



Backgrounder

The Origins and Purpose of the Quw'utsun' Vineyard Development Initiative

In the Spring of 2003, the Khowutzun Development Corporation launched the Quw'utsun' Vineyard Development Initiative. The purpose of this initiative was to provide information and background on the Vineyard and Estate Winery sector on Vancouver Island and answer the question, "Should the Cowichan get involved in the vineyard winery sector and, if so, how?"

The Project:

- Explored the potential for economic growth and employment through involvement in the growing vineyard and farm gate winery industry on Vancouver Island and in the Cowichan Valley.
- Developed complete and well-organized information to inform decisions on specific projects.
- Identified models for effective participation.
- Ensured that when KDC decided to move forward in this area, it did do so without delay and on the basis of well-tested business models.

In the Summer of 2003, KDC took the decision to move forward and become more involved in this area. It was recommended, as part of the review, that as an essential first step, KDC should consider an acquisition or a joint venture to acquire an interest in an existing operation to provide a solid foundation for further development and involvement.

In the Fall of 2003 approaches were made to several of the existing vineyards and, as a result in early December, an Offer to Purchase was made and accepted to acquire Cherry Point Vineyard, subject to due diligence.

In the following months, a rigorous review of the property and the operation was conducted. It was essential to the transaction that there be continuity of management and development, and this required that key staff and personnel remain in place.

The due diligence period and the issues that it has raised are now largely resolved and the transaction is expected to close on May 30, 2004.

What are the plans for the vineyard?

This is an economic development initiative and is being approached on this basis.

Continuity of management and development is essential. To this end, the current founders and owners, The Ulrichs, will continue to be directly involved in the operation and development of the vineyard for at least three years and potentially longer. As well, all of the current full-time staff will be offered positions with the vineyard.

There is no intention to change the name of the property. It will remain "Cherry Point".

There will be a development plan for the property put in place to continue and accelerate the growth and development of the Vineyard. This will be done in compliance with all legal and regulatory requirements of the CVRD, the Provincial and Federal Governments. There will be extensive consultation with the local community on these developments.

The Quw'utsun' Vineyard Development Corporation (QVDC) will be responsible for the development of involvement at and beyond Cherry Point. Many members of the Cowichan Community are currently involved in this sector as vineyard workers and there is significant opportunity for the development of individual vineyards to produce grapes for Cherry Point, which currently imports significant quantities of grapes from the Okanogan.

QVDC will also be active in promoting the sector within the valley. To this end, QVDC has joined the Wine Islands Vinters Association (WIVA), the Wine Island Grape Growers Association (WIGGA) and the British Columbia Agricultural Tourism Association (BCATA) and will be an active member of these associations.

About Khowutzun Development Corporation (KDC) and Cowichan Tribes

With a membership of over 3,700 people on reserve, Cowichan Tribes is the single largest First Nations community in British Columbia and Western Canada. Cowichan Tribes Community Offices are located in Duncan, B.C. and the Cowichan Community and community members own property throughout the Cowichan Valley.

The Khowutzun Development Corporation ("KDC") is the economic development arm of Cowichan Tribes with its head office in Duncan, B.C.

In its role as overall management, KDC provides general management services and all finance related management, including accounting, cash management, business planning and preparatory services. KDC has a board of directors independent of the Cowichan Tribes, including two outside business experts and community members. As part of its mission, KDC evaluates investments with an emphasis on investments that; provide social and economic impact through ownership and strategic partnerships, generate meaningful employment and develop management expertise.

Included under the umbrella of KDC are several successful operating entities. These include:

- the Khowutzun Mustimuhw Contractors Limited Partnership,

- Khowutzun Sand and Gravel,
- Qu'wutsun' Cultural and Conference Centre,
- Khowutzun Forest Services,
- Khowutzun Millwork and Joinery and
- The Khowutzun Investment Corporation.

Combined revenues reached \$8.1 million in 2002/2003 (a 40% increase over the prior year), with total employment nearing 200 in the same period. This strong growth is continuing through this year with projected revenues of approximately \$11 million for the combined group.