

Seaku Fisheries Inc.

Les Pêcheries Seaku Inc.

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Lachine Québec
April 28, 1995

Director General
Industrial Cooperation Division
Canadian International Development Agency
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Project: Inter-Indigenous Fisheries Development on the Atlantic Coast of
Nicaragua

CIDA Reference #: E 4936 - K 049418

Mr. Director General,

Enclosed you will find a brief report documenting the principal observations of our starter visit to Nicaragua, March 26-April 27, 1995.

The abundance of unexploited and underutilized fisheries resources, a large labour pool and the regions immediate economic development needs has convinced us that a viable and sustainable fishing enterprise can be established in this region.

This joint venture enterprise must be profitable for both parties and will obviously assist in the economic development of the indigenous people inhabiting the Atlantic coast of Nicaragua.

We intend to evaluate the viability of such a venture and as such we are preparing a proposal which will be submitting to you in the very near future requesting financial assistance to accomplish this task.

Thank you for your interest and cooperation and should you require additional information, please feel free to contact me at our Lachine office (514) 634-8091.

Marc R. Allard

Marc R. Allard
General Manager

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EXECUTIVE SUMMARY
OF
STARTER VISIT REPORT
PRESENTED BY SEAKU FISHERIES INC.

INTER-INDIGENOUS
FISHERIES DEVELOPMENT PROJECT
ON THE ATLANTIC COAST OF NICARAGUA

CIDA file No. E 4936 - K 049418

by:

Yves Pinard

April 1995

EXECUTIVE SUMMARY

ITINERARY:

The starter visit took place from March 27 to April 7, 1995, and included Marc Allard of SEAKU Fisheries inc., Yves Pinard of MANATI Pêches inc, Wayne Dunn of APIKAN, Indigenous Network, Sam Mercado of PLENTY CANADA and Rudy Sinclair of Sinclair Sea Food.

The project was presented at the Indigenous Peoples of the Americas Trade and Development Partnership Conference, in Belize, on March 25, and aroused a great deal of interest among other Canadian indigenous groups who are following the project closely and may be interested in becoming involved in other sectors on the Atlantic Coast.

CONTACTS:

In total, 37 meetings took place with fishermen, (plant managers, semi-commercial and traditional fisheries), 3 representatives of the central government, 10 representatives of the north and south autonomous regional governments, and three international fund lenders (World Bank, Interamerican Development Bank, UNDP).

On our arrival, we were given a briefing with the local CIDA representative, and a debriefing with CIDA's senior development officer, Central American branch, was held before we left.

THE PROJECT SELECTED:

Of the four options proposed, the mission selected:

- to install in Puerto Cabezas (North Atlantic coast) a processing plant for shrimp and fish from the lagoons and traditional fishing zones, which are currently under-exploited;
- to set up mechanisms for increasing production of the traditional fishermen and commercialization of their products;
- over time, so as not to provoke conflict with existing competitors, the processing plant will buy rock lobster from the local traditional and semi-industrial fisheries.

PROPOSED INNOVATION:

The corporation to be created expects to eliminate a certain number of the intermediaries between the fishermen and the processing plant, which would increase the profit margin (a margin which among the competition is already quite comfortable).

As a result, the plant should gradually be able to pay slightly higher prices to the fishermen, and, following the SEAKU-MAKIVIK model, turn over a portion of the profits realized for regional development through:

- the creation of an economic development fund which would allow local entrepreneurs to invest in other joint ventures;
- the payment of royalties to the fishing communities for education, health or any other needs agreed upon and administered by the traditional chiefs.

THE PARTNER SELECTED

La Corporacion Indigena para el Desarrollo Economico S.A. (CIDE)

An organization of young professionals, politicians and businessmen, well accepted by the community, which appears dynamic and concerned with the development of the Miskito region.

A letter of intent was signed by both parties granting each other exclusivity in order to carry out a project feasibility study within the next eight months.

COSTS AND ECONOMIC FALL-OUT

Preliminary analyses place the required investment for the project at about \$1.5 million CDN.

Estimated impacts for the region include:

- the creation of 65 permanent jobs, the majority of them for women;
- construction labour totalling 15 person-years;
- more than 2,000 coastal residents able to fish and find markets for their products;
- once the project has reached the threshold of profitability, (3rd year) it will generate local profits of close to \$2 million CDN per year, divided between CIDE, the communities and the economic development fund;

- it will stimulate the arrival of other investors who will be more or less obliged to follow the SEAKU/MAKIVIK model or something equivalent.

For Canada:

In addition to generating a profit of more than \$1 million CDN per year to SEAKU, the project will generate a total of about \$3 million CDN, taking into account the Canadian equipment required for start-up and the other goods and services necessary for the first five years of operation.

AVAILABLE RESOURCES, MARKETS AND COMPETITION

The fisheries resources of the North Atlantic Region, which were unexploited throughout the war (1979-1987), are abundant and currently under-exploited.

We have the experience and the contacts with markets in Canada, the U.S. and Europe, who will pay good prices and have a big demand for the products available in Nicaragua: shrimp, high-value fish species and rock lobster.

In the South, there is strong competition: three processing plants which belong to powerful families; however they do not work much in the North.

In the North, the managers of the two existing small plants assure us that there is room for our project.

REACTION OF THE AUTHORITIES

We received unanimous support everywhere. Representative of both the national and the autonomous regional governments offered to support us and help see the files through.

PROJECT EFFECTS FOR WOMEN AND THE ENVIRONMENT

Among the Miskitos, woman hold hold an important place politically, in community decision-making, and on an economic level. The project will take this fact into account and integrate women in all its activities, and especially in the fishermen's credit committie, management, plant administration and actual processing of products.

The mission has already provided for the establishment of mechanisms to ensure the rational exploitation of resources, with particular attention to endangered species, and the employment of the same environmental protection standards as in use in Canada.

POSSIBLE OBSTACLES:

- vaguely defined jurisdictions between the two levels of government, national and regional autonomous;
- strong concentration of industries in the hands of a few powerful families;
- system of communal land-holding.

As a indigenous corporation, SEAKU does not foresee any major problems in terms of cultural barriers.

INTENTIONS:

To proceed with a feasibility study between now and the end of November, 1995. To this end, SEAKU intends shortly to apply for financial support from CIDA inc.

REPORT ON THE STARTER VISIT

1. PARTICIPATION, ITINERARY AND PERSONS MET

The starter visit of the Inter Indigenous Fisheries Development Project, on the Atlantic Coast of Nicaragua, took place March 27 to April 7, 1995.

This visit was part of an undertaking to link a Canadian private indigenous company with a private indigenous company on the Atlantic coast of Nicaragua. It was preceded by a visit by SEAKU's General Manager in April of 1994, and another visit by a consultant from APIKAN in September 1994.

The actual visit was organized to coordinate with the Indigenous Peoples of the Americas Trade and Development Partnership Conference held in Belize March 22 to 26, 1995. During this conference, mission participants Allard and Mercado gave a presentation on the SEAKU/MAKIVIK model and on the fisheries project and its objectives.

Their presentation caught the attention of the Conference attendees because this project was the first concrete step towards a real partnership between two private indigenous company and a private indigenous companies, one caanadien and one of a developing country.

A number of groups asked to be kept informed on the progress of the file, and displayed interest in involving themselves in other sectors of activity in Nicaragua.

A: Canadian participants in the starter visit were:

Marc Allard, General Manager of SEAKU Fisheries Inc. and team leader.

Yves Pinard, MANATI Pêches inc, management consultant on international fisheries projects.

Wayne Dunn, APIKAN Indigenous Network, consultant in inter-indigenous relations.

Samuel Mercado, PLENTY Canada, Management consultant on NGO projects.

Rudy Sinclair, SINCLAIR SEA FOOD, Welland, Can. Representative of the semi-commercial fishermen of the South Atlantic Coast of Nicaragua.

B: Itinerary:

- March 21 to 27: **ALLARD-PINARD-DUNN-MERCADO**
Montreal-Houston-Belize, and participation in the Indigenous Peoples of the Americas Trade and Development Partnership Conference
- March 27: **ALLARD-PINARD-DUNN-MERCADO**
Belize-Managua
- March 28: Meetings in Managua
- March 29 - Apr. 4 Visit to the Atlantic regions
- March 29 Managua-Corn Islands (air)
March 30 Corn Islands - Bluefield (air)
April 1 Bluefields - Karawala - Cayo Guerrero (boat)
April 3 Cayo Guerrero - Puerto Cabezas - Cayo Miskito - Puerto Cabezas (semi-commercial fishing boat)
April 4 Puerto Cabezas - Managua (air)
- April 5 to 6: Meetings in Managua
- April 7 **ALLARD - PINARD: Managua Montreal**
DUNN: Managua Ottawa
SINCLAIR: Managua-Toronto
- April 19: **MERCADO: Puerto Cabezas-Managua-Ottawa**

Individuals met and topics of discussion

Over the 12 days of the mission, a total of 37 meetings were held, involving individuals representing the actual traditional and commercial fisheries, political representatives and bureaucrats from three levels of government (national, regional and community), and representatives of international organizations involved in development in Nicaragua.

Name, function and organization	Topic of discussion
<p><u>CIDA representatives</u> Mr. Felipe Rios, director CIDA Managua Mr. Carlos Laviades, senior development officer, Central America</p>	<p>-Briefing and debriefing -Information on economic and political situation of country -Matching funds and other Canadian interventions on the Atlantic coast</p>
<p><u>Representatives of the Nicaraguan gov't</u> Mr. Brooklyn Rivera Bryan: Vice-ministro (Ministry of Social Affairs at the national assembly and responsible for the Atlantic autonomous regions) Garry E. Hodgson W.: director Programación y Fomento (director of programming and development of fisheries, ministry of the economy and development) (MEDEPESCA)</p>	<p>- Jurisdiction and power of the 2 levels of government - Situation of the resource, legislation and permits</p>

Name, function and organization	Topic of discussion
<p><u>Representatives of regional governments:</u></p> <p>Región Autónoma del Atlántico Sur (RAAS):</p> <p>Dr. Augusto César de la Rocha, presidente del Concejo (Council president)</p> <p>Gilberto Rodrigues Evaria, (chief of governor's cabinet)</p> <p>Willy Jackson, (council comptroller)</p> <p>Región Autónoma del Atlántico Norte</p> <p>Marco Hopington, (governor)</p> <p>Alfonso Smith Worman, (national government deputy, deputy for the autonomous regions and president of parliament of Indian America)</p> <p>Ray Hooker Taylor, segundo secretario(deputy and 2nd secretary of national assembly, RAAAN deputy)</p> <p><u>Potential partners:</u></p> <p>Lindburg and Rodolfo Sinclair and 10 other captains in the semi-commercial fishery (Bluefields and Corn Islands)</p> <p>Representatives of la Corporacion Indigena para el Desarrollo Economico (CIDE)</p>	<p>- to inform them of our intentions</p> <p>- to collection information on jurisdictions, political climate and economic situation on the Atlantic coast</p> <p>- to earn their support with the communities and central government</p>
	<p>- to get to know them</p> <p>- to learn their activities, needs, interests and investment capabilities</p> <p>- to evaluate what each group could bring to the project</p>

Name, function and organization	Topic of discussion
<p><u>People involved in the commercial fishery:</u></p> <p>Lindberg and Rodolfo Sinclair and 10 other captain-owners of semi-commercial fishery boats</p> <p>John Vogel, executive president of Camara de Pesca and executive manager of OCEANIC plant executive manager</p> <p>Jorge Morgan, executive president of PASENIC plant, manager of CAF plant (Corn Islands) and owner of a plant under construction in Laguna de las Perlas (CAF and Perlas visit)</p> <p>Gustavo Medina, general manager, and William Show, production manager, ATLANOR, Puerto Cabezas (plant belongs to central gov't, rented on a longterm lease)</p> <p>? General manager, Industria Pesquera La Bocana, Puerto Cabezas (Colombian interests)</p> <p>George Cook, general manager, Hope Services Inc. (shipyard, El Bluff* - government workshop leased to Americans)</p>	<ul style="list-style-type: none"> - get to know the state of the fisheries, the species handled, and annual quantities sold - plant visits - evaluate quality and production methods - evaluate competition - learn prices paid and role of intermediaries - evaluate available personnel - learn the capacities of the national fleet and the importance of the foreign fleet chartered by each plant - evaluate possibilities of a joint venture in processing products for export

Industrial fisheries:

Traditional fisheries groups:

Cooperative Fisherman supply:

Robert Chapman, president

Delmar, secretary;

Leaders of the Rama Key fishing community;

Fishermen from Laguna de las Perlas (RAAS) and visit to the ice plant;

Tashapauni (RAAS)

Village leaders and fishermen

Karawala: traditional leader of community and leaders of fishermen (RAAN);

Representative of the lobster fisheries in Miskito Key and Sandy Bay (RAAN) and traditional leaders, justice of the peace and fishermen;

Fishermen in Cayos Miskitos (RAAN)

Traditional leaders and fishermen in Krukira (RAAN)

Director and employees of Pana Pana (RAAN)

Hans , Pro RAAS, traditional fisheries project, DUTCH/UNDP cooperation

- evaluate the number of traditional fishermen and their activities over the year
- amount of fish harvested, and by species
- their reactions to our plans
- the possibilities of exploiting the 3-mile reserved fishing zone
- relationship of traditional fisheries with semi-commercial fisheries and foreign commercial fleets
- learn the kinds of fishing gear used, condition of boats, and competence of local mechanics and carpenters
- problems encountered, prices earned and relations with plant intermediaries
- mechanisms for commercialization
- their concerns re: product quality and protection of resources, especially endangered species (manatees and turtles)

* A boat named BEDEQUE that, we were told, was canadian and supposed to be sunk in Belize, was at the Ship Yard, in El Bluff.

Name, function and organization	Topic of discussion
<p><u>Representatives of international organizations:</u></p> <p>UNDP (United Nations Development Program</p> <p>Dr. Jairo Morales Nieto, international coordinator</p> <p>Francois Hallé, director of UNCDF programme</p> <p>Gloria Mangos, PRODERE, Bluefields</p>	<ul style="list-style-type: none"> - learn about their programs - tell them of our plans and solicit their reactions - learn their views on the Nicaraguan political and economic situation - possibilities of their intervening directly with regional governments - programmes for private enterprise and institutional support
<p>World Bank</p> <p>Ulrich Lachler, resident representative (referred us to Douglas Tinslers, responsible for institutional support)</p> <p>Interamerican Development Bank</p> <p>Ricardo J. Rovira, specialist in contracts and purchases (suggested we contact Anna Cecilia McInnis, responsible for social development and institutional support)</p>	<p>same as UNDP</p> <p>the World Bank has a program for institutional support to the ministries</p> <p>same as UNDP</p> <p>IDB has a program for micro enterprises</p>

2. CONTACTS ESTABLISHED

Contacts were established and will be maintained with:

- the selected partner: CIDE
- representatives of the autonomous regional councils of the North and South (RAAN and RAAS)
- the section of NGO Pana Pana which works with traditional fisheries.
- 12 semi-commercial fishermen who would supply the processing plants in exchange for equipment and materials required for their boats.
- the representative in charge of fisheries from the Nicaraguan ministry of the economy and development.
- Douglas Tinslers of the World Bank, Anna Cecilia McInnis of the IDB and Denis Corales of Protierra in Nicaragua.

3. SELECTING THE PROJECT AND PARTNER

The ongoing wars that raged from 1979 through 1987 completely destroyed the economy of the Atlantic Coast of Nicaragua; in terms of development, there is an enormous amount to be done. In our own sector of activity, and as a private company, we identified several options, including:

- an association with 12 owner-captains of semi-commercial fishing vessels to bring in used Canadian vessels, use their own fishing permits and commercialize their products;
- an association with Pana Pana (which has close ties with traditional fishermen) and with owners of boats purchased through a revolving funds project sponsored by CIDA and Plenty Canada, to supply fishing gear and commercialize their products;
- a joint venture with a local processing plant which would take over the processing and preparation of products; we would ensure product supply and commercialization of end products.

In the end, a letter of intent was signed between two parties, SEAKU Fisheries inc. and La Corporacion Indigena para el Desarrollo Económico S.A. (CIDE), in which we agreed to jointly prepare a feasibility study on the creation of a Nicaraguan corporation which would handle the production, processing and commercialization of under-exploited species in the zone reserved for traditional fisheries and products harvested by the local semi-commercial fleet. (see letter of intent, Appendix 1).

The feasibility study will focus on the following:

- the establishment of a plant capable of producing 20 T of ice per day and of preparing for commercial purposes about 6 T of fish, 5000 lbs of shrimp and 2,000 lbs rock lobster per day (minimum 250 days/year).
- evaluation of fisheries resources with a view to preparing a Fisheries Management Plan, including a programme of research and development on equipment to ensure the protection of species and habitat.
- a credit lending system (sales or leasing) which would permit traditional fishermen to equip themselves with boats, motors and fishing gear, and thus supply the processing plant;
- means to ensure a supply of ice and the daily collection of catches;
- the establishment of a quality management plan (QMP) for products and of training programs in management, processing, and sustainable use of fishing gear;
- creation of a system for transporting and commercializing products in both local markets and export markets;

4. DETAILS OF THE PLANNED PROJECT:

a) Partner:

La Corporacion Indigena para el Desarrollo S.A. (CIDE),
experts in sustainable development on the Atlantic Coast of Nicaragua

Address:

Reparto Bello Horizonte
IV Etapa - Casa R 6
Apartado postal 871
Managua - Nicaragua
Tel and fax: (505) 494612

CIDE is a recently-incorporated private company made up of young professional indigenous Miskitos who share a background of active participation in the resistance, first against the Sandinistas who wanted to impose agrarian reform on the Miskitos, then against the Contras who conducted their guerilla activities in the Miskitos' territory. All of them have an above-average education, and enjoy the support of the councils of elders, councils of women and the Sindigos (traditional community chiefs). Some of them represent the interests of the autonomous region to the central government, others are businessmen active in politics, and all of them firmly defend the interests of their communities.

Their corporation's statutes (see Appendix 2) allow them to participate in resource exploitation or any other commercial activity.

At the request of SEAKU, the CIDE representatives we met with during the mission agreed to recruit and/or accept two or three women and a representative nominated by the communities into their corporation.

b. Agreements reached

The letter of intent does not specify in detail the various activities the project will entail, but it stipulates that within eight months, the feasibility study will be carried out to define the above-described project in further detail.

The targeted products:

- in the first phase, the targeted products will be shrimp and fish from the lagoons and the 3-mile zone reserved for traditional fisheries;
- in the second phase (this being more a question of priority than of time-frame), the lobster taken by the traditional fisheries and the national semi-commercial fleet.

The processing plant will be located in the North Atlantic autonomous region (RAAN), probably in or near Puerto Cabezas. Plant equipment, new and used, will be purchased in Canada.

It was agreed that provisions will be made for a strong training component at the level of both plant management and of technology transfer. Although it is not yet possible to fix costs and determine financing methods, preliminary discussions indicated that an investment of about \$1.5 million (CDN) will be required.

The two parties agreed that the SEAKU/MAKIVIK model would be used, adapted to local conditions, so as to ensure direct economic fall-outs for the communities.

As a first means to ensure this fall-out, it was proposed that prices paid at the plant be maintained at the same level as paid by the competition, which would leave the Corporation a comfortable margin of profit.

A portion of this profit would be turned over, either to make up an economic development fund (EDF RAAN), or to the communities to use for local infrastructure projects (schools, sanitation systems, running water, etc.).

The two parties agreed that the Canadian partner would in the beginning hold a minimum of 51% of the shares, and that the Nicaraguan partner could, after five years, if it desired, acquire enough shares to become an equal shareholder; after a further two years, they could become majority or sole shareholder by redeeming shares at their book value.

Over the course of the feasibility study, as project costs become known, each partner will have to demonstrate their investment capabilities and/or furnish guarantees from a financial institution of their ability to carry out the project.

The parties have agreed to grant each other exclusivity for a period of eight months regarding any activities connected with the fisheries sector and with institutional support for the autonomous regional councils.

A number of other sectors of potential activity were identified, among them: air and maritime transport, forest management and exploitation, and mining. The two partners will analyze the possibilities for joint action with a view to encouraging Canadian investment (indigenous and other) in various sectors of activity on the Atlantic Coast of Nicaragua.

c. Evaluation of various aspects of the project:

Local personnel available:

- at the production level (catches), traditional fishermen use mainly the "atarraya" (a weighted circular net, thrown by hand from boats). It is inexpensive, and offers a good return on capital during the high season for shrimp production in the lagoons. However, it is not so productive when it comes to harvesting shrimp at sea.

A quick count puts the number of coastal residents who could take part in the fisheries at between 5,000 and 7,000, as long as they had more productive fishing gear, small boats, and markets for their catch.

At Bluefields, there is a small shipyard working in fiberglass (6 meter boats), and a number of Miskito artisans are capable of building 6 to 11 meter wooden boats.

The boats in the semi-commercial fleet are made of steel, and relatively new (6 years). However their maintenance has been neglected, and electrolysis problems are causing them to age prematurely. In addition, they are not equipped with appropriate deep sounder or fish finders and as a result are not very profitable;

- at the processing level, product quality of shrimp and fish leaves something to be desired, and as a result export prices are affected. However, there is a great deal of manpower available which could be trained by a good Canadian production manager.
- commercialization is unarguably the weak link; few competent people able to invest in the buying and selling of the products.

Existing infrastructure: (see map of the Atlantic coast, Appendix 3)

Ground transport is almost nonexistent:

In the southern region, one paved road stretching 300 km, and usable all year, links Managua and Rama, which is about 95 km from the regional capital of Bluefields. The distance from Rama to Bluefields must be covered by boat.

In the north, a dirt road links Puerto Cabezas to Managua; it is passable only during the dry season, from November to May, and even then the trip takes more than 12 hours.

Air transport:

A small carrier service (8 to 20 seats) offers regular flights between the two regional capitals (Bluefields in the South and Puerto Cabezas in the North) and to the national capital.

The landing strips at Bluefields and Puerto Cabezas were rebuilt during the war and can handle large transport and passenger aircraft and jets.

They are also a number of municipal landing strips large enough for small planes, where passengers can be picked up and deposited on special request.

Maritime transport:

There is regular maritime transport service between Rama and Bluefields, Bluefields and the Corn Islands, and through the lagoons from Bluefields to Rio Grande.

However, in the North, Puerto Cabezas is completely isolated from the rest of the coast. On occasion, if there is a demand, boats are chartered for transport to Rama, from which point the link to Managua is continued by land.

Harbours:

A harbour at Bluefields is large enough to handle transatlantic vessels, including container ships.

At Puerto Cabezas, there is already a 500 meter wharf. Before the war, it was the most important shipping point on the coast for mining, forestry and agricultural products. The wharf is wood construction, and has deteriorated over the years to the point where access for loading cranes and heavy loads is no longer possible; a transatlantic vessel comes in every two weeks, and loading and unloading is done with barges. The wharf has to be completely rebuilt.

At present, unloading of fish catches is done on the beaches (traditional boats) or in the river deltas (semi-commercial boats).

Political situation:

On a national level, the political situation appears stable enough. Elections are supposed to be held before the end of 1996.

In 1987, the Atlantic Coast was given political autonomy by the Sandinistas (Autonomy Statute for the regions of the Atlantic Coast of Nicaragua, Bill 28, see extracts of back cover) which gives the Region the right to control natural resource exploitation. In fact, this privilege had already been granted to the regions when they were annexed to Nicaragua between 1867 and 1882.

Bill 28 divided the Atlantic Coast into two autonomous regions, North (RAAN) and South (RAAS), although it did not clearly define the jurisdictions of the two levels of government, regional and national.

A reform of the national constitution that was recently put before Congress is even more vague on this matter (Article 181).

Climate for foreign investments:

The 1979 Revolution and the guerilla activities that followed completely destroyed Nicaragua's economy, and it is commonly said that the Miskito region was set back 20 years.

However, we sensed a willingness, at both the central government level and among the populations we met, to avoid any repetition of the wars and to open the regions to development.

Nicaragua has adopted a law on investments, the importation of goods and equipment, and the establishment of a free trade zone. CIDA offices in Nicaragua supplied us with a copy of the law and we will have to study it in greater depth.

Officially, the government is seeking to attract foreign investors and is offering them advantageous conditions to set up in the free trade zone near Managua.

As this zone is impossible for fisheries activity, we will evaluate the possibility of being recognized as a "free trade point" in order to benefit from the same incentives.

Available markets:

Although fishery resources are in decline in most countries and on Nicaragua's Pacific Coast, the resources on the Atlantic coast are still significant, especially in the North where there is a large continental shelf and low fishing effort.

Based on data gathered in the field in the projects and from the ministry in charge of fisheries, it appears that shrimp and fish are largely under-utilized in the lagoons and within the 3-mile zone reserved for traditional fisheries. A number of high-value species, highly sought-after in Canadian, U.S. and European markets, are available in these areas.

The markets exist, are varied, and pay well. It remains for us to find a way to turn out products which meet the quality standards, and to get them to the markets.

Competition:

If we were going to produce only lobster, especially in the South region, we would have to deal with some very tough competition; there are currently three large processing plants with their own source of supply, and which belong to very influential families with close ties to the central government.

On the other hand, by selecting the northern region, getting our supplies from the traditional fishermen and placing our emphasis on shrimp and fish, we can assure ourselves of a reasonably large market opening right from the beginning. The managers of the two plants already operating in Puerto Cabezas have been consulted and informed of our intentions. They appear very receptive and do not perceive us as a threat. Both of them have confirmed that there is room for us in terms of both fishery resources and manpower for fishing and plant operations.

A gift from the Japanese has already been used to acquire a number of small boats for the traditional fishery, which could boost production. In addition, we count on reactivating the revolving fund CIDA committed to the fishermen of Sandy Bay through Plenty Canada and Pana Pana. Supplying the fishermen with fishing gear and markets for their catch will permit them to make their loan payments and then go towards the construction of new boats.

However, it appears clear to us that we would have to be careful, at first, with regards to the prices paid by the processing plant; existing plants which pay low prices less to the fishermen because they go through intermediaries would surely accuse us of cutting into their source of supply.

Nonetheless, since we foresee eliminating a certain number of intermediaries (buyers-resellers-suppliers of all sorts) in order to be able to demand the quality of products that meet international standards, we should gradually be able to increase the prices paid to the fishermen without affecting the costs to the plant. Many of the intermediaries could be employed in other related activities.

Moreover, since the profit margin is quite comfortable, the two partners foresee turning over a portion of the profits to the communities, using a pro-rata formula based on number of fishermen and kilos of product per community.

This way, without penalizing the fishermen, we will be able to establish harmonious relationships with the traditional chiefs (Sindigos, elders' councils and womens' councils) who will be called upon to form our credit committee. These people are the most suitable for choosing from within their communities which fishermen, of those applying for fishing gear, are the most reliable and competent; since the revenue shares of the communities will be tied to actual quantities delivered to the plant, in order to create incentives.

These mechanisms will be detailed more concisely in the course of the feasibility study.

d. Reaction of the authorities and contribution of the project to local development:

We identified four levels of authority to which we presented a summary of our plans and which gave us their reactions:

Central government:

Ministerio de Economia y Desarrollo (MEDE-PESCA) (the fisheries branch of the department of the economy and development):

Garry Hodgson, director of programming and development, confirmed to us the available biomass of shrimp and fish. He also believes that the production of lobster could increase slightly. He advised us that the government would not accept factory ships under any circumstances, but that he would push our project unreservedly.

Brooklyn Rivera, of the national ministry in charge of the Atlantic autonomous regions, assured us of his full support and offered to help us see the files through.

Likewise, Roy Hooker, an elected deputy to the national government and to the northern autonomous regional council, assured us of the support of the central government.

Autonomous regional councils (RAAS and RAAN)

The president and head of cabinet of RAAS, as well as the governor of RAAN and three of its deputies, assured us of their unconditional support while urging us to get the studies

under way in order to reach a conclusion as soon as possible.

The traditional chiefs of the communities:

The chiefs of at least five communities heard our presentation about the functioning of the SEAKU/MAKIVIK model, in which the Inuit hold a permit for 2 000 T/year of shrimp, which is used in a joint venture with a company which has the vessels and knows how to exploit such a permit profitably. Agreed portion of the profits generated through this association are reinvested into community development.

To everyone we spoke to, we clearly explained:

- that we intend to apply this model adapted for the Atlantic Coast;
- that this is a private enterprise project, a partnership involving SEAKU and local entrepreneurs;
- that the joint venture intends first and foremost to make a profit for both parties; no foreseeable profits = no project;
- that although we foresee being able to turn part of the profits over to the communities, we cannot at this point undertake, to provide exact royalty figures or specify the mechanisms to be used;

Everywhere we went, the reception was very good; job creation, a rational exploitation of resources and protection of their environment were the issues which concerned them most, and they liked the proposed model.

Likewise, everywhere we went we were told that they had had enough of financial "gifts" which create dependence and passivity among the people. They prefer models which oblige people to work for the things they want.

As an example, the Pana Pana/Plenty Canada model was brought up; people in the North knew about it, and because it sold its products, the traditional chiefs preferred it to straightforward gifts or grants.

The leaders in one community went so far as to urge us to tell our government that it should *"stop making gifts which most of the time never reach the people, or, when they do get there, encourage laziness and expectations among the people,"* they said.

According to them, these gifts, although useful in times of disaster, are a bad influence when times are normal: they do not lead to sustainable development.

International organizations and fund lenders:

The proposed model and the inter-indigenous concept received an equally warm reception from the World Bank, the InterAmerican Development Bank and from CIDA's local representative and its senior development officer.

The UNDP alone showed its lack of practice in dealing with private companies and the notion of profit. Nonetheless, they gave full support to the inter-indigenous concept.

Project contributions to local socio-economic development:

On top of the negative effects of the 1979 revolution and of the guerilla movements which followed the coming to power of the Sandinistas, the Atlantic regions have been pretty much abandoned by the central government.

Figures which we were not able to verify but which are in wide circulation among the autonomous regional councils suggest that the autonomous regions possess 56% of the country's natural resources, but receive only 5% of investments from the central government.

In the face of an ill-defined statute of autonomy, the regional councils have no other choice but to block, sometimes militarily, the intrusion of foreign companies holding resource exploitation permits that were granted unilaterally by the central government.

As a result, there is little job creation and little economic fall-out for the region.

Our project, in addition to producing a profit (based on anticipated sales) for its local partners in the order of \$1 million (CDN), annually, during its first five years of operation, will also have significant local socio-economic impacts: the creation of 65 direct permanent jobs for men and women as well as 15 person/years employment for plant construction, royalties paid to the communities, the creation of a RAAN economic development fund, and infrastructure development that will create secondary employment and boost services, the circulation of currency and the generation of foreign currency.

Our model could go on to serve as a model for the implementation of other projects in other sectors of activity; our presentation at the Indigenous Peoples of the Americas Trade and Development Partnership Conference in Belize provoked the interest of a number of Canadian indigenous groups.

e) **Project contributions to the status of women:**

In the Miskito communities, women play a strong role in decision-making when the decisions affect day-to-day life; we intend to involve them in establishing the direction of the project, selecting borrowers, and managing the funds generated by royalties.

Jobs in processing and preparing products for shipment will be allotted preferentially to women. This custom is already widespread and gives good results.

In the other plants in the region, women are already active in administration: Morgan's (PASENIC and CAF plants) head accountant is a woman and our plant will no doubt do the same. The feasibility study will evaluate possibilities and methods for involving women (jobs and investments).

f) Project effects on the environment

At the plant level, we intend to use Canadian environmental protection standards.

At the level of resources, we will put a system in place to follow up and regularly evaluate the catches in terms of species, quantities taken, and location of the catch. We will also conduct sampling surveys in the lagoons and within the 3-mile zone in order to keep an up-to-date assessment of the available biomass.

We will undertake a research and development programme on fishing gear with a view to the protection of marine resources; we will encourage the use of selective gear by ourselves handling the selection and sales of such gear, and providing training for the fishermen in its appropriate use.

For example, this will be our approach regarding the grates (TEDs) placed at the entrance to the nets to divert and liberate sea turtles and other nontargeted species which otherwise would get caught.

We will also establish two-month nonfishing periods, especially for shrimp, at the appropriate times in order to permit their passage to sea and distribution through the maturation grounds as well as their return to the lagoons for breeding.

We intend to participate in international programmes for the protection of species in danger of extinction, including the manatee (Lamantins} and the green turtle.

Precise programs on these issues will be established during the feasibility study.

We will also study the possibility of using alternate energy systems (windpower, solar, hydroelectric) for operating the plant.

g) Impact on the Canadian economy (preliminary assessment)

On our operations in Canada

In terms of the development of fisheries within our own territory here in Canada, our activities have reached their limit; potential projects have been evaluated and, when they

proved feasible, have been developed. We are currently evaluating aquaculture, but we face a number of climate-related constraints. Therefore, the best avenue for pursuing our mandate to augment the financial resources of the Inuit community is by developing profitable foreign projects where profits earned can be repatriated.

The feasibility study will provide a more detailed assessment of the revenues which the project could generate, but at this point we can expect a return of 10% of annual sales, which, after payments of taxes and royalties and profit-sharing with our partner, would leave an annual net profit for SEAKU of about \$1.3 million CDN.

On the Canadian economy:

On top of SEAKU's revenues, project start-up costs and costs of the first 5 years of operations should generate for the Canadian economy the following fall-outs:

	Total	Can. content %
Plant equipment (used)	500,000	100
Plant construction mat'ls	150,000	90
Office equipment	50,000	90
Fishing gear	125,000	75
Canadian vessels	800,000	80
Project vehicles	50,000	50
Motors & small boat equip.	250,000	80
Can. training fees	375,000	100
Can. management fees	<u>350,000</u>	100
Start-up and operations (first 5 years)	3,000,000 Can	

We are also confident that our project will lead to other Canadian groups investing in Nicaragua, which will provide Canada with high visibility.

h) Government approval:

At this stage, except for the support of 2 Nicaraguan government deputies, we have neither asked for nor received formal approval from the central government.

However, as discussed in section 4 d) of this document, we did receive the support of the autonomous regional councils (see Appendix 4), which offered to back us when we seek official support.

5. CONCLUSIONS

Our starter visit was part of an operation initiated more than a year ago with field visits by SEAKU's General Manager and APIKAN's project consultant, during which the project's potential was identified.

The starter visit confirmed this potential, clarified the project and identified valuable partners.

Our assessment of the project's potential is positive, but we have to act quickly since there is currently no protection or surveillance system in place to protect the fishery from high-level piracy, which means the resource is threatened.

6. POSSIBLE OBSTACLES

- A) The principal obstacle to realization of the project is undoubtedly **the poorly defined statute governing the autonomous regions.**

It is obvious that we will need the support of both levels of government -- central and regional. However, with the lack of development to date, the real willingness of the actual central government to promote development of the Atlantic region, without receiving much taxes, remains a real unknown.

NOTE: Before further discussions we will have to bear in mind that the central government gave the regions a sort of ultimatum, to wit: *"you now have your autonomy and you have four years to plan and initiate development in your region, failing which we will take back control" (we heard this repeated many time during our discussions).*

Administrative autonomy also came without any financial resources. The earnings from taxes on commercial vessels is not even enough to cover the administrative costs.

Each region has:

	RAAS	RAAN
National deputies elected in the region	2	3
Members of regional councils (elected)	45	45
Governor (chosen by council)	1	1
Regional public service employees	23	66
Regional government infrastructure	good condition	burned*

- * Since a fire destroyed the government building in 1991, employees are spread through temporary offices, without equipment.

In addition to a lack of financial resources, regional public service employees are young and inexperienced; they do not have the training necessary to prepare a master plan or appropriate regulations.

The governor of RAAN asked us if we could help him prepare a request for institutional support regarding:

- training 6 department heads in the preparation of a master plan for resource development, at least for the fisheries, mines, forests and agricultural sectors;
- training staff to carry out popular consultations in the communities for such a master plan;
- rebuilding and equipping the council's administrative offices.

Last year the UNDP was supposed to help them; they did not come up with the necessary funds.

We have already raised this issue with the World Bank, IDB, and CIDA. Things are now underway and, at the request of the regional councils, we will prepare a project lay out document and terms of reference so that they can seek financing.

B. A second obstacle could arise as a result of the strong concentration of industries in the hands of a few powerful families.

Central America is well-known for its oligarchies, and Nicaragua did not escape this trend, particularly under Somoza; he held interests in 80% of the country's industries, companies and properties.

On those days, it was necessary to tie up with one of these wealthy group if one wanted to do business in Nicaragua.

At the beginning of the Sandinista Gouvernement, the country had a high concentration of state enterprises. However, the Sandinistas broke the monopolies of the large families and, later, allowed free enterprise and the growth of small business.

Today, there seems to be a trend back towards large concentrations of power; some wealthy entrepreneurs, in collaboration with people in government, are gradually taking control of industries.

However the power intrusted to the autonomous region by the Central Government (Bill 28), coupled with the collective spirit of self determination, significantly reduces this risk.

C. **Landholding system**

While the southern region (RAAS) allows land to be sold, which encourages land speculation, the Miskita community is fighting to hold on to its communal landholding regime; land can be used, but it can never be acquired.

This system has its advantages and disadvantages which will not be discussed here. However, it is not the habit of Canadian companies to own buildings and infrastructure on land which does not belong to them without at least the benefit of a sound emphyteutic lease.

D. **Repatriation of investments and profits:**

We obtained copies of the laws regulating investments but have not yet completed our analysis of them.

However, it does seem possible to repatriate our investments as long as our payments to the State are in order.

As for profits on exports, the State stipulates that 25% of their selling price must be deposited in a national bank and converted into local currency, which does not create any operating problem because we will have to maintain capital for local purchases. However, this regulation could affect the Corporation in the case of a closing or a rapid withdrawal, where a portion of this may be lost.

E. **Linguistic and cultural barriers:**

Language:

The Miskitos in the northern region have their own spoken and written language. They study Spanish in school, starting in the fourth year of schooling. A number of them understand a fair amount of English, which is widely spoken in the South.

Culture:

A Canadian company which is used to doing business in developed countries is bound to run into some cultural barriers in its dealing with the Miskitos, who are attached to their own traditions and have institutions quite different from those in Canada.

SEAKU is an aboriginal institution, a subsidiary of MAKIVIK which is owned by the Inuit of Nunavik (Northern Quebec); its technical staff are accustomed to following policies set by a board of directors controlled by Inuit, who have their own

culture.

Likewise, SEAKU's associates in this project are accustomed to working with African and South American cultures, which are equally different from Canada's.

So for us, linguistic and cultural difference present no major problems.

7. OUR PLANS FOR THE PROJECT'S FUTURE

We expect to be able to go forward on this project; the resource exists, we have the technology to process and commercialize it, and we believe we have a local partner who can help us make the project a success.

The decline of the Canadian fisheries will allow us to buy barely-used processing equipment, drydocked vessels in good condition, and used fishing gear in good shape and at a good price. The same decline will permit us to recruit competent personnel for training and management positions.

We foresee submitting a budget request for CIDA funding of a feasibility study as soon as possible:

May 1 - 15	preparation of terms of reference and request for CIDA support
June 15 - Sept 15	Completion of first phase of study and field investigation
Sept 16 - Sept 31	Policy and decision-making meeting of 2 partners. Direction of required agreements.
Oct 1 - Nov 30	Final field verification, preparation of final documents and reports.
Dec 1	Deposition of feasibility study report and project schedule

8. BENEFITS OF STARTER VISIT FOR THE 2 PARTNERS

First and foremost, the visit allowed us to clarify possible approaches for the project. It allowed us to identify promising opportunities, in terms of profit and in areas currently relatively unoccupied by the competition, in a field in which we are expert.

We were able to meet some serious partners who met the criteria we had established. The partners showed a great deal of interest and seriousness during the discussions.

We noted also that, although we were careful to avoid raising false expectations by treating the project as a reality before the studies are complete, our partners place a great deal of hope in this affiliation and expect to see concrete results as soon as possible.

LIST OF APPENDICES

Appendix 1: Letter of intent SEAKU/CIDE

Appendix 2: Statutes of partner CIDE

Appendix 3: Maps of the Atlantic Coast of Nicaragua and the autonomous regions

Appendix 4: Letters of support for the project

APPENDIX 1

LETTER OF INTENT SEAKU/CIDE

LETTER OF INTENT

SEAKU FISHERIES INC.
630-32 Ave., 6th floor
Lachine, Canada

CORPORACION INDIGENA PARA EL
DESARROLLO ECONOMICO (CIDE s.a.)
Puerto Cabezas, RAAN
Nicaragua

Following the two missions to Nicaragua coordinated by apikan Indigenous network (May & Sept. 1994), and the starter study being conducted by Seaku and Apikan. Boat parties (Seaku and CIDE. s.a) agree that an opportunity exists to pursue a joint venture fisheries development project. This letter of intent will set out in a general way, how both parties will work together to further investigate and develop this opportunity. Both parties agree to the following;

1. To negotiate a joint venture to establish, at the beginning, a business for the production, processing and marketing of fisheries products that are currently underutilized, especially shrimp and fish from the lagoons and the three mile protected zone reserved for the artisanal fishery, as well as lobster captured by artisanal fishermen the smi-industria national fleet.
2. To work together to established terms of reference and workplan and to secure financing for detailed viability study of the above project. The terms of reference will address training and capacity development needs of local peoples, specilly women, including there access to ownership of the venture and related activities. It will also indenfy mechanisms to permit the direct flow of benefits to local community using their traditional systeme and SEAKU/MAKIVIK model deloped in Canada.
3. During the viavility study, both parties will need to prove their capacity to invest capital and/or provide bank guarantees necessary raice the finances for the final project. Finances include plant and equipment as well as necessary working capital.
4. Both parties agree to give themselves mutual exclusivity (for fisheries and relatad institutional development) for a period of eight months. At the end of this period, the parties will be free to end the exclusivity period, or further extend it as mutually agree upon.
5. Both parties agree that a sunset clause will be developed during the viavility study that will allow for the following shift in ownership structure. This sunset clause will be become part of the shareholders agreement.
 - For an initial period a minimum ownership by Seaku of 51%
 - For a second period 50-50 operating agreement
 - For following periods, time frames will developed whereby CIDE s.a may purchase some, or all, of Seaku's interest in the operation at fare market value.

Signed in Managua, on the 6th day of April, 1995

For the Canadian part

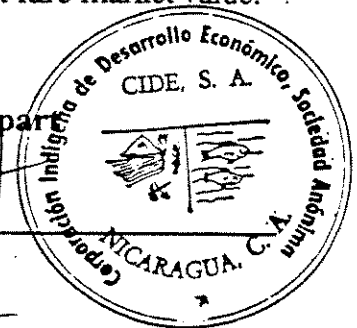
Marc R. Allard
Marc Allard
Seaku Fisheries Inc.

Yves Pinard
Witness : Yves Pinard

For the Nicaraguan part

Centuriano Knight
CIDE s.a.

Kenneth Serapio Hunter
Witness: Kenneth Serapio Hunter



APPENDIX 2
STATUTES OF PARTNER CIDE



"TESTIMONIO"

ESCRITURA NUMERO CINCUENTA Y NUEVE (59) CONSTITUCION DE SOCIEDAD ANONIMA. En la ciudad de Managua a las

dos de la tarde del día diez y ocho de noviembre de mil novecientos noventa y cuatro, ANTE MI: DANIEL URCUYO CASTRILLO, Abogado y Notario Público de la República de Nicaragua de este domicilio, debidamente autorizado por la Excelentísima Corte Suprema de Justicia para Cartular durante el quinquenio que vence el día dos de Julio de mil novecientos noventa y siete y ante la presencia de los testigos instrumentales, idóneos de mi conocimiento personal que al final nominaré comparecen los

Señores: Siguen los nombres de los 9 accionistas fundadores de CIDE S.A.

El director general de SEAKU Fisheries inc. encontró y discutió personalmente con la mayoría de los accionistas, los cuales le solicitaron de conservar el anonimato de la empresa. SEAKU posee una copia de los estatutos de CIDE S.A., que incluye los nombres de cada uno.

todos mayores de edad, del domicilio de Puerto Cabezas, y de tránsito por esta Ciudad.- Doy fe de conocer personalmente a los comparecientes y de que tienen a mi juicio plena y perfecta capacidad civil necesaria para obligarse y contratar y de que actuando en su propio nombre y representación hablan conjuntamente los comparecientes y dicen: Que han convenido en constituir una SOCIEDAD ANONIMA, de conformidad con las disposiciones contenidas en el Código de Comercio de la República de Nicaragua, lo cual lleva a efecto por el presente acto. Sociedad que estará regida por las estipulaciones consignadas en las clausulas siguientes: PRIMERA: (DENOMINACION): La Sociedad girará bajo el nombre de la: RAZON SOCIAL: "CORPORACION INDIGENA DE DESARROLLO ECONOMICO SOCIEDAD ANONIMA, también será conocido como CIDE S.A. SEGUNDO: (DOMICILIO): El domicilio de la sociedad será en la ciudad de Puerto Cabezas (DILWI) RAAN, pero podrá establecer Sucursales y Oficinas en cualquier otro lugar de la República o fuera de ella. TERCERA: (DURACION): La duración de la Sociedad será de VEINTICINCO AÑOS, contados a partir de la fecha en que la presente Escritura y los Estatutos sean inscritos en el Competente Registro Público. CUARTO: (OBJETO): La Sociedad tendrá por objeto, el acopio y comercialización de granos básicos en las Regiones Autónomas, acopio procesamiento exportación y comercialización de productos marinos (camarones, langostas, peces y otros);

producción y procesamiento de productos no tradicionales: procesamiento e

industrialización de madera, aprovechamiento constitución y explotación de pequeñas

empresas marinas, acopio y producción de metales preciosos, minas y minerales no

metálicos, creación de empresas Turísticas y de transporte acuático, aéreo y terrestre.

comercialización de productos de consumo humano, alimentos básicos, bebidas. Manejo y

explotación de flotas de barcos pesqueros, producción y explotación de ganado, engorde y

lactaría, de empresas de servicio varios, y a cualquier otros negocios que los socios

crean convenientes. QUINTA: (CAPITAL SOCIAL): El capital social será la suma de TRECE MIL

QUINIENTOS CORDOBAS (C\$13,500.00) el que estará dividido e incorporado en MIL QUINIENTOS

CORDOBAS NETOS CADA ACCION, siendo un total de NUEVE ACCIONES, aportando cada socio UNA

ACCION las que serán NOMINATIVAS, INCONVERTIBLES AL PORTADOR y pagados al suscribirse;

SEXTA: (JUNTA GENERAL DE ACCIONISTAS): La Junta General de Accionistas es la Autoridad

Suprema de la Sociedad, por consiguiente, las resoluciones que legalmente adopte serán

obligatorias, tanto para la sociedad como para los accionistas aún cuando estos últimos no

hubieren participado en las sesiones y hubieren manifestado su desacuerdo con tales

resoluciones. Las Juntas Generales de accionistas serán ordinarias y extraordinarias.- Las

primeras se reunirán cada tres meses por cuatro veces al año; las segundas se reunirán

cuando sean convenientes por la Junta Directiva. Ya sea por iniciativa propia o a solicitud

de socios que representan al menos el cuarenta por ciento del Capital Social. Las

convocatorias tanto para las Juntas Ordinarias como para las Extraordinarias se efectuarán

como mínimo con quince días de anticipación mediante aviso publicado en los periódicos del país

o en Diario de su domicilio, a cuya computo no deberá incluirse ni el tiempo de

publicación ni de sesión.- Los avisos de convocatorias para la Junta General Ordinaria

deberán contener la indicación del lugar, día y hora y local en que debe verificarse: el

aviso de convocatoria de las extraordinarias deberá incluir además el objeto de la misma.

el quorum se formará en las Juntas Generales tanto ordinarias como extraordinarias con la

concurencia del cincuenta por ciento de las acciones que constituyen el capital social.-

Las decisiones serán tomadas con el voto favorable del cincuenta por ciento de las

acciones presentes o representadas.- Si no pudiere constituirse la Junta por falta de

quorum se hará convocatoria para una nueva reunión, debiendo precisarse en el aviso de



1 convocatoria esta circunstancia.- En este caso

2 quorum y para las resoluciones se aplicarán las mismas

3 formalidades y requisitos que se establezcan en la presente

4 Escritura para los casos de la primera convocatoria.- Las Juntas Generales de Accionistas

5 serán presididas por el Presidente de la Junta de Accionistas será a su vez el Presidente

6 de la Junta Directiva que será a su vez el Presidente de la Sociedad o quien haga sus

7 veces y en su efecto por los accionistas que la misma Junta General designe al

8 constituirse.- Podrá prescindirse de todas las formalidades estipulaciones en la presente

9 para las convocatorias de la Junta General de Accionistas, cuando estuvieren presentes o

10 presentados la totalidad de las acciones en la Junta General los socios accionistas

11 podrán estar presentes personalmente o delegar poder, carta poder, telegrama, tele fax .-

12 La Junta General podrá llevarse a efecto en el domicilio social o en cualquier otro lugar

13 de la República o aún en el Extranjero.- SEPTIMA:(LA DIRECCION): La dirección y

14 administración de los negocios estarán a cargo de una Junta Directiva con facultades de

15 administración compuesta como mínimo de tres miembros, electos de entre los accionistas

16 por la Asamblea General Ordinaria o Extraordinaria en su caso y serán en orden sucesivo:

17 Duración en sus funciones dos años pudiendo ser reelectos. Los miembros de la Junta

18 Directiva se denominarán Directores y se distribuirán los cargos de Presidente, Vice-

19 Presidente, Secretario, Tesorero y Vocales.- Los miembros de la Junta Directiva deberán

20 ser Socios accionistas y continuarán en sus funciones aún después de expirado el periodo

21 para el que fueren electos hasta que los miembros hayan tomado posesión en sus

22 respectivos cargos. Cuando concurran vacantes definitivas deberán ser llenados por la

23 Junta General de Accionistas quién efectuará la elección de los miembros faltantes en

24 forma definitiva.- OCTAVA: (REPRESENTACION): El Presidente de la Junta Directiv será el

25 Representante Legal de la Sociedad con facultades de Mandatario Generalísimo la

26 representación Legal se puede otorgar a cualquiera de los otros Directores, mediante

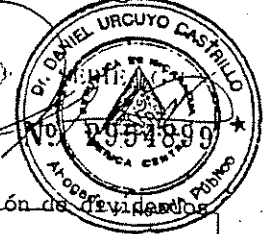
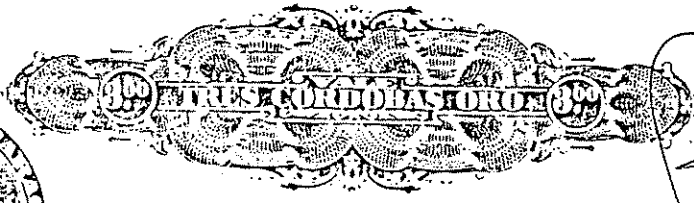
27 resolución adoptada por la Junta Directiv y el Director así designado ejercerá la

28 representación de la Sociedad con las mismas facultades que corresponden al Presidente y

29 que se designe en la presente clausula.- NOVENA:(VIGILANCIA): La Junta General de

30 Accionistas elegirán un vigilante, si fuere posible en la misma sesión en que se elija a

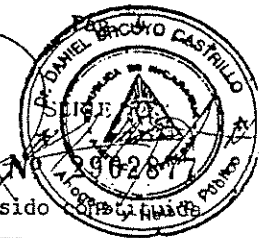
1 los miembros de la Junta Directiva, el cual durará en sus funciones el término de dos (2)
2 años coincidente con el periodo que deben cumplir los miembros de la Junta Directiva,
3 pudiendo ser reelecto y tendrá a su cargo la supervisión de la administración social.
4 Este designación podrá recaer en persona extraña a la Sociedad y el cargo podrá ser
5 ejercicio por una persona extraña natural o jurídica.- En caso de falta definitiva del
6 vigilante, la Junta Directiva convocará a sesión extraordinaria de accionistas para que
7 provea su reposición.- DECIMA: (GERENCIA): Para el mas expédito desenvolvimiento de la
8 parte ejecutiva de la administración, la Junta Directiva podrá nombrar cuando lo estime
9 conveniente un Gerente quién podrá ser o no socio y en el acto de su designación se le
10 conferirán las facultades que especifiquen dicha Junta.- DECIMA PRIMERA:(CONTABILIDAD,
11 BALANCE, UTILIDADES Y PERDIDAS): La Sociedad llevará su contabilidad de acuerdo con lo
12 establecido en el Código de Comercio vigente, pudiendo usar los libros auxiliares que
13 según la índole de los negocios sociales requiera.- El inventario y Balance General se
14 formulará al final de cada ejercicio y se someterá junto con el Estado de Pérdida y
15 ganancia al conocimiento de la Junta General de Accionistas en su reunión ordinaria anual
16 o en la Extraordinaria si esta no hubiera podido efectuarse. Para determinar el monto de
17 las utilidades netas que podrá distribuirse anualmente entre los accionistas, se deberán
18 deducir de los ingresos brutos de cada ejercicio las cantidades correspondientes a los
19 siguientes rubros; a) Los gastos generales de administración; b) Las sumas destinadas al
20 pago de los impuestos que graven las operaciones o bienes de la Sociedad; c) Las partidas
21 necesarias para la amortización de los activos sujetos a depreciación; d) Las bajas que
22 aconseja la técnica contable; e) La porción destinada a la integración del fondo de
23 reserva que estableciera la Junta General de Accionistas; el resto se distribuirán entre
24 los accionistas proporción a sus respectivas acciones, siempre que así lo acordase la
25 Junta General.- Las pérdidas de cualquier ejercicio anual se cubrirán con aplicaciones
26 equivalentes al fondo de reserva legal y al capital en su orden.- Cada vez que se
27 efectuare el fondo de reserva legal deberá reintegrarse en el mas próximo ejercicio
28 favorable, mediante la separación de una cantidad doble a las que ordinariamente se
29 destinan a su constitución.- Cuando las pérdidas efectuaren al capital, todas las
30 utilidades futuras se aplicarán a reintegrarlo y mientras no se hayan cerrado su



1 reintegro, no se podrá hacer ninguna distribución de utilidades
 2 a la Junta General podrá disponer cuando lo considere
 3 conveniente a las necesidades de las operaciones sociales así
 4 lo requieran sobre el destino de las utilidades o parte de ella para incrementar al
 5 Capital Social.- DECIMA SEGUNDA: (DE LAS RESERVAS): Deberán formarse el fondo de reserva
 6 legal a que se refiere al Arto. doscientos cuarenta y nueve (249) del Código de Comercio,
 7 tomando para ello al final de cada ejercicio, la vigesima parte de las utilidades líquidas
 8 hasta que dicho fondo alcance la decima parte del capital social. Este fondo deberá ser
 9 reintegrado cuantas veces se hubiere reducido por cualquier causa.- La Junta General de
 10 accionistas y las Juntas Directivas, podrán crear fondos de reserva para fines
 11 especiales.- DECIMA TERCERA: (DISOLUCION Y LIQUIDACION): La Sociedad se disolverá en
 12 cualquiera de los casos provistos por el Código de Comercio.- Disuelta la sociedad se
 13 procederá a la liquidación de su patrimonio y operaciones sociales mediante nombramiento y
 14 formación de una Comisión de liquidación designada por la Junta General de Accionistas e
 15 integrada por dos ó mas socios que efectuarán las operaciones necesarias para realizar los
 16 bienes sociales y su conversión a efectivo o valores negociables.- Una vez efectuadas
 17 estas operaciones, la Junta liquidadora deberá formular la distribución del haber social
 18 entre los accionistas, sometiendole a la consideración de la Junta General para su
 19 aprobación.- La liquidación deberán efectuarse y estar concluido dentro del plazo que
 20 señale la Junta General de Accionistas.- El procedimiento de distribución se sujetará a
 21 las disposiciones legales pertinentes, teniendo los liquidadores las facultades que en
 22 forma expresa los otorgue la Junta General de Accionistas, en el acto de su designación y
 23 en defecto de ello y en lo previsto por la Junta General, las disposiciones y que le
 24 confiere el Código de Comercio vigente.- DECIMA CUARTA: (ARBITRAMENTO): Cualquier
 25 diferencia, litigio o discrepancia que pudiere surgir entre los Accionistas o entre estos
 26 y los organismos administrativos de la Sociedad en relación con la administración de los
 27 socios o la interpretación de las estipulaciones de la presente escritura serán
 28 necesariamente decidida por árbitros o arbitradores designados por las partes en discordia
 29 así: uno escogido por la Junta Directiva o liquidadora y otro por el socio o socios
 30 quejosos.- Estos arbitradores antes de entrar a conocer la cuestión, designarán de común

acuerdo un tercero para que dirima la discordia en caso lo hubiera.- Cuando no pudiere

1
2 ponerse de acuerdo en la designación, esta la hará el Señor Juez de Distrito respectivo
3 el término para proceder o la designación de los arbitradores será a lo sumo de un mes a
4 contar de la fecha en que surgiere la diferencia.- La decisión de los arbitradores o del
5 tercero en su caso será definitiva, sin que en contra de ella pueda interponerse recurso
6 alguno.- Los arbitradores tendrán el término de sesenta días para dictar su laudo a partir
7 de la fecha de su respectivo nombramiento; el tercero para dictar su resolución tendrá el
8 término de treinta días a partir de la fecha en que se ponga en conocimiento la existencia
9 de la discordia pudiendo adherirse ala decisión de cualquiera de los arbitradores o
10 señalar una solución diferente.- DECIMA QUINTA: (SUSCRIPCION DE ACCIONES): los otorgantes
11 suscriben en este acto los siguientes de acciones: Los otorgantes pagan en este acto en
12 dinero efectivo el valor de sus respectivas acciones, por lo que queda suscrito y pagado
13 el cien por ciento del capital social.- DECIMA SEXTA: (ESTATUTOS): Los otorgantes
14 convienen en que a continuación se constituirán en Junta General de Accionistas para
15 conocer y aprobar los estatutos de la sociedad y elegir la Junta Directiva que surgiere
16 para el primer periodo.- A continuación los socios, BROOKLYN RIVERA BRYAN, MARCOS
17 HOPPINGTON SCOTT, SAMUEL MERCADO SANDERS, KENNETH BUSHEY LAW, CENTURLANO KHIHNT ANDREWS,
18 y KENNETH SERAPIO HUNTER,
19 HURTADO BAKER, OSORNO COLEMAN PADILLA, RODOLFO SPEAR SMITH, que representan el cien por
20 ciento del capital social, suscrito y pagado, se constituye Junta General Extraordinaria
21 de accionistas y se procede a redactar y aprobar los Estatutos en la forma siguiente:
22 PRIMERO: Preside la Sesión el Señor CENTURLANO KHIHNT ANDREWS, por la elección de la
23 Junta General de Accionistas y actúa como Vice-Presidente el Señor SAMUEL MERCADO SANDERS,
24 como Secretario el Señor OSORNO COLEMAN PADILLA, como Tesorero el Señor KENNETH BUSHEY
25 LAW. SEGUNDO: El Presidente declara abierta la sesión y expresa ser objeto de la misma la
26 consideración de los mismos Estatutos y la organización de la Junta Directiva que en forma
27 definitiva administrará y dirigirá el desarrollo de las operaciones sociales por el primer
28 periodo de los dos (2) años.- TERCERO: Considerando el proyecto de Estatutos mediante el
29 análisis de la misma. Artículo por Artículo afectuada las enmiendas que se estimaran
30 necesarias y convenientes fueron leidos y aprobados por unanimidad de votos como Estatutos
de la Sociedad los siguientes: CAPITULO UNO CONSTITUCION, DENOMINACION, OBJETO, DOMICILIO



Y DURACION.- Arto. 1ro. La presente Sociedad ha sido

en esta fecha y hora bajo los términos y estipulaciones
consignados en este instrumento. Dicha sociedad se denominará,

CORPORACION INDIGENA DE DESARROLLO ECONOMICO SOCIEDAD ANONIMA, también será conocido como

CIDE S.A. y cualquiera de estas formas de denominación constituirá de la misma. Arto.

2do. El objeto será el consignado en la clausula CUARTA DE LA ESCRITURA DE CONSTITUCION

SOCIAL.- Arto. 3ro. La duración de esta Sociedad será de VEINTICINCO AÑOS (25),

prorrogables por decisión tomada en Junta General de Accionistas, sin necesidad de nueva

escritura pública.- Arto. 4to. El domicilio de la Sociedad será en Puerto Cabezas, y en

cualquier ciudad del país, CAPITULO SEGUNDO: (CAPITAL SOCIAL Y ACCIONES): Arto. 5to. El

Capital Social es de TRECE MIL QUINIENTOS CORDOBAS, y estará representada en NUEVE (9) ACCIONES

con VALOR NOMINAL DE MIL QUINIENTOS CORDOBAS CADA ACCION, las clausulas serán nominativas

e inconvertibles al portador tal como se indica en la clausula QUINTA de la escritura de

constitución social.- La Junta General de Accionistas podrá emitir en un futuro nuevas

acciones que gocen de beneficios y derechos diversos; en este todo lo referente a su

adquisición y característica esta contenido en el acuerdo de su creación. Arto. 6to. Los

certificados de acciones serán impresos debidamente numerados y firmados por el

Presidente y Secretario de la Junta Directiva, sellados por el sello de la Sociedad,

deberán señalar: a) fecha de su constitución e inscripción en el Registro Público de

Mercantil; b) importe del capital social; c) número de acciones que comprende el

certificado; d) nombre y apellidos de las personas a cuyo favor se extiende y; e)

Expresiones de la serie de acciones a que pertenecen el certificado en su caso. Arto.

7mo. Los Accionistas que deseen vender sus acciones deberán hacerlo saber a las Juntas

Directivas para que esta a su vez haga conocer de la determinación a los demás socios

accionistas, quienes tendrán el término de treinta días a partir de la comunicación

escrita que ellos reciben para ejercer el derecho preferente de adquirirlas en proporción

a las acciones que cada uno posee.- El precio de las acciones se determinará de común

acuerdo entre la Junta Directiva y el socio vendedor.- En caso de existir desacuerdo en

los montos, los socios lo resolverán mediante al arbitraje de conformidad con lo

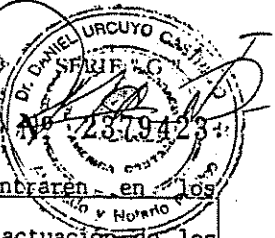
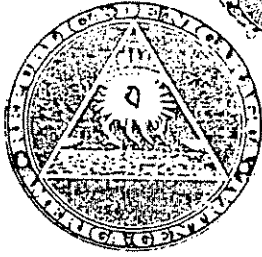
dispuesto en el acto constitutivo y estos Estatutos.- Arto. 8vo. Si no hiciese uso del

derecho de preferencia que refiere al Artículo anterior, el socio que desee vender sus acciones someterá a la aprobación de la Junta General de Accionistas; el nombre del comprador y el precio de oferta; la que en Asamblea Extraordinaria convocada para tales fines podrá aprobar o denegar la propuesta.- En el derecho de adquirir dichas acciones por el mismo precio.- Arto. 9no.- En los casos de AUMENTO DE CAPITAL, se establecerá el derecho de opción para adquirir PREFERENCIA LAS ACCIONES en que se divide e incorpora dicho aumento, en favor de los propietarios de acciones de la Sociedad, en proporción al número que cada uno posee al aumento de decretarse tal aumento.- Los accionistas no podrán enajenar, tratar, ni dar a garantía las acciones, sino mediante autorización expedida por la Junta Directiva.- Arto. 10. Todo traspaso de acciones deberá ser por Secretario en el libro del registro de acción de la Sociedad.- Mientras esta formalidad no se hubiere firmado, la sociedad no reconocerá el traspaso; Arto 11vo. Todo accionista tendrá los derechos y obligaciones que le corresponde conforme la ley y los estatutos. La adquisición de una acción implica la absoluta conformidad del adquirente con las estipulaciones de la escritura de constitución social, de estos estatutos y las resoluciones adoptadas por la Junta Directiva y la Junta General de Accionistas, dentro de sus perspectiva y facultades. CAPITULO TERCER: (DIRECCION, ADMINISTRACION Y FISCALIZACION): Arto. 12. La Dirección, Administración, disposición y manejo de todos los negocios sociales, está a cargo de una Junta Directiva integrada por los miembros designados por la Asamblea General en la forma y manejo que se indica en la cláusula SEPTIMA del pacto social.- Arto. 13vo. La Junta Directiva tendrá la representación Judicial y Extrajudicial de la Sociedad con facultades de mandatario Generalísimo.- Arto. 14vo. La Junta Directiva celebrará sesiones por lo menos una vez al año, o cuando sea convocada por el Presidente de la misma.- Las sesiones tendrán lugar en las oficinas de la sociedad o en el lugar que el Presidente indique.- Las decisiones y resoluciones se adoptarán con el voto de cincuenta y un por ciento de los Directores presente.- Para que exista quorum en las sesiones serán necesarias la concurrencia de la mitad mas uno de los Directores. Como mínimo. Arto. 15vo. Son atribuciones de la Junta Directiva; a) realizar las sesiones administrativas de la Sociedad de acuerdo a los fines contemplados en el objetivo social; b) hacer cumplir los acuerdos de la Junta General de Accionistas dentro



1 de la observancia de la ESCRITURA DE CONSTITUCIÓN SOCIAL
2 Y LOS ESTATUTOS; c) custodiar los documentos y libros de la
3 Sociedad; d) designar el Gerente, confiriéndole por medio de su
4 Presidente u otro Director el Mandato necesario para el desempeño de su cargo e) convocar
5 a la Junta General de Accionistas por medio del Secretario de conformidad con los medios
6 previstos por la Escritura de Constitución Social, Estatutos y la ley; f) organizar el
7 sistema contable de la Sociedad y preparar conforme lo preceptuado en la escritura de
8 constitución social y Estatutos, el informe anual y financiero de la Sociedad y; g) Todas
9 las demás atribuciones que la ley o el pacto social lo otorgue.- CAPITULO CUATRO: (DEL
10 PRESIDENTE, VICEPRESIDENTE, SECRETARIO, TESORERO Y VOCALES). Arto. 16vo. El Presidente de
11 la Junta Directiva es el Representante Legal de la Sociedad con facultades de Mandatario
12 Generalísimo, con la restricción de no poder vender los bienes de la Sociedad, ya que
13 para ello necesitará de la aprobación de la Junta General de Accionistas. Arto. 17vo. El
14 Presidente de la Junta Directiva tendrá las siguientes atribuciones: a) precidir las
15 sesiones de la Junta Directiva y de la Junta General de Accionistas, dirigiendo los
16 debates; b) convocar a sesiones ordinarias o extraordinarias a dicha Junta, ya fuera a
17 través de Secretario o directamente; c) firmar con el Secretario los certificados de las
18 acciones de la Sociedad; d) firmar junto con el Gerente o con cualquier otro de los
19 funcionarios que designe la Junta Directiva los cheques firmados, girados contra la
20 cuenta o cuentas corrientes de la Sociedad tuviera en cualquier institución bancaria o
21 financiera; e) velar por el estricto cumplimiento de los acuerdos y disposiciones que
22 adopte la Junta Directiva como la Junta General de Accionistas. Arto. 18vo. El Vice-
23 Presidente sustituirá al Presidente en caso de ausencia o falta temporal de éste con las
24 mismas facultades.- Arto. 19vo. El Secretario tendrá las siguientes atribuciones: a) ser
25 el órgano de comunicación entre la Sociedad y los accionistas o entre estos y la Junta
26 General y la Junta Directiva; b) Llevar los libros, registros de actas de sesiones de la
27 Junta Directiva y de la Junta de Accionistas; c) Custodiar bajo su propia responsabilidad
28 los archivos relacionados con la Junta Directiva y la Junta General de Accionistas; d)
29 redactar, leer y autorizar en las sesiones las actas de la Junta Directiva y de la Junta
30 General de Accionistas; e) comunicar los acuerdos con el Presidente, y la correspondencia

1 dirigidas por ambas Juntas; f) dar cuenta al Presidente de la Junta Directiva y de la
2 Junta General de la comunicación que reciba; g) firmar con el Presidente los certificados
3 de acciones de la Sociedad; h) llevar el libro de Registros de acciones; i) citar con
4 instrucciones del Presidente para las sesiones Generales de Accionistas y la Junta
5 Directiva; j) expedir certificaciones de los libros de registros de la Sociedad y; k)
6 cumplir las demas obligaciones a su cargo que se indique en los Estatutos, las que
7 pudiere corresponderle por la naturaleza de dicho cargo, por las estipulaciones del pacto
8 social y por la comisión de la Junta General de Accionistas y por la Junta Directiva.
9 Arto. 20; El Tesorero: manejará la cartera y valores de la Sociedad. Arto. 21; DEL
10 GERENTE: El gerente tendrá las facultades y atribuciones que la Junta Directiva le
11 otorgue, ya sea al momento de la respectiva designación o en la escritura en que consta
12 el mandato respectivo y este podrá o no ser socio. Arto. 22; Los Directores deberán ser
13 poseedores de una o mas acciones de la Sociedad. Arto. 23; todos los Directores tienen
14 voz y voto en todo los debates, exepcto en lo relativo a la responsabilidad de su cargo.
15 CAPITULO QUINTO: (VIGILANCIA): Arto. 24; La fiscalización de la Administración de la
16 Sociedad entera confiada a un vigilante electo por la Junta General de Accionistas, el
17 cual no es necesario que sea accionista. Arto. 25; El vigilante tendrá las siguientes
18 atribuciones; a) examinar y comprobar los libros de la Sociedad, por lo menos una vez al
19 mes, cuando lo estime conveniente a fin de imponerse de la marcha de las operaciones
20 sociales y todo lo demás que juzgue necesario; b) hacer sin previo aviso arqueos y
21 comprobaciones de la existencia de la caja y demás bienes sociales; c) comprobar la
22 cartera y valores de la Sociedad, examinando con arreglo a los datos que le suministren
23 los libros, la existencia, valores de toda especie; d) vigilar la formación,
24 mantenimiento y reintegro del fondo de reserva legal y de los otros fondos especiales de
25 ~~reserva legal y de los otros fondos especiales de reserva~~ que se constituyen con un
26 objeto determinado; e) pedir explicaciones al Gerente de cualquier operación de la
27 Sociedad; f) velar por la Junta General de Accionistas, la Junta Directiva y el Gerente,
28 cumplan con las estipulaciones de la Escritura Social, estos Estatutos y demás
29 resoluciones que se dicten; g) glosar la cuenta de la Sociedad; h) presentar a la Junta
30 Directiva y a la Junta General de Accionistas en sus próximos sesiones los informes sobre



1 irregularidades e inexactitudes que encontraren en los
 2 Inventarios y balances, lo mismo que en la actuación de los
 3 funcionarios de la Sociedad; i) inspeccionar cuando lo juzgue
 4 necesario las oficinas o sucursales que la sociedad tuviere establecido dentro o fuera
 5 del asiento principal; j) remitir a las oficinas de la Sociedad el informe anual que debe
 6 rendir a la Junta General, por lo menos ocho días antes de la reunión; k) dar su
 7 aprobación a las finanzas que se rindan a la Sociedad y; l) mantener a la Junta Directiva
 8 al corriente de los trabajadores de Auditoría que realice en el curso de cada mes,
 9 rindiendo el informe por escrito con la prontitud que el caso requiere. CAPITULO SEIS:
 10 (DE LAS JUNTAS GENERALES): Arto 28; La Junta General de Accionistas constituye la
 11 autoridad suprema de la Sociedad y además de las atribuciones que la ley le confiere,
 12 tiene los siguientes: INCISOS: a) elegir a los Directores y los vigilantes, en la forma
 13 establecido en la Escritura de Constitución Social y reponer las vacantes que ocurran; b)
 14 aumentar el número de Directores cuando así lo considere necesario para el mejor
 15 desarrollo de los negocios; c) examinar, aprobar y desaprobar los balances generales, los
 16 informes generales de la Junta Directiva y los dictámenes del vigilante; d) acordar
 17 cuando lo estime conveniente la formación de otros fondos de reserva; e) acordar y fijar
 18 sueldos o dietas a los Directores y vigilantes, cuando lo estime conveniente; f)
 19 decretar el aumento reintegro o reducción de capital social cualquier otra modificación a
 20 la Escritura de Constitución Social y Estatutos, de acuerdo a lo establecido en el pacto
 21 social y; g) aprobar o negar su aprobación a la conducta oficial de los Directores y del
 22 vigilante.- Arto. 27; En las Juntas Generales cada accionista tendrá tanto votos como
 23 acciones, bajo el principio de que cada acción dá derecho a un voto dejando sin validez
 24 cualquier pretexto que restrinja o limite este principio.- Arto. 28; todos los
 25 Accionistas tienen derecho a conocer el movimiento de los negocios sociales y el empleo
 26 de los fondos tanto el Gerente como la Junta Directiva están en la obligación de darle
 27 todos los informes que ellos requieran al serles solicitado. Este derecho no significa
 28 que los socios tengan poder para estorbar, contradecir, o interferir las actividades de
 29 la Sociedad o cualquier negociación que estuviere llevado a cabo, pues si alguna objeción
 30 tuviere que hacer deberán someterlas a la consideración de la Junta Directiva o a la

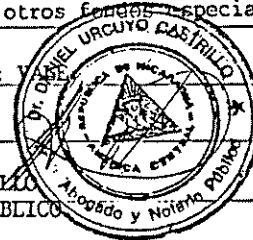
1 Junta General de Accionistas. CAPITULO 7; (DISPOSICIONES VARIAS): Arto. 29; En caso de.
2 extravío, sustracción o destrucción de las acciones o títulos se estará a lo dispuesto
3 por la Ley General de Títulos valores de II de Julio de 1971; Arto. 30; La Sociedad
4 usará para todos sus documentos oficiales un sello con el nombre de la Empresa. Arto.
5 31; En lo que no haya sido previsto o modificado en la Escritura Social, y estos
6 Estatutos, se aplicarán las disposiciones pertinentes del Código de Comercio vigente.
7 Arto, 32; Estos Estatutos empezarán a regir tan luego sean inscritos en el Registro
8 Público del Departamento de Bluefields. La Asamblea acordó por unanimidad que la
9 aprobación dada a los presentes Estatutos se tenga como definitiva. CUARTO; el Presidente
10 de esta sesión/a la Asamblea /solicita/ elegir la Junta Directiva en propiedad, la que estará
11 encargada de la Dirección y Administración de los negocios sociales por el primer período
12 ordinario. La Junta General de Accionistas considerando el punto por unanimidad resolvió
13 integrar la Junta Directiva en propiedad mediante elección sucesiva en la forma
14 siguiente: Presidente, SAMUEL MERCADO SANDERS, Vice-Presidente, CENTURIANO KNIGHT
15 ANDREWS, Secretario OSORNO COLEMAN PADILLA, Tesorero KENNETH BUSHEY LAW, Vocales RODOLFO
16 SPEAR SMITH, Estando presente los miembros de la Junta Directiva desde este momento
17 quedan en posesión de sus respectivos cargos. Así se expresaron los comparecientes por
18 mi el Notario, acerca del valor, y trascendencia legales de este acto; de las cláusulas
19 generales que aseguran su validez; de las especiales que contienen y envuelven renunciias
20 y estipulaciones implícitas que hacen. Y leída que fué íntegramente toda esta Escritura
21 a los comparecientes, la aprueban, notifican y firman todos conmigo. Doy fe de todo lo
22 relacionado. ENTRELINEAS, Y KENNETH SERAPIO HUNTER: VALEN. BROOKLYN RIVERA BRYAN, ---
23 MARCOS HOPPINGTON SCOTT, SAMUEL MERCADO SANDERS, KENNETH BUSHEY LAW, CENTURIANO KHIHNT
24 ANDREWS, HURTADO BAKER, OSORNO COLEMAN PADILLA, RODOLFO SPEAR SMITH Y KENNETH. SERAPIO
25 HUNTER. D. URCUYO C.
26 PASO ANTE MI: DEL REVERSO DEL FOLIO NUMERO CUARENTA Y SEIS AL REVERSO DEL NUMERO
27 CINCUENTITRES DE MI PROTOCOLO NUMERO TRECE QUE LLEVO DURANTE EL PRESENTE AÑO Y A
28 SOLICITUD DEL SEÑOR CENTURIANO KHIGHT ANDREWS, EXTIENDO ESTE PRIMER TESTIMONIO QUE CONSTA
29 DE SIETE FOLIOS, QUE FIRMO, RUBRICO Y SELLO EN LA CIUDAD DE MANAGUA A LAS DOS DE LA TARDE
30 DEL DIA VEINTIDOS DE NOVIEMBRE DE MIL NOVECIENTOS NOVENTA Y CUATRO. =====DR.



TESTADO: de reserva legal y de los otros fondos especiales de re-

serva. VALE. Entrelíneas: solicita: V

DR. DANIEL URCUYO CASTRIELLO
ABOGADO Y NOTARIO PÚBLICO

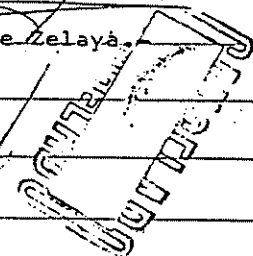


Inscrito el día de hoy, así: bajo el número 583 página 183 a la 197 del
Tomo 37, Libro de Personas; y con el número 975, página 135 a la 149 del
Tomo 23 Libro Segundo Mercantil de Sociedades; según Diario asiento núme-
mero 9375 página 280 del Tomo 87. - - -

Bluefields, trece de Diciembre de mil novecientos noventa y cuatro.


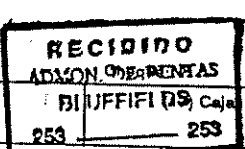
FRANCISCO JOSÉ ROMERO OCÓN

Registrador Público en el Departamento de Zelaya.



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(1) N° RUC 181194-9511		(2) Nombre o Razón Social Corporación Indígena de Desarrollo			(3) Fecha Pago 26/195
(4) Cta. Cle. Cod.		(5) Concepto E S A			(6) Período
1	Pie matrícula año 95			0195	
2					
3					
4					
(7) Ingreso Fiscal Cód.	(8) Monto	(9) Multa	(10) Intereses	(11) Total	
T. 123123-5	675.00			675.00	
2					
3					
4					
5	Totales	675.00		675.00	
(12) Monto en Letras: Seiscientos setenta y cinco colones 00/100					
(13) Otras especificaciones:				(14) Liquidación	
				Córdobas	
				Dólares	
				<input checked="" type="checkbox"/> Efectivo	
				<input type="checkbox"/> Cheque	
(15) Firma del Recaudador:				<input type="checkbox"/> Otras	
				<input type="checkbox"/> Banco	
				(16) Unidad Rec. Código	
					

Original: Contribuyente

(Este Recibo no es válido con borrados o emendadas)

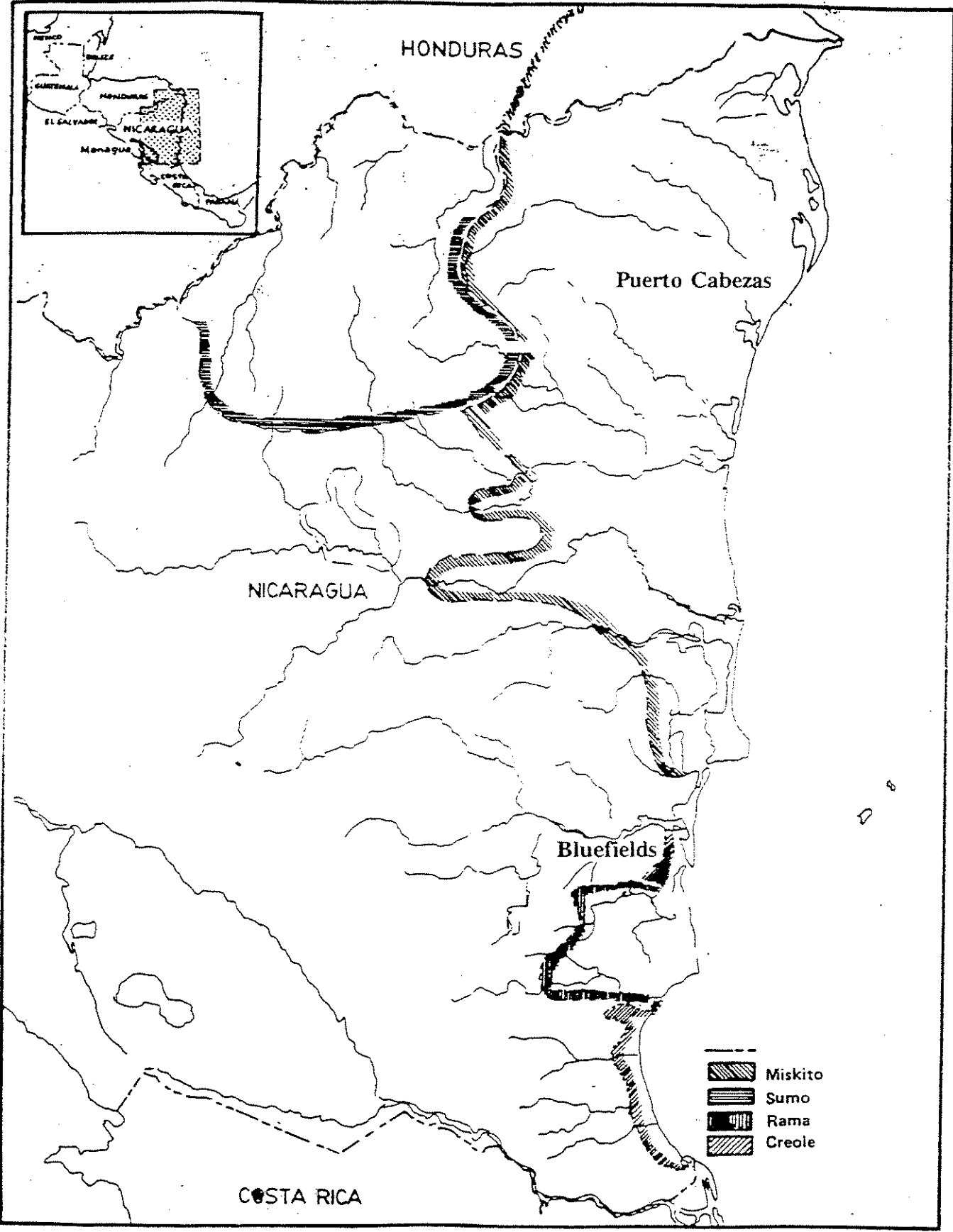


1 Transacción <input checked="" type="checkbox"/> R21 Inscripción <input type="checkbox"/> R31 Actualización		2 Número RUC 181194-9511	
3 Nombre o Razón Social Corporación Indígena de Desarrollo Económico S.A.			4 Fecha de Constitución DÍA MES AÑO 18 11 94
5 Dirección para notificaciones (Domicilio legal) Bo. Central, Frente al Parque			
6 Departamento y municipio de domicilio legal DEPARTAMENTO MUNICIPIO Zelaya Oto Cabeza		7 Teléfono	8 Mes de cierre del ejercicio
9 Capital	10 Tipo de Empresa	11 Clase de Sociedad o Institución	
1 Nicaragua <input checked="" type="checkbox"/> 2 Extranjero <input type="checkbox"/> 3 Mixto <input type="checkbox"/>	1 Privada <input checked="" type="checkbox"/> 2 Estatal <input type="checkbox"/> 3 Mixta <input type="checkbox"/>	1 Soc. Anón. <input checked="" type="checkbox"/> 2 Cía. Ltda. <input type="checkbox"/> 3 Entidad Autónoma <input type="checkbox"/> 4 Soc. de hecho <input type="checkbox"/> 5 Otra <input type="checkbox"/>	
12 Número patronal	13 Actividad económica Copia y Comercialización de seguros, exportación y comercialización de productos marinos		
DECLARO QUE TODOS LOS DATOS DE ESTE FORMULARIO SON VERACES Y COMPLETOS			
14 Fecha de presentación DÍA MES AÑO 25 01 95		15 Firma del Representante Legal  16 Lugar Bluefields	

SATO 78

APPENDIX 3

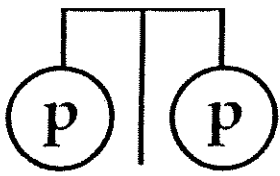
**MAPS OF THE ATLANTIC COAST OF NICARAGUA
AND THE AUTONOMOUS REGION**



-  Miskito
-  Sumo
-  Rama
-  Creole

APPENDIX 4

LETTERS OF SUPPORT FOR THE PROJET



April 15, 1995

Mr. Marc Allard
General Manager
Seaku Fisheries Inc.
630-32nd ave., 6th floor
Lachine, Canada
H8T 3K5

Dear Mr

Following your exploration visit during April 1995, for fisheries and Institutional Development projects in the Atlantic of Nicaragua coordinated by Seaku and Apikan. Our organization Pana Pana one of the few indian NGO working for the Development of the Atlantic Coast of Nicaragua, welcome your effort and we formally support your commitment to explore the potential for the development of the inshore fishery & Technology transfer on the Miskito Coast of Nicaragua.

The initiative to transfer your model and expertise in the development of a community based fisheries enterprise and institutional strengthening are very key for the sustainable development of most of the communities .

The terms of your project coincide with many of the communities desires. For the Miskito people and their communities is very important to have this type of project implemented in order to strengthen our indigenous management capacity in the region and to maintain our tradition as keepers and users of the resources in the most sustainable way.

We recommend Seaku and Apikan to consider seriously to help strengthen the capacity of the Miskito and Sumo peoples in Nicaragua and to provide concrete examples of community-based resource management.

We are looking forward to hearing further information in this regard. In the meantime, we at Pana Pana hope that soon this project will start to implement in the field and bring it to total success.

Respectfully yours,


Lucia Law
Director



CONSEJO REGIONAL AUTONOMO
(R. A. A. S.)

Marzo 30, 1995

Sr. Marc Allard
Director General
SEAKU Fisheries Inc.
650, 32 nd Avenue, Lachine Quebec
Canada H8T 3K5

Estimado Señor Director

Despues de haber conversado con usted y su grupo, el 29 de Marzo en Bluefields, y haber conocido su intención de desarrollar proyectos en el sector de la pesca, como representante del Gobierno de la Region Autonoma del Atlantico Sur (RAAS), queremos manifestarle nuestro apoyo a esta iniciativa que puede ser de mucho beneficio tanto para las poblaciones que para la economía de la Region.

En vista de las grandes necesidades que tiene la region, seria oportuno que dichos proyectos pueden ser implementados en el plazo mas corto posible.

Como Presidente del Consejo Regional Autonomo, puede contar Señor Director, con todo nuestro soporte.

Fraternalmente, me despido de usted deseandole mucho éxito en su gira de exploración.


Dr. Augusto De La Rocha
Presidente



Abril 18 de 1995.
DVM-02-10295.

Marc R. Allard
Proyect Manager
Seaku Fisheries Inc.
650-32nd Ave, 6th Floor
Lachine, Quebec
H8T 3K5

Estimado Sr. Allard:

En el Ministerio de Acción Social (MAS) vemos con agrado la iniciativa de Seaku Fisheries Inc., de impulsar en forma conjunta con el grupo CJDE, S.A la pesca artesanal en las Comunidades Indígenas del litoral caribeño nicaragüense.

Precisamente, en el MAS estamos procurando iniciar un apoyo a algunas Comunidades de esa zona litoral del país, mediante el suministro de algunos aperos y equipos de pesca dirigido a ampliar y fortalecer la actividad de su pesca comunitaria en las lagunas, ríos y dentro de las tres millas de la Costa, zona tradicional de actividad pesquera de las Comunidades.

De manera que, apoyamos la iniciativa SEAKU/CIDE/Comunidades en donde sus poblaciones tengan una participación directa y un beneficio que se revierta en el mejoramiento socio-económico comunitario y el desarrollo sostenible de la pesca artesanal y de sus comunidades.

Con cordiales saludos.

Atentamente,


BROOKLYN RIVERA
VICE MINISTRO





GOBIERNO DE LA REGION AUTONOMA DEL ATLANTICO NORTE

PUERTO CABEZAS, NICARAGUA, CENTROAMERICA

Puerto Cabezas, Nic
Abril 15 de 1995

Señor
MARC ALLARD
SUS MANOS

Estimado señor Allard:

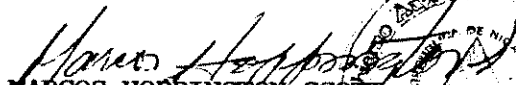
La Región Autónoma Atlántico Norte (RAAN), goza de un régimen de autonomía; y conciente de su responsabilidad para la generación de empleo y bienestar social, promueve un desarrollo económico sustentable en el sector de los recursos naturales, principalmente en las áreas que son del Patrimonio comunal.

La iniciativa conjunta entre "SEAKU FISHERIES INC" y " CORPORACION INDIGENA PARA EL DESARROLLO, S.A" (CIDESA) de impulsar un Proyecto de aprovechamiento de los recursos del mar tomando en cuenta a las comunidades de los Litorales, concuerda con nuestras políticas de desarrollo regional, que seguramente contribuirá en una mejora sustancial de la situación social y económica de nuestras comunidades.

Como Institución gubernamental, reiteramos nuestro apoyo a la posibilidad de que tanto " SEAKU FISHERIES INC" y " CIDESA", puedan lograr acuerdos para el inicio del Proyecto.

Deseándole éxitos para la iniciativa, le saluda.

Muy atentamente.


MARCOS HOPPINGTON SCOTT
COORDINADOR DE GOBIERNO
REGION AUTONOMA ATLANTICO
NORTE (RAAN)

cc: archivo.-

SEAKU starter visit to Nicaragua

Extracts taken from the approved translation

AUTONOMY STATUTE FOR THE REGIONS OF THE ATLANTIC COAST OF NICARAGUA

LAW No.28

THE PRESIDENT OF THE REPUBLIC OF NICARAGUA

makes known to the people of Nicaragua that:

THE NATIONAL ASSEMBLY OF NICARAGUA IN
CONSIDERATION OF THE FACT:

I
That in Latin America and other regions of the world, the Indian populations having been subjected to a process of impoverishment, segregation, marginality, assimilation, oppression, exploitation, and extermination are demanding a deep-going political, economic, and cultural transformation so that they can effectively achieve their demands and have their aspirations met.

II
That the Atlantic Region of Nicaragua makes up approximately 50% of the nation's territory and, with close to 300,000 inhabitants represents 9.5% of the total population. This number includes 182,000 Spanish-speaking Mestizos, 75,000 Miskitos with their own language, 26,000 English-speaking Creoles, 9,000 Sumus with their own language, 1,750 Garifunas, most of whom have lost their language, and 850 Ramas, of whom only 35 have retained their language.

III
That the multi-ethnic identity of the Nicaraguan people is greatly inspired by the exploits of

VIII
That the new constitutional order of Nicaragua establishes that the Nicaraguan people are by nature multi-ethnic; recognizes the rights of the Communities of the Atlantic Coast to preserve their languages, religions, art, and culture, to use and enjoy the communal waters, forest, and lands, to create programs which further their development and ensure the rights of these Communities to organize themselves and to live in the ways which correspond to their legitimate traditions (Art. 8, 11, 49, 89, 90, 91, 92, 121, 180, and 181 of the Constitution).

THEREFORE

In use of its powers

Has issued

Art. 8. The Autonomous Regions established by this Statute will have legal personality in public Law, and are subject to the relevant aspects of their national policies, plan, and orientations. Through their administrative bodies they have the following general faculties:

1. To effectively participate in the preparation and implementation of plans and programs for national development with the region, in order to bring them into harmony with the interests of the Communities of the Atlantic Coast.

2. To administer programs for health, education, culture, supply and distribution, transport, community services, etc. in coordination with the corresponding State Ministries.

3. To promote their own economic, social, and cultural projects.

4. To promote the rational use and enjoyment of the communal waters, forests, and lands and the defense of their ecological system.

5. To promote the study, fostering, development, preservation, and dissemination of information about the traditional cultures of the Communities of the Atlantic Coast, as well as their historical, artistic, linguistic, and cultural heritage.

6
Art. 9. The right to own communal lands shall be recognized in the rational use of the mineral, forest, fishing, and other natural resources of the Autonomous Regions, and said use should benefit the inhabitants equitably, by means of the agreements between the Regional Government and the Central government.

Accepted as Law of the Republic - Publish and Executed - Managua, seventh of September of the year of one thousand nine hundred and eighty seven - «Here, nobody surrenders.» Daniel Ortega Saavedra, President of the Republic.