MEMO

TO: Jeff Hollett

FROM: Jim Lehman

RE: '96 Tunnuq Harvest

DATE: Sept. 1 '95

Not enough coffee. I'm just wondering now who got the instructions to take out a $25,000 fixed return investment.

Point taken. Working on the assumption that it takes about 14 working days to get a herc. load of product ready the **extra cash outlay for another 2 weeks would be:**

fuel	8000
food	10000
inspection	3000
ski-doo/komatiq rentals($75 x 9 units x 14 days)	9450
average bi-weekly pay	35000
sub total	65450
contractors	54000 *
total	119450

* if their rates are the same as last year's the total daily rate is $1800 as follows:

(skinner)	$300
(mechanic/electrician)	$350
(Boss-man)	$500
(gutter)	$300
(foreman)	$350

which comes to $54,000 for a 30 day month. How much cash is actually paid out depends a lot upon the project start date. If it begins mid-month only ½ of the contracting fees will be disbursed.

There are a couple of worrying things about the letter beginning with:

A1) Last year we ~~were~~ guesstimated billing as soon as the plane left; now we have to provide packing slips with carcass count and weight. If that means we have to wait for the final weights from Alsask we're talking some delay...or are they talking gross weight...in which case we should shop around for a scale.

B1) Not wanting to get stuck with a disputed commission invoice again they're going to subtract the 5% from each of our invoices submitted. I'm hurt that they would evince such a lack of trust.

B2) Actually the same clause was included in this year's contract.

C2) This effectively eliminates the possibility of not only the initial pre-billing but also prebilling before the meat hits the processing plant (see A1).

C3) I see your point but I thought that everybody felt that there should be no problem is achieving a slight price gain over this year's \$3.05. I mean if this product cannot at least maintain this year's price then the commercial viability of the whole thing is suspect...especially as we all felt that modest increases should be attainable once the product has captured market recognition.

I'm not sure if they'll accept the argument that their 5% commission is more than sufficient to cover interest and other related costs. What we're talking about are the costs associated with 2 different bundles of money. If total and southern sales are about \$468,000; then that money at 10% for 5 to 6 months is going to cost about 5% or \$23,000. Simply because its going to be that long before they see any money from the wholesalers. And that's what they're trying to partly defray through the commission,without even mentioning the direct costs and an attributable portion of the overhead costs which they must recover from either the 5% commission or any excess above the \$3.00 per pound. But we say. "that's your problem. We only need your money for a month, or 2 at max., which works out to no more than 1.66% because we figure as soon as the meat hits the FOB destination the meat has repaid the monies advanced. That leaves more than 3% to cover our share of any expenses". The confusion arises from an ambiguity of their role....are they agents or buyers? If they're agents I guess we're concerned until the meat hits the final market place but if they're buyers we stop worrying as soon as the meat leaves the ground. I could say a lot more but I don't want to obscure the issue.