



The Board of Directors
Aiviit HTO
Coral Harbour, NWT

Attention; Mr. Leonard Netser

RE: Tunnuq Harvest.

Thank you for your recent letter in regard to the HTO's intention of focusing on the development of Tunnuq Harvest Limited's commercial interests. I applaud the HTO's efforts to ensure that Tunnuq's structure is such that the operations and investments made by Tunnuq are properly managed. Jim Lehman, the EDO for Coral Harbour, has the articles of incorporation, financial records and other information that will be required by the Board to make informed decisions. Jim will be returning to work from his vacation on January 15th, 1996 and, as requested in your letter, will provide the HTO Board with this information, or any other background information required.

The detailed information requested on the upcoming Caribou Harvest, including; relationships between Tunnuq Harvest Ltd. and those of the NWT Dev Corp, Arctic Canada Foods and [REDACTED] [REDACTED] are all documented in the Business Plan that was approved by Tunnuq Harvest Ltd. I will ensure that another copy of the Business plan is forwarded to your attention by priority post.

The Business Plan is an extremely detailed and complex document, understandable given the significant investment by the GNWT, size of the project, federal government regulations and importance to the community. The Business Plan indicates that, similar to last year, the President of the HTO will act as the President and General Manager of Tunnuq Harvest and is responsible for overall provision of guidance and management of the entire Harvest. To assist the President make informed decisions, four key positions were identified as a resource team to the President, as follows;

Project Manager ([REDACTED]); responsible for hunt operation, training, meeting of Agriculture Canada standards and production.

Project Coordinator ([REDACTED]); responsible for accessing funding, field assistance and organization, procurement and mobilization of program equipment and transportation.

Project Implementation (Renewable Officer); responsible for field planning and implementation

Finance Coordinator (Jim Lehman); responsible for the preparation and recording of financial aspects of the operation, including payroll, receivable, payables etc.

The authority of the individual members of this team, including Sean Peterson, is limited to specific areas identified in the business plan and only related to planning and organizing. A schedule of events is noted in the plan that guides the Project Coordinator and Manager. The group has very limited ability to negotiate on behalf of Tunnuq Harvest and are only preliminary efforts to ensure the best price for goods or services, prior to consultation and final approval by Tunnuq Harvest. None of the team have the authority to independently negotiate or approve expenditures or terms on behalf of Tunnuq Harvest.

All of the assets utilized in the Caribou Harvest belong to the HTO and were provided by the various GNWT Departments by contribution agreement strictly for that purpose. All assets have been capitalized in Tunnuq's financial statements and a detailed schedule is attached in the financial notes.

The current Business Plan was prepared in consultation with Tunnuq Harvest. I personally ensured that [REDACTED], the Project Manager trainee, was in attendance at meetings to provide input into a review of last years operational concerns. I also personally ensured that all correspondence between the Department and other organizations related to this project was copied to Tunnuq. Staff from my Department and the Department of Renewable Resources have visited the community on numerous occasions to meet with the HTO to discuss the Harvest. It is unfortunate that there is a perception by the HTO and Tunnuq Board of Directors that they have not been adequately consulted by GNWT Departments.

It was always the intention that, over the next three year period, that Tunnuq Harvest take over the entire responsibility of managing and operating this significant project. This is a planned and documented event, as noted in numerous sections of the business plan. By 1999 the plan indicates that enough training and expertise will have been gained by local residents to independently manage the field operation of the Harvest.

It was my vision that ED&T have minimal involvement in the project next year, likely limited to that of business planning expertise. I feel that by next year the Harvest may be in a position to hire their own project coordinator and manage their own financial affairs.

The Harvest implementation is approximately a month behind schedule, largely due to difficulties with the Arctic Canada Foods purchase offer. The offer on the table for the HTO's approval is complex but much better than last year as it provides access to low interest working capital, 50% of any increases above the \$3.00 per pound realized by Arctic Canada Foods, (if they sell for \$4.00 per lb, Tunnuq will realize \$3.50 per lb.) and payment within 3 banking days. The commission of sales to Arctic Canada Foods, at 5%, is half of last years. The offset is that Arctic Canada Foods wants a three year deal to reassure their buyers of a constant supply over the period and may limit Tunnuq from negotiating joint ventures or better prices.

It is doubtful that any other Foods Wholsaler will offer working capital or a 50-50 split of any price gained over and above the anticipated market price. Of interest is that the NWT Dev Corp, Arctic Canada Foods parent company, has indicated an interest in entering a joint partnership arrangement with Tunnuq

I would like to meet with the HTO Board in the very near future to discuss numerous topics related to the Harvest. I am particularly interested in discussing how we can utilize the current business plan and yet enhance increased project management at the community level. I am prepared to have Sean answer directly to the President for this years project as well as Sean working with a capable HTO member to replace him next year. I am also interested in discussing a similar arrangement for the financial coordination of the project.

I hope that this letter has addressed some of your concerns and that during our upcoming meeting we will be able to discuss and resolve any further issues. This project is Canada's only federally inspected Caribou harvest and currently the GNWT's largest development project. The Harvest will result in 27 local residents being provided further training and employment opportunities and assist in reducing the communities 37% unemployment rate and dependence on social assistance. The benefits to the community are clear and I hope that once again the Department and HTO can work in a partnership towards a successful project.

Regards,

