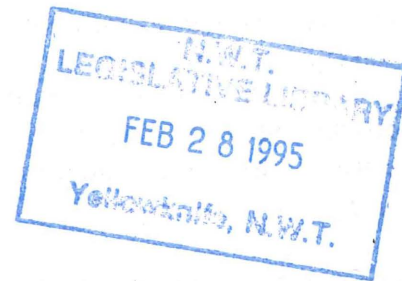


Dene Metis Holdings Ltd.  
Box 89  
Fort Smith, N.W.T.  
X0E 0P0

**TABLED DOCUMENT NO. 32-12 (7) TABLED ON FEB 27 1995**

October 5, 1994

Mr. R. Doherty  
Deputy Minister  
Department of Public Works & Services  
Government of the NWT  
Box 1320  
Yellowknife, N.W.T.  
X1A 2L9



Dear Mr. Doherty;

**Re: Initial Position of the Dene Metis Holdings Ltd. - Statement of Requirement**

On behalf of the Dene Metis Holdings Ltd., I appreciated the opportunity to meet with the "Project Steering Committee" on Friday, September 23, 1994.

The prime objective was to discuss with the Project Steering Committee what direction the Company was heading in order to meet the terms and conditions of the "Statement of Requirement." Another objective was to receive an initial response from the Steering Committee on the acceptability of the direction the Company was proposing to take.

After our dialogue, it was agreed that I would submit to the Steering Committee a synopsis of the two main options considered by the Company and the subsequent rationale for choosing a preferred option. The Steering Committee in turn would ensure that the document is communicated to the lead Minister, the Honourable Don Morin. I indicated that the Company requests the lead Minister bring our position to Cabinet and that Cabinet decide as soon as possible upon the acceptability of our preferred option.

I would caution that this letter is not intended to be a verbatim reflection of our meeting and thus may include other relevant statements.

As a preamble to articulating the Company's position, it should be noted that the Dene and Metis communities of Fort Smith have mandated their respective economic arms (Dene Metis Holdings Ltd.) to pursue viable business projects. Projects that are intended to generate profits, train their people, earn equity, maintain pace with constant technological changes and bring new industries to their communities. Implicit in these economic activities is the commitment to protecting the Aboriginal people's homeland. Learning state of the art methods of fire fighting with an experienced speciality business, like Conair Aviation Ltd. has been deemed to be the most desirable and efficient way for the Dene and Metis people to get into the business. The Company's officials also believe that by doing so, they will be in the most ideal position to

fulfilling its community driven objectives. Subsequently, the rationalization for the Company's position is reflected in its commitment to taking a business approach. Therefore, it follows that the Company's approach has incorporated characteristics, which govern the development of a new business.

The Company is anxious to develop a acceptable response to the Statement of Requirement, based upon a realistic and sound business approach. The underpinning philosophy of the Company's is that it must first be put in a position to firmly grasp complete control of the project. The subsequent business relationships that would stem from their successful undertaking of the project, with the various external businesses, would be premised on the Company's strengths and not on its current weaknesses. Hence, the Company evaluated its relative strengths and weaknesses, and concluded by giving formal consideration on how to gain control of the project.

The Company realized that the first step in the process was to establish an organization. The organizational structure would be reflective of the Company's existing state and represent its realistic aspirations in becoming a viable business entity. The choices were heavily influenced the Company's existing financial and human resources and its long term goals. The officers also envisioned the structure would likely be used to carrying out the objectives set by both the Aboriginal and Non-aboriginal communities of Fort Smith.

Armed with its own criteria and assumptions about the Town's applicable criteria, the Company considered two approaches. One approach was to form a company, 100% owned by the Dene and Metis people. The Company would enter into a contract for all of the services identified in the Statement of Requirement with the Government of the NWT. The Company would in turn sub-contract the technical expertise, management and assets from reputable, licensed, and experienced specialty aviation operators. The Company would also form a new company, with 100% Aboriginal ownership, to construct and lease-back a suitably sized aircraft hanger to its operating company.(See schematic Appendix "A")

The second approach was to form a new joint venture company, with 51% ownership being held by the Dene and Metis people of Fort Smith and 49% owned by Conair Aviation Ltd. A company that has been operating in the North for 21 years and is renown for its' expertise in the use of aircraft for forest fire fighting. Conair Aviation Ltd. would be contracted to provide the technical expertise, management and assets. A new company with a 90-10 shareholder ratio would be established to construct and lease-back a aircraft hanger facility to the joint venture company. The tooling, start up costs and working capital requirements will be provided by partners of the joint venture.(See schematic Appendix "B")

The preferred option for the Dene and Metis people of Fort Smith is to proceed with option two. The Aboriginal community utilized the following criteria as a guide in their evaluation;

- . Major influence over job and training opportunities for their people,
- . Significance of the Dene and Metis people's involvement in a substantive business venture in their home community,
- . Impact of creating a cooperative environment that will enhance the socio-economic interests of the Dene and Metis people,
- . Assessment of the project's potential long term impact upon the Aboriginal community,
- . Financial complexity, rewards and risks,
- . Ease and timeliness of implementation.

The Aboriginal perspective of the project's impact upon the Town of Fort Smith was also used in its evaluation. The following is the criteria;

- . Number of direct and indirect jobs to be created,
- . Opportunity for industrial diversification,
- . Economic Impact on the local and area economies,
- . Community development opportunities,
- . Infrastructure developments and,
- . Broaden taxation base.

Based upon the application of the criteria mentioned above, option number two made the most business sense and offered the greatest long term economic prospects for the entire community. Therefore, the development of a joint venture with Conair Aviation Ltd. was the one selected.

While a joint venture approach has been pursued by the Dene and Metis, the fundamental negotiations between the parties are yet to start. Thus, the doors remain open for others to participate. However, because of the need to negotiate the details, we are not in any position to make any firm commitments at this juncture to outside interests, like other Northern aviators.

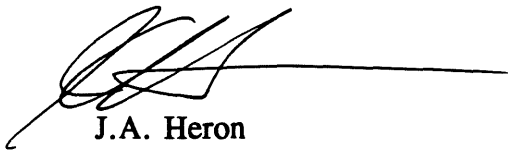
One of the opening comments I made to you was that, many of the Government's initiatives in dealing with negotiated contracts obtained their legitimacy from dealing with the collective as opposed to the individual. I also reiterated that the offer made by the Government of the NWT to the Dene and Metis people of Fort Smith was overwhelmingly supported by the entire community of Fort Smith. There are virtually few Government initiatives known to the people of Fort Smith, which can comparatively match the offer being made to the Company. It is exemplary of the type of action and political will that Governments can make and respectively display, to enhance the socio-economic well being of the entire community.

While I may have indicated to you there is a strong commitment of the Company and others in the community of Fort Smith to make this an exclusive Fort Smith project, I do not recollect stating that the door for participation by other Northern aviation operators was closed. You must appreciate that much of our actions to date are based upon the need to present a proposal to the Government that will make business sense and contribute to the broad socio-economic objectives of the community. The time frame for achieving this has always been a major factor in our plans. The planned strategy is to obtain the contract, gain experience and influence in the operations by being the majority shareholder, and then decide what may be shared with other private operators.

In concluding, I am optimistic that while some concerns have been raised about our approach, the Cabinet will appreciate the community's approach has overwhelming local support. The joint venture approach has the greatest socio-economic potential for the Dene and Metis people of Fort Smith. It is probably the single most significant economic event offered to the Aboriginal people of Fort Smith in the history of the Government of the N.W.T. Cabinet's endorsement of the Aboriginal people's way of "getting things done" (Premier Cournoyea, Feb 1992) will only reinforce political commitment to community decision making.

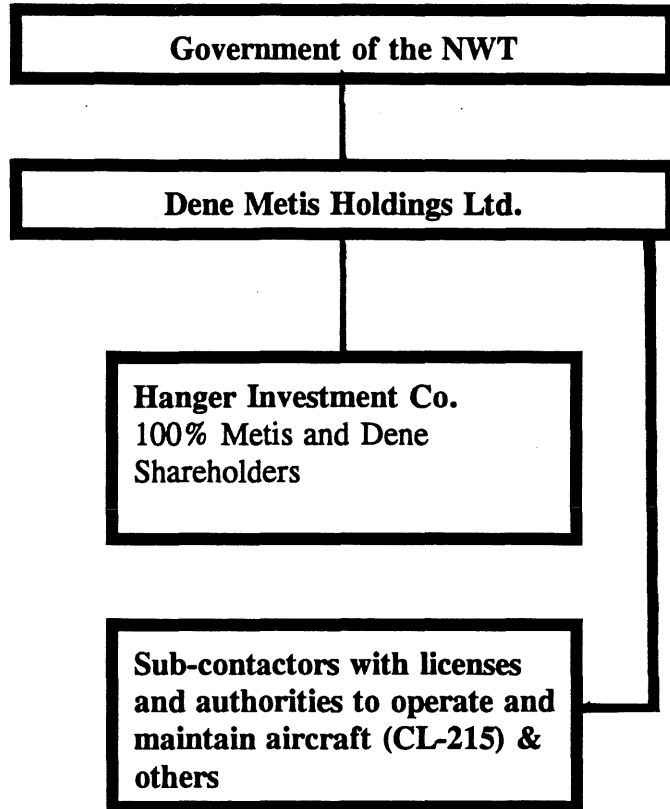
On behalf of the Dene Metis Holdings Ltd., I look forward to your early response.

Yours truly,

A handwritten signature in black ink, appearing to be 'J.A. Heron', with a long horizontal line extending to the right.

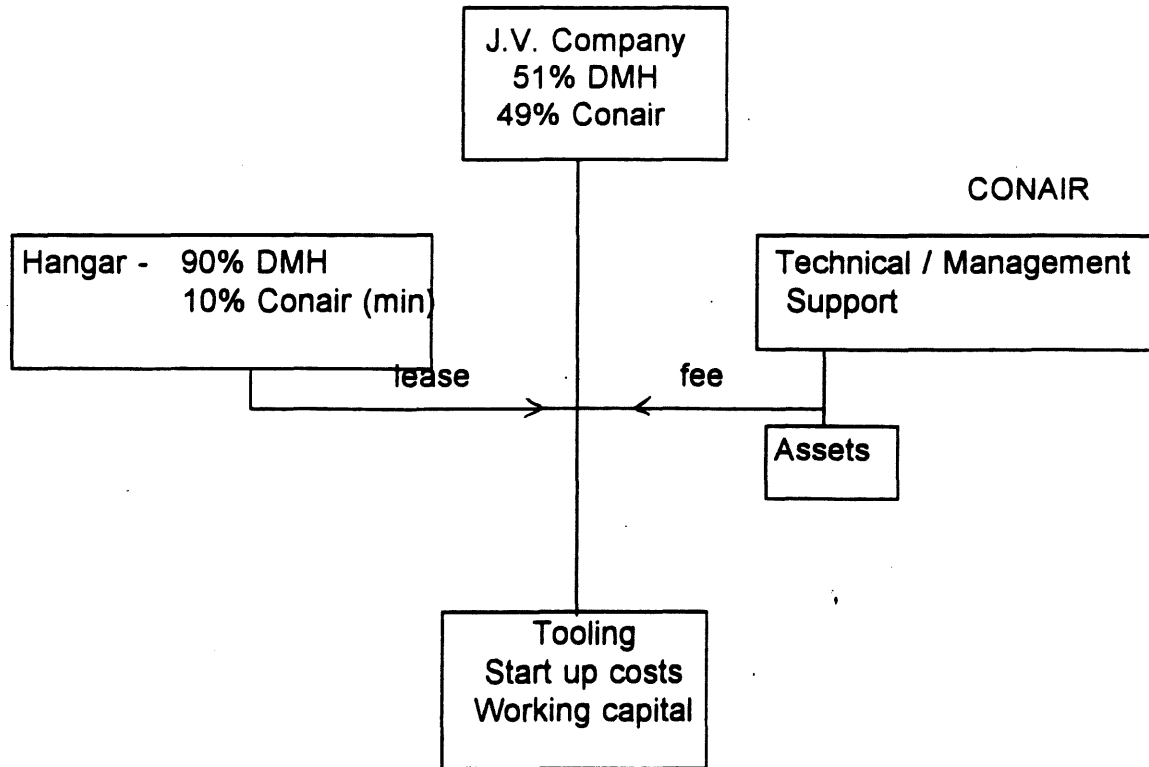
J.A. Heron  
Project Coordinator

**APPENDIX "A"**



APPENDIX "B"

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- Partners share in cost of tooling, start up, working capital.
- Conairs southern support phased out as assets are purchased by J.V. and northern people are qualified to take over tech/mgmt positions.
- J.V. to operate as it's own entity. To apply for it's own transport Canada licences and operate independantly of Conair.
- Percentages of Hangar ownership can be negotiated.