Turnover Ratio	5.2%	1	5.2%
Fixed Asset Turnover Ratio	0.0%	1	0.0%
Price to Book Ratio	27.8%	0	0.0%
Industrial Capacity Utilization	0.8%	0	0.0%
		6	113.6%
	divide by total assigned weight		*6*
Estimated Rate of EO as at January 1, 2016			**19.0%**

287. In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

288. The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

289. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment. Accordingly, this analysis is presented for information purposes only.

290. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described previously. Accordingly, this analysis is presented for information purposes only.

Dairy Food Product Manufacturing

Background

291. This industry group is comprised of manufacturers primarily engaged in manufacturing dairy products. The industry is divided into two primary segments: dairy product (except

frozen) manufacturing and ice cream and frozen dessert manufacturing.

292. The dairy products industry processes raw milk and manufactures dairy products including milk, cream, cheese, butter, yogurt and milk powder for consumption in the domestic market and, to a lesser extent, export markets.

293. The majority of products manufactured by the dairy product industry include dairy products, such as milk, cheese, cream, butter and yogurt as well as pasteurized, dry, condensed and evaporated milk. The industry also manufactures substitute dairy products made from soybeans and other non-dairy ingredients.

294. The dairy product industry experiences very little volatility because milk production at upstream dairy farms is strictly regulated in terms of both production and price. Consequently, industry revenue grows in line with inflation and growth of the overall economy.

295. This ice cream and frozen dessert manufacturing industry comprises establishments that primarily manufacture ice cream, frozen yogurt, frozen ices, sherbet, frozen tofu and other frozen desserts (except frozen bakery foods). The majority of raw inputs come from the dairy farms industry.

Key External Market Influences Impacting the Subsector

296. The key external influences impacting the revenue growth and profitability of some or all of the segments within this subsector are identified and discussed below.

Demand from Supermarkets and Grocery Stores

297. Supermarkets and grocery stores buy industry products to sell to the end user. When consumers buy fewer products from grocery stores, these retailers buy fewer products from industry manufacturers, leading to a decrease in revenue.

298. The Supermarkets and Grocery Stores industry is expected to grow in 2015, representing an opportunity for the industry.

Demand for Wholesale Trade

299. Dairy wholesalers are also a key part of the supply chain linking dairy product and ice cream manufacturers to downstream grocery retailers and eventually consumers. An increase in wholesaling revenue typically implies wholesalers are distributing more goods, including dairy products, which is beneficial to industry revenue.

300. Demand from wholesale trade of nondurable goods is expected to decrease in 2015, which

represents a threat to the industry.

Demand from Food Services and Drinking Places

301. Food service establishments are a significant market for dairy products, ice cream and frozen dessert products, especially higher value-added products, such as cheese. As disposable income increases and consumers spend more money at food service establishments, demand for these products increases.

302. Revenue for food services and drinking places is expected to increase in 2015.

Per Capita Disposable Income

303. Consumers make retail grocery decisions based on the level of per capita disposable income. As per capita disposable income rises, consumers can afford and are more willing to buy food items, including dairy and ice cream products, driving up industry demand.

304. Per capita disposable income is expected to increase slowly in 2014, presenting a potential opportunity to the industry.

Price of Feed

305. Feed costs represent a major input for dairy farmers. Therefore, when feed for dairy cows becomes more expensive, input costs for dairy production increase, potentially reducing this sector's profit margins.

306. The price of feed is expected to increase marginally in 2015.

World Price of Sugar

307. Sugar is a key input in the manufacturing of ice cream products. When sugar prices increase significantly, it raises manufacturing costs, cutting into profit. Producers can raise product prices to pass on these cost increases, but then they risk hurting demand. Also, when the price of sugar significantly drops, producers lower the price of their products for consumers, which can harm revenue growth.

Canadian-dollar Effective Exchange Rate Index

308. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

309. As the Canadian dollar strengthens against the currencies of its major trading partners, imported dairy products and ice cream products become more affordable in the domestic market, increasing competition for producers. The opposite occurs when the Canadian dollar depreciates.

310. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

Current Industry Performance and Market Trends

311. The dairy product industry's revenue grew at a nominal 0.2% per year on average to $15.4 billion in the five years to 2015, including a 0.4% increase in 2015, which was in line with inflation and growth of the overall economy. Dairy product exports increased at an annualized rate of 7.0%, to $408.9 million in 2015.[16]

312. The entire supply chain for raw milk production is strictly regulated by the government, which keeps input prices steady and profit margins stable, however, also physically limits the available raw milk to process and sell to consumers. Consequently, the industry grows at a moderate pace with very low volatility.

313. Over the past five years, ice cream producers in Canada have experienced several changes. Health-conscious Canadians have significantly reduced their consumption of traditional ice cream products, switching to healthier treats such as fruit and dark chocolate. Production volumes of all ice cream products except frozen yogurt have been cut in nearly half over the past five years.[17]

314. Additionally, volatile conditions in world markets have resulted in a rapid growth of input prices. For example, the price of sugar has trended upward through most of the past five years, including a 22.9% jump in 2011, eating into ice cream producers' profit margins. As a result of these trends, industry revenue is expected to decline at an annualized rate of 5.9% over the five years to 2014, to total $706.2 million.[17]

315. Canadian exports of ice cream products have also fallen 9.0% per year on average to $56.5 million over the same time period, being undercut by foreign manufacturers with lower production costs. Volatile input costs have also impacted more manufacturers, weakening their profit margins.

Future Outlook for the Industry

316. In the five years to 2020, many dairy products manufacturers will focus on growth in export markets. Emerging markets such as China, South Korea and the Philippines are rapidly

16 Report published by IBISWorld entitled "Dairy Product Production in Canada – March 2015".
17 Report published by IBISWorld entitled "Ice Cream Production in Canada – October 2014".

increasing their demand for dairy.

317. Over the past few decades, consumers' dairy consumption has shifted. Fewer consumers are drinking milk and per capita consumption of milk and cream declined in the previous five-year period. This trend is expected to continue in the five years to 2020, with per capita fluid milk and cream consumption declining a further annualized 0.9% to 80.5 hectolitres. Instead of fluid milk, consumers are switching to other forms of dairy, especially cheese and, in more recent years, yogurt.

318. Dairy products have strong market acceptance and are staple grocery purchases in many Canadian homes. Per capita dairy product consumption fluctuates from year to year, but overall shows no signs of long-term decline, even if consumers' dairy preferences have shifted from fluid milk to cheese and yogurt. As a result, total revenue for the dairy products industry is projected to grow an annualized 1.8% per year on average to $16.9 billion in the five years to 2020.[18] Exports of dairy products are expected to increase an annualized 2.4% to total $460.0 million in the five years to 2020.[18]

319. During the five-year period to 2019, revenue from ice cream production is forecast to grow at an average annual rate of 2.0% to $780.0 million. During that same time period, manufacturers' profit margins are forecast to grow as a result of lower volatility in the prices of inputs like milk and sugar.[19]

Analysis of Existence of Economic Obsolescence

320. Total overall revenue and exports for the sector are expected to increase at a modest level, however, profit margins are forecast to grow as a result of lower volatility in the price of raw inputs. Given that the sector's supply chain for raw milk production is strictly regulated by the government, direct costs are stable and profit margins remain constant. Based on the above, there are no factors indicating that a significant level of EO was present within the subsector at the Report Date.

Approach to Quantifying Economic Obsolescence

321. The guideline public companies chosen for this quantitative analysis were the largest multinational dairy product manufacturers operating in Ontario; generate at least 25% of their revenue from production related to this sector; and, have publicly available financial results.

322. For purposes of this analysis, it has been assumed that the financial performance of the various guideline companies operating within each segment of this subsector approximates

18 Report published by IBISWorld entitled "Dairy Product Production in Canada – March 2015".

19 Report published by IBISWorld entitled "Ice Cream Production in Canada – October 2014".

the financial performance of this subsector, as a whole, given that there were a limited number of guideline public companies available for the quantitative analysis portion of this report.

323. The companies selected were as follows: Saputo Inc.; Parmalat SpA; and Nestle SA. The selected guideline public companies are collectively referred to hereafter as the "Guideline Companies".

Quantifying Economic Obsolescence

324. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

325. The historical rates of ROIC of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

326. The historical benchmarks were then compared against the current rates of ROIC based on 2014 to gauge if current rates of ROIC are consistent with historical benchmarks.

327. All of the Guideline Companies realized some decline in their rate of ROIC in 2014 when compared to their historical benchmark. The amount of the decline ranged from moderate to significant. Consequently, there is a wide divergence in the rates of indicated EO based on the analysis of the rates of ROIC of the Guideline Companies.

328. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ROIC analysis is presented on **Schedule 6.1**.

Gross Profit Margin (%) Analysis

329. The historical gross profit margin percentages of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

330. The historical benchmarks were then compared against current gross profit margin percentages based on 2014 to gauge if the current gross margin percentages are consistent with historical benchmarks.

331. Two out of three of the Guideline Companies realized a material decline in their gross profit margin percentage in 2014 when compared to their historical benchmark, however, the remaining company realized a significant increase in its gross profit margin percentage in 2014 when compared to its historical benchmark. Consequently, there is a wide divergence in the rates of indicated EO based on the analysis of the gross profit margin percentages of the Guideline Companies.

332. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 6.2**.

Inventory Turnover Ratio Analysis

333. The historical ITR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

334. The historical benchmarks were then compared against the current ITR's based on 2014 to gauge if the current ITR's are consistent with historical benchmarks.

335. Only one of the Guideline Companies realized a decline in its ITR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their ITR based on the analysis of the ITR's of the Guideline Companies.

336. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ITR analysis is presented on **Schedule 6.3**.

Fixed asset turnover Ratio Analysis

337. The historical FATR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median FATR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

338. The historical benchmarks were then compared against the current FATR's based on 2014 to gauge if the current FATR's are consistent with historical benchmarks.

339. Only one of the Guideline Companies realized a material decline in its FATR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an

industry wide level, manufactures in this subsector have experienced any substantial decline in their FATR based on the analysis of the FATR's of the Guideline Companies.

340. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 6.4**.

Price to Book Ratio Analysis

341. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the median PBR of the Guideline Companies approximate to the Report Date. The median PBR of the Guideline Companies of 3.2 falls just slightly below the PBR of the S&P TSX Industrials Sector Index of 3.6. Consequently, the market values the net assets of the Guideline Companies operating in this sector to be worth just slightly less than the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

342. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things. Notwithstanding this, the results of the analysis are presented on **Schedule 6.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

343. As noted previously, data on the industrial capacity utilization rates of manufacturing plants operating in this subsector in Ontario and/or Canada was not available. As a substitute, the industrial capacity utilization rates of the Canadian Food Manufacturing sector, as a whole, were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

344. The current capacity utilization rate for the Food Manufacturing sector (NAICS 311) based on the average capacity utilization rate for 2014 falls just slightly below the median rate for the past ten years.

345. Accordingly, it appears that the current productivity rate of the Canadian Food Manufacturing sector is consistent with historical levels.

346. As previously noted, EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

347. The results of the analysis of industrial capacity utilization rates for the Canadian Food Manufacturing sector have not been factored into the conclusion on the rate of EO present in this sector as sector specific data was not available and because of the limitations regarding the analysis as previously discussed, above, however, the calculations are presented on **Schedule 6.6** for information purposes.

Conclusion

348. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the dairy and ice cream product manufacturing subsector in Ontario as at January 1, 2016 is estimated to be 0.0%.** Details of the calculation of the overall rate of EO follows **(see Schedule 6)**:

DAIRY FOOD PRODUCT MANUFACTURING

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	26.7%	0	0.0%
Gross Profit Margin (%)	12.0%	0	0.0%
Inventory Turnover Ratio	0.0%	0	0.0%
Fixed Asset Turnover Ratio	0.0%	0	0.0%
Price to Book Ratio	11.1%	0	0.0%
Industrial Capacity Utilization	0.8%	0	0.0%
		0	0.0%
	divide by total assigned weight		0
Calculated Rate of EO (rounded)			0.0%
Estimated Rate of EO as at January 1, 2016			**0.0%**

349. In concluding on the rate of EO, the results of the profitability and efficiency ratio analysis of the Guideline Companies is not considered to accurately reflect the current economic state and future outlook of this sector based on the qualitative analysis detailed above given that only a limited number of guideline company comparables operating within this sector in Ontario and/or Canada were available for the quantitative analysis portion of this review. Accordingly, a weighting of zero was assigned to the EO indicated by the ROIC, gross profit margin (%), ITR and FATR analyses.

350. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic

return on an investment. Accordingly, this analysis is presented for information purposes only.

351. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding this analysis as described previously. Accordingly, this analysis is presented for information purposes only.

Meat Product Manufacturing

Background

352. The meat product manufacturing industry is divided into three primary segments: animal slaughtering (except poultry); rendering and meat-processing from carcasses; and poultry processing.

353. Manufacturers in this industry slaughter animals, process the carcasses and package the meat into products and by-products as well as purify and refine animal fat, bones and meat scraps.

354. Canada's meat processing companies manufacture a wide variety of meat products ranging from fresh and frozen meat to processed, smoked, canned and cooked meats, as well as sausage and deli meats. About 70% of processed meats in Canada, such as sausages or cold cuts, are made with pork.[20]

355. Slaughtered animal products, which include beef, pork, lamb, mutton and other red meats, are estimated to account for the largest share of industry revenue, generating about 40.8% of total revenue. Processed meats and meat by-products are expected to account for about 30.0% of industry revenue. Poultry processing, which accounts for an estimated 29.2% of industry revenue, consists of processing chickens, turkeys and ducks into consumable meats and meat by-products.[21]

356. The Canadian meat industry is a powerhouse behind Canada's food processing sector, representing about 10.0% of total agri-food exports and employing over 60,000 people. Currently, exports make up about 22.8% of total industry revenue. Over the past five years, the share of revenue from exports has grown marginally, largely stifled by the appreciation in the value of the Canadian dollar, which reduced global demand. Currently, exports make up about 22.8% of total industry revenue.[22]

357. The United States is the largest export market for the industry's products, accounting for

20 (http://www.agr.gc.ca).

21 Report published by IBISWorld entitled "Meat, Beef & Poultry Processing in Canada – July 2014".

22 Report published by IBISWorld entitled "Meat, Beef & Poultry Processing in Canada – July 2014".

about 44.2% of the total meat product trade. Furthermore, the US market is the largest destination for Canadian beef with the United States receiving about three-quarters of all Canadian beef exports.[22]

Key External Market Influences Impacting the Subsector

358. The key external influences impacting the revenue growth and profitability of the sector are identified and discussed below.

Demand for Wholesale Trade

359. Wholesalers of beef, pork and poultry represent key downstream markets for meat processors. Wholesalers serve as the middle man between initial processors and markets that are further downstream, such as retail, food service and other processors.

360. Demand from wholesale trade is expected to drop during 2015, posing a potential threat to the industry.

Per Capita Disposable Income

361. Consumers make retail grocery decisions based on the level of per capita disposable income. As per capita disposable income rises, consumers can afford and are more willing to buy food items, including meat, driving up industry demand.

362. Per capita disposable income is expected to increase slowly in 2015, presenting a potential opportunity to the industry.

Canadian-dollar Effective Exchange Rate Index

363. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

364. Imports account for a significant share of the domestic demand for meat products. The value of the dollar against its trading partners' currencies helps to determine the volume and value of imports entering Canada.

365. As the Canadian dollar appreciates, imported products become relatively cheap compared to their domestically produced counterparts. When this happens, domestic manufacturers experience an increase in external competition and a decline in demand. The opposite occurs when the Canadian dollar depreciates against its major trading partners' currencies.

366. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

Per Capita Meat Consumption

367. Prices and public health perceptions impact meat consumption. Meat prices are a function of upstream production costs occurring at the farming level, while public health perceptions change based on the consumer's growing awareness of the health impact of diet based on related medical studies.

368. Per capita meat consumption is expected to decline during 2015.

Current Industry Performance and Market Trends

369. Total revenue for this sector dropped at an average annual rate of 0.5% to $25.2 billion for the five years to 2014.[23]

370. Many Canadians have switched to healthier sources of protein, such as fish, seafood, soy meats, beans and poultry. In turn, this trend has maintained demand for industry products (i.e. chicken, duck and turkey) to a degree, resulting in only a marginal annual drop in the consumption of poultry products. Further, because meat is still a staple in the Canadian diet, consumers' rebounding disposable incomes was estimated to boost revenue 1.0% in 2014.[23]

371. Although domestic meat consumption levels are falling due to increasing health trends, demand from emerging markets has generally been on the rise. In 2010 and 2011, Canadian exports of meat products surged 6.8% and 4.2%, respectively, although high feed prices in 2012 drove meat prices higher, making industry products more expensive on the export market; reducing export sales in those same years.[23] Overall, exports grew an annualized 1.8% to $5.8 billion for the five years to 2014.[23]

372. Profits weakened in the years subsequent to the economic downturn due to constrained market conditions; however, average profit margins grew over the past five years to 3.9% of revenue in 2014.[24]

Future Outlook for the Industry

373. In spite of an expected 0.6% drop in meat consumption in the next four years, the overall slower annualized drop than in the previous five years will provide a buffer for future volatility. As a result, IBISWorld anticipates industry revenue to grow at an average annual rate of 1.9% to $27.7 billion over the four years to 2019.[24]

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23 Report published by IBISWorld entitled "Meat, Beef & Poultry Processing in Canada – July 2014".

24 Report published by IBISWorld entitled "Meat, Beef & Poultry Processing in Canada – July 2014".

374. Exports are anticipated to grow at an annualized rate of 2.8% to $6.6 billion over the four years to 2019.[24]

375. During the next five years, livestock prices are forecast to increase in line with higher feed prices, but innovation and the expansion of value-added products will enable processors to pass these increases on to downstream industries. A return in demand by consumers for higher-value meat products will boost industry profit over the next five years.

Analysis of Existence of Economic Obsolescence

376. Based on the above, total revenue and exports for the sector are expected to continue to grow steadily. Profits are also expected to remain stable. Consequently, there are no significant factors indicating that EO was present within the subsector at the Report Date.

Approach to Quantifying Economic Obsolescence

377. The guideline public companies chosen for this quantitative analysis were the largest multinational meat producers operating in Ontario and/or North America as these companies were identified as the best available proxy for the performance of meat producers operating in this subsector in Ontario; generate at least 50% of their revenue from production related to this sector; and, have publicly available financial results.

378. The companies selected were as follows: Maple Leaf Foods Inc.; Jbs SA; Hormel Foods Corporation; Tyson Foods Inc.; and Pilgrims Pride Corporation. The selected guideline public companies are collectively referred to hereafter as the "Guideline Companies".

Quantifying Economic Obsolescence

379. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

380. The historical rates of ROIC of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

381. The historical benchmarks were then compared against the current rates of ROIC based on 2014 to gauge if current rates of ROIC are consistent with historical benchmarks.

382. Only one of the Guideline Companies realized a decline in its rate of ROIC in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial

decline in their ROIC based on the analysis of the rates of ROIC of the Guideline Companies.

383. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ROIC analysis is presented on **Schedule 7.1**.

Gross Profit Margin (%) Analysis

384. The historical gross profit margin percentages of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

385. The historical benchmarks were then compared against current gross profit margin percentages based on 2014 to gauge if the current gross margin percentages are consistent with historical benchmarks.

386. Only one of the Guideline Companies realized a material decline in its gross profit margin percentage in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their gross margin percentage based on the analysis of the gross margin percentages of the Guideline Companies.

387. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 7.2**.

Inventory Turnover Ratio Analysis

388. The historical ITR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

389. The historical benchmarks were then compared against the current ITR's based on 2014 to gauge if the current ITR's are consistent with historical benchmarks.

390. Three out of five of the Guideline Companies realized some decline in their ITR in 2014 when compared to their historical benchmark. The amount of the decline ranged from nominal to significant. Consequently, there is a wide divergence in the rates of indicated EO based on the analysis of the ITR's of the Guideline Companies.

391. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ITR analysis is presented on **Schedule 7.3**.

Fixed asset turnover Ratio Analysis

392. The historical FATR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median FATR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

393. The historical benchmarks were then compared against the current FATR's based on 2014 to gauge if the current FATR's are consistent with historical benchmarks.

394. Only one of the Guideline Companies realized a decline in its FATR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their FATR based on the analysis of the FATR's of the Guideline Companies.

395. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 7.4**.

Price to Book Ratio Analysis

396. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the median PBR of the Guideline Companies approximate to the Report Date. The median PBR of the Guideline Companies of 2.0 falls below the PBR of the S&P TSX Industrials Sector Index of 3.6. Consequently, the market values the net assets of the net assets of the Guideline Companies operating in this sector to be worth approximately 44% less than the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

397. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things. Notwithstanding this, the results of the analysis are presented on **Schedule 7.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

398. As noted previously, data on the industrial capacity utilization rates of manufacturing plants operating in this subsector in Ontario and/or Canada was not available. As a

substitute, the industrial capacity utilization rates of the Canadian Food Manufacturing sector, as a whole, were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

399. The current capacity utilization rate for the Food Manufacturing sector (NAICS 311) based on the average capacity utilization rate for 2014 falls just slightly below the median rate for the past ten years.

400. Accordingly, it appears that the current productivity rate of the Canadian Food Manufacturing sector is consistent with historical levels.

401. As previously noted, EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

402. The results of the analysis of industrial capacity utilization rates for the Canadian Food Manufacturing sector have not been factored into the conclusion on the rate of EO present in this industry given that data specific for the meat production industry was not available and because of the limitations regarding the analysis as previously discussed, above, however, the calculations are presented on **Schedule 2.6** for information purposes.

Conclusion

403. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the meat product manufacturing sector in Ontario is estimated to be 0.0% as at January 1, 2016.** The calculation of the estimated rate of EO is detailed below **(see Schedule 7)**:

MEAT PRODUCT MANUFACTURING

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	0.0%	2	0.0%
Gross Profit Margin (%)	0.0%	2	0.0%
Inventory Turnover Ratio	0.9%	1	0.9%
Fixed Asset Turnover Ratio	0.0%	1	0.0%
Price to Book Ratio	44.4%	0	0.0%
Industrial Capacity Utilization	0.8%	0	0.0%
		6	0.9%
	divide by total assigned weight		*6*
Estimated Rate of EO as at January 1, 2016			**0.0%**

404. In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

405. The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

406. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment. Accordingly, this analysis is presented for information purposes only.

407. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described previously. Accordingly, this analysis is presented for information purposes only.

Bakeries & Other Food Manufacturing

Background

408. The bakery product manufacturing industry is comprised of three primary segments: bread and bakery product manufacturing; cookie, cracker and pasta manufacturing; tortilla

manufacturing. Other food manufacturing is comprised of the following primary segments: snack food manufacturing; coffee and tea manufacturing; and seasoning and dressing manufacturing.

409. The bread and bakery segment manufactures bread and bakery products, such as cakes, muffins, croissants, pies and other similar baked goods. These retail and commercial establishments sell these products to supermarkets, convenience stores and food-service providers. Many bakeries also sell their products direct to the public.

410. The cookie, cracker and past segment makes cookies, crackers and pasta from inputs such as flour, sugar, salt, seasoning, emulsifiers, flavourings, syrups, preservatives, gluten and food acids. The final products are then packaged and distributed to grocery wholesalers, supermarkets, specialty food stores and food-service contractors.

411. Snack food manufacturers primarily produce chips, including potato, corn and tortilla chips. They also process plain, salted or roasted nuts, seeds and nut butters such as peanut butter.

412. The coffee and tea industry primarily roasts and packages imported coffee beans, as well as blends and packages tea. They may also produce coffee extracts or concentrates, including instant or freeze-dried varieties.

413. The seasoning and dressing segment manufactures products such as mayonnaise, dressings, spices, extracts and dry food mixes from a variety of ingredients. This segment's products are sold to wholesalers, food manufacturers and retail markets.

Key External Market Influences Impacting the Subsector

414. The key external influences impacting the revenue growth and profitability of some or all of the various segments are identified and discussed below.

Per Capita Disposable Income

415. As the economy continues its recovery, household disposable income is expected to rise. Greater discretionary income enables consumers to afford more expensive products and purchase a greater variety of goods, supporting industry growth.

416. In 2015, per capita disposable income is projected to rise, presenting an opportunity for the sector.

Canadian-dollar Effective Exchange Rate Index

417. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar

against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

418. This sector engages in substantial international trade, with exports accounting for more than 40.0% of industry revenue. Moreover, over 90.0% of exports go to the United States. Consequently, as the Canadian dollar appreciates relative to the currencies of its major trading partners, domestic goods become more expensive abroad, causing demand for exports to decline. The opposite occurs when the Canadian dollar depreciates against its major trading partners' currencies.

419. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

Demand from Supermarkets and Grocery Stores

420. Bakeries sell the majority of their products to supermarkets and grocery stores, either directly or through wholesalers. As a result, when the Supermarkets and Grocery Stores industry grows, demand for more bread and bakery products also increases.

421. Demand from supermarkets and grocery stores is expected to increase in 2015.

Demand from Food Services and Drinking Places

422. Food-service establishments, such as restaurants, are one of the principal buyers of bread and other baked goods. When these sectors perform well, they increase their purchases from this industry. When they perform poorly, they decrease their purchases of baked goods.

423. Revenue for food services and drinking places is expected to increase in 2015.

Demand from Food Manufacturing

424. Food manufacturers purchase industry goods from the seasonings, sauce and condiment sector to use as ingredients for their products. When demand for food products expands at the retail level, food manufacturers demand more ingredients from this sector, driving revenue growth.

425. Demand from food manufacturing is expected to increase over 2015.

World Price of Sugar

426. Sugar is a primary ingredient in the production of this sector's products. When the price of sugar rises, manufacturers either absorb the costs and profits decline or pass on cost

increases to purchasers; thereby impacting sales volumes if demand then weakens as a result.

World price of wheat

427. Wheat flour is the key input in bread production and a main ingredient in cookies, crackers and pasta, snack food production.

428. When the price of wheat rises, manufacturers' profits decline if they have to absorb the increased costs. Manufacturers can also pass on higher costs by raising product prices, although this may stifle demand.

429. The world price of wheat is expected to decrease significantly in 2015, posing a potential opportunity for the industry.

Current Industry Performance and Market Trends

430. IBISWorld estimates that revenue for the bread and bakery segment increased an annualized 2.1% in the five years to 2015 including an expected 3.5% increase in 2015 alone. Exports have increased 6.1% per year on average in the past five years to total $983.7 million. As global demand for grain crops has increased in the past five years, wheat prices have grown 3.1% per year on average. As a result, industry profit margins have shrunk. As a result of declining profit margins, many companies have opted to exit the industry. Consolidation has been a significant trend during the past five years.[25]

431. IBISWorld estimates that the revenue of the cookie, cracker and pasta industry grew at an annualized rate of 1.2% to $2.9 billion over the five years to 2015, including an estimated increase of 1.7% in 2015. Industry performance for this segment is heavily dependent on foreign demand for domestically produced biscuits and dried pasta. Over the five years to 2015, exports were estimated to grow an annualized rate of 2.5% to $1.3 billion, amounting to an estimated 44.9% of total revenue. Furthermore, the majority of exports were to the United States.[26]

432. As a result of slow income growth and increasing health awareness revenue growth for the snack food production segment has been modest at 2.0% per year on average over the five year period to 2015. The average profit margin in this segment is estimated to reach 16.5% of revenue in 2015. IBISWorld estimates that exports for this segment grew an annualized 12.8% to $317.2 million over the five years to 2015, with the majority going to the United States.[27]

25 Report published by IBISWorld entitled "Bread Production in Canada – January 2015".
26 Report published by IBISWorld entitled "Cookie, Cracker & Pasta Production in Canada – January 2015".
27 Report published by IBISWorld entitled "Snack Food Production in Canada – April 2015".

433. The Seasoning, Sauce and Condiment Production industry achieved substantial growth over the past five years, despite volatile demand from food manufacturing and supermarkets. As disposable income has increased in the most recent years and the value of the Canadian dollar has stabilized, both domestic and international demand for industry goods has recovered, helping boost industry revenue. Overall, IBISWorld anticipates industry revenue for this segment to grow at an average annual rate of 2.3% to $1.4 billion in the five years to 2015, including projected growth of 0.3% in 2015. Exports for this segment are also expected to increase at an annualized 5.3% over the five years to 2015.[28]

Future Outlook for the Industry

434. The tough economic conditions experienced by the bread and bakery segment are expected to reverse in the next five years. Disposable incomes are expected to increase more quickly, leading to further increases in demand from retailers such as supermarkets and grocery stores, as well as from restaurants. In addition, industry manufacturers are expected to offer products that cater to the gluten-free segment of consumers; a dietary trend that has surged in recent years. More manufacturers will develop product lines that include gluten-free options, resulting in industry revenue growth at a projected 2.1% per year on average to $7.8 billion in the five years to 2020.[29]

435. IBISWorld forecasts industry revenue for the cookie, cracker and pasta segment to grow at an average annual rate of 1.1% to $3.0 billion over the five years to 2020. Over the same period, exports for this segment are projected to grow at an average annual rate of 2.9% to $1.5 billion, amounting to nearly half of this segment's revenue. A declining Canadian-dollar will also support the growth of Canadian exports. Manufacturers have also laid off workers and shutdown manufacturing facilities to offset growing input costs and maintain profitability.[30]

436. The snack industry is expected to benefit from improving disposable income and growing export markets. Overall, IBISWorld expects revenue to grow an annualized rate of 3.6% in the five years to 2020, with projected growth of 3.7% in 2016 alone. Exports will grow an estimated 11.8% to $554.6 million over the same period, boosted by a stabilized Canadian-dollar exchange rate, and will amount to a growing share of the segment's overall revenue.[31]

437. As the domestic and international economies continue to strengthen in the coming years, the seasoning, sauce and condiment manufacturing industry is anticipated to benefit from improving demand for its products. Manufacturers are also expected to benefit from

28 Report published by IBISWorld entitled "Seasoning, Sauce & Condiment Production in Canada – February 2015".

29 Report published by IBISWorld entitled "Bread Production in Canada – January 2015".

30 Report published by IBISWorld entitled "Cookie, Cracker & Pasta Production in Canada – January 2015".

31 Report published by IBISWorld entitled "Snack Food Production in Canada – April 2015".

growing international demand for their goods as rising per capita disposable income in the United States is expected to drive export growth at an annualized 3.2% to $484.8 million over the five years to 2020. Over the same period, IBISWorld projects industry revenue to grow at an average annual rate of 1.4% to $1.5 billion by 2020. Profits are anticipated to grow slowly over the next five years, as some key inputs are expected to rise in price while others fall.[32]

438. Overall, this sector is expected to remain concentrated as larger manufacturers use economies of scale and brand recognition to protect their market share. Concentration, innovation and brand recognition will continue to boost profit for the largest manufacturers, maintaining this sector's higher average profit margin.

Analysis of Existence of Economic Obsolescence

439. Despite experiencing volatility in the past five years, total revenue and exports for this sector are projected to increase steadily and profit is expected to be maintained; supported by an increase in the level of disposable income and improved price competiveness in the US market given the depreciation of the Canadian dollar. Furthermore, concentration, innovation and brand recognition will continue to boost profit for the largest manufacturers, maintaining this sector's higher average profit margin.

440. Based on the above, there are no significant factors indicating that EO was present within the sector at the Report Date.

Approach to Quantifying Economic Obsolescence

441. The guideline public companies considered most appropriate for this analysis were selected based on the larger manufacturing companies that currently operate in this sector in Ontario and/or Canada, or have divisions that operate in Ontario and/or Canada; generate at least 20% of their revenue from products manufactured within this subsector; and, have publicly available financial results.

442. For purposes of this analysis, it has been assumed that the financial performance of the guideline companies identified as operating within the various segments of this subsector approximates the financial performance of this subsector, as a whole, given that there were a limited number of guideline public companies available for the quantitative analysis portion of this report.

443. The companies selected were as follows: Modelez International Inc.; Kellogg Company; Sensient Technologies Corporation; McCormick & Company Inc.; General Mills Inc.; and Keurig Green Mountain Inc. The selected guideline public companies are collectively

32 Report published by IBISWorld entitled "Snack Food Production in Canada – April 2015".

referred to hereafter as the “Guideline Companies”.

Quantifying Economic Obsolescence

444. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

445. The historical rates of ROIC of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

446. The historical benchmarks were then compared against the current rates of ROIC based on 2014 to gauge if current rates of ROIC are consistent with historical benchmarks.

447. Half of the Guideline Companies realized a decline in their rate of ROIC in 2014 when compared to their historical benchmark. Of the Guideline Companies that realized a decline, the rate of the decline ranged from modest to significant. The remaining companies realized an increase in their rate of ROIC in 2014 when compared to their historical benchmark. Consequently, there is a wide divergence in the rates of indicated EO based on the analysis of the ROIC’s of the Guideline Companies.

448. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ROIC analysis is presented on **Schedule 8.1**.

Gross Profit Margin (%) Analysis

449. The historical gross profit margin percentages of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

450. The historical benchmarks were then compared against current gross profit margin percentages based on 2014 to gauge if the current gross margin percentages are consistent with historical benchmarks.

451. Only one of the Guideline Companies realized a material decline in its gross profit margin percentage in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their gross margin percentage based on the analysis of the gross

margin percentages of the Guideline Companies.

452. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 8.2**.

Inventory Turnover Ratio Analysis

453. The historical ITR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

454. The historical benchmarks were then compared against the current ITR's based on 2014 to gauge if the current ITR's are consistent with historical benchmarks.

455. The majority of the Guideline Companies realized some decline in their ITR in 2014 when compared to their historical benchmark. Of the Guideline Companies that realized a decline, the rate of the decline ranged from nominal to significant. Consequently, there is a wide divergence in the rates of indicated EO based on the analysis of the ITR's of the Guideline Companies.

456. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ITR analysis is presented on **Schedule 8.3**.

Fixed asset turnover Ratio Analysis

457. The historical FATR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median FATR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

458. The historical benchmarks were then compared against the current FATR's based on 2014 to gauge if the current FATR's are consistent with historical benchmarks.

459. Only one of the Guideline Companies realized a material decline in its FATR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their FATR based on the analysis of the FATR's of the Guideline Companies.

460. The overall rate of indicated EO chosen was based on the median of the range of indicated

EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 8.4**.

Price to Book Ratio Analysis

461. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the median PBR of the Guideline Companies approximate to the Report Date. The median PBR of the Guideline Companies of 4.4 is well above the PBR of the S&P TSX Industrials Sector Index of 3.6. Consequently, the market values the net assets of the Guideline Companies operating in this sector to be worth well above the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

462. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things. Notwithstanding this, the results of the analysis are presented on **Schedule 8.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

463. As noted previously, data on the industrial capacity utilization rates of manufacturing plants operating in this subsector in Ontario and/or Canada was not available. As a substitute, the industrial capacity utilization rates of the Canadian Food Manufacturing sector, as a whole, were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

464. The current capacity utilization rate for the Food Manufacturing sector (NAICS 311) based on the average capacity utilization rate for 2014 falls just slightly below the median rate for the past ten years.

465. Accordingly, it appears that the current productivity rate of the Canadian Food Manufacturing sector is consistent with historical levels.

466. As previously noted, EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

467. The results of the analysis of industrial capacity utilization rates for the Canadian Food Manufacturing sector have not been factored into the conclusion on the rate of EO present in this sector as sector specific data was not available and because of the limitations regarding the analysis as previously discussed, above, however, the calculations are

presented on **Schedule 2.6** for information purposes.

Conclusion

468. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the bakery and other food manufacturing sector in Ontario is estimated to be 0.0% as at January 1, 2016.** The calculation of the estimated rate of EO is detailed below **(see Schedule 8)**:

BAKERIES AND OTHER FOOD MANUFACTURING

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	6.5%	2	13.0%
Gross Profit Margin (%)	0.0%	2	0.0%
Inventory Turnover Ratio	5.6%	1	5.6%
Fixed Asset Turnover Ratio	0.0%	1	0.0%
Price to Book Ratio	0.0%	0	0.0%
Industrial Capacity Utilization	0.8%	0	0.0%
		6	18.6%
	divide by total assigned weight		*6*
Calculated Rate of EO (rounded)			3.0%
Estimated Rate of EO as at January 1, 2016			**0.0%**

469. In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

470. The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

471. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment. Accordingly, this analysis is presented for information purposes only.

472. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described previously. Accordingly, this analysis is presented for information purposes only.

473. The calculated rate of EO was considered nominal. Accordingly, the overall rate of EO was estimated to be 0.0%.

Soft Drink Manufacturing

Background

474. Companies operating in the soda drink production subsector produce carbonated soft drinks as well as energy drinks and sports drinks.

475. The Canadian soft drink manufacturing industry is highly concentrated. Three of the four major brand owners are subsidiaries of foreign-based multinationals and account for the majority of the industry's production. A very small number of manufacturers operating in this segment supply niche products.[33]

Key External Market Influences Impacting the Subsector

476. The key external influences impacting the revenue growth and profitability of the sector are identified and discussed below.

Per Capita Soft Drink Consumption

477. The sector's revenue depends on the level of demand for both regular and diet carbonated soft drinks. Due to growing health concerns, many consumers have begun to limit their consumption, curbing industry revenue growth.

478. Per capita soft drink consumption is anticipated to decrease in 2015, posing a threat to the industry.

Per Capita Disposable Income

479. While soft drinks are a relatively inexpensive product for consumers, changes in price and income can influence the level of demand for industry products. As discretionary income rises, consumers are more likely to switch to branded soft drinks, helping boost industry revenue for the branded segment.

480. In 2015, per capita disposable income is projected to rise, presenting an opportunity for

33 (http://www.agr.gc.ca).

the industry.

Canadian-dollar Effective Exchange Rate Index

481. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

482. As the Canadian dollar strengthens against the currencies of its major trading partners, imported beverages become more affordable in the domestic market, increasing competition for producers. The opposite occurs when the Canadian dollar depreciates against the currencies of its major trading partners.

483. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

World Price of Sugar

484. Sugar and high-fructose corn syrup are materials used in the production of carbonated soft drinks, energy drink and sports drinks. Consequently, a rise in the price of these inputs causes producers to raise the prices they charge downstream customers, or absorb these costs and realize lower earnings.

Current Industry Performance and Market Trends

485. During the last five years, manufacturers in this sector have faced declining domestic and international demand for regular and diet soda, mainly prompted by growing health concerns among Canadians. In addition, lower disposable income has caused some consumers to trade down to cheaper brands or to cease consuming soda drinks, all together, which has further stifled industry growth.

486. Declining industry revenue has been somewhat offset by a growing demand for energy drinks and sports drinks. While these product segments have grown rapidly over the past five years, consumption of these products has also been limited due to growing awareness of the health consequences associated with drinking caffeinated and sweetened beverages, especially among youths.

487. Overall, industry revenue was stagnant over the past five years to 2015 and is estimated to decline 0.5% in 2015 to $2.6 billion. Manufacturers have also realized lower profits during this same period. The average profit margin is expected to fall from 13.6% in 2010 to 13.0% in 2015.[34]

34 Report published by IBISWorld entitled "Soda Production in Canada – March 2015".

488. The appreciation of the Canadian dollars over the past five years has made domestically produced beverages more expensive overseas. While the value of the Canadian dollar has since fallen, its value has remained relatively high throughout the period. As a result, exports are anticipated to have declined at an annualized rate of 1.5% to $103.3 million for the five years to 2015.[35] In turn, domestic manufacturers were also faced with higher competition from foreign producers as imports rose at an average annual rate of 3.9% to $374.4 million over this same period.[35]

Future Outlook for the Industry

489. It is anticipated that in the coming years, soda drink manufacturers will face declining sales of soft drinks. Per capita soft drink consumption is anticipated to continue on its downward trend as many consumers curtail consumption or eliminate soda drinks from their diets altogether. Soda drink manufacturers will face intensifying competition from producers in the Juice Production sector as consumers switch to healthier beverage products.

490. Total revenue for the subsector is forecast to decline at an estimated 0.5% to $2.5 billion for the five years to 2020.[35] Despite falling soda sales, energy drinks and sports drinks are anticipated to become more popular over the next five years, however, these products are expected to grow at a slower rate than in previous years as the market for energy and sports drinks becomes more saturated.

491. As soda consumption also declines in the United States, the subsector's leading export market, soda drink manufacturers will also face lower demand for their products overseas. Consequently, exports are projected to fall 1.2% per year on average to $97.2 million during this period. [35]

Analysis of Existence of Economic Obsolescence

492. Per capita soft drink consumption has been on the decline over the past five years. The industry's revenues were flat over the past five years and are expected to decline in 2015. The average profit margin is also expected to fall in 2015.

493. Manufacturers in the soda production industry are expected to face a challenging environment over the next five years as per capita soft drink consumption is expected to continue on its downward trend as many consumers try to curb consumption or eliminate soda from their diets altogether.

494. Based on the above, sufficient evidence exists to indicate the existence of EO within this subsector at the Report Date.

35 Report published by IBISWorld entitled "Soda Production in Canada – March 2015".

Approach to Quantifying Economic Obsolescence

495. The guideline public companies considered most appropriate for this analysis were selected based on the major soft drink manufacturing companies that currently operate in Ontario, or have divisions that operate in Ontario; generate at least 40% of their revenue from products manufactured within this subsector; and, have publicly available financial results.

496. The companies selected were as follows: the Coca-Cola Company; Pepsi Co. Inc.; and Cott Corporation. The selected guideline public companies are collectively referred to hereafter as the "Guideline Companies".

Quantifying Economic Obsolescence

497. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

498. The historical rates of ROIC of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

499. The historical benchmarks were then compared against the current rates of ROIC based on 2014 to gauge if current rates of ROIC are consistent with historical benchmarks.

500. All the Guideline Companies realized a significant decline in their rate of ROIC in 2014 when compared to their historical benchmark. Consequently, there is a strong indication that, on an industry wide level, manufacturers operating in this sector have experienced a substantial decline in their rate of ROIC based on the analysis of ROIC's of the Guideline Companies.

501. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ROIC analysis is presented on **Schedule 9.1**.

Gross Profit Margin (%) Analysis

502. The historical gross profit margin percentages of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

503. The historical benchmarks were then compared against current gross profit margin percentages based on 2014 to gauge if the current gross margin percentages are consistent with historical benchmarks.

504. All the Guideline Companies realized some decline in their gross profit margin percentage in 2014 when compared to their historical benchmark however, the amounts were nominal. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their gross margin percentage based on the analysis of the gross margin percentages of the Guideline Companies.

505. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 9.2**.

Inventory Turnover Ratio Analysis

506. The historical ITR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

507. The historical benchmarks were then compared against the current ITR's based on 2014 to gauge if the current ITR's are consistent with historical benchmarks.

508. Only one of the Guideline Companies realized a decline in its ITR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their ITR based on the analysis of the ITR's of the Guideline Companies.

509. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ITR analysis is presented on **Schedule 9.3**.

Fixed asset turnover Ratio Analysis

510. The historical FATR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median FATR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

511. The historical benchmarks were then compared against the current FATR's based on 2014

to gauge if the current FATR's are consistent with historical benchmarks.

512. Two out of three of the Guideline Companies realized a material decline in their FATR in 2014 when compared to their historical benchmark, however, the remaining company realized an increase in its ITR when compared to its historical benchmark. Consequently, there was a wide divergence in the rates of indicated EO based on the FATR analysis.

513. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 9.4**.

Price to Book Ratio Analysis

514. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the median PBR of the Guideline Companies approximate to the Report Date. The median PBR of the Guideline Companies of 5.8 was well above the PBR of the S&P TSX Industrials Sector Index of 3.6. Consequently, the market values the net assets of the Guideline Companies operating in this sector to be worth well above the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

515. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things. Notwithstanding this, the results of the analysis are presented on **Schedule 9.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

516. As noted previously, data on the industrial capacity utilization rates of manufacturing plants operating in this subsector in Ontario and/or Canada was not available. As a substitute, the industrial capacity utilization rates of the Canadian Beverage Manufacturing sector were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

517. The current capacity utilization rate for the Canadian Beverage Manufacturing sector (NAICS 312 which includes the production rates for soft drink manufacturers, breweries, wineries and distilleries) based on the average capacity utilization rate for 2014 falls well above the median rate for the past ten years.

518. Accordingly, it appears that the current productivity rate of the Canadian Beverage Manufacturing sector is well above its historical levels.

519. It is important to note that EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

520. The results of the analysis of industrial capacity utilization rates for the Canadian Beverage Manufacturing sector have not been factored into the conclusion on the rate of EO present in this sector given that sector specific data was not available and because of the limitations regarding the analysis as previously discussed, however, the calculations are presented on **Schedule 9.6** for information purposes.

Conclusion

521. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the soft drink manufacturing sector in Ontario as at January 1, 2016 is estimated to be 19%.** The calculation of the estimated rate of EO is detailed below **(see Schedule 9)**:

SOFT DRINK MANUFACTURING

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	49.1%	2	98.2%
Gross Profit Margin (%)	3.7%	2	7.4%
Inventory Turnover Ratio	0.0%	1	0.0%
Fixed Asset Turnover Ratio	11.1%	1	11.1%
Price to Book Ratio	0.0%	0	0.0%
Industrial Capacity Utilization	0.0%	0	0.0%
		6	116.7%
	divide by total assigned weight		*6*
Estimated Rate of EO as at January 1, 2016			**19.0%**

522. In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

523. The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in

relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

524. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment. Accordingly, this analysis is presented for information purposes only.

525. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described previously. Accordingly, this analysis is presented for information purposes only.

Breweries

Background

526. The Ontario brewery sector is comprised of manufacturers that are primarily engaged in brewing beer, ale, malt liquors, and non-alcoholic beer.

527. An estimated ten million Canadians drink beer and an estimated 21.9 million hectoliters are produced annually, making it the number one alcoholic beverage in Canada in terms of both production and consumption.[36]

Key External Market Influences Impacting the Subsector

528. The key external influences impacting the revenue growth and profitability of the sector are identified and discussed below.

Per Capita Alcohol Consumption

529. The average consumer's alcohol consumption patterns can serve as an indicator of demand for industry products. As an example, many people drink only in moderation due to personal preference or for health reasons, which reduces alcohol consumption and, therefore, total sales volume.

530. Per capita alcohol consumption is anticipated to slowly decrease in 2015, posing a threat to the industry.

Per Capita Disposable Income

531. Per Capita disposable income growth is an important indicator of industry revenue because

36 (http://www.agr.gc.ca).

it strengthens the purchasing power of consumers. During periods of economic growth, rising disposable incomes may encourage consumers to purchase either more beer or higher-margin brands.

532. In 2015, per capita disposable income is projected to rise, presenting an opportunity for the industry.

Canadian-dollar Effective Exchange Rate Index

533. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

534. As the Canadian dollar strengthens against the currencies of its major trading partners, imported beer becomes more affordable in the domestic market, increasing competition for producers. The opposite occurs when the Canadian dollar depreciates against the currencies of its major trading partners.

535. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

World Price of Aluminum

536. An increase in the world price of aluminum will lead to higher costs for brewers who predominantly ship their products in aluminum cans instead of glass bottles. Consequently, rising aluminum prices eat into industry profits.

537. In 2015, the world price of aluminum is projected to increase.

World Price of Wheat

538. Malted cereal grains such as malted barley and malted wheat are the primary ingredients required to produce beer. Sudden increases in the price of wheat and barley will have a significant impact on the input costs of brewers and erode industry profit margins.

539. The world price of wheat is expected to decline sharply in 2015.

Current Industry Performance and Market Trends

540. IBISWorld estimates industry revenue increased at an annualized 1.8% to $5.7 billion for the five years to 2015. Generally, the industry is experiencing slow but consistent

growth.[37]

541. Canadian beer exports have gradually fallen in recent years due to increasing competition from foreign breweries. Over the past five years, Canadian beer exports steadily declined at an annualized rate of 6.4% to $212.9 million. The rising value of the dollar has made Canadian beer exports less competitively priced, which has depressed exports.[37]

542. Industry profits fell slightly over the five years to 2015 to 9.1% of revenue.[37] The industry's largest breweries typically yield much higher profit margins as a result of significant economies of scale, while smaller breweries are often unable to spread large fixed costs over similarly large product output.

543. In 2011, the industry faced immense pressure from rising raw material costs. The world price of wheat increased 41.4% over 2011, while the world price of aluminum shot up 10.5%. Some breweries had agreed to long-term fixed-pricing contracts on these materials before their prices increased.[37]

544. Volatility in the price of raw material inputs has a significant impact on the industry's profit margins. The industry's profit margin declined to 8.4% in 2014, despite reaching 10.9% in 2011. In 2015, industry profit is expected to account for 9.1% of total revenue, representing a gradual improvement in the years since the industry's sudden price hikes.[37]

Future Outlook for the Industry

545. The industry's revenue is forecast to expand slowly at an annualized rate of 0.7% to $5.9 billion during the five years to 2020.[37] The rise in the value of the dollar in earlier years depressed exports and any further strengthening of the dollar from current levels will contribute to poor trade performance for a sector that is already realizing diminishing demand from consumers in its largest export market, the United States.

546. The average profit margin in the industry is anticipated to slip slightly to 8.9% of revenue in 2020 notwithstanding any significant increase in the price of raw material input costs.[37]

Analysis of Existence of Economic Obsolescence

547. Revenue growth for the sector has been modest but consistent; however, Canadian beer exports have been on a steady decline due to increasing foreign competition and overall profits are anticipated to decline slightly from historic levels over the next five years.

548. Based on the above, there is evidence to indicate that some level of EO existed within this subsector at the Report Date.

37 Report published by IBISWorld entitled "Breweries in Canada – May 2015".

Approach to Quantifying Economic Obsolescence

549. The guideline public companies considered most appropriate for this analysis were selected based on the largest companies operating breweries in Ontario; generate at least 50% of their revenue from production related to this sector; and, have publicly available financial results.

550. The companies selected were as follows: Molson Coors Brewing Company; Anheuser-Busch Inbev SA; and Sapporo Holdings Limited. The selected guideline public companies are collectively referred to hereafter as the "Guideline Companies".

Quantifying Economic Obsolescence

551. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

552. The historical rates of ROIC of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

553. The historical benchmarks were then compared against the current rates of ROIC based on 2014 to gauge if current rates of ROIC are consistent with historical benchmarks.

554. Two out of three of the Guideline Companies realized some decline in their rate of ROIC in 2014 when compared to their historical benchmark. The decline in the rate of ROIC for each of the Guideline Companies ranged from nominal to significant. Consequently, there was a wide divergence in the rates of indicated EO based on the ROIC analysis of the Guideline Companies.

555. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ROIC analysis is presented on **Schedule 10.1**.

Gross Profit Margin (%) Analysis

556. The historical gross profit margin percentages of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

557. The historical benchmarks were then compared against current gross profit margin percentages based on 2014 to gauge if the current gross margin percentages are consistent with historical benchmarks.

558. Only one of the Guideline Companies realized some decline in its gross profit margin percentage in 2014 when compared to its historical benchmark and the amount was nominal. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their gross margin percentage based on the analysis of the gross margin percentages of the Guideline Companies.

559. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 10.2**.

Inventory Turnover Ratio Analysis

560. The historical ITR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

561. The historical benchmarks were then compared against the current ITR's based on 2014 to gauge if the current ITR's are consistent with historical benchmarks.

562. Only one of the Guideline Companies realized a material decline in its ITR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their ITR based on the analysis of the ITR's of the Guideline Companies.

563. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ITR analysis is presented on **Schedule 10.3**.

Fixed asset turnover Ratio Analysis

564. The historical FATR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median FATR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

565. The historical benchmarks were then compared against the current FATR's based on 2014

to gauge if the current FATR's are consistent with historical benchmarks.

566. Only one of the Guideline Companies realized a material decline in its FATR in 2014 when compared to its historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their FATR based on the analysis of the FATR's of the Guideline Companies.

567. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 10.4**.

Price to Book Ratio Analysis

568. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the median PBR of the Guideline Companies approximate to the Report Date. The median PBR of the Guideline Companies of 1.7 falls well below the PBR of the S&P TSX Industrials Sector Index of 3.6. Consequently, the market values the net assets of the Guideline Companies operating in this sector to be worth approximately 50% less than the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

569. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things. Notwithstanding this, the results of the analysis are presented on **Schedule 10.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

570. As noted in previously, data on the industrial capacity utilization rates of breweries operating in Ontario was not available. As a substitute, the industrial capacity utilization rates of the Canadian Beverage Manufacturing sector were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

571. The current capacity utilization rate for the Canadian Beverage Manufacturing sector (NAICS 312 which includes the production rates for soft drink manufacturers, breweries, wineries and distilleries) based on the average capacity utilization rate for 2014 falls well above the median rate for the past ten years.

572. The current capacity utilization rate for the Canadian Beverage Manufacturing sector (NAICS 312 which includes the production rates for soft drink manufacturers, breweries, wineries and distilleries) based on the average capacity utilization rate for 2014 falls well above the median rate for the past ten years.

573. Accordingly, it appears that the current productivity rate of the Canadian Beverage Manufacturing sector is well above its historical levels.

574. As noted previously, EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

575. The results of the analysis of industrial capacity utilization rates for the Canadian Beverage Manufacturing sector have not been factored into the conclusion on the rate of EO present in this sector given that data specific to the brewery subsector was not available and because of the limitations regarding the analysis as previously discussed, above, however, the calculations are presented on **Schedule 9.6** for information purposes.

Conclusion

576. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the brewery industry in Ontario as at January 1, 2016 is estimated to be 4.0%.** The calculation of the estimated rate of EO is detailed below **(see Schedule 10)**:

BREWERY INDUSTRY

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	10.9%	2	21.8%
Gross Profit Margin (%)	0.0%	2	0.0%
Inventory Turnover Ratio	0.0%	1	0.0%
Fixed Asset Turnover Ratio	0.0%	1	0.0%
Price to Book Ratio	52.8%	0	0.0%
Industrial Capacity Utilization	0.0%	0	0.0%
		6	21.8%
		divide by total assigned weight	*6*
Estimated Rate of EO as at January 1, 2016			**4.0%**

577. In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

578. The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

579. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment. Accordingly, this analysis is presented for information purposes only.

580. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described previously. Accordingly, this analysis is presented for information purposes only.

Distilleries & Wineries

Background

581. The distilling industry ranks second after the brewery sector in terms of the value of its production among the alcoholic beverages but is first overall in its value of exports. The sector provides direct employment for nearly 2,000 Canadians including over 1,400 factory jobs.[38]

582. Wine accounted for about 1% share of the Canadian beverage market in 2007. This volume is similar to distilled spirits but far below beer consumption, according to Statistics Canada.[38]

583. Foreign producers, mainly from European countries, have historically dominated the market for distilled spirits, because many of the world's largest and most widely-recognized brands are manufactured outside of North America

Key External Market Influences Impacting the Subsector

584. The key external influences impacting the revenue growth and profitability of the sector are identified and discussed below.

Per Capita Alcohol Consumption

585. The average consumer's alcohol consumption patterns can serve as an indicator of demand for industry products. Alcohol consumption can fluctuate based on evolving consumer tastes and other cultural factors.

38 (http://www.agr.gc.ca).

586. Per capita alcohol consumption is anticipated to slowly decrease in 2015, posing a threat to the industry.

Per Capita Disposable Income

587. Per capita disposable income is a key indicator of potential industry revenue growth, because consumers' purchases of alcoholic beverages are heavily influenced by their level of disposable income. Consumers are likely to reduce discretionary purchases of such non-essential items as alcohol during periods of declining income.

588. In 2015, per capita disposable income is projected to rise, presenting an opportunity for the industry.

Canadian-dollar Effective Exchange Rate Index

589. The Canadian-dollar effective exchange rate index (CERI) compares the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the CERI include the U.S. dollar, the European Union euro, the Japanese yen, the Chinese yuan and the Mexican peso.

590. The value of the Canadian dollar against that of its trading partners' currencies helps determine the volume and value of imports entering the domestic market. When the Canadian dollar appreciates, imported alcohol becomes more affordable in the domestic market. When this happens, domestic distilleries typically suffer from greater foreign competition and fewer export opportunities. The opposite occurs when the Canadian dollar depreciates relative to its major trading partners.

591. The Canadian-dollar effective exchange rate index is expected to decrease in 2015.

World Price of Wheat

592. Grains are a key input for distilleries, and the world price of wheat serves as a benchmark for the current price volatility of grain inputs. Although distilleries can enter contractual purchase agreements with grain producers in order to protect themselves from volatility in ingredient prices, increases in the world price over time will ultimately have a major impact on distilleries' profit margins.

593. The world price of wheat is expected to decline sharply in 2015.

Current Industry Performance and Market Trends

594. IBISWorld estimates the distillery industry's revenue declined by a nominal annualized rate of 0.1% over the past five years, to $991.1 million in 2015. Despite declining demand for

domestic spirits, industry profit was estimated at 26.9% in 2015, a slight decline from 28.4% in 2010.[39]

595. The vast majority of distillery industry exports are to the United States. Aside from US consumers, most Canadian spirits brands are not recognized throughout the rest of the world.

596. The distillery industry benefits from various markups and provincial alcoholic beverage retail price floors, both of which are designed by Canadian liquor boards to limit the social harms of excessive alcohol purchases.

597. Information on the current financial performance specific to the wine industry in Ontario and/or Canada was not available. The financial conditions and performance of the wine industry in Canada, as a whole, was assumed to approximate that of the distillery industry for purposes of this analysis.

Future Outlook for the Industry

598. Total revenue for the distillery sector is forecast to decline at a 0.9% annualized rate to $945.4 million during the five years to 2020, however, due to the relatively small number of distilleries that enter and exit the industry, average distillery profit is projected to hold constant over the next five years at 27.0% of revenue.[39]

599. Exports are anticipated to increase by an annualized 0.6% rate to $610.9 million in the years to 2020. The distillery industry in Canada will depend on continued demand from the US market to grow their businesses. Exports are expected to amount to 64.6% of industry revenue by 2020 with the United States expected to account for over 90.0% of the industry's export volume, exceeding the production volume for Canadian consumers over the next five years.[39]

600. Information on the future outlook specific to the wine industry in Ontario and/or Canada was not available. The future outlook of the wine industry in Canada, as a whole, was assumed to approximate that of the distillery industry for purposes of this analysis.

Analysis of Existence of Economic Obsolescence

601. Based on the above, although revenue is projected to decline, exports are anticipated to increase and average profits are expected to remain stable. The industry benefits from various markups and provincial alcoholic beverage retail price floors. Consequently, there are no factors indicating that any significant level of EO is present within this subsector at the Report Date.

39 Report published by IBISWorld entitled "Distilleries in Canada – March 2015".

Approach to Quantifying Economic Obsolescence

602. The guideline public companies considered most appropriate for this analysis were selected based on the largest companies that currently operate distilleries in Ontario; generate at least 50% of their revenue from production related to this sector; and have publicly available financial results.

603. The companies selected were as follows: Constellation Brands Inc.; Andrew Peller Limited; Corby Spirit and Wine Limited; and Brown-Forman Corporation. The selected guideline public companies are collectively referred to hereafter as the "Guideline Companies".

Quantifying Economic Obsolescence

604. A discussion of the analysis undertaken to quantify EO follows below.

Return on Invested Capital Analysis

605. The historical rates of ROIC of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median ROIC realized over this period under the assumption that this benchmark is the best measure of an economic rate of return for this subsector.

606. The historical benchmarks were then compared against the current rates of ROIC based on 2014 to gauge if current rates of ROIC are consistent with historical benchmarks.

607. Only one of the Guideline Companies realized a decline in its rate of ROIC in 2014 when compared to its historical benchmark. The remainder of the Guideline Companies realized an increase in their rate of ROIC when compared to their historical benchmark. Consequently, there is no indication that, on an industry wide level, manufacturers in this subsector have experienced any substantial decline in their ROIC based on the analysis of the rates of ROIC of the Guideline Companies.

608. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ROIC analysis is presented on **Schedule 11.1**.

Gross Profit Margin (%) Analysis

609. The historical gross profit margin percentages of the Guideline Companies from 2004 to 2013 were analyzed to derive historical benchmarks. The historical benchmarks were based on the median gross profit margin percentage realized over this period under the assumption that this benchmark is the best measurement of an economic rate for this

subsector.

610. The historical benchmarks were then compared against current gross profit margin percentages based on 2014 to gauge if the current gross margin percentages are consistent with historical benchmarks.

611. Only one of the Guideline Companies realized a decline in its gross profit margin percentage in 2014 when compared to its historical benchmark. The remainder of the Guideline Companies realized an increase in their gross profit margin percentage when compared to their historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any substantial decline in their gross profit margin percentage based on the analysis of the gross profit margin percentages of the Guideline Companies.

612. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the gross profit margin percentage analysis is presented on **Schedule 11.2**.

Inventory Turnover Ratio Analysis

613. The historical ITR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median ITR over this period under the assumption that this benchmark is the best measurement of an economic rate for this subsector.

614. The historical benchmarks were then compared against the current ITR's based on 2014 to gauge if the current ITR's are consistent with historical benchmarks.

615. The majority of the Guideline Companies realized some decline in their ITR in 2014 when compared to their historical benchmark. The amount of the decline ranged from nominal to significant. Consequently, there is a wide divergence in the rates of indicated EO based on the analysis of the ITR's of the Guideline Companies.

616. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the ITR analysis is presented on **Schedule 11.3**.

Fixed asset turnover Ratio Analysis

617. The historical FATR's of the Guideline Companies were analyzed from 2004 to 2013 to derive historical benchmarks. The historical benchmarks were based on the median FATR over this period under the assumption that this benchmark is the best measurement of an

economic rate for this subsector.

618. The historical benchmarks were then compared against the current FATR's based on 2014 to gauge if the current FATR's are consistent with historical benchmarks.

619. All of the Guideline Companies realized an increase in their FATR in 2014 when compared to their historical benchmark. Consequently, there is no indication that, on an industry wide level, manufactures in this subsector have experienced any decline in their FATR based on the analysis of the FATR's of the Guideline Companies.

620. The overall rate of indicated EO chosen was based on the median of the range of indicated EO values of the Guideline Companies. The calculation of the rate of indicated EO based on the FATR analysis is presented on **Schedule 11.4**.

Price to Book Ratio Analysis

621. The PBR of the S&P/TSX Industrials Sector Index around the Report Date was compared against the median PBR of the Guideline Companies approximate to the Report Date. The median PBR of the Guideline Companies of 3.5 falls just slightly below the PBR of the S&P TSX Industrials Sector Index of 3.6. Consequently, the market values the net assets of the Guideline Companies to be worth just slightly less than the weighted average value of the net assets of all industries combined based on the composition of companies listed on the S&P TSX Industrials Sector Index.

622. It is important to note that the PBR measure is not considered a reliable indicator of EO given that the PBR can be impacted by other variables not related to EO such as a company's capital structure, the extent of analyst coverage and dividend policy, among other things. Notwithstanding this, the results of the analysis are presented on **Schedule 11.5** for information purposes.

Industrial Capacity Utilization Rate Analysis

623. As noted previously, data on the industrial capacity utilization rates of distilleries and wineries operating in Ontario and/or Canada was not available. As a substitute, the industrial capacity utilization rates of the Canadian Beverage Manufacturing sector were analyzed from 2004 to 2014 to gauge whether current production levels are consistent with historical levels.

624. The current capacity utilization rate for the Canadian Beverage Manufacturing sector (NAICS 312 which includes the production rates for soft drink manufacturers, breweries, wineries and distilleries) based on the average capacity utilization rate for 2014 falls well above the median rate for the past ten years.

625. Accordingly, it appears that the current productivity rate of the Canadian Beverage Manufacturing sector is well above its historical levels.

626. As noted previously, EO can exist even when an asset's capacity utilization rate is at maximum and/or at the industry norm because, although the asset may be operating at its normal/maximum capacity utilization rate, the return being generated by the asset(s) may still be below an economic level.

627. The results of the analysis of industrial capacity utilization rates for the Canadian Beverage Manufacturing sector have not been factored into the conclusion on the rate of EO present in this sector given that data specific to the distilleries and wineries subsector was not available and because of the limitations regarding the analysis as previously discussed, above, however, the calculations are presented on **Schedule 9.6** for information purposes.

Conclusion

628. Based on the scope of review, research, and analysis carried out, and subject to the restrictions as set out herein, **the rate of EO present in the distillery and winery industry in Ontario as at January 1, 2016 is estimated to be 0.0%.** Details of the calculation of the estimated rate of EO are as follows **(see Schedule 11)**:

DISTILLERY & WINERY INDUSTRY

Guideline Company Ratio Analysis	Indicated EO	Assigned Weight	Weighted Average
Return on Invested Capital	0.0%	2	0.0%
Gross Profit Margin (%)	0.0%	2	0.0%
Inventory Turnover Ratio	10.6%	1	10.6%
Fixed Asset Turnover Ratio	0.0%	1	0.0%
Price to Book Ratio	2.8%	0	0.0%
Industrial Capacity Utilization	0.0%	0	0.0%
		6	10.6%
	divide by total assigned weight		*6*
Calculated Rate of EO (rounded)			2.0%
Estimated Rate of EO as at January 1, 2016			**0.0%**

629. In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect

financial/economic performance as they directly measure changes in profitability and overall return on total assets.

630. The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

631. A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment. Accordingly, this analysis is presented for information purposes only.

632. A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described previously. Accordingly, this analysis is presented for information purposes only.

633. The calculated rate of EO was considered nominal. Accordingly, the rate of EO was estimated to be 0.0%.

ASSUMPTIONS AND RESTRICTIONS

634. The financial and operating results of the Guideline Companies, as sourced from the Thompson Reuters Eikon database ("Reuters"), are fairly stated and free of material errors. If the financial and operating results of the Guideline Companies, as sourced from Reuters, are not free of material errors, such errors could have a material impact on the conclusion(s) stated herein.

635. The information contained in the IBISWorld reports, including aggregate financial results, statistics and prospects of the various segments of the food and beverage manufacturing industry in Canada, is accurate, reasonable and reflects best estimates based on the information available at the Report Date.

636. There will be no significant change in the operating and financial results of the Guideline Companies from fiscal 2014 to the Effective Date. If a significant change in the operating and financial results of the Guideline Companies does occur during this period, such changes may cause the conclusion(s) stated herein to be materially different at the Effective Date.

637. There will be no significant changes in market conditions and/or Canadian/global economic conditions from the Report Date to the Effective Date. If any significant changes in market conditions and/or Canadian/global economic conditions do occur from the Report Date to

the Effective Date, such changes may cause the conclusion(s) stated herein to be materially different at the Effective Date.

638. This report is not intended for general circulation or publication, nor is it to be reproduced or used for any purpose other than that outlined above without prior written consent in each specific instance. No responsibility or liability is assumed for losses resulting from the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

* * * * * * *

Yours very truly,

Deborah Sprenger

Deborah Sprenger, CPA, CGA, CBV

Schedule 1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
FOOD & BEVERAGE MANUFACTURING
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Ontario Food & Beverage Manufacturing Sectors		Estimated Rate of EO
Animal Food	Schedule 2	0.0%
Grain & Oilseed Milling	Schedule 3	0.0%
Sugar & Confectionary Product	Schedule 4	0.0%
Fruity & Vegetable Preserving & Frozen Food	Schedule 5	19.0%
Dairy Food Product	Schedule 6	0.0%
Meat Product	Schedule 7	0.0%
Bakeries & Other Food	Schedule 8	0.0%
Soft Drink	Schedule 9	19.0%
Breweries	Schedule 10	4.0%
Distilleries and Wineries	Schedule 11	0.0%

Schedule 2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
ANIMAL FOOD MANUFACTURING INDUSTRY
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 2.1	0.0%	2	0.0%
Gross Profit Margin (%)	Schedule 2.2	1.4%	2	2.8%
Inventory Turnover Ratio	Schedule 2.3	4.8%	1	4.8%
Fixed Asset Turnover Ratio	Schedule 2.4	0.0%	1	0.0%
Price to Book Ratio	Schedule 2.5	5.6%	0	0.0%
Industrial Capacity Utilization	Schedule 2.6	0.8%	0	0.0%
			6	7.6%
Range of EO Indicators - 0% to 5%			***divide by total assigned weight***	*6*
Calculated Rate of EO (rounded)				1.0%
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**0.0%**

Note:

(1) In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 2.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
ANIMAL FOOD MANUFACTURING INDUSTRY
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 1)	(Note 3)
															(A)	**(B)**	**(A-B/A)**
1	Nutreco NV	4.9%	8.8%	10.3%	10.6%	9.4%	8.0%	9.3%	10.4%	9.6%	10.5%	10.6%	4.9%	9.2%	9.5%	10.8%	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Company from 2004 to 2013.

(3) Indicated EO for the Guideline Company was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

Schedule 2.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
ANIMAL FOOD MANUFACTURING INDUSTRY
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3) (A-B/A)
1	Nutreco NV	27.2%	25.9%	23.9%	21.6%	19.1%	20.9%	22.4%	21.5%	21.0%	20.5%	27.2%	19.1%	22.4%	21.6%	21.3%	1.4%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Company from 2004 to 2013.

(3) Indicated EO for the Guideline Company was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

Schedule 2.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
ANIMAL FOOD MANUFACTURING INDUSTRY
INVENTORY TURNOVER ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (**A**)	(Note 1) (**B**)	(Note 3) **(A-B/A)**
1	Nutreco NV	5.5	6.1	10.5	10.9	11.0	9.6	8.2	8.5	6.2	8.2	11.0	5.5	8.5	8.4	8.0	4.8%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Company from 2004 to 2013.

(3) Indicated EO for the Guideline Company was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

Schedule 2.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
ANIMAL FOOD MANUFACTURING INDUSTRY
FIXED ASSET TURNOVER ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (**A**)	(Note 1) (**B**)	(Note 3) **(A-B/A)**
1	Nutreco NV	6.6	7.3	10.7	11.3	10.9	9.1	7.7	8.2	6.3	8.2	11.3	6.3	8.6	8.2	8.2	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Company from 2004 to 2013.

(3) Indicated EO for the Guideline Company was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

Schedule 2.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
ANIMAL FOOD MANUFACTURING INDUSTRY
PRICE TO BOOK RATIO ANALYSIS

Price to Book Ratio at June 18, 2015	(Note 1)
1 Nutreco NV	3.4
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**5.6%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the price to book ratios of the Guideline Company and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.

Schedule 2.6

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
FOOD MANUFACTURING INDUSTRY
INDUSTRIAL CAPACITY UTILIZATION RATES - FOOD MANUFACTURING (NAICS 311)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Food manufacturing	79.1	80.6	80.1	80.1	77.7	81.7	79.7	79.8	76.8	75.8	79.1

Maximum - 2004 to 2013	81.7
Minimum - 2004 to 2013	75.8
Median - 2004 to 2013	79.8
Five Year Average - 2009 to 2013	81.7
Ten Year Average - 2004 to 2013	79.1
2014	79.1
Indicated EO (Note 2)	**0.8%**

Notes:

(1) Source: Statistics Canada - CANSIM Table 028-0002

(2) Indicated EO was measured by calculating the differential in the median capacity utilization rate from 2004 to 2013 and the current rate based on the average capacity utilization rate for 2014.

Schedule 3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
GRAIN & OILSEED MILLING INDUSTRY
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 3.1	1.2%	2	2.4%
Gross Profit Margin (%)	Schedule 3.2	2.2%	2	4.4%
Inventory Turnover Ratio	Schedule 3.3	3.5%	1	3.5%
Fixed Asset Turnover Ratio	Schedule 3.4	0.0%	1	0.0%
Price to Book Ratio	Schedule 3.5	25.0%	0	0.0%
Industrial Capacity Utilization	Schedule 2.6	0.8%	0	0.0%
			6	10.3%
Range of EO Indicators - 0% to 25%			***divide by total assigned weight***	*6*
Calculated Rate of EO (rounded)				2.0%
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**0.0%**

Note:

(1) In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 3.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
GRAIN & OILSEED MILLING INDUSTRY
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Ingredion Inc.	5.6%	4.9%	6.3%	9.0%	11.6%	2.0%	5.4%	9.9%	9.6%	8.8%	11.6%	2.0%	7.3%	7.6%	8.2%	0.0%
2	Bunge Ltd.	9.9%	8.0%	6.6%	8.2%	10.8%	2.0%	15.7%	6.1%	2.4%	0.8%	15.7%	0.8%	7.1%	7.3%	3.7%	49.3%
3	MGP Ingredients Inc.	6.4%	2.5%	8.6%	10.1%	-6.9%	-53.9%	9.0%	n/a	1.3%	-4.6%	10.1%	-53.9%	-3.1%	2.5%	19.2%	0.0%
4	Archer Daniels Midland Co.	4.0%	8.1%	9.3%	13.4%	9.0%	7.5%	8.4%	7.8%	n/a	4.8%	13.4%	4.0%	8.0%	8.1%	8.0%	1.2%
5	Kellogg Co.	11.8%	13.0%	14.2%	15.7%	15.5%	14.8%	14.6%	10.0%	10.0%	16.4%	16.4%	10.0%	13.6%	14.4%	5.7%	60.4%
	Mean											13.4%	-7.4%	6.6%	8.0%	9.0%	22.2%
	Median											13.4%	2.0%	7.3%	7.6%	8.0%	1.2%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 3.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
GRAIN & OILSEED MILLING INDUSTRY
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Ingredion Inc.	15.5%	14.1%	15.9%	17.3%	17.9%	14.2%	16.6%	18.1%	19.0%	17.9%	19.0%	14.1%	16.7%	17.0%	19.7%	0.0%
2	Bunge Ltd.	7.5%	6.4%	6.0%	6.6%	7.7%	2.9%	5.3%	4.7%	4.2%	4.5%	7.7%	2.9%	5.6%	5.7%	4.6%	19.3%
3	MGP Ingredients Inc.	13.1%	9.3%	14.3%	12.4%	1.0%	-11.7%	15.1%	n/a	7.5%	6.6%	15.1%	-11.7%	7.5%	9.3%	9.1%	2.2%
4	Archer Daniels Midland Co.	5.9%	6.8%	8.1%	7.4%	5.5%	5.9%	6.2%	5.3%	n/a	4.3%	8.1%	4.3%	6.2%	5.9%	5.9%	0.0%
5	Kellogg Co.	44.9%	44.9%	44.2%	44.0%	41.9%	42.9%	43.2%	39.0%	38.5%	41.6%	44.9%	38.5%	42.5%	43.1%	35.4%	17.9%
	Mean											19.0%	9.6%	15.7%	16.2%	14.9%	7.9%
	Median											15.1%	4.3%	7.5%	9.3%	9.1%	2.2%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 3.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
GRAIN & OILSEED MILLING INDUSTRY
INVENTORY TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Ingredion Inc.	8.2	7.9	7.6	7.5	7.4	7.4	7.0	7.2	6.6	6.7	8.2	6.6	7.4	7.4	6.4	13.5%
2	Bunge Ltd.	9.9	10.3	9.3	8.9	9.8	8.2	7.2	8.6	9.5	9.5	10.3	7.2	9.1	9.4	9.6	0.0%
3	MGP Ingredients Inc.	7.9	7.8	9.0	8.9	7.7	7.9	9.7	n/a	9.1	8.5	9.7	7.7	8.5	8.5	8.2	3.5%
4	Archer Daniels Midland Co.	8.4	7.9	7.8	7.6	8.1	7.3	7.4	7.7	n/a	6.8	8.4	6.8	7.7	7.7	7.3	5.2%
5	Kellogg Co.	8.0	8.0	7.9	7.5	8.2	8.0	7.2	7.2	6.9	6.6	8.2	6.6	7.6	7.7	7.5	2.6%
	Mean											9.0	7.0	8.1	8.1	7.8	5.0%
	Median											8.4	6.8	7.7	7.7	7.5	3.5%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 3.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
GRAIN & OILSEED MILLING INDUSTRY
FIXED ASSET TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Ingredion Inc.	1.9	1.9	2.0	2.4	2.7	2.4	2.4	2.9	3.0	2.9	3.0	1.9	2.4	2.4	2.7	0.0%
2	Bunge Ltd.	9.9	10.3	9.3	8.9	9.8	8.2	7.2	8.6	9.5	9.5	10.3	7.2	9.1	9.4	9.6	0.0%
3	MGP Ingredients Inc.	2.7	2.5	2.7	3.0	3.4	3.4	3.3	n/a	4.4	4.4	4.4	2.5	3.3	3.3	4.7	0.0%
4	Archer Daniels Midland Co.	6.7	6.9	7.0	7.8	10.6	9.2	7.4	8.9	n/a	8.9	10.6	6.7	8.2	7.8	8.1	0.0%
5	Kellogg Co.	3.5	3.8	4.0	4.1	4.3	4.2	4.0	4.1	4.0	3.9	4.3	3.5	4.0	4.0	3.8	4.5%
	Mean											6.5	4.4	5.4	5.4	5.8	0.9%
	Median											4.4	3.5	4.0	4.0	4.7	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 3.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
GRAIN & OILSEED MILLING INDUSTRY
PRICE TO BOOK RATIO ANALYSIS

	Price to Book Ratio at June 18, 2015	(Note 1)
1	Ingredion Inc.	2.7
2	Bunge Ltd.	1.6
3	MGP Ingredients Inc.	2.9
4	Archer Daniels Midland Co.	1.6
5	Kellogg Co.	8.0

Maximum	8.0
Minimum	1.6
Mean	3.4
Median	2.7
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**25.0%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the median of the range of price to book ratios of the Guideline Companies and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.

Schedule 4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SUGAR & CONFECTIONARY PRODUCT MANUFACTURING
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 4.1	6.5%	2	13.0%
Gross Profit Margin (%)	Schedule 4.2	0.0%	2	0.0%
Inventory Turnover Ratio	Schedule 4.3	2.5%	1	2.5%
Fixed Asset Turnover Ratio	Schedule 4.4	0.0%	1	0.0%
Price to Book Ratio	Schedule 4.5	16.7%	0	0.0%
Industrial Capacity Utilization	Schedule 2.6	0.8%	0	0.0%
			6	15.5%
Range of EO Indicators - 0% to 16%			***divide by total assigned weight***	*6*
Calculated Rate of EO (rounded)				3.0%
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**0.0%**

Note:

(1) In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 4.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SUGAR & CONFECTIONARY PRODUCT MANUFACTURING
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Hershey Co.	20.8%	18.4%	20.4%	8.1%	12.6%	17.2%	18.0%	20.5%	20.4%	22.8%	22.8%	8.1%	17.9%	19.4%	22.4%	0.0%
2	Tootsie Roll Industries Inc.	9.6%	10.8%	9.2%	7.0%	5.2%	6.9%	6.7%	5.5%	6.6%	7.5%	10.8%	5.2%	7.5%	7.0%	7.5%	0.0%
3	Mondelez International Inc.	5.2%	5.8%	6.0%	5.2%	3.3%	5.2%	1.0%	2.3%	2.4%	3.9%	6.0%	1.0%	4.0%	4.6%	4.0%	13.0%
4	Nestle SA	9.4%	12.6%	13.3%	14.7%	9.6%	12.6%	10.7%	11.3%	11.6%	10.7%	14.7%	9.4%	11.7%	11.5%	7.5%	34.8%
	Mean	13.6%	5.9%	10.3%	10.6%	10.4%	12.0%										
	Median	12.8%	6.7%	9.6%	9.3%	7.5%	6.5%										

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 4.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SUGAR & CONFECTIONARY PRODUCT MANUFACTURING
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Hershey Co.	39.5%	38.7%	37.8%	33.0%	34.2%	38.7%	42.8%	42.3%	43.8%	46.0%	46.0%	33.0%	39.7%	39.1%	44.9%	0.0%
2	Tootsie Roll Industries Inc.	41.8%	38.8%	37.6%	33.9%	32.6%	35.8%	32.8%	31.2%	33.3%	35.2%	41.8%	31.2%	35.3%	34.6%	37.2%	0.0%
3	Mondelez International Inc.	37.0%	36.0%	35.8%	34.0%	32.9%	36.0%	37.7%	36.6%	37.3%	37.1%	37.7%	32.9%	36.0%	36.3%	36.8%	0.0%
4	Nestle SA	58.3%	58.4%	58.6%	58.1%	55.6%	56.8%	49.1%	47.2%	47.1%	47.8%	58.6%	47.1%	53.7%	56.2%	48.1%	14.4%
	Mean											46.0%	36.1%	41.2%	41.6%	41.8%	3.6%
	Median											43.9%	33.0%	37.9%	37.7%	41.1%	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 4.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SUGAR & CONFECTIONARY PRODUCT MANUFACTURING
INVENTORY TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Hershey Co.	5.1	5.0	4.8	5.3	5.7	5.8	6.2	5.9	5.8	6.0	6.2	4.8	5.6	5.8	5.6	3.4%
2	Tootsie Roll Industries Inc.	4.7	5.3	5.3	5.4	5.9	5.7	6.2	5.7	5.5	5.7	6.2	4.7	5.5	5.6	4.1	26.8%
3	Mondelez International Inc.	6.0	6.4	6.2	6.2	6.8	6.5	4.3	4.1	4.6	5.9	6.8	4.1	5.7	6.1	6.0	1.6%
4	Nestle SA	5.0	5.0	5.0	5.2	4.9	5.1	5.7	5.1	5.2	5.6	5.7	4.9	5.2	5.1	5.4	0.0%
	Mean											6.2	4.6	5.5	5.7	5.3	8.0%
	Median											6.2	4.8	5.6	5.7	5.5	2.5%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 4.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SUGAR & CONFECTIONARY PRODUCT MANUFACTURING
FIXED ASSET TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Hershey Co.	2.6	2.9	3.0	3.1	3.4	3.7	4.0	4.1	4.1	4.1	4.1	2.6	3.5	3.6	3.8	0.0%
2	Tootsie Roll Industries Inc.	2.7	2.8	2.6	2.5	2.4	2.3	2.4	2.5	2.7	2.7	2.8	2.3	2.5	2.6	2.8	0.0%
3	Mondelez International Inc.	3.2	3.5	3.4	3.5	3.9	3.8	2.6	2.6	2.9	3.5	3.9	2.6	3.3	3.4	3.4	0.0%
4	Nestle SA	4.9	5.1	5.0	5.1	4.8	4.7	4.1	3.7	3.6	3.5	5.1	3.5	4.4	4.7	3.3	29.6%
	Mean											4.0	2.8	3.4	3.6	3.3	7.4%
	Median											4.0	2.6	3.4	3.5	3.4	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 4.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SUGAR & CONFECTIONARY PRODUCT MANUFACTURING
PRICE TO BOOK RATIO ANALYSIS

Price to Book Ratio at June 18, 2015		(Note 1)
1	Hershey Co.	10.1
2	Tootsie Roll Industries Inc.	2.8
3	Mondelez International Inc.	2.4
4	Nestle SA	3.2

Maximum	10.1
Minimum	2.4
Mean	4.6
Median	3.0
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**16.7%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the median of the range of price to book ratios of the Guideline Companies and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.

Schedule 5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
FRUIT & VEGETABLE PRESERVING & FROZEN FOOD
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 5.1	40.9%	2	81.8%
Gross Profit Margin (%)	Schedule 5.2	13.3%	2	26.6%
Inventory Turnover Ratio	Schedule 5.3	5.2%	1	5.2%
Fixed Asset Turnover Ratio	Schedule 5.4	0.0%	1	0.0%
Price to Book Ratio	Schedule 5.5	11.1%	0	0.0%
Industrial Capacity Utilization	Schedule 2.6	0.8%	0	0.0%
			6	113.6%
Range of EO Indicators - 0% to 40%			***divide by total assigned weight***	*6*
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**19.0%**

Note:

(1) In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 5.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
FRUIT & VEGETABLE PRESERVING & FROZEN FOOD
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Campbell Soup Co.	15.0%	14.1%	14.9%	17.1%	15.8%	17.2%	19.6%	16.5%	15.5%	14.3%	19.6%	14.1%	16.0%	15.7%	14.3%	8.9%
2	Kraft Foods Group Inc.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.3%	8.5%	13.8%	13.8%	8.5%	10.5%	9.3%	5.5%	40.9%
3	J. M. Smucker Co.	7.5%	6.8%	6.0%	6.5%	6.4%	5.3%	6.8%	6.3%	5.6%	6.4%	7.5%	5.3%	6.4%	6.4%	6.8%	0.0%
4	ConAgra Foods Inc	4.8%	5.2%	5.4%	5.0%	4.6%	6.1%	6.3%	8.5%	4.6%	5.8%	8.5%	4.6%	5.6%	5.3%	1.7%	67.9%
5	Bonduelle SAS	8.0%	6.9%	6.7%	8.4%	7.4%	3.2%	6.1%	3.0%	4.7%	5.4%	8.4%	3.0%	6.0%	6.4%	1.6%	75.0%
	Mean											11.6%	7.1%	8.9%	8.6%	6.0%	38.5%
	Median											8.5%	5.3%	6.4%	6.4%	5.5%	40.9%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 5.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
FRUIT & VEGETABLE PRESERVING & FROZEN FOOD
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Campbell Soup Co.	41.4%	40.9%	40.5%	40.6%	39.6%	39.9%	41.0%	40.4%	39.2%	36.2%	41.4%	36.2%	40.0%	40.5%	35.1%	13.3%
2	Kraft Foods Group Inc.	n/a	n/a	n/a	32.6%	30.6%	34.7%	33.8%	31.0%	32.1%	37.9%	37.9%	30.6%	33.2%	32.6%	26.9%	17.5%
3	J. M. Smucker Co.	35.9%	32.3%	32.3%	33.1%	31.0%	33.3%	38.9%	38.4%	34.2%	34.6%	38.9%	31.0%	34.4%	33.8%	36.5%	0.0%
4	ConAgra Foods Inc	25.7%	24.9%	24.8%	25.6%	23.6%	22.5%	25.4%	23.4%	20.6%	22.1%	25.7%	20.6%	23.9%	24.2%	20.4%	15.7%
5	Bonduelle SAS	25.1%	29.2%	29.0%	31.0%	30.5%	31.8%	30.2%	28.6%	27.9%	27.5%	31.8%	25.1%	29.1%	29.1%	47.4%	0.0%
	Mean											35.1%	28.7%	32.1%	32.0%	33.3%	9.3%
	Median											37.9%	30.6%	33.2%	32.6%	35.1%	13.3%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 5.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
FRUIT & VEGETABLE PRESERVING & FROZEN FOOD
INVENTORY TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Campbell Soup Co.	5.2	5.4	5.5	5.8	6.0	5.5	5.8	5.7	5.9	6.3	6.3	5.2	5.7	5.8	5.5	5.2%
2	Kraft Foods Group Inc.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.9	6.4	6.4	6.9	6.4	6.6	6.4	7.8	0.0%
3	J. M. Smucker Co.	5.0	6.0	5.2	5.1	5.2	5.1	4.5	3.9	4.0	4.0	6.0	3.9	4.8	5.1	3.8	25.5%
4	ConAgra Foods Inc	3.3	3.7	3.6	4.2	4.8	5.1	5.2	5.6	5.8	5.7	5.8	3.3	4.7	5.0	6.4	0.0%
5	Bonduelle SAS	3.7	3.0	2.9	2.9	2.9	2.3	2.1	2.4	2.4	2.5	3.7	2.1	2.7	2.7	1.9	29.6%
	Mean											5.7	4.2	4.9	5.0	5.1	12.1%
	Median											6.0	3.9	4.8	5.1	5.5	5.2%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 5.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
FRUIT & VEGETABLE PRESERVING & FROZEN FOOD
FIXED ASSET TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (**A**)	(Note 1) (**B**)	(Note 3,4) **(A-B/A)**
1	Campbell Soup Co.	3.6	3.6	3.5	3.7	4.0	3.9	3.8	3.4	3.4	3.7	4.0	3.4	3.7	3.7	3.6	2.7%
2	Kraft Foods Group Inc.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.3	4.3	4.4	4.4	4.3	4.3	4.3	4.4	0.0%
3	J. M. Smucker Co.	3.8	3.8	4.1	5.8	4.6	4.9	4.4	4.7	5.3	5.6	5.8	3.8	4.7	4.7	5.4	0.0%
4	ConAgra Foods Inc	4.0	4.4	4.4	4.7	4.8	4.9	4.7	4.7	4.9	4.8	4.9	4.0	4.6	4.7	4.8	0.0%
5	Bonduelle SAS	5.8	4.5	4.2	4.3	4.4	4.0	3.7	3.7	3.6	3.8	5.8	3.6	4.2	4.1	4.1	0.0%
	Mean											5.0	3.8	4.3	4.3	4.5	0.5%
	Median											4.9	3.8	4.3	4.3	4.4	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 5.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
FRUIT & VEGETABLE PRESERVING & FROZEN FOOD
PRICE TO BOOK RATIO ANALYSIS

	Price to Book Ratio at June 18, 2015	(Note 1)
1	Campbell Soup Co.	9.3
2	Kraft Foods Group Inc.	11.8
3	J. M. Smucker Co.	1.9
4	ConAgra Foods Inc	3.2
5	Bonduelle SAS	1.5

Maximum	11.8
Minimum	1.5
Mean	5.5
Median	3.2
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**11.1%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the median of the range of price to book ratios of the Guideline Companies and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.

Schedule 6

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DAIRY FOOD PRODUCT MANUFACTURING
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 6.1	26.7%	0	0.0%
Gross Profit Margin (%)	Schedule 6.2	12.0%	0	0.0%
Inventory Turnover Ratio	Schedule 6.3	0.0%	0	0.0%
Fixed Asset Turnover Ratio	Schedule 6.4	0.0%	0	0.0%
Price to Book Ratio	Schedule 6.5	11.1%	0	0.0%
Industrial Capacity Utilization	Schedule 2.6	0.8%	0	0.0%
			0	0.0%
Range of EO Indicators - 0% to 27%			***divide by total assigned weight***	0
Calculated Rate of EO (rounded)				0.0%
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**0.0%**

Note:

(1) In concluding on the rate of EO, the results of the profitability and efficiency ratio analysis of the Guideline Companies is not considered to accurately reflect the current economic state and future outlook of this sector given only a limited number of guideline company comparables operating within this sector in Ontario and/or Canada were available for the quantitative analysis portion of this review. Accordingly, a weighting of zero was assigned to the EO indicated by the ROIC, gross profit margin (%), ITR and FATR analyses.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 6.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DAIRY FOOD PRODUCT MANUFACTURING
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (**A**)	(Note 1) (**B**)	(Note 3,4) **(A-B/A)**
1	Saputo Inc.	13.4%	13.8%	10.9%	12.9%	14.8%	12.4%	15.0%	17.3%	14.3%	14.5%	17.3%	10.9%	13.9%	14.1%	12.5%	11.3%
2	Parmalat SpA	n/a	n/a	7.5%	19.8%	19.6%	14.4%	7.4%	4.3%	2.2%	6.3%	19.8%	2.2%	10.2%	7.5%	5.5%	26.7%
3	Nestle SA	9.4%	12.6%	13.3%	14.7%	9.6%	12.6%	10.7%	11.3%	11.6%	10.7%	14.7%	9.4%	11.7%	11.5%	7.5%	34.8%
	Mean											17.3%	7.5%	11.9%	11.0%	8.5%	24.3%
	Median											17.3%	9.4%	11.7%	11.5%	7.5%	26.7%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 6.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DAIRY FOOD PRODUCT MANUFACTURING
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Saputo Inc.	11.3%	10.5%	9.1%	10.7%	10.4%	9.5%	11.9%	13.1%	12.0%	29.6%	29.6%	9.1%	12.8%	11.0%	29.4%	0.0%
2	Parmalat SpA	n/a	n/a	23.5%	23.1%	18.7%	23.1%	22.0%	21.4%	19.9%	19.2%	23.5%	18.7%	21.4%	21.7%	19.1%	12.0%
3	Nestle SA	58.3%	58.4%	58.6%	58.1%	55.6%	56.8%	49.1%	47.2%	47.1%	47.8%	58.6%	47.1%	53.7%	56.2%	48.1%	14.4%
	Mean											37.2%	25.0%	29.3%	29.6%	32.2%	8.8%
	Median											29.6%	18.7%	21.4%	21.7%	29.4%	12.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 6.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DAIRY FOOD PRODUCT MANUFACTURING
INVENTORY TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (**A**)	(Note 1) (**B**)	(Note 3,4) **(A-B/A)**
1	Saputo Inc.	7.8	8.0	8.1	7.9	9.3	9.4	8.9	8.5	8.9	6.9	9.4	6.9	8.4	8.3	7.7	7.2%
2	Parmalat SpA	n/a	n/a	8.3	8.2	8.9	8.9	9.1	9.3	9.5	9.1	9.5	8.2	8.9	9.0	9.1	0.0%
3	Nestle SA	5.0	5.0	5.0	5.2	4.9	5.1	5.7	5.1	5.2	5.6	5.7	4.9	5.2	5.1	5.4	0.0%
	Mean											8.2	6.7	7.5	7.5	7.4	2.4%
	Median											9.4	6.9	8.4	8.3	7.7	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 6.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DAIRY FOOD PRODUCT MANUFACTURING
FIXED ASSET TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Saputo Inc.	5.5	5.9	6.1	5.9	6.5	5.7	5.3	5.7	6.4	5.4	6.5	5.3	5.8	5.8	5.2	10.2%
2	Parmalat SpA	n/a	n/a	5.1	5.5	6.0	5.6	5.3	5.2	5.5	5.5	6.0	5.1	5.5	5.5	5.8	0.0%
3	Nestle SA	4.9	5.1	5.0	5.1	4.8	4.7	4.1	3.7	3.6	3.5	5.1	3.5	4.4	4.7	3.3	0.0%
	Mean											5.9	4.6	5.2	5.3	4.8	3.4%
	Median											6.0	5.1	5.5	5.5	5.2	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 6.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DAIRY FOOD PRODUCT MANUFACTURING
PRICE TO BOOK RATIO ANALYSIS

Price to Book Ratio at June 18, 2015		(Note 1)
1	Saputo Inc.	3.5
2	Parmalat SpA	1.4
3	Nestle SA	3.2

Maximum	3.5
Minimum	1.4
Mean	2.7
Median	3.2
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**11.1%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the median of the range of price to book ratios of the Guideline Companies and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.

Schedule 7

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
MEAT PRODUCT MANUFACTURING
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 7.1	0.0%	2	0.0%
Gross Profit Margin (%)	Schedule 7.2	0.0%	2	0.0%
Inventory Turnover Ratio	Schedule 7.3	0.9%	1	0.9%
Fixed Asset Turnover Ratio	Schedule 7.4	0.0%	1	0.0%
Price to Book Ratio	Schedule 7.5	44.4%	0	0.0%
Industrial Capacity Utilization	Schedule 2.6	0.8%	0	0.0%
			6	0.9%
Range of EO Indicators - 0% to 40%			***divide by total assigned weight***	*6*
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**0.0%**

Note:

(1) In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 7.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
MEAT PRODUCT MANUFACTURING
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Maple Leaf Foods Inc.	6.0%	4.8%	-0.6%	-0.6%	-1.2%	2.5%	1.8%	4.4%	1.7%	-5.4%	6.0%	-5.4%	1.3%	1.8%	-8.4%	566.7%
2	Jbs SA	n/a	9.6%	9.6%	-4.8%	0.3%	0.9%	-0.8%	-0.9%	2.1%	2.6%	9.6%	-4.8%	2.1%	0.9%	4.6%	0.0%
3	Hormel Foods Corp.	11.6%	11.8%	12.1%	11.6%	10.4%	11.8%	13.4%	15.0%	14.0%	13.4%	15.0%	10.4%	12.5%	12.0%	14.1%	0.0%
4	Tyson Foods Inc.	5.0%	4.5%	-2.1%	3.3%	1.0%	-6.4%	9.2%	8.8%	6.9%	9.3%	9.3%	-6.4%	4.0%	4.8%	5.8%	0.0%
5	Pilgrims Pride Corp.	9.9%	15.0%	-1.5%	2.2%	-57.4%	-9.7%	3.6%	-21.4%	8.0%	25.8%	25.8%	-57.4%	-2.6%	2.9%	31.9%	0.0%
	Mean											13.1%	-12.7%	3.5%	4.5%	9.6%	113.3%
	Median											9.6%	-5.4%	2.1%	2.9%	5.8%	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 7.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
MEAT PRODUCT MANUFACTURING
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Maple Leaf Foods Inc.	n/a	n/a	n/a	13.2%	11.8%	14.1%	15.1%	15.7%	14.8%	6.1%	15.7%	6.1%	13.0%	14.1%	6.9%	51.1%
2	Jbs SA	19.0%	21.4%	24.5%	10.8%	9.9%	9.0%	12.3%	10.8%	11.5%	12.8%	24.5%	9.0%	14.2%	11.9%	15.5%	0.0%
3	Hormel Foods Corp.	23.5%	23.7%	24.1%	16.2%	15.7%	16.8%	17.2%	16.9%	16.2%	16.1%	24.1%	15.7%	18.6%	16.9%	16.8%	0.6%
4	Tyson Foods Inc.	7.2%	6.6%	3.9%	5.6%	4.6%	4.5%	8.8%	6.9%	6.6%	6.9%	8.8%	3.9%	6.2%	6.6%	7.1%	0.0%
5	Pilgrims Pride Corp.	9.4%	13.2%	5.8%	7.9%	-2.9%	4.4%	6.7%	-1.9%	5.4%	10.1%	13.2%	-2.9%	5.8%	6.3%	16.2%	0.0%
	Mean											17.3%	6.4%	11.6%	11.2%	12.5%	10.3%
	Median											15.7%	6.1%	13.0%	11.9%	15.5%	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 7.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
MEAT PRODUCT MANUFACTURING
INVENTORY TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Maple Leaf Foods Inc.	n/a	n/a	n/a	12.4	12.7	12.7	13.9	14.5	13.0	9.4	14.5	9.4	12.7	12.7	10.5	17.3%
2	Jbs SA	n/a	7.6	5.7	11.6	14.5	10.9	11.7	10.5	11.5	11.3	14.5	5.7	10.6	11.3	11.2	0.9%
3	Hormel Foods Corp.	8.8	8.6	7.9	8.5	8.0	7.2	7.9	7.8	7.5	7.7	8.8	7.2	8.0	7.9	7.7	2.5%
4	Tyson Foods Inc.	12.1	11.8	11.5	11.5	10.9	11.2	12.1	12.3	11.4	11.4	12.3	10.9	11.6	11.5	11.5	0.0%
5	Pilgrims Pride Corp.	10.2	8.7	8.7	9.1	8.9	7.5	7.2	8.0	8.4	8.6	10.2	7.2	8.5	8.7	9.0	0.0%
	Mean											12.1	8.1	10.3	10.4	10.0	4.1%
	Median											12.3	7.2	10.6	11.3	10.5	0.9%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 7.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
MEAT PRODUCT MANUFACTURING
FIXED ASSET TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Maple Leaf Foods Inc.	7.2	5.8	4.8	4.7	4.6	4.7	4.7	4.6	4.0	2.3	7.2	2.3	4.7	4.7	2.7	43.2%
2	Jbs SA	n/a	8.5	5.9	7.7	7.0	3.3	3.8	4.1	4.8	4.9	8.5	3.3	5.5	4.9	5.2	0.0%
3	Hormel Foods Corp.	6.8	6.8	6.4	6.6	7.0	6.8	7.7	8.6	9.0	9.3	9.3	6.4	7.5	6.9	9.5	0.0%
4	Tyson Foods Inc.	6.6	6.5	6.2	6.8	7.5	7.5	7.8	8.6	8.4	8.5	8.6	6.2	7.5	7.5	8.2	0.0%
5	Pilgrims Pride Corp.	5.6	4.9	4.5	5.1	4.9	4.5	4.8	5.8	6.7	7.2	7.2	4.5	5.4	5.0	7.4	0.0%
	Mean											8.2	4.5	6.1	5.8	6.6	8.6%
	Median											8.5	4.5	5.5	5.0	7.4	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 7.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
MEAT PRODUCT MANUFACTURING
PRICE TO BOOK RATIO ANALYSIS

	Price to Book Ratio at June 18, 2015	(Note 1)
1	Maple Leaf Foods Inc.	1.5
2	Jbs SA	2.0
3	Hormel Foods Corp.	4.2
4	Tyson Foods Inc.	1.9
5	Pilgrims Pride Corp.	2.9

Maximum	4.2
Minimum	1.5
Mean	2.5
Median	2.0
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**44.4%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the median of the range of price to book ratios of the Guideline Companies and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.

Schedule 8

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BAKERIES AND OTHER FOOD MANUFACTURING
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 8.1	6.5%	2	13.0%
Gross Profit Margin (%)	Schedule 8.2	0.0%	2	0.0%
Inventory Turnover Ratio	Schedule 8.3	5.6%	1	5.6%
Fixed Asset Turnover Ratio	Schedule 8.4	0.0%	1	0.0%
Price to Book Ratio	Schedule 8.5	0.0%	0	0.0%
Industrial Capacity Utilization	Schedule 2.6	0.8%	0	0.0%
			6	18.6%
Range of EO Indicators - 0% to 6%			***divide by total assigned weight***	*6*
Calculated Rate of EO (rounded)				3.0%
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**0.0%**

Note:

(1) In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 8.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BAKERIES AND OTHER FOOD MANUFACTURING
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Mondelez International Inc.	5.2%	5.8%	6.0%	5.2%	3.3%	5.2%	1.0%	2.3%	2.4%	3.9%	6.0%	1.0%	4.0%	4.6%	4.0%	13.0%
2	Kellogg Co.	11.8%	13.0%	14.2%	15.7%	15.5%	14.8%	14.6%	10.0%	10.0%	16.4%	16.4%	10.0%	13.6%	14.4%	5.7%	60.4%
3	Sensient Technologies Corp.	6.1%	4.0%	6.2%	6.2%	6.8%	6.4%	7.7%	8.5%	8.3%	7.1%	8.5%	4.0%	6.7%	6.6%	5.1%	22.7%
4	McCormick & Company Inc.	13.7%	12.8%	9.5%	11.4%	11.6%	11.9%	13.4%	12.3%	12.8%	11.6%	13.7%	9.5%	12.1%	12.1%	12.3%	0.0%
5	General Mills Inc.	6.6%	8.1%	8.7%	9.7%	9.6%	8.7%	10.4%	12.0%	9.5%	10.6%	12.0%	6.6%	9.4%	9.6%	10.4%	0.0%
6	Keurig Green Mountain Inc	16.8%	14.6%	7.1%	6.4%	8.8%	11.2%	8.7%	10.5%	12.6%	15.5%	16.8%	6.4%	11.2%	10.9%	16.8%	0.0%
	Mean											12.2%	6.3%	9.5%	9.7%	9.1%	16.0%
	Median											12.9%	6.5%	10.3%	10.3%	8.1%	6.5%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 8.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BAKERIES AND OTHER FOOD MANUFACTURING
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Mondelez International Inc.	37.0%	36.0%	35.8%	34.0%	32.9%	36.0%	37.7%	36.6%	37.3%	37.1%	37.7%	32.9%	36.0%	36.3%	36.8%	0.0%
2	Kellogg Co.	44.9%	44.9%	44.2%	44.0%	41.9%	42.9%	43.2%	39.0%	38.5%	41.6%	44.9%	38.5%	42.5%	43.1%	35.4%	17.9%
3	Sensient Technologies Corp.	29.8%	28.6%	30.2%	30.6%	30.4%	30.7%	30.7%	31.4%	31.8%	32.6%	32.6%	28.6%	30.7%	30.7%	33.9%	0.0%
4	McCormick & Company Inc.	39.9%	40.0%	41.0%	40.9%	40.6%	41.6%	42.5%	41.2%	40.3%	40.4%	42.5%	39.9%	40.8%	40.8%	40.8%	0.0%
5	General Mills Inc.	40.5%	35.2%	35.6%	36.1%	35.7%	35.6%	39.6%	40.0%	36.3%	36.2%	40.5%	35.2%	37.1%	36.2%	35.6%	1.7%
6	Keurig Green Mountain Inc	39.3%	35.3%	36.4%	38.4%	35.3%	31.2%	31.4%	34.1%	32.9%	37.2%	39.3%	31.2%	35.2%	35.3%	38.6%	0.0%
	Mean	39.6%	34.4%	37.1%	37.1%	36.9%	3.3%										
	Median	39.9%	34.1%	36.6%	36.3%	36.2%	0.0%										

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 8.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BAKERIES AND OTHER FOOD MANUFACTURING
INVENTORY TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Mondelez International Inc.	6.0	6.4	6.2	6.2	6.8	6.5	4.3	4.1	4.6	5.9	6.8	4.1	5.7	6.1	6.0	1.6%
2	Kellogg Co.	8.0	8.0	7.9	7.5	8.2	8.0	7.2	7.2	6.9	6.6	8.2	6.6	7.6	7.7	7.5	2.6%
3	Sensient Technologies Corp.	2.3	2.3	2.4	2.4	2.3	2.2	2.4	2.4	2.3	2.1	2.4	2.1	2.3	2.3	2.1	8.7%
4	McCormick & Company Inc.	4.3	4.5	4.3	4.1	4.3	4.2	4.1	4.0	3.9	3.8	4.5	3.8	4.2	4.2	3.6	14.3%
5	General Mills Inc.	6.1	7.0	7.2	7.1	6.9	6.9	6.6	6.0	6.9	7.5	7.5	6.0	6.8	6.9	7.4	0.0%
6	Keurig Green Mountain Inc	9.8	8.8	6.2	6.0	5.1	5.0	4.7	3.7	3.6	3.8	9.8	3.6	5.7	5.1	3.8	25.5%
	Mean											6.5	4.4	5.4	5.4	5.1	8.8%
	Median											7.2	4.0	5.7	5.6	4.9	5.6%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 8.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BAKERIES AND OTHER FOOD MANUFACTURING
FIXED ASSET TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Mondelez International Inc.	3.2	3.5	3.4	3.5	3.9	3.8	2.6	2.6	2.9	3.5	3.9	2.6	3.3	3.4	3.4	0.0%
2	Kellogg Co.	3.5	3.8	4.0	4.1	4.3	4.2	4.0	4.1	4.0	3.9	4.3	3.5	4.0	4.0	4.0	0.0%
3	Sensient Technologies Corp.	2.6	2.6	2.9	2.9	3.1	2.9	3.1	3.2	3.0	2.7	3.2	2.6	2.9	2.9	2.7	6.9%
4	McCormick & Company Inc.	5.4	5.5	5.9	6.1	6.7	6.7	6.8	7.3	7.5	7.3	7.5	5.4	6.5	6.7	7.2	0.0%
5	General Mills Inc.	3.6	3.8	4.1	4.5	4.8	5.2	5.3	5.1	5.4	5.3	5.4	3.6	4.7	5.0	5.2	0.0%
6	Keurig Green Mountain Inc	4.7	4.3	5.1	6.0	6.0	6.7	6.9	6.3	5.1	4.5	6.9	4.3	5.6	5.5	4.4	20.0%
	Mean											5.2	3.7	4.5	4.6	4.5	4.5%
	Median											4.9	3.6	4.4	4.5	4.2	0.0%

Notes:
(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 8.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BAKERIES AND OTHER FOOD MANUFACTURING
PRICE TO BOOK RATIO ANALYSIS

Price to Book Ratio at June 18, 2015		(Note 1)
1	Mondelez International Inc.	2.4
2	Kellogg Co.	7.9
3	Sensient Technologies Corp.	3.1
4	McCormick & Company Inc.	5.6
5	General Mills Inc.	5.1
6	Keurig Green Mountain Inc	3.7

Maximum	7.9
Minimum	2.4
Mean	4.6
Median	4.4
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**0.0%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the median of the range of price to book ratios of the Guideline Companies and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.

Schedule 9

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SOFT DRINK MANUFACTURING
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 9.1	49.1%	2	98.2%
Gross Profit Margin (%)	Schedule 9.2	3.7%	2	7.4%
Inventory Turnover Ratio	Schedule 9.3	0.0%	1	0.0%
Fixed Asset Turnover Ratio	Schedule 9.4	11.1%	1	11.1%
Price to Book Ratio	Schedule 9.5	0.0%	0	0.0%
Industrial Capacity Utilization	Schedule 9.6	0.0%	0	0.0%
			6	116.7%
Range of EO Indicators - 0% to 50%			***divide by total assigned weight***	*6*
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**19.0%**

Note:

(1) In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 9.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SOFT DRINK MANUFACTURING
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	The Coca-Cola Co.	24.4%	24.4%	25.0%	23.6%	20.5%	22.4%	26.7%	15.8%	16.0%	14.4%	26.7%	14.4%	21.3%	23.0%	11.7%	49.1%
2	PepsiCo Inc.	20.8%	18.7%	24.9%	22.7%	19.3%	20.9%	15.4%	12.2%	11.1%	11.6%	24.9%	11.1%	17.8%	19.0%	11.7%	38.4%
3	Cott Corp.	11.0%	3.1%	-2.1%	-8.5%	-17.8%	14.1%	6.5%	3.4%	4.3%	1.9%	14.1%	-17.8%	1.6%	3.3%	0.9%	72.7%
	Mean											21.9%	2.6%	13.6%	15.1%	8.1%	53.4%
	Median											24.9%	11.1%	17.8%	19.0%	11.7%	49.1%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 9.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SOFT DRINK MANUFACTURING
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	The Coca-Cola Co.	64.7%	64.5%	66.1%	63.9%	64.4%	64.2%	63.9%	60.9%	60.3%	60.7%	66.1%	60.3%	63.4%	64.1%	61.1%	4.7%
2	PepsiCo Inc.	56.7%	56.5%	55.1%	54.3%	52.9%	53.5%	54.1%	52.5%	52.2%	53.0%	56.7%	52.2%	54.1%	53.8%	53.7%	0.2%
3	Cott Corp.	17.2%	14.2%	12.2%	11.2%	11.0%	15.6%	14.8%	11.8%	13.9%	13.2%	17.2%	11.0%	13.5%	13.6%	13.1%	3.7%
	Mean											46.7%	41.2%	43.7%	43.8%	42.6%	2.8%
	Median											56.7%	52.2%	54.1%	53.8%	53.7%	3.7%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 9.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SOFT DRINK MANUFACTURING
INVENTORY TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (**A**)	(Note 1) (**B**)	(Note 3,4) **(A-B/A)**
1	The Coca-Cola Co.	5.7	5.9	5.4	5.4	5.2	4.9	5.1	6.3	6.0	5.6	6.3	4.9	5.6	5.5	5.6	0.0%
2	PepsiCo Inc.	8.6	8.8	8.7	8.6	8.5	7.8	8.9	8.8	8.4	8.9	8.9	7.8	8.6	8.7	9.4	0.0%
3	Cott Corp.	12.5	11.3	11.3	12.1	12.2	12.8	9.8	9.7	8.9	7.9	12.8	7.9	10.9	11.3	7.2	36.3%
	Mean											9.3	6.9	8.4	8.5	7.4	12.1%
	Median											8.9	7.8	8.6	8.7	7.2	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 9.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SOFT DRINK MANUFACTURING
FIXED ASSET TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	The Coca-Cola Co.	3.6	3.9	3.8	3.8	3.8	3.5	2.9	3.1	3.3	3.2	3.9	2.9	3.5	3.5	3.1	11.1%
2	PepsiCo Inc.	3.7	3.9	3.8	3.8	3.8	3.6	3.7	3.4	3.4	3.5	3.9	3.4	3.6	3.7	3.7	0.0%
3	Cott Corp.	5.4	5.0	4.7	4.8	4.5	4.6	4.3	4.7	4.6	4.3	5.4	4.3	4.7	4.7	3.2	33.0%
	Mean											4.4	3.5	3.9	4.0	3.3	14.7%
	Median											3.9	3.4	3.6	3.7	3.2	11.1%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 9.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SOFT DRINK MANUFACTURING
PRICE TO BOOK RATIO ANALYSIS

Price to Book Ratio at June 18, 2015		(Note 1)
1	The Coca-Cola Co.	5.8
2	PepsiCo Inc.	8.1
3	Cott Corp.	1.6

Maximum	8.1
Minimum	1.6
Mean	5.2
Median	5.8
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**0.0%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the median of the range of price to book ratios of the Guideline Companies and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.

Schedule 9.6

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
SOFT DRINK MANUFACTURING
INDUSTRIAL CAPACITY UTILIZATION RATES - BEVERAGE MANUFACTURING (NAICS 312)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Beverage manufacturing	79.3	79.7	76.1	72.5	65.3	74.4	71.9	73.5	74.1	74.4	77.8

Maximum - 2004 to 2013	79.7
Minimum - 2004 to 2013	65.3
Median - 2004 to 2013	74.3
Five Year Average - 2009 to 2013	73.7
Ten Year Average - 2004 to 2013	74.1
2014	77.8
Indicated EO (Note 2)	**0.0%**

Notes:

(1) Source: Statistics Canada - CANSIM Table 028-0002.

(2) Indicated EO was measured by calculating the differential in the median capacity utilization rate from 2004 to 2013 and the current rate based on the average capacity utilization rate for 2014.

Schedule 10

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BREWERY INDUSTRY
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 10.1	10.9%	2	21.8%
Gross Profit Margin (%)	Schedule 10.2	0.0%	2	0.0%
Inventory Turnover Ratio	Schedule 10.3	0.0%	1	0.0%
Fixed Asset Turnover Ratio	Schedule 10.4	0.0%	1	0.0%
Price to Book Ratio	Schedule 10.5	52.8%	0	0.0%
Industrial Capacity Utilization	Schedule 9.6	0.0%	0	0.0%
			6	21.8%
Range of EO Indicators - 0% to 50%			***divide by total assigned weight***	*6*
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**4.0%**

Note:

(1) In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 10.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BREWERY INDUSTRY
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Molson Coors Brewing Co.	6.3%	3.8%	4.1%	4.9%	3.8%	7.4%	6.2%	6.0%	3.5%	4.2%	7.4%	3.5%	5.0%	4.6%	4.1%	10.9%
2	Anheuser-Busch Inbev SA	8.4%	9.1%	11.4%	14.9%	5.2%	6.4%	6.0%	8.6%	10.0%	15.8%	15.8%	5.2%	9.6%	8.9%	10.2%	0.0%
3	Sapporo Holdings Ltd.	1.2%	1.0%	0.7%	1.7%	2.3%	1.4%	3.2%	0.9%	1.5%	2.6%	3.2%	0.7%	1.7%	1.5%	0.0%	100.0%
	Mean											8.8%	3.1%	5.4%	5.0%	4.8%	37.0%
	Median											7.4%	3.5%	5.0%	4.6%	4.1%	10.9%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 10.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BREWERY INDUSTRY
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (**A**)	(Note 1) (**B**)	(Note 3,4) **(A-B/A)**
1	Molson Coors Brewing Co.	36.3%	39.9%	40.4%	40.2%	40.5%	43.1%	44.3%	41.7%	39.9%	39.5%	44.3%	36.3%	40.6%	40.3%	39.9%	1.0%
2	Anheuser-Busch Inbev SA	53.4%	56.4%	58.8%	58.9%	56.0%	53.2%	55.5%	57.4%	58.7%	59.3%	59.3%	53.2%	56.8%	56.9%	60.1%	0.0%
3	Sapporo Holdings Ltd.	31.1%	31.1%	30.8%	31.9%	30.2%	30.9%	32.9%	36.2%	36.4%	35.4%	36.4%	30.2%	32.7%	31.5%	35.2%	0.0%
	Mean											46.7%	39.9%	43.4%	42.9%	45.1%	0.3%
	Median											44.3%	36.3%	40.6%	40.3%	39.9%	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 10.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BREWERY INDUSTRY
INVENTORY TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4,5) (A-B/A)
1	Molson Coors Brewing Co.	12.3	12.0	11.0	10.7	10.1	9.2	9.6	10.2	11.2	12.1	12.3	9.2	10.8	10.9	12.2	0.0%
2	Anheuser-Busch Inbev SA	6.0	5.9	5.9	5.8	4.7	6.8	7.1	7.0	6.7	6.6	7.1	4.7	6.3	6.3	6.5	0.0%
3	Sapporo Holdings Ltd.	14.2	13.9	13.0	12.6	12.7	12.1	11.6	11.4	10.4	9.9	14.2	9.9	12.2	12.4	9.5	23.4%
	Mean											11.2	7.9	9.8	9.9	9.4	7.8%
	Median											12.3	9.2	10.8	10.9	9.5	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 10.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BREWERY INDUSTRY
FIXED ASSET TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4,5) (A-B/A)
1	Molson Coors Brewing Co.	3.0	2.9	2.5	2.4	2.4	2.3	2.4	2.5	2.3	2.1	3.0	2.1	2.5	2.4	2.2	8.3%
2	Anheuser-Busch Inbev SA	1.9	2.0	2.2	2.2	1.6	2.0	2.2	2.5	2.5	2.3	2.5	1.6	2.1	2.2	2.3	0.0%
3	Sapporo Holdings Ltd.	1.3	1.3	1.3	1.3	1.3	1.2	1.3	1.5	1.5	1.4	1.5	1.2	1.3	1.3	1.5	0.0%
	Mean											2.3	1.6	2.0	2.0	2.0	2.8%
	Median											2.5	1.6	2.1	2.2	2.2	0.0%

Notes:
(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 10.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
BREWERY INDUSTRY
PRICE TO BOOK RATIO ANALYSIS

Price to Book Ratio at June 18, 2015		(Note 1)
1	Molson Coors Brewing Co.	1.7
2	Anheuser-Busch Inbev SA	3.9
3	Sapporo Holdings Ltd.	1.2

Maximum	3.9
Minimum	1.2
Mean	2.3
Median	1.7
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**52.8%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the median of the range of price to book ratios of the Guideline Companies and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.

Schedule 11

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DISTILLERY & WINERY INDUSTRY
SUMMARY OF GUIDELINE COMPANIES RATIO ANALYSIS

Guideline Company Ratio Analysis		Indicated EO	Assigned Weight (Note 1)	Weighted Average
Return on Invested Capital	Schedule 11.1	0.0%	2	0.0%
Gross Profit Margin (%)	Schedule 11.2	0.0%	2	0.0%
Inventory Turnover Ratio	Schedule 11.3	10.6%	1	10.6%
Fixed Asset Turnover Ratio	Schedule 11.4	0.0%	1	0.0%
Price to Book Ratio	Schedule 11.5	2.8%	0	0.0%
Industrial Capacity Utilization	Schedule 9.6	0.0%	0	0.0%
			6	10.6%
Range of EO Indicators - 0% to 10%			***divide by total assigned weight***	*6*
Calculated Rate of EO (rounded)				2.0%
Estimated Rate of EO as at January 1, 2016 (rounded) (Note 1)				**0.0%**

Note:

(1) In concluding on the rate of EO, the greatest weight was assigned to the EO indicated by the ROIC and gross profit margin (%) analyses given that these analyses best reflect financial/economic performance as they directly measure changes in profitability and overall return on total assets.

The EO indicated by the ITR and FATR analyses were assigned a lower weight given that although these analyses reflect changes in the magnitude of sales revenue generated in relation to inventory and fixed asset investments, they do not directly measure changes in profitability and/or overall return on investment.

A weighting of zero was assigned to the PBR analysis given that it is not a reliable measure of EO as it can be impacted by other variables unrelated to a change in the economic return on an investment.

A weighting of zero was also assigned to the industrial capacity utilization analysis as sector specific rates were not available and because of the limitations regarding the analysis as described in the narrative portion of this report.

Schedule 11.1

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DISTILLERY & WINERY INDUSTRY
RETURN ON INVESTED CAPITAL ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Constellation Brands Inc.	4.9%	5.1%	4.8%	-7.6%	-4.0%	1.5%	8.5%	7.2%	6.0%	20.2%	20.2%	-7.6%	4.7%	5.0%	6.4%	0.0%
2	Andrew Peller Ltd.	9.2%	7.7%	4.5%	6.0%	7.1%	-0.8%	5.2%	6.4%	7.2%	7.7%	9.2%	-0.8%	6.0%	6.8%	7.1%	0.0%
3	Corby Spirit and Wine Ltd.	12.2%	18.8%	-	53.5%	14.3%	12.6%	8.2%	11.4%	19.1%	12.0%	53.5%	8.2%	18.0%	12.6%	11.2%	11.1%
4	Brown-Forman Corp.	13.0%	16.9%	18.9%	18.3%	19.0%	17.2%	16.4%	19.6%	16.9%	19.0%	19.6%	13.0%	17.5%	17.8%	19.7%	0.0%
	Mean											25.6%	3.2%	11.6%	10.6%	11.1%	2.8%
	Median											19.9%	3.7%	11.8%	9.7%	9.2%	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical return on invested capital ("ROIC") benchmark (based on the median rate from 2004 to 2013) and the current ROIC based on 2014 as follows: ((Median ROIC - Current ROIC) / Median ROIC). If the current ROIC was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 11.2

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DISTILLERY & WINERY INDUSTRY
GROSS PROFIT MARGIN ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	2004 to 2013 Min	2004 to 2013 Mean	2004 to 2013 Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Constellation Brands Inc.	27.5%	27.9%	28.8%	29.2%	34.0%	33.7%	35.0%	35.9%	40.1%	39.9%	40.1%	27.5%	33.2%	33.9%	41.2%	0.0%
2	Andrew Peller Ltd.	41.8%	43.0%	40.4%	41.7%	42.1%	37.3%	36.6%	38.9%	38.7%	36.2%	43.0%	36.2%	39.7%	39.7%	34.6%	12.8%
3	Corby Spirit and Wine Ltd.	60.3%	60.2%	-	53.4%	53.1%	53.0%	55.0%	55.8%	58.5%	62.6%	62.6%	53.0%	56.9%	55.8%	64.3%	0.0%
4	Brown-Forman Corp.	62.5%	65.0%	67.3%	66.8%	65.6%	63.6%	65.2%	66.7%	65.9%	68.6%	68.6%	62.5%	65.7%	65.8%	69.5%	0.0%
	Mean											53.6%	44.8%	48.9%	48.8%	52.4%	3.2%
	Median											52.8%	44.6%	48.3%	47.8%	52.8%	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical gross margin (%) benchmark (based on the median rate from 2004 to 2013) and the current gross margin (%) based on 2014 as follows: ((Median GM% - Current GM%) / Median GM%). If the current GM(%) was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 11.3

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DISTILLERY & WINERY INDUSTRY
INVENTORY TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Constellation Brands Inc.	2.1	2.0	2.0	1.2	1.2	1.2	1.3	1.2	1.2	1.8	2.1	1.2	1.5	1.3	1.9	0.0%
2	Andrew Peller Ltd.	1.8	1.7	1.9	1.7	1.6	1.6	1.8	1.8	1.6	1.6	1.9	1.6	1.7	1.7	1.6	5.9%
3	Corby Spirit and Wine Ltd.	1.1	1.3	n/a	1.8	1.6	1.5	1.3	1.2	1.1	1.0	1.8	1.0	1.3	1.3	1.0	23.1%
4	Brown-Forman Corp.	1.1	1.2	1.3	1.2	1.3	1.4	1.3	1.3	1.4	1.2	1.4	1.1	1.3	1.3	1.1	15.4%
	Mean											1.8	1.2	1.5	1.4	1.4	11.1%
	Median											1.9	1.2	1.4	1.3	1.4	10.6%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical inventory turnover rate ("ITR") benchmark (based on the median rate from 2004 to 2013) and the current ITR based on 2014 as follows: ((Median ITR - Current ITR) / Median ITR). If the current ITR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 11.4

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DISTILLERY & WINERY INDUSTRY
FIXED ASSET TURNOVER RATIO ANALYSIS

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004 to 2013 Max	Min	Mean	Median	2014	Indicated EO
		(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2) (A)	(Note 1) (B)	(Note 3,4) (A-B/A)
1	Constellation Brands Inc.	3.0	3.1	3.3	2.0	2.0	2.2	2.4	2.1	2.3	3.0	3.3	2.0	2.5	2.3	2.6	0.0%
2	Andrew Peller Ltd.	3.0	3.1	3.0	2.6	2.7	2.6	2.7	2.8	2.9	2.9	3.1	2.6	2.8	2.8	2.9	0.0%
3	Corby Spirit and Wine Ltd.	17.5	17.7	-	17.4	15.1	12.8	10.9	10.3	12.7	17.0	17.7	10.3	14.6	15.1	16.4	0.0%
4	Brown-Forman Corp.	3.2	3.8	4.6	4.8	5.1	5.0	5.2	6.0	6.9	6.7	6.9	3.2	5.1	5.1	6.1	0.0%
	Mean											7.8	4.5	6.3	6.3	7.0	0.0%
	Median											5.1	2.9	4.0	4.0	4.5	0.0%

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) The Max, Min, Mean and Median values are based on the historical rates of the Guideline Companies from 2004 to 2013.

(3) Indicated EO for each of the Guideline Companies was measured by calculating the differential in the historical fixed asset turnover rate ("FATR") benchmark (based on the median rate from 2004 to 2013) and the current FATR based on 2014 as follows: ((Median FATR - Current FATR) / Median FATR). If the current FATR was higher than the benchmark, a differential of 0.0% was calculated as the indicated EO.

(4) The overall rate of EO chosen was based on the median of the range of indicated EO values of the Guideline Companies.

Schedule 11.5

MUNICIPAL PROPERTY ASSESSMENT CORPORATION
ANALYSIS OF ECONOMIC OBSOLESCENCE
DISTILLERY & WINERY INDUSTRY
PRICE TO BOOK RATIO ANALYSIS

	Price to Book Ratio at June 18, 2015	(Note 1)
1	Constellation Brands Inc.	4.0
2	Andrew Peller Ltd.	1.9
3	Corby Spirit and Wine Ltd.	3.0
4	Brown-Forman Corp.	11.3

Maximum	11.3
Minimum	1.9
Mean	5.1
Median	3.5
S&P / TSX Industrials Sector Index at June 18, 2015 (Note 1)	3.6
Indicated EO (Note 2)	**2.8%**

Notes:

(1) Source: Thomson Reuters Eikon database.

(2) Indicated EO was measured by calculating the differential in the median of the range of price to book ratios of the Guideline Companies and the weighted average price to book ratio of the S&P/TSX Industrials Sector Index.