

ANNUAL REPORT 2019/20



Palliser Economic Partnership

Positioning Southeast Alberta as
an ideal investment location.



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Our Vision

Creative and diverse communities growing together in Southeast Alberta.

Our Mission

To facilitate regional cooperation to position Southeast Alberta as an ideal location for business investment.

About Palliser Economic Partnership

Palliser Economic Partnership Ltd. (PEP) was incorporated as a not-for-profit corporation in 2001. Its shareholders are comprised of urban and rural municipalities and one post-secondary institution located in Southeast Alberta. PEP is a member driven organization, with board members that include elected officials and business people. The organization is funded through per capita contributions from its member shareholders and through grants from the provincial and federal government. Its goal is to improve and expand the economy of Southeast Alberta.

PEP engages in key initiatives that benefit the entire region. The goals are to market the region, build capacity and cooperation within the region through learning and networking opportunities and actively encourage investment and business growth. PEP offers its member municipalities economic guidance. It undertakes studies and research upon which opportunities are identified and initiatives designed and undertaken. Most often these initiatives are outside the scope and reach of member municipalities to do on their own. PEP works in partnership with several economic development agencies and organizations both in and outside of the region as well as provincial and federal government departments to accomplish its objectives.

Focus Areas

- **Marketing and Communications.** One of PEP's priorities is to make Southeast Alberta globally competitive by marketing the region on a larger scale and promoting initiatives to attract investment. It is also vital to promote the Palliser Economic Partnership as an effective regional alliance and the region as a healthy place to live and do business.
- **Regional Cooperation.** PEP is committed to growing and building communities through capacity building and collaboration, ensuring strong, vibrant communities throughout the region. We support balanced and sustainable growth in member communities, building alliances, partnerships and networks that enhance economic development participation inside and outside the region.
- **Business Investment.** PEP encourages sustainable economic growth by supporting business retention, economic diversity, investment attraction, industry innovation, technology adoption and commercialization.

Chairman's Letter

— Jay Slempp

Dear Shareholders,

One thing we have learned through the current COVID-19 crisis is Canada's place in the global food chain, with our region continuing to provide the highest quality food ingredients in the world. Agricultural producers in the Palliser region provide meat products, cereals and grains, lentils, oilseeds, hot house vegetables, and specialty crops including hemp, spearmint and others.

PEP
food
to th



For the past few years, we have been working with you to identify local farmers, businesspeople and investors who have expressed desire to add value to their primary agricultural commodities. We have advocated for the development of new international markets, and new, regionally-produced food products that will move us up the food supply chain. As the current global pandemic continues to disrupt food supply chains and impact international food processing, it is more important than ever to look at how ingredients can be processed closer to home. It's a matter of economic health for us, and a matter of food security for everyone else.

**'s goal is to deliver
l from our farm gate
ne Chinese plate.**

Now is the time for all of us to take advantage of our excellent national reputation for food quality and understand that processing our own ingredients in our own back yard will yield results. China, in particular, is a large and untapped market who have increased interest in our food products. The numbers are staggering. According to the World Trade Organization, China imported over 53 million tonnes of food valued at more than \$58 billion USD in 2017, representing 38% and 25% year over year increase.

PEP's goal is to deliver food from our farm gate to the Chinese plate.

We set the stage in 2019. We undertook value-added agriculture projects that confirmed PEP advantages in providing pulse crops and ingredients, meat products, cereal grains and related products. We developed relationships with established Chinese buyers and increased our understanding of how to access the Chinese market via online sales. We are excited to advance this work in 2020-21.

Looking beyond our dinner plate, we also assisted our member communities as they continued their own projects, and pursued new opportunities in line with their own strategic plans. You can read about these projects later in this report.

All of our shareholders made tremendous progress in 2019-20. The impact of COVID-19 is certainly hitting hard and all of our shareholders are in the throes of crisis management, and emergency planning. That is of the highest importance now. And as we continue to progress through these unprecedented times, we hope there is some comfort in knowing that PEP, its partners and shareholders have laid a foundation for success that will allow us to emerge from these times stronger than ever.

It is a pleasure to serve all of you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jay Slemm'.

Jay Slemm
Chairman



Business Investment

Town of Bassano Tiny House Project

In 2019, the Town of Bassano began pursuing the potential of developing a tiny home community and development. The first phase of the project was a feasibility study, conducted by John Brown Architect Ltd. The project was funded primarily by Palliser Economic Partnership via funds from Alberta's Community and Regional Economic Support (CARES) program, with additional investment from the Town of Bassano.



The project proposes several concepts for tiny housing including a unique village consisting of tiny houses that are designed to help seniors age in place and an entrepreneur market. The Tiny House Village concept development plan includes revitalizing the Bassano Community Hall. The consultant believes that the development will attract new residents which in turn will help revitalize the community and help increase commerce and support local businesses.

The Bassano Tiny House project report also suggests the concept of an “Entrepreneur Market”. The “Entrepreneur Market” is a key element of the proposed Tiny House Village development and a major economic development component of the project. In the winter, the “Entrepreneur Market” would be relocated indoors in the Bassano Community Hall. This new venue will support more local shopping and increase support for entrepreneurs and SMEs.

Bassano Tiny Home Project will bring economic diversification to the town by creating a competitive advantage - a unique senior living alternative. This strategy will attract seniors from neighboring municipalities and beyond to settle in the community. The Bassano Tiny House Project will over time bring diversity to the commercial offerings available in the community and region.



Business Investment (Continued)

New Rail Facility Opens in Foremost

Forty Mile Rail has been approved by the National Transportation Corridor Fund (NCTF) for a grant of \$4.2 million to improve capacity of the regional transportation network in Southern Alberta.



Forty Mile Rail (FMR) is a private short line rail that offers rail service in the region. FMR has been operating since October 2016 and primarily transports agricultural products from the region to the CP interconnect junction near Stirling.

Forty Mile Rail has been approved by the National Transportation Corridor Fund (NCTF) for a grant of \$4.2 million to improve capacity of the regional transportation network in Southern Alberta. PEP has provided support to this project undertaken consulting contracts to evaluate the wind energy logistics off-loading opportunities and the submission to the NCTF program. Paul Laqua, President of Forty Mile Rail Inc has publicly thanked the PEP Board for all the support and assistance stating that without PEP's support Forty Mile Rail would not have been able to achieve the outcomes that they have realized.

In 2019, FMR officially cut the ribbon on the 12 acre Len Mitzel Logistics Park. This logistics park served as the laydown and transload hub for the \$300 million Whitla Wind Project.

Hundreds of wind tower components, windmill blades, and nacelles arrived on site via FMR, and were delivered the Whitla site, North of the Village of Foremost in Forty Mile County.

Business Investment (Continued)

Rural Broadband Project

Current Status

As of March 31 2020, seven municipalities, Lethbridge County, Cypress County, County of Forty Mile, MD of Taber, Wheatland County, MD of Willow Creek and Town of Redcliff have entered into an agreement to move forward with the project. Lethbridge County has agreed to be the lead municipality for the project and has entered into an agreement with PEP for access and right of use to the business case and business plan reports prepared by Taylor Warwick.

Participating Communities

- Town of Bassano
- Town of Bow Island
- City of Brooks
- Cardston County
- County of Forty Mile
- Village of Coutts
- Cypress County
- Village of Duchess
- Village of Foremost
- Hamlet of Granum
- City of Lethbridge
- Lethbridge County
- MD of Taber
- MD of Willow Creek
- City of Medicine Hat
- Town of Milk River
- Town of Redcliff
- Village of Rosemary
- City of Strathmore
- Town of Taber
- Vulcan County
- Village of Warner
- Wheatland County

The objective of the Southeast Alberta Broadband Network Feasibility project was to determine if municipalities would be willing to collaborate together to secure necessary infrastructure to establish a broadband network. The project was quite a large-scale regional collaboration.

It brought 23 communities together, to investigate and evaluate alternatives ranging from turnkey to do-it-yourself options, and developing financial models on which the communities could make sound decisions.

A Phased Approach

The Southeast Alberta Broadband Network Facility Project consisted of two distinct phases: the Business Case and the Business Plan. The key elements to both phases are highlighted below.

Part 1: Southeast Alberta Broadband Business Case

- Complete an initial business case for the complete network operation assuming all communities decide to participate.
- Facilitate a stakeholder session with all potential communities. Review concept, options, and analyses. Establish which communities wish to participate.
- Update initial business case and concept documents based on the results of the stakeholder sessions with participating communities and finalize the Business Case.

Part 2: Southeast Alberta Broadband Network Business / Implementation Plan

- Complete pre-conceptual engineering designs for each breakout point along the route, the fibre connection from the breakout point to the point-of-presence (POP) within each community,
- Revised the pro forma financial projections based on the refined capital estimates from the pre-conceptual engineering work and selected options.
- Facilitate a stakeholder session with participating communities and finalize the Business Plan.

As of January 1, 2020, Lethbridge County is the lead on this project.

Business Investment *(Continued)*

Value-Added Agriculture Project

This project highlighted what has come to be known as Internal Investment Attraction. That is, give local businesspeople and farmers the confidence that they can generate revenue and equity through vertically integrated investment and global partnerships. This project increased conversations and action among local and regional business people regarding investing in their own projects.

True North Cannabis is the most obvious example; the CARES-funded transportation study resulted in a \$1 million investment into a hemp chaff processing facility. Nineteen companies in the hemp, cannabis, and pulse processing were contacted.

This action generated three ongoing conversations from external investors. Lines of communication among these companies, which are based in Canada and the United States, remain open for investment possibilities.

Three additional leads related to value-added agriculture for export were generated through this project, through close work with Alberta Economic Development Trade & Tourism. These leads visited PEP communities for the purpose of establishing relationships and exploring potential partnership opportunities and the possibility of exporting Palliser region value-added food products to international markets.

PEP worked closely with its member communities on this project. This collaboration was critical as the member communities provided PEP with access to local investors and agricultural producers that it would not have otherwise known. More importantly, this collaboration provided insight into investment projects that these producers were already considering, as well as their line of thinking. This allowed PEP to focus its efforts on generating leads and meetings that connected these producers to new market opportunities and investors.

In 2019, PEP worked with Siray Consulting Group and Randall Communications to develop and execute a value-added agriculture project. Phase one of the project was opportunity identification and lead generation. Phase 2 included the development and distribution of marketing material related to hemp and cannabis, pulse processing, and craft distilleries.

The project identified and pursued 19 leads, produced three promotional brochures, generated a relationship with a US-based hemp trade finance company. This project was funded through CARES funding.



Business Investment (Continued)

MD of Acadia Irrigation Project

Throughout 2019 the MD of Acadia Council and Administration worked with MPE Engineering LTD to update the irrigation project feasibility study that was originally completed in 2005.

Agriculture is the key driver in the local economy providing many jobs and supporting several other local businesses. Both provincially and locally it has been recognized that irrigation can be a key driver in stabilizing the farming industry, resulting in strong and stable supporting businesses. The report focused on updating the costs estimates, assumptions impacting the modelling, and initial investigation into the environmental and historical resources within the area.

To determine the feasibility of an irrigation project it must be determined that there is enough water available from the Red Deer River to support the demand for water. In the 2005 report the required water allocation was identified and has been applied for by the MD of Acadia. The 2019 report reviewed these impacts and was able to determine that the full build of 27,000 acres could be supported by the current water applications.

The next big step for the project will be completing the environmental and historical resource assessments and any required mitigation. In the 2019 study a desktop review was done to identify the potential work that will need to be done and establish a budget to complete these studies. One challenge is that the studies are only valid for a period of time, so it was determined that these should not be completed until such time that capital funding can be secured to complete the construction of the reservoir and distribution system.

Ultimately the next step is to secure both capital and operating funding need to be addressed. The capital costs to develop the reservoir and distribution system are estimated at \$138 million. Once in operation, a major challenge for the project is the cost to lift the water from the Red Deer River to the reservoir, especially during the build out of the project. Two potential options were identified in the report, a long-term funding agreement, or up front funding of \$62 million.

Key Numbers

Project Acreage

**27,000
acres**

Capital costs to
develop reservoir and
distribution system

\$138 million



Regional Collaboration

Cooperation and collaboration make us stronger. Palliser Economic Partnership continues to build on the strength of its 22 member shareholders to maintain existing relationships and nurture new partnerships with other like-minded organizations.



1. Eastern Alberta Trade Corridor (EATC)

EATC is a collaboration between Palliser Economic Partnership and Northeast Alberta Information HUB that represents over 60 municipalities located eastern Alberta. Working together, the two organizations have been able to pursue initiatives that they cannot undertake by working alone.



Regional Collaboration

- Alberta Southwest
- Bear Paw Development Corp
- Cactus Corridor Economic Development
- Entre-Corp Community Futures
- Invest Medicine Hat
- Medicine Hat Chamber of Commerce
- Newell Region Economic Development
- Alberta HUB
- Plant Protein Alliance of Alberta
- Ports to Plains Alliance
- SAMDA
- SouthGrow
- Verge Economic Development
- Power-Up Brooks
- CRTC
- Canadian Hemp Trade Alliance

2. Global Petroleum Show

In June 2019, PEP partnered with the Government of Alberta Economic Development and Invest Medicine Hat to have a presence at the Alberta Pavilion of the Calgary's Global Petroleum Show.

Representatives from the City of Brooks, Town of Oyen and Invest Medicine Hat assisted PEP in staffing the booth situated in the Government of Alberta Pavilion.

3. Local to Global Forum

Over 70 persons attended the Local to Global Forum in held Vegreville, Alberta March 4-6, 2020. As has become customary a strong lineup of speakers headlined over the two and half days presented on topics from agriculture, transportation to technology.

4. UCP South Alberta Caucus

In January 2020, PEP was invited to address the UCP South Alberta Caucus, which is comprised of 16 MLAs and Chaired by Nate Horner, MLA for Drumheller-Stettler. The caucus asked to learn more about issues faced by PEP and rural Alberta communities, and better understand how to support rural economic development.

Marketing and Communications

The Value-added Agriculture Outreach program generated 19 leads, 12 brochures, nearly 60 touchpoints to potential investors, and 4 site visits to PEP communities.



Western Canada's best location for your next hemp or cannabis processing facility.

Alberta's Palliser region is Western Canada's hemp and cannabis capital. Area hemp farmers grow 40% of the national crop according to Statistics Canada, the region is home to approximately two-thirds of Canada's irrigated land, and the town of Redcliff is home to nearly half of Alberta's total greenhouse square footage.

Medicine Hat is home to Aurora Cannabis, Folium Biosciences, and Alberta's highest per capita number of retail cannabis shops. Brooks, Bow Island, Bassano, and Special Areas are destinations for hemp extraction, cannabis cultivation and other value-added activities, with a number of projects underway.

For companies seeking to expand their hemp and cannabis cultivation or extraction capacity, Alberta's Palliser region is an ideal location.



In 2019-20, PEP hired Randall Communications to undertake a marketing and sales campaign designed to increase industry attention from the pulse processing and hemp industries. Randall Communications completed an outreach program to 19 provided leads in both industries.

The program included developing and delivering a letter of invitation and brochure package to the leads, and at least three phone calls/emails to each lead.

This program uncovered an opportunity for hemp-specific trade financing being offered by a US-based hemp supply chain company. PEP-region farmers have expressed frustration that hemp buyers are not able to fulfill their contractual obligations, providing a potential opportunity to present trade financing for hemp buyers working with PEP-region farmers.

Overall, this process highlighted that cash has dried up in the hemp industry and facility construction has drastically declined as shareholders shift their focus to profitability and sustainability.

Pulse ingredient processing (ie protein, starch or other molecules) is dominated by large players such as Roquette and pulse processing processes are not yet well understood at an industrial scale. This presents an opportunity for smaller operators to set up demonstration-scale processes and tap into government R&D and commercialization funding to reduce capital risk.

Marketing Materials

- 1. Pulse Brochure** Four-page pulse processing brochure to industry leads, highlighting shovel-ready land, pulse acreage, logistics advantages and industry testimonials.
- 2. Hemp & Cannabis Brochure** Four-page hemp and cannabis brochure to industry leads, highlighting shovel-ready land, hemp acreage, logistics advantages and industry testimonials.
- 3. EATC Hemp Brochure** Two-page infographic-styled hemp brochure to highlight PEP and EATC feedstock options, financial incentives, market access, and logistics advantages.
- 4. Distilleries Brochure** four-page brochure to encourage local investors and businesspeople within PEP to consider craft distilling as an opportunity to generate economic activity.
- 5. Community Distilleries Brochure** eight two-page community-specific distillery brochures. The brochures are designed to be distributed locally to potential investors.



As the decade comes to a close, companies with a footprint in Alberta's Palliser region are looking at new opportunities in wind and solar energy, drones, cannabis, and entrepreneurship.

Eastern Alberta Trade Corridor's fifth annual Local to Global forum is taking place in Vegreville in early March. This event always receives high ratings by attendees as it does an excellent job of presenting innovative companies capitalizing on opportunities in Eastern Alberta.

Renewable energy dominated the news cycle in the fourth quarter of 2019. Berkshire Hathaway announced it would move ahead with a \$200 million wind project, followed by Suncor announcing its own \$300 million project, with both located in the County of Forty Mile. A solar generation project is under construction in Cypress County, expanding the Palliser region's solar capacity

PEP Talk Newsletters continue to be a powerful communications tool.

In May 2018 PEP launched its online PEP Talk Newsletter and distributed to more than 250 recipients. The newsletter's purpose is to inform and share information on economic activity taking place in southeastern Alberta. Keeping key stakeholders and prospects up to date with developments is key to promoting the Palliser Region for investment attraction. Three PEP Talk Newsletters were issued to the end of March 2020.

These newsletters are delivered to PEP stakeholders including board members, regional economic development officers, municipal administrators, business leaders, and provincial economic development contacts.

28 stories 28 stories were published in 2019-20, highlighting business investment in the Palliser region.

324 PEP's newsletter recipient list is 324 stakeholders, potential investors, partners, and collaborators.

53% Over half of all newsletter recipients opened our emails, above the industry average of 34%.

8.1% Nearly 10% of newsletter recipients clicked on a link within the newsletter. This is far above the industry average of 5%.

These newsletters are delivered to PEP stakeholders including board members, regional economic development officers, municipal administrators, business leaders, and provincial economic development contacts.

1

Western Canada's best location for your next pulse processing facility.

2

Western Canada's best location for your next hemp or cannabis processing facility

3

Alberta Trade CORRIDOR
We Mean Business

CANADA'S BEST LOCATION FOR YOUR NEXT HEMP PROCESSING FACILITY

680,000 IRRIGATED ACRES
LONGER DAYLIGHT HOURS

34,600 TOTAL HEMP ACRES, ALBERTA 2019

40% FORTY MILE RURAL

4

Open your Distillery in Southeast Alberta

5

VILLAGE OF Inpress

START YOUR DISTILLERY IN EMPRESS

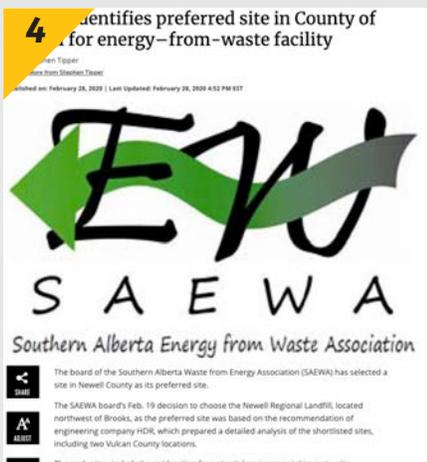
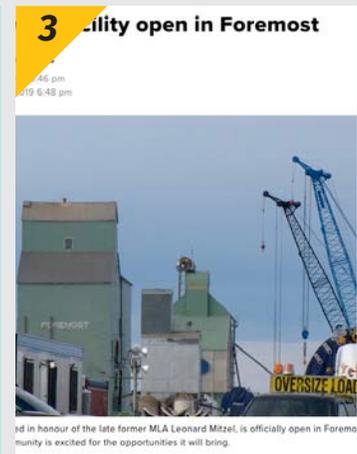
DISTILLING TALENT

GROWTH STORY

ROOM FOR ABOUT 60 MORE

Media Coverage In 2019

PEP members continued to move business forward in 2019-20. Some of the highlights are included below:



- 1. Alberta Express / September 2019**
"Southern Alberta short line hauling in jobs and economic activity"

- 2. Town of Bassano / October 2019**
"Canalief ground-breaking"

- 3. Global News / November 2019**
"New rail yard facility open in Foremost"

- 4. Vulcan Express / February 2020**
"SAEWA identifies preferred site in County of Newell for energy-from-waste facility"



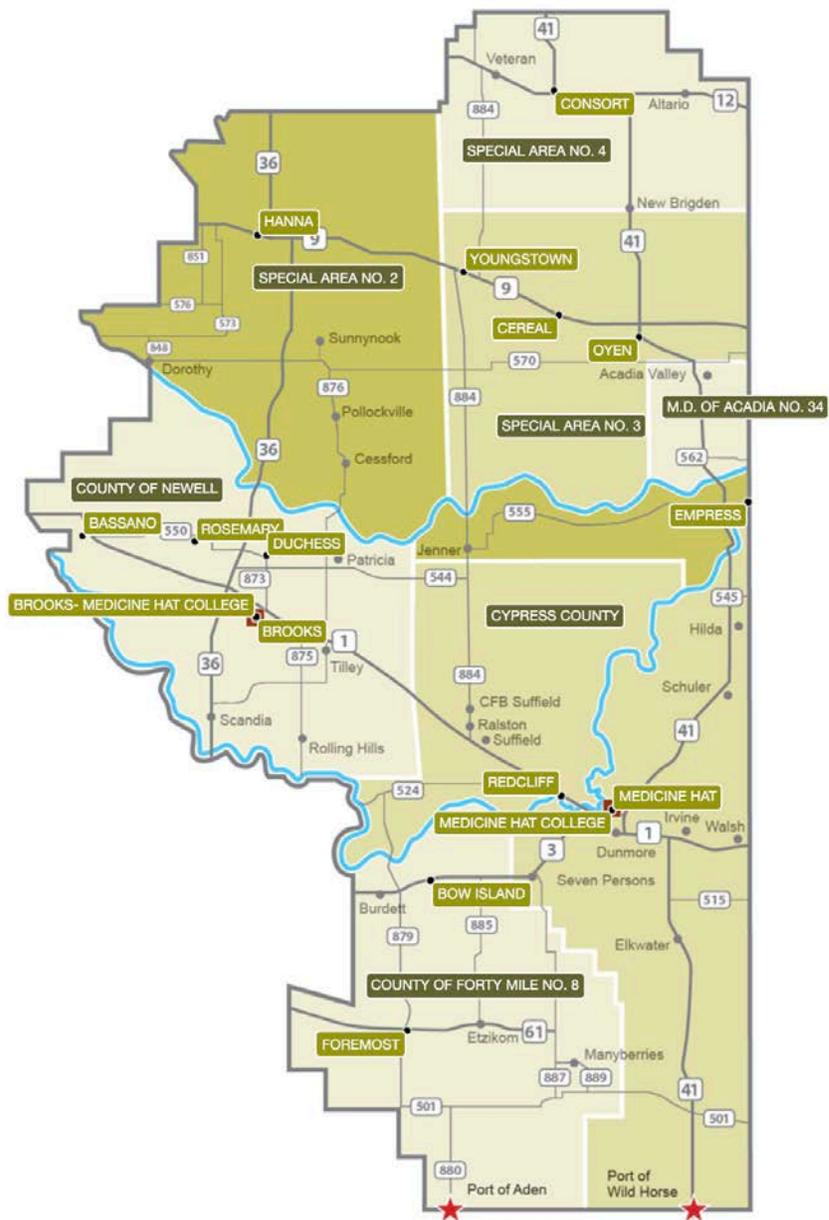
Map of Palliser Economic Partnership In 2019

The Palliser Economic Partnership is made up of 33 appointed members representing 22 shareholders, who are comprised of urban and rural municipalities and a post-secondary institution.

The organization is funded through per capita contributions from its member shareholders and through grants from the provincial and federal government.

Member Shareholders

- City of Brooks
- Town of Bow Island
- City of Medicine Hat
- Town of Hanna
- County of Forty Mile
- Town of Oyen
- County of Newell
- Town of Redcliff
- Cypress County
- Village of Cereal
- MD Acadia No. 34
- Village of Consort
- Special Area No. 2
- Village of Duchess
- Special Area No. 3
- Village of Empress
- Special Area No. 4
- Village of Foremost
- Town of Bassano
- Village of Rosemary
- Medicine Hat College
- Village of Youngstown





Palliser Economic Partnership

www.palliseralberta.ca
walter@palliseralberta.com
(403.526.7552)