

REFERENCE DOCUMENTS
PAN ARCTIC INUIT LOGISTICS CORPORATION

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FORM 1
ARTICLES OF INCORPORATION
(SECTION 6)FORMULE 1
STATUTS CONSTITUTIFS
(ARTICLE 6)

Name of Corporation

Dénomination de la société

PAN ARCTIC INUIT LOGISTICS CORPORATION

The place in Canada where the registered office is to be situated

Lieu au Canada où doit être situé le siège social

YELLOWKNIFE, NORTHWEST TERRITORIES

The classes and any maximum number of shares that the corporation is authorized to issue

Catégories et tout nombre maximal d'actions que la société est autorisée à émettre

SEE SCHEDULE I ATTACHED HERETO

Restrictions if any on share transfers

Restrictions sur le transfert des actions, s'il y a lieu

SEE SCHEDULE II ATTACHED HERETO

Number (or minimum and maximum number) of directors

MINIMUM NUMBER OF DIRECTORS ONE (1) - MAXIMUM NUMBER OF DIRECTORS EIGHT (8)

Nombre (ou nombre minimum et maximum) d'administrateurs

Restrictions if any on business the corporation may carry on

Limites imposées quant aux activités commerciales que la société peut exploiter, s'il y a lieu.

NONE

Other provisions if any

Autres dispositions s'il y a lieu

SEE SCHEDULE III ATTACHED HERETO

Incorporators

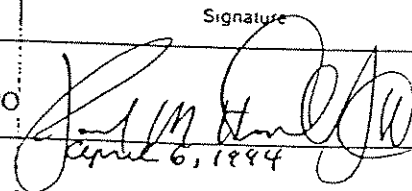
Fondateurs

Names - Noms

Address (include postal code)
Adresse (inclure le code postal)

Signature

DID CONNELLY

P.O. Box 7, #2 Carmichael Drive
INUUVIK, NORTHWEST TERRITORIES XOE 0T0
April 6, 1994

DEPARTMENTAL USE ONLY

Corporation No. - No de la société

À L'USAGE DU MINISTÈRE SEULEMENT
Déposée

302297-8

APR 27 1994

SCHEDULE I attached to the Articles of Incorporation of:
PAN ARCTIC INUIT LOGISTICS CORPORATION

3. THE CLASSES AND ANY MAXIMUM NUMBER OF SHARES THAT THE CORPORATION IS AUTHORIZED TO ISSUE

3.1 AUTHORIZED CAPITAL

- (i) An unlimited number of Class "A" Shares;
- (ii) An unlimited number of Class "B" Shares;
- (iii) An unlimited number of Class "C" Shares; and
- (iv) An unlimited number of Class "D" Shares.

3.2 THE SPECIAL RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO EACH CLASS OF SHARES:

(a) Voting

The holders of Class "A", Class "B", Class "C" and Class "D" Shares shall be entitled to cast one vote in respect of each Class "A", Class "B", Class "C" and Class "D" Share held at all meetings of the shareholders of the Corporation.

(b) Dividends

The holders of each class of shares of the Corporation shall be entitled to receive dividends as and when declared on such class of shares by the Directors, acting in their sole discretion, which dividends may be declared and paid on one class of shares wholly or partially to the exclusion of dividends in respect of the other classes of shares.

(c) Liquidation

In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Class "A", Class "B", Class "C" and Class "D" Shares shall be entitled to participate equally amongst themselves in respect of each Class "A", Class "B", Class "C" or Class "D" Share held in any further distribution of the assets of the Corporation.

SCHEDULE II attached to the Articles of Incorporation of:
PAN ARCTIC INUIT LOGISTICS CORPORATION

4. RESTRICTIONS IF ANY ON SHARE TRANSFERS.

No shares of the Corporation shall be transferred except:

- (i) in accordance with the provisions of any applicable unanimous shareholders agreement; and
- (ii) with the approval of the holders of the majority of the shares of the Corporation either by a resolution passed at a shareholders' meeting or by an instrument or instruments in writing signed by shareholders holding collectively a majority of the shares of the Corporation.

SCHEDULE III attached to the Articles of Incorporation of:
PAN ARCTIC INUIT LOGISTICS CORPORATION

7. OTHER PROVISIONS IF ANY.

7.1 (a) The number of Shareholders of the corporation, exclusive of:

- (i) persons who are in its employment or that of an affiliate, and
- (ii) persons, who having been formerly in its employment or that of an affiliate were, while in that employment, shareholders of the corporation and have continued to be shareholders of that corporation after termination of that employment.

is limited to not more than fifty (50) persons, two or more persons who are joint registered owners of one or more shares being counted as one shareholder.

- (b) Any invitation to the public to subscribe for securities of the corporation is prohibited.



Industry Canada

Industrie Canada

Certificate
of Incorporation

Canada Business
Corporations Act

Certificat
de constitution

Loi régissant les sociétés
par actions de régime fédéral

PAN ARCTIC INUIT LOGISTICS CORPORATION

302297-8

Name of corporation-Dénomination de la société

Corporation number-Numéro de la société

I hereby certify that the above-named corporation, the articles of incorporation of which are attached, was incorporated under the *Canada Business Corporations Act*.

Je certifie que la société susmentionnée, dont les statuts constitutifs sont joints, a été constituée en société en vertu de la *Loi régissant les sociétés par actions de régime fédéral*.

Director - Directeur

April 26, 1994/le 26 avril 1994

Date of Incorporation - Date de constitution

Canada

MINUTES OF MEETING OF THE SOLE DIRECTOR OF PAN
ARCTIC INUIT LOGISTICS CORPORATION HELD AT THE
CITY OF EDMONTON, , PROVINCE OF ALBERTA
ON THE 29TH DAY OF APRIL, 1994

PRESENT:

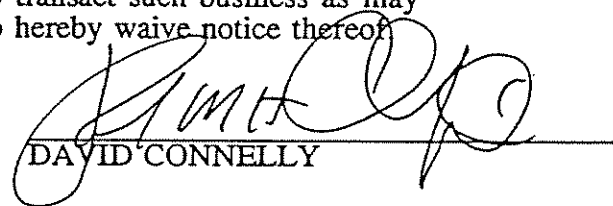
DAVID CONNELLY

being the sole first director of the Corporation.

David Connelly acted as Chairman and Secretary of the meeting.

The following waiver of notice was read and signed by the sole director of the Corporation:

I, being the sole director of PAN ARCTIC INUIT LOGISTICS CORPORATION do hereby consent to this meeting being held at the above noted time and place to transact such business as may come before this meeting and I do hereby waive notice thereof


DAVID CONNELLY

INCORPORATION

The director acknowledged that all preliminary conditions and legal formalities had been complied with and that the Corporation was duly incorporated on the 26th day of April, 1994, under the Canada Business Corporations Act.

ENACTMENT OF BY-LAW NO. 1

There was submitted to the meeting a draft of the proposed By-law relating generally to the transaction of business and affairs of the Corporation, being By-law No. 1. There followed consideration of the By-law by the sole director of the Corporation.

Upon motion duly made, IT WAS RESOLVED:

1. That By-law No. 1 of the Corporation, in the terms of the draft submitted to this meeting be and it is hereby enacted and made as

By-law No. 1 of the Corporation.

2. The President of the Corporation, upon appointment, be and is hereby authorized to sign the said By-law and to affix to it the corporate seal of the Corporation.
3. That the signing and sealing of the By-law by the President shall be conclusive evidence for all purposes and to all persons that the By-law to which such signature and the corporate seal of the Corporation are affixed is the By-law enacted at this meeting as By-law No. 1 and that such By-law No. 1 shall be filed in the section of the Minute Book allotted for By-laws.

SHARE CERTIFICATES

Upon motion duly made, IT WAS RESOLVED:

That the forms of share certificates annexed to these minutes as Exhibits I, II, III and IV be and are hereby adopted as the forms of certificates for Class "A", Class "B", Class "C" and Class "D" shares, respectively, of the Corporation, and that such certificates issued by the Corporation shall bear the signature of the President.

CORPORATE SEAL

Upon motion duly made, IT WAS RESOLVED:

That the corporate seal of the Corporation, an impression of which appears in the margin hereof, be and the same is hereby approved and adopted as the corporate seal of the Corporation.

ORGANIZATION

A form of Minute Book making provision for the following was submitted to the meeting:

Articles

By-laws

Unanimous Shareholders Agreement
Notices filed with Registrar
Directors Minutes/Resolutions
Shareholders Minutes/Resolutions
Certificates
Securities Register (shareholders/others)
Directors Register
Financial Statements (Reports/Information)
Disclosure Register
Copies - Mortgage/Debentures
Offices Register
Annual Returns (Canada)
Foreign Filings

Upon motion duly made, IT WAS RESOLVED:

That the form of Minute Book and contents submitted to this meeting be adopted as the form of corporate records for the Corporation and be entrusted to the Secretary of the Corporation.

SUBSCRIPTION, PAYMENT AND ISSUE OF SHARES

The following subscription for shares of the Corporation was submitted to the meeting together with the sum of \$1.00 per share with the subscription:

DAVID CONNELLY - ONE (1) CLASS "D" VOTING SHARE

Upon motion duly made, IT WAS RESOLVED:

1. That the above noted subscription from David Connelly for one (1) Class "D" share of the Corporation be and it is hereby accepted together with the sum of \$1.00 per share with the subscription;
2. That the President be and is hereby authorized and directed to issue the share as follows, as fully paid and non-assessable by virtue of receipt by the Corporation of payment in full therefor:

<u>CERTIFICATE NUMBER ISSUED</u>	<u>ISSUED TO</u>	<u>NUMBER AND CLASS OF SHARES</u>
#1D	DAVID CONNELLY	ONE (1) CLASS "D" SHARE

BANKING

Upon motion duly made, IT WAS RESOLVED:

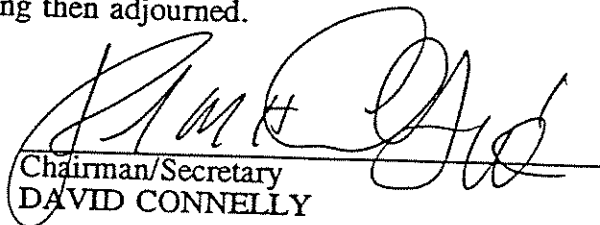
- (a) That the Bank of Montreal, Inuvik, Northwest Territories be and is hereby appointed as the banker for the Corporation.
- (b) That the form of borrowing resolution required by the banker for the Corporation and attached hereto as Schedule I be and the same is hereby adopted and passed as a resolution of the director of the Corporation.

CONFIRMATION OF REGISTERED AND RECORDS ADDRESS

Upon motion duly made, IT WAS RESOLVED:

That the registered and records address of the Corporation be confirmed as #260, 5022 - 49 Street, Yellowknife, Northwest Territories X1A 3R9.

There being no further business the meeting then adjourned.


Chairman/Secretary
DAVID CONNELLY

SCHEDULE I to the minutes of first meeting of the
director of PAN ARCTIC INUIT LOGISTICS CORPORATION

Certificate and Agreement

To the BANK OF MONTREAL

The undersigned certifies:

(A) BANKING RESOLUTION

THAT the following is a true copy of a resolution duly passed on the 29th day of April 19 94
by the Director(s) of

PAN ARCTIC INUIT LOGISTICS CORPORATION

Corporate Name

(hereinafter called the "Corporation") and carrying on business under the name

Trade Name

(hereinafter called the "Trade Name") and that said resolution is now in full force and effect:

RESOLVED:

1. THAT the Bank of Montreal (hereinafter called the "Bank") be appointed the banker of the Corporation.

2. THAT ~~the~~ * * any two of (a) the President, (b) Secretary-Treasurer,
(c) either of the Vice-Presidents; or (d) any one of David Bethune or
Martin Male.

is/are authorized on behalf of the Corporation:

(a) to make, draw, accept, endorse, sign and execute, under the corporate seal or otherwise, cheques, promissory notes, bills of exchange, orders for the payment of money and other instruments whether negotiable or not, contracts for letters of credit and forward exchange, and agreements obligating the Corporation to the Bank in respect of obligations or liabilities incurred or to be incurred by the Bank for the account or benefit of the Corporation;

(b) to borrow money from the Bank upon the credit of the Corporation in such amounts and on such terms as may be deemed expedient by obtaining loans or advances or by way of overdraft or otherwise;

(c) to mortgage, hypothecate, charge or pledge, or give security under the Bank Act or otherwise create a security interest in all or any of the property, real and personal, immoveable and moveable, undertaking and rights of the Corporation, owned or subsequently acquired to secure all or any money borrowed or to be borrowed from the Bank, or obligations or liabilities of the Corporation, present or future, to the Bank, the nature and form of any such security and the rights, powers and authorities exercisable by the Bank or any person or persons thereunder or in respect thereof to be satisfactory to the Bank;

(d) to sign or execute, under the corporate seal or otherwise, and deliver all such assignments, transfers, conveyances, hypothecs, mortgages, charges, pledges, security under the Bank Act or other security, notices of intention to give security under section 427 of the Bank Act, promises to give security under the Bank Act, agreements, deeds, releases, discharges and other documents and writings as the officer(s) or person(s) mentioned above in their/his/her discretion may consider necessary or useful in connection with the Corporation's business with the Bank or as the Bank may request;

(e) generally to exercise all rights, powers and authorities which the Directors might or could exercise under the authority of the Corporation's Charter or Articles and By-Laws or Articles and Memorandum of Association and the laws governing the Corporation; and

(f) to receive from the Bank, and where applicable provide receipt for, all statements of account, pass-books, cheques and other debit vouchers, unpaid and unaccepted bills of exchange and other negotiable instruments and delegate such authority to one or more other persons.

DEPOSITS AND TRANSFERS

3. THAT any one of the officer(s) or person(s) mentioned above is/are authorized on behalf of the Corporation to negotiate with, deposit with or transfer to the Bank, (but for credit of the Corporation's account(s) only) all and any cheques, promissory notes, bills of exchange or other negotiable instruments, and orders for the payment of money and for the said purpose to draw, make, sign, endorse (by rubber stamp or otherwise) all or any of the foregoing, and every such signature or stamping shall be binding upon the Corporation and is/are authorized to delegate such authority to one or more other persons.

INDEMNITY AND CONSENT

4. THAT the Bank is authorized without inquiry to honour and to pay any or all cheques or other instruments duly signed for the Corporation by its authorized signing officer(s), drawn to the individual order of any officer(s) signing the same, whether encashed, tendered in payment of the individual's obligation or deposited to the credit of any such officer(s), and the Bank is held harmless and indemnified by reason of such action. The Corporation authorizes the Bank to give to, receive from, share and exchange with others, including credit bureaus and persons with whom the Corporation has or may have financial dealings, credit and other information about the Corporation.

REPEAL OF PREVIOUS RESOLUTIONS

5. THAT all resolutions (if any) as to banker and signing officer(s) passed by the Board of Directors of the Corporation previous to this resolution are repealed.

OPERATION OF ACCOUNT

6. THAT the operation of each account which the Corporation now or hereafter has with the Bank at any of its branches or agencies and the carrying on of other banking business by the Corporation with the Bank at any of its branches or agencies shall be subject to the following terms and conditions, which terms and conditions in a copy of this resolution certified by an authorized officer of the Corporation shall constitute a duly executed Operation of Account Agreement between the Corporation and the Bank to which the Corporation agrees and is bound:

Waiver of Protest

6.1 The Corporation waives in favour of the Bank presentment, notice of dishonour and protest of all bills of exchange, promissory notes, cheques, orders for payment of money, securities, coupons, notes (all or any of which are hereinafter collectively or separately referred to as "Instruments" or "Instrument" as the case may be) drawn, made, accepted or endorsed by the Corporation and now or hereafter delivered to the Bank at any of its branches or agencies for any purpose. The Corporation shall remain liable to the Bank as if presentment, notice of dishonour and protest had been duly made or given. Provided that the Bank may note or protest any Instrument because of any endorsement other than that of the Corporation or for any other reason if the Bank, in its discretion, considers it in the best interest of the Corporation or the Bank. The Bank will not, in any circumstances, be responsible or liable for failure or omission to note or protest any Instrument.

Use of Agents

6.2 The Bank may use the services of any bank or agent as it may deem advisable in connection with any banking business of the Corporation. Such bank or agent is deemed to be the agent of the Corporation and the Bank will not, in any circumstances, be responsible or liable to the Corporation by reason of any act or omission of such bank or agent, however caused, in the performance of such service or by reason of the loss, theft, destruction or delayed delivery of any Instrument while in transit to or from, or in the possession of such bank or agent.

CHARGES TO ACCOUNT

For Instruments Drawn on Accounts

6.3 The Bank is authorized to charge the account of the Corporation with the following:

(a) the amount of any Instrument payable by the Corporation at any branch or agency of the Bank;

Unpaid Bills

(b) the amount of any Instrument cashed or negotiated by the Bank for the Corporation or credited to the account for which payment is not received by the Bank and with the amount of any other indebtedness or liability of the Corporation to the Bank and with any expenses incurred by the Bank in connection with paying a dishonoured or unpaid Instrument. The Corporation is liable to the Bank for the amount charged and will pay on demand any overdraft, together with interest thereon at the interest rate charged by the Bank from time to time for overdrafts. Notwithstanding such charging, all rights and remedies of the Bank against all parties are preserved. No charging of unpaid Instruments shall be deemed to be payment of such Instruments;

Lost, Stolen Instruments

(c) the amount of any Instrument received by the Bank for the account of the Corporation by way of deposit, discount, collection or otherwise if it is lost or stolen or otherwise disappears from any cause whatsoever other than negligence on the part of the Bank;

For Taxes

(e) all amounts collectible by the Bank as taxes on the supply, sale or other provision of its products or services.

Use of Cheques

6.4 The Corporation will draw encoded cheques only on the account for which the cheques are encoded. The Bank will not be liable in any circumstances for any loss or damage arising from the wrongful acceptance of a cheque, or wrongful refusal by the Bank to honour a cheque, drawn by the Corporation on an account other than the account for which the cheque is encoded.

Verification of Account

6.5 The Bank shall render each month (unless otherwise instructed in writing) to the Corporation a statement of its account together with cheques and other vouchers where applicable for amounts charged to the said account. The Corporation will advise the Bank promptly if the monthly statement has not been received within ten days of the date upon which it is normally received.

6.6 Upon receipt of the aforesaid statement of account, the Corporation will check the debit and credit entries, examine the cheques and vouchers and notify the Bank in writing of any errors, irregularities or omissions. This notice will be provided to the Bank within 30 days of the mailing to the Corporation or if not mailed, within 30 days of the delivery to the Corporation. At the expiration of the 30 day period (except as to any alleged errors, irregularities or omissions outlined on the said notice) it shall be conclusively settled between the Bank and the Corporation, subject to the right of the Bank either during or after the 30 day period to charge back items for which payment has not been received, that the statement and the balance shown thereon are correct, the said cheques and vouchers are properly charged to the Corporation's account and the Corporation is not entitled to be credited with any sum not credited in the statement. It shall be conclusively settled as between the Bank and the Corporation that the Bank is not liable for any loss or claim arising from the breach by the Corporation or any third party of any fiduciary duty or trust in respect of the sums or dealings noted in the said statements.

6.7 The Customer agrees to maintain procedures and controls to detect and prevent thefts of Instruments or losses due to fraud or forgery involving Instruments.

The Customer further agrees that the Bank shall have no responsibility or liability whatsoever for any loss due to a forged or unauthorized signature unless: (i) the forged or unauthorized signature was made by a person who was at no time the Customer's agent or employee; (ii) the loss was unavoidable despite the Customer having taken all feasible steps to prevent loss arising from forgery or unauthorized signatures; (iii) the loss was unavoidable despite the Customer having in place the procedures and controls to supervise and monitor the agents and employees of the Customer; and (iv) the loss was caused solely by the Bank's negligence, fault or wilful misconduct.

The Customer will diligently supervise and monitor the conduct and work of all agents and employees having any role in the preparation of the Customer's Instruments and in the Customer's bank statement reconciliation or other banking functions.

Meaning of "The Account"

6.8 The expression "the account" or "the Corporation's account" used in the above terms and conditions shall mean the account of the Corporation upon or against which the Instrument is drawn, cashed or negotiated, but if there should be insufficient funds in the said account to pay such Instrument or to pay any charges which the Bank is authorized to charge under the provisions of said terms and conditions, then the said expression shall mean any other account which the Corporation may have at any branch or agency of the Bank and the Bank is authorized to charge such account with the amount of such Instrument or of such charges.

7. THAT the resolution shall be irrevocable until a resolution repealing this resolution shall have been passed and a certified copy delivered to the Bank at each branch or agency where an account of the Corporation shall be kept.

(B) DIRECTOR(S) AND OFFICER(S)

THAT the following are the Director(s) and Officer(s) of the Corporation and in charge of its affairs:

i) Director(s)

DAVID CONNELLY

ii) Officer(s)

Title
President

Name
David Connelly

(C) NON-RESTRICTION

See Note below

THAT there are no provisions in the articles or by-laws of the Corporation or in any unanimous shareholder agreement relating to the Corporation which restrict, limit or regulate in any way: (i) the powers of the directors of the Corporation to borrow moneys upon the credit of the Corporation and to issue, re-issue, sell or pledge debt obligations of the Corporation, and to give a guarantee on behalf of the Corporation to secure performance of an obligation of any person, and to mortgage, hypothecate, pledge or otherwise create a security interest in all or any of the property of the Corporation present and future as security for all or any moneys borrowed by the Corporation from the Bank or any other liability of the Corporation to the Bank or, (ii) the power, capacity or authority of the director(s) of the Corporation to delegate to a director, a committee of directors or an officer, the exercise from time to time of any of the said powers for and in the name of the Corporation (except the provisions of

*** The Unanimous Shareholders Agreement

a certified copy of which is attached to this Certificate).

The undersigned certifies that the Bank may assume that this Certificate and the Corporation's by-laws and resolutions of which the Bank holds copies are in full force and effect and that each branch of the Bank with which any dealings are had by the Corporation may act upon them until each of such branches is notified in writing to the contrary.

It is the express wish of the parties that this Certificate and Agreement and any related documents be drawn up and executed in English. Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

Certified at Edmonton, Ab. this 29th day of April 19 94

CORPORATE NAME

PAN ARCTIC INUIT LOGISTICS CORPORATION

Per: [Signature]
AUTHORIZED OFFICER (Any one officer listed in paragraph B (ii))

(Please type or print name of signatory below signature)

Note: Paragraph 2 (b), (c) and (d) and Section (C) NON-RESTRICTION apply to all Corporations incorporated under the laws of Canada, the provinces and the territories except as set out below:

- | | |
|---------------|---|
| B.C. & N.W.T. | Verify that memorandum and articles do not restrict the power to borrow. |
| Quebec | Paragraph 2 (b), (c) and (d) apply. |
| N.S. | Obtain LF 90; Section (C) only applies to companies incorporated or continued under Part 1A of the Companies Act. |
| P.E.I. | Obtain LF 141. |
| | Obtain LF 90. |

MEMO

DOCUMENTS
REQUIRED:

1. Copy of Certificate
of Articles of Incorporation - First page
indicating the Company
name

Corporation incorporated April 26, 1994 (date)

Articles of Continuance N/a (where applicable) (date)

Incorporating Act Canada Business Corporations Act
(Specify applicable federal or provincial corporations legislation)

2. Copy of registration
(if Borrowing)

Trade Name, if applicable, recorded in the n/a (recording office)

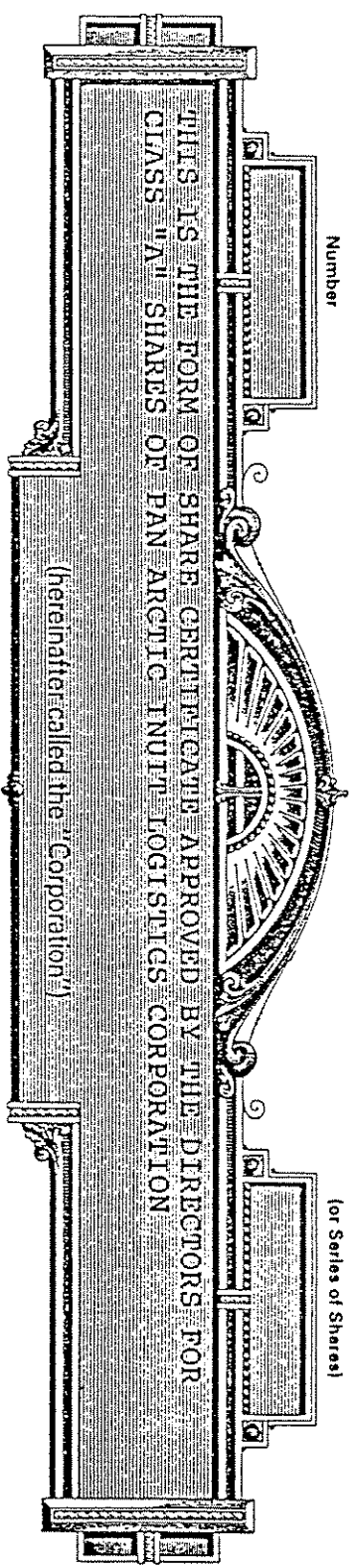
on the _____ day of _____ 19 ____

INCORPORATED UNDER THE CANADA
BUSINESS CORPORATIONS ACT

Share Certificate
Number

EXHIBIT I

Number and Class
(or Series of Shares)



This Certifies that _____

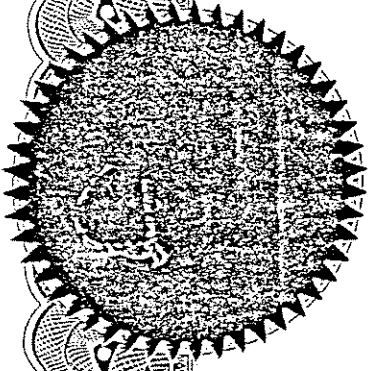
is the registered holder of _____
Shares of the Corporation.

The Shares represented by this Certificate are transferable subject to the restrictions contained in the Articles of the Corporation. There are attached to the class or series of Shares represented herein rights, privileges, restrictions, or conditions and the Corporation will furnish to a Shareholder on demand and without charge, a full copy of the text of:

- (i) the rights, privileges, restrictions and conditions attached to each class authorized to be issued and to each series insofar as they have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series.

In Witness Whereof the Corporation has caused this Certificate to be signed
this _____ day of _____, 19____.

Director or Officer



For Value Received. _____ hereby sell, assign, and transfer
unto _____

_____ Shares
represented by the within Certificate, and do hereby
irrevocably constitute and appoint

_____ Attorney
to transfer the said Shares on the books of the within named
Corporation, with full power of substitution in the premises.

Dated _____ 19____

In presence of _____

NOTICE: THE SIGNATURE OF THIS ASSIGNMENT
MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE
FACE OF THE CERTIFICATE, IN EVERY PARTICULAR, WITHOUT
ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

RESOLUTION IN WRITING OF THE SOLE SHAREHOLDER
OF PAN ARCTIC INUIT LOGISTICS CORPORATION (the
"Corporation")

CONFIRMATION OF BY-LAW NO. 1

BE IT RESOLVED that By-law No. 1 enacted and made by the
sole director of the Corporation be and it is hereby confirmed as
By-law No. 1 of the Corporation.

RATIFICATION OF DIRECTORS' ACT

BE IT RESOLVED that the business transacted at the first meeting
of the sole director of the Corporation be and the same is hereby
ratified and confirmed.

APPOINTMENT OF AUDITORS

Upon motion duly made, IT WAS RESOLVED:

That Peat Marwick of Calgary, Alberta, be and is hereby
appointed as the auditor for the Corporation.

The foregoing resolutions are hereby consented to and adopted by the sole voting
shareholder entitled to vote thereon (as is evidenced by his signature) effective as of the 29th day
of April, 1994.



DAVID CONNELLY

BY-LAW NO. 1

A By-law relating generally
to the transaction of the
business and affairs of

PAN ARCTIC INUIT LOGISTICS CORPORATION

COOK DUKE COX
o
CBCA

BY-LAW NUMBER ONE

OF

PAN ARCTIC INUIT LOGISTICS CORPORATION

A By-law relating generally to the transaction of the business and affairs of Pan Arctic Inuit Logistics Corporation

SECTION ONE - INTERPRETATION

1.01 Definitions. In these and other by-laws of the Corporation, unless the context otherwise requires:

- (a) "Act" means the Canada Business Corporations Act and any statute that may be substituted therefor, as amended from time to time;
- (b) "appoint" includes "elect" and vice versa;
- (c) "Board" means the Board of directors of the Corporation;
- (d) "By-laws" means this By-law and all other By-laws of the Corporation from time to time in force and effect;
- (e) "Corporation" means the Corporation which has adopted these By-laws and to which the same apply.

1.02 Interpretation. Words and expressions defined in the Act have the same meanings when used in the By-laws. Words importing the singular number include the plural and vice versa and words importing gender include masculine, feminine and neuter genders as required by the context. Without limiting the generality of the foregoing, a reference to the directors shall include a sole director when the Corporation has only a sole director.

1.03 Conflict with Act. The By-laws are subject to the provisions of the Act, unless the Act otherwise specifically provides.

1.04 Conflict with Documents. The By-laws are subject to the provisions of the articles and any unanimous shareholders agreement and in the event of conflict between the provisions of any By-laws and the provisions of the articles or a unanimous shareholders agreement, the provisions of the articles or the unanimous shareholders agreement shall prevail over the By-laws.

1.05 Headings. The headings and indices used in the By-laws are inserted for convenience of reference only and do not affect the interpretation of the By-laws or any part thereof.

SECTION TWO - DIRECTORS AND BOARD

2.01 Calling of Meeting. The Secretary, upon request of a director, shall summon a meeting of the Board.

2.02 Notice of Meetings. Notice of the time and place of Board meetings shall be given to each director and the chairman of the Board not less than fourteen (14) days before the time of the meeting, except in the case of a Board meeting to be conducted by telephone for which notice of the time of the meeting shall be given to each director and the chairman of the Board not less than forty eight (48) hours before the meeting. A notice of a Board meeting need not specify the purpose or the business to be transacted at the meeting, except where the Act requires otherwise. The Chairman shall be entitled to attend all meetings of the Board but failure to give notice to the Chairman of any such meeting shall not invalidate any resolution passed at any meeting of the Board whether or not the Chairman has attended or waived notice of the meeting.

2.03 Telecommunication. A director may participate in a meeting of the Board or of a committee of directors by means of telephone or other communication facilities that permit all directors participating in the meeting to hear each other and a director participating in a meeting by those means is deemed to be present at the meeting.

2.04 Casting Vote. At all Board meetings, every question shall be decided by a majority of votes cast on each question. Any person holding the position of Chairman of the Board and not being a Director shall not be entitled to vote except in the event of an equality of votes. In event of an equality of votes the Chairman of the Board shall be entitled to a casting vote.

2.05 Committees of Directors. Unless otherwise ordered by the Board each committee of directors shall have power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure.

2.06 Corporate Seal. The Board may adopt and change a corporate seal which shall contain the name of the Corporation and the Board may cause to be created as many duplicates thereof as the Board shall determine.

2.07 Execution of Instruments. The Board from time to time may direct the manner in which, and the person or persons by whom, any particular instrument or class of instruments may or shall be signed and delivered. In the absence of a directors' resolution, any particular instrument or class of instruments may be signed and delivered on behalf of the Corporation by any person holding the office of President, Vice-President, Secretary, Treasurer or Managing director or any other office created by By-law or by the directors, or if the Corporation is authorized to have and has only one (1) director by any such person acting alone. Any signing officer may affix the corporate seal to any instrument requiring the same.

2.08 Borrowing. The Board may, subject to the provisions of any unanimous shareholders agreement:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell or pledge debt obligations of the Corporation;

- (c) subject to the Act, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

SECTION THREE - OFFICERS

3.01 Appointment. The Board from time to time may appoint a Chairman of the Board, a President, one (1) or more Vice-Presidents (to which title may be added words indicating seniority or function), a Secretary, a Treasurer, a Managing director, and such other officers as the Board may determine, including one (1) or more assistants to any of the officers so appointed. Subject to those powers and authority which by law may only be exercised by the directors, the officers of the Corporation may exercise respectively such powers and authority and shall perform such duties, in addition to those specified in the By-laws, as may from time to time be prescribed by the Board. Except for the Managing director, if appointed, an officer may, but need not, be a director. One (1) person may hold more than one (1) office of the Corporation except that the offices of President and Secretary must be held by different persons unless the Board consists of a sole director. The Board from time to time may also appoint other agents, attorneys, officers and employees of the Corporation within or without Canada, who may be given such titles and who may exercise such powers and authority (including the power of subdelegation) and shall perform such duties of management or otherwise, as the Board from time to time may prescribe. In case of the absence of any officer or employee of the Corporation or for any other reason that the Board may deem sufficient, the Board may delegate for the time being the powers and authority of such officer or employee to any other officer or employee or to any director of the Corporation.

3.02 Chairman of the Board. The Chairman of the Board, if appointed, shall preside at all meetings of the Board and may exercise such other powers and authority and shall perform the duties which the Board may prescribe from time to time.

3.03 President. The President shall be the chief operating officer of the Corporation and, subject to the authority of the Board shall have general supervision of the business and affairs of the Corporation and shall have such other powers and duties as the Board may specify. In the event no Chairman of the Board has been appointed or during the absence of the Chairman of the Board or inability or failure of the Chairman of the Board to act, the President also shall have the powers and duties of the office of Chairman of the Board.

3.04 Vice-President. The Vice-President, or if more than one (1) Vice-President has been appointed, the Vice-Presidents, may exercise such powers and authority and shall perform such duties as may be prescribed from time to time by the Board. During the absence of the President or the inability or failure of the President to act, the Vice-President, or if more than one (1) Vice-President has been appointed, the Vice-President first appointed, also shall have the powers and duties of the office of President.

3.05 Managing director. The Managing director, if appointed, shall manage the operations of the Corporation generally, and may exercise such other powers and authority and shall perform such other duties as may be prescribed from time to time by the Board.

3.06 Secretary. The Secretary, if appointed, shall attend and be the secretary to all meetings of the Board, shareholders and committees of the Board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings at such meetings. The Secretary shall give or cause to be given as and when instructed all notices to shareholders, directors, officers, auditors and members of committees of the Board. The Secretary shall be the custodian of the corporate seal, if any, of the Corporation and shall have charge of all books, papers, reports, certificates, records, documents, registers and instruments belonging to the Corporation. The Secretary shall be responsible for registering or filing all reports, certificates and all other documents required by law to be registered or filed by the Corporation. The Secretary shall certify any documents of the Corporation except when some other officer or agent has been appointed for any such purpose and may exercise such other powers and authority and shall perform such other duties as may be prescribed from time to time by the Board or the President.

3.07 Treasurer. The Treasurer, if appointed, shall be responsible for the keeping of proper accounting records in compliance with the Act and shall be responsible for the deposit of monies and other valuable effects of the Corporation in the name and to the credit of the Corporation in such banks or other depositories as the Board may designate from time to time and he shall be responsible for the disbursement of the funds of the Corporation. The Treasurer shall render to the President and the Board whenever so directed an account of all financial transactions and of the financial position of the Corporation. The Treasurer shall be subject to the control of the President and may exercise such other powers and authority and shall perform such other duties as may be prescribed from time to time by the Board or by the President. Whenever the Secretary is also the Treasurer the office may be designated Secretary-treasurer.

3.08 Other Officers. The powers and duties of all other officers shall be such as are prescribed by the Board. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the Board otherwise directs.

3.09 Variation of Powers and Duties. The Board from time to time may vary, add to or limit the powers, authority and duties of any officer.

3.10 Removal and Discharge. The Board may remove any officer of the Corporation, with or without cause, at any time, unless the resolution or contract providing for the appointment of such officer stipulates otherwise.

3.11 Term of Office. Each officer appointed by the Board shall hold office until a successor is appointed, or until his earlier resignation or removal by the Board.

SECTION FOUR - SHAREHOLDERS AND SHARES

4.01 Persons Entitled to be Present. The only persons entitled to be present at a meeting of the shareholders shall be those persons entitled to vote thereat, the directors and auditor (if any) of the Corporation and others who, although not entitled to vote, are entitled or required to be present at the meeting, under any provision of the Act or the articles or By-laws. Any other persons may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

4.02 Quorum. A quorum for the transaction of business at any meeting of shareholders shall be three (3) persons present in person, each being a shareholder (other than a joint shareholder) entitled to vote thereat or a duly appointed proxy holder or representative for a shareholder so entitled to vote at the meeting.

4.03 Chairman. The chairman of any meeting of the shareholders shall be the first mentioned of such of the following officers as has been appointed and who is present at the meeting:

- (a) The Chairman of the Board;
- (b) The President;
- (c) Any Vice-President (and where more than one (1) Vice-President is present at the meeting, then the priority to act as chairman as between them shall be in order of their appointment to the office of Vice-President).

If no such officer is present within fifteen (15) minutes of the time fixed for the holding of the meeting of the shareholders, the persons present and entitled to vote shall choose one (1) of their number then present to be chairman of that meeting.

4.04 Secretary of Meeting. If the Secretary of the Corporation is absent, the chairman of a meeting of shareholders shall appoint some person, who need not be a shareholder, to act as secretary of the meeting.

4.05 Chairman's Declaration. At any meeting of shareholders, unless a ballot is demanded, a declaration by the chairman of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without any or further proof of the number or proportion of votes recorded in favour of or against the motion.

4.06 Voting by Ballot. If a ballot is demanded by a shareholder or proxy holder entitled to vote at a shareholder's meeting and the demand is not withdrawn, the ballot upon the motion shall be taken in such manner as the chairman of the meeting shall direct. Upon a ballot each shareholder who is present in person or represented by proxy shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles. The declaration by the chairman of the meeting that the vote upon the question has been carried, or carried unanimously or by a particular majority, or lost or not carried by a particular majority and an entry in the minutes of the meeting shall be prima facie evidence of the fact without any or further proof of the number or proportion of votes recorded in favour of or against any resolution or question.

4.07 Scrutineers. The chairman or the secretary at any meeting of the shareholders or the shareholders then present may appoint one (1) or more scrutineers, who need not be shareholders, to count and report upon the results of the voting which is done by ballot.

4.08 Joint Shareholders. Where any share entitled to be voted at a meeting of shareholders is held by two (2) or more persons jointly, those persons or such of them that attend the meeting of the shareholders shall only constitute one (1) shareholder for purposes of determining whether a quorum of shareholders is present.

4.09 Proxy The form of proxy by which a proxy holder may be appointed for any meeting of the shareholders shall be in the following form or in any other appropriate form accepted by the chairman of the meeting:

"Proxy

I/WE the undersigned, being (a) shareholder(s) of _____, hereby nominate, constitute and appoint _____, or in the absence of _____, _____, as my/our attorney, representative and/or proxy holder with full power and authority to attend, vote and otherwise act for me/our in my/our name and on my/our behalf at the annual (or special) meeting of shareholders of the Corporation, to be held at _____, on the _____ day of _____, 19____, and at any and all adjournments thereof, with full power of substitution, and I/WE, the undersigned, hereby revoke all other proxies given by me/us, the undersigned, which might be used in respect of such meeting and any and all adjournments thereof.

Given this _____ day of _____, 19____.

_____ "

SECTION FIVE - INDEMNIFICATION

5.01 Indemnification of directors and officers.

- (a) Except in respect of an action by or on behalf of the Corporation or body corporate to procure a judgment in its favour, the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of that Corporation or body corporate, if:
- (i) he acted honestly and in good faith with a view to the best interests of the Corporation; and
 - (ii) in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

- (b) The Corporation may with the approval of a Court indemnify a person referred to in subparagraph (a) in respect of an action by or on behalf of the Corporation or body corporate to procure a judgment in its favour, to which he is made a party by reason of being or having been a director or an officer of the Corporation or body corporate, against all costs, charges and expenses reasonably incurred by him in connection with such action if he fulfils the conditions set out in subparagraphs (a)(i) and (ii).

5.02 Indemnification of Others. Subject to subparagraph 5.01(a), the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, (other than an action by or in the right of the Corporation) by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director or officer, employee, agent of or participant in another corporation, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines in any amount actually and reasonably incurred by him in connection with such action, suit or proceeding if the Board determines that:

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his conduct was lawful.

5.03 Right of Indemnity not Exclusive. The provisions for indemnification contained in the By-laws shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any By-laws, agreement, vote of shareholders or disinterested directors or otherwise both as to an action in his official capacity and as to action in any other capacity while holding such office and shall continue as to a person who has ceased to be a director or officer and shall enure to the benefit of the heirs and legal representatives of such person.

SECTION SIX - GENERAL

6.01 Notices. In addition to any other method of service permitted by the Act any notice or document required by the Act, the regulations, the articles or the By-laws may be sent to any person entitled to receive same in the manner set out in the Act for service upon a shareholder or director and by any means of telecommunication with respect to which a written record is made. A notice sent by means of telecommunication shall be deemed to have been given on the first business day after the date upon which the written record is made.

6.02 Waiver of Notice. Any shareholder (or his duly appointed proxy holder), director, officer, auditor or member of a committee may at any time waive any notice, or waive or abridge the time for any notice required to be given to him under any provision of the Act, the regulations thereunder, the articles, the By-laws or otherwise, and such waiver or abridgment, whether given before or after the meeting or other event of which the notice is required to be given, shall cure any defect in the giving or in the time of such notice as the case may be.

6.03 Notice to Joint Shareholders. If two (2) or more persons hold shares jointly, notice may be given to one (1) of such persons and such notice shall be sufficient notice to all of them.

6.04 Signature on Notice. The signature to any notice to be given by the Corporation may be lithographed, written, printed or otherwise mechanically reproduced.

SIGNED and sealed for identification this 29th day of April, 1994


PRESIDENT

(c/s)

THIS AGREEMENT made this 30th day of August, 1994.

BETWEEN:

LABRADOR INUIT DEVELOPMENT CORPORATION, a body corporate duly incorporated under the federal laws of Canada (hereinafter referred to as "LIDC")

- and -

MAKIVIK CORPORATION, a body corporate duly incorporated by Special Act of the National Assembly of Quebec (hereinafter referred to as "MAKIVIK")

- and -

NUNASI CORPORATION, a body corporate duly incorporated under the federal laws of Canada (hereinafter referred to as "NUNASI")

- and -

INUVIALUIT DEVELOPMENT CORPORATION, a body corporate duly incorporated under the federal laws of Canada (hereinafter referred to as "IDC")

- and -

PAN ARCTIC INUIT LOGISTICS CORPORATION, a body corporate duly incorporated under the federal laws of Canada (hereinafter referred to as the "CORPORATION")

UNANIMOUS SHAREHOLDER AGREEMENT

PREAMBLE

WHEREAS:

- A. LIDC, MAKIVIK, NUNASI and IDC are development corporations representing the four Inuit land claim settlement areas in Arctic Canada;
- B. The PARTIES recognize the importance of identifying commercial opportunities available through their land claim settlements and designating commercial structures for the purpose of realizing those opportunities;
- C. The goals and objectives of the PARTIES include the initiation, expansion and development of economic opportunities for Inuit, including, without limitation, the operation and maintenance of the North Warning System, and the promotion of financial self-sufficiency of Inuit;

D. The PARTIES wish to enter into this Agreement to realize upon the opportunities identified in the Memorandum of Understanding dated June 9, 1993 between the Inuit regional organizations by defining and qualifying their respective rights and obligations to each other and the terms and conditions under which they will carry on their activities under the corporate structure of the CORPORATION;

E. The PARTIES consider it appropriate to work together to capitalize on the economic and business activities contemplated by the Joint Venture Principles executed by Frontec Logistics Corp. and the Canadian Inuit Business Development Council on March 11, 1994 in Ottawa respecting the operation and maintenance of the North Warning System, and such other opportunities as the PARTIES may agree upon for the benefit of all Canadian Inuit;

F. The PARTIES intend that this Agreement shall operate and be construed as an Unanimous Shareholder Agreement under the ACT;

G. The total issued capital of the CORPORATION is at the date of this Agreement as follows:

1. LIDC - five thousand (5,000) CLASS "A" SHARES;
2. MAKIVIK - five thousand (5,000) CLASS "B" SHARES;
3. NUNASI - five thousand (5,000) CLASS "C" SHARES;
4. IDC - five thousand (5,000) CLASS "D" SHARES;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of these premises and of the mutual covenants, agreements and conditions herein contained the PARTIES hereby agree and declare as follows:

ARTICLE 1 - INTERPRETATION

1.1 Definitions

In this Agreement unless there is something in the context inconsistent therewith the following words and phrases will have the following meanings:

- (a) ACT means the *Canada Business Corporations Act*, as amended from time to time and every statute that may be substituted therefor, and in the case of any such amendment and substitution, any reference in this Agreement to the ACT shall be read as referring to such amended or substituted provisions;
- (b) ADVANCES means all outstanding loans due and owing from time to time by the CORPORATION to a SHAREHOLDER;
- (c) AFFILIATE means with respect to any SHAREHOLDER, any body corporate which is directly or indirectly CONTROLLED by such SHAREHOLDER or which CONTROLS such SHAREHOLDER and:

- (i) with respect to LIDC includes any corporation CONTROLLED by or answerable to or incorporated at the instance of Labrador Inuit Association or any successor corporation or organization representing the Inuit of Labrador;
 - (ii) with respect to MAKIVIK includes any corporation CONTROLLED by or answerable to or incorporated at the instance of MAKIVIK or any successor corporation or organization representing the Inuit of Quebec;
 - (iii) with respect to NUNASI includes any corporation CONTROLLED by or answerable to or incorporated at the instance of Nunavut Tunngavik Incorporated together with the Kitikmeot, Keewatin and Baffin Regional Associations or any successor corporation or organization representing the Inuit of the Nunavut settlement area; and
 - (iv) with respect to IDC includes any corporation CONTROLLED by or answerable to or incorporated at the instance of Inuvialuit Regional Corporation or any successor corporation or organization representing the Inuit of the Inuvialuit settlement region;
- (d) ARTICLES means the Articles of Incorporation of the CORPORATION filed on the 26th day of April, 1994, as from time to time amended or restated;
- (e) BANK means the Bank of Montreal;
- (f) BOARD means the Board of Directors of the CORPORATION;
- (g) BY-LAWS means any By-Laws of the CORPORATION from time to time in force;
- (h) CHAIRMAN means the Chairman of the BOARD;
- (i) CLOSING ARTICLE means Article 8 hereof;
- (j) CONTROL or CONTROLLED - a body corporate is controlled by a person if:
- (i) securities of the body corporate to which are attached more than fifty (50%) per cent of the votes that may be cast to elect directors of the body corporate are held, other than by way of security only, by or for the benefit of that person; and
 - (ii) the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate;
- (k) DIRECTORS means the persons who are from time to time, in accordance with the terms of this Agreement, duly elected or appointed directors of the CORPORATION;
- (l) FRONTEC JOINT VENTURE AGREEMENT means a joint venture agreement dated as of July 25, 1994 between the CORPORATION and Frontec Logistics Corp., or a wholly owned subsidiary thereof, based on the Joint Venture

Principles executed by Frontec Logistics Corp. and the Canadian Inuit Business Development Council on March 11, 1994, in Ottawa, for the operation and maintenance of the North Warning System;

- (m) GUARANTEE means any agreement by way of guarantee given or to be given, as the case may be, by one or more of the SHAREHOLDERS for the repayment of any indebtedness of the CORPORATION or for the performance by the CORPORATION of any of its other obligations;
- (n) JOINT VENTURE means the joint venture created pursuant to the FRONTEC JOINT VENTURE AGREEMENT;
- (o) OFFICER(S) means any officer(s) of the CORPORATION;
- (p) PARTIES means the initial parties to this Agreement and includes any person who may hereafter execute or be deemed to have executed a counterpart of this Agreement upon becoming a SHAREHOLDER;
- (q) PRIME RATE means the rate of interest per annum which is established from time to time by the BANK as its prime rate for floating rate Canadian dollar loans to commercial borrowers. A statement or statements in writing made by the Manager of the BANK, indicating such PRIME RATE for any period shall be final and conclusive as evidencing the PRIME RATE during such period and shall not be open to dispute or challenge by the PARTIES. Any change in such PRIME RATE shall be effective on the banking day on which the BANK changes its PRIME RATE and such rate of interest shall be changed automatically without notice to the PARTIES;
- (r) REMAINING SHAREHOLDER means any SHAREHOLDER who is not at the particular time a WITHDRAWING SHAREHOLDER;
- (s) SHAREHOLDER means any person who is the holder of SHARES;
- (t) SHAREHOLDER'S INTEREST means all right, title and interest of a SHAREHOLDER in and to any SHARES of the CORPORATION, any ADVANCES and any other right or claim a SHAREHOLDER may have against the CORPORATION as a SHAREHOLDER;
- (u) SHARE and SHARES mean at all relevant times an issued share or issued shares in the share capital of the CORPORATION;
- (v) VALUATION ARTICLE means Article 7 hereof;
- (w) WITHDRAWING EVENT means:
 - (i) the petitioning into bankruptcy of any SHAREHOLDER or person which CONTROLS that SHAREHOLDER or the making of any assignment by a SHAREHOLDER or person which CONTROLS that SHAREHOLDER for the benefit of its creditors;

- (ii) the seizure and attachment of a SHAREHOLDER'S SHARES for the payment of any judgment or order;
- (iii) the failure by a SHAREHOLDER to obtain, perform or carry out any of its obligations hereunder where such failure continues for thirty (30) days after notice in writing from the other SHAREHOLDERS or any one of them demanding that such default be cured;
- (iv) the failure by any SHAREHOLDER to take reasonable action to prevent or defend any action or proceedings whereby any of its SHAREHOLDER'S INTEREST is seized or if there be an execution or attachment thereof, where such failure continues for thirty (30) days after the other SHAREHOLDERS, or any of them, has demanded in writing that such SHAREHOLDER take such reasonable action and such SHAREHOLDER fails to take any such action or proceedings;
- (v) the bankruptcy or commission of an act of bankruptcy by a SHAREHOLDER or the individual or entity which CONTROLS that SHAREHOLDER or the appointment of a receiver or receiver-manager in respect of the SHAREHOLDER'S SHARES;
- (vi) the institution of proceedings for the dissolution or winding-up of any SHAREHOLDER;
- (vii) a change in CONTROL of a SHAREHOLDER where the SHAREHOLDER becomes CONTROLLED directly or indirectly other than by an AFFILIATE of such SHAREHOLDER;
- (viii) a SHAREHOLDER transfers or purports to transfer its SHAREHOLDER'S INTEREST other than to an AFFILIATE of such SHAREHOLDER;
- (x) WITHDRAWING SHAREHOLDER means the SHAREHOLDER in respect of which a WITHDRAWING EVENT has occurred.

1.2 Defined Terms

Words and phrases used in this Agreement and not defined herein have the same meaning assigned to them in the ACT.

1.3 Limitation

The rights, duties, obligations and liabilities of the SHAREHOLDERS pursuant hereto shall be limited to those rights, duties, obligations and liabilities set out in this Agreement or assumed in accordance with the intent hereof in the course of implementing this Agreement or arising by virtue of the operation of applicable law affecting the CORPORATION. Except as expressly authorized by the provisions hereof, nothing herein contained shall be construed to authorize any SHAREHOLDER to act as the agent of any other SHAREHOLDER or to permit any SHAREHOLDER to act on behalf of or bind the CORPORATION or any other SHAREHOLDER.

1.4 Business Outside the CORPORATION

It is acknowledged and agreed that the SHAREHOLDERS and their respective AFFILIATES and other related persons (as defined in the *Income Tax Act* (Canada) thereto (such AFFILIATES and related persons being hereinafter referred to as "Related Parties") have previously been involved in, and intend to continue to be involved in, businesses similar to the intended business of the CORPORATION. For greater certainty, it is specifically acknowledged and agreed that the SHAREHOLDERS and Related Parties shall be at liberty to engage in any other business or activity outside the CORPORATION which is unrelated to the solicitation and performance of the contract for the operation and maintenance of the North Warning System (the solicitation and performance of such contract being the purpose of the JOINT VENTURE), that the SHAREHOLDERS and Related Parties shall not be prevented from engaging in any other business or activity which is not directly competitive with the solicitation or performance of the said contract for the operation and maintenance of the North Warning System, shall not be prevented from entering into sub-contracts let by the JOINT VENTURE with respect to the operation and maintenance of the North Warning System, shall not be prohibited from carrying on any business presently engaged in by such parties or the logical extension of any such business and it is acknowledged and agreed that nothing contained herein can bind or affect any party which is not directly or indirectly controlled by or does not control a SHAREHOLDER.

1.5 Contracting with the CORPORATION

Each SHAREHOLDER and its Related Parties shall have the right to contract or otherwise deal with the CORPORATION for the sale, lease or purchase of any property, the provision of any services, the borrowing or lending of funds and the giving or taking of security therefor and other purposes, in each case on such terms and conditions as the DIRECTORS or the SHAREHOLDERS, in accordance with the terms of this Agreement, may determine from time to time.

ARTICLE 2 - IMPLEMENTATION OF AGREEMENT

2.1 Deemed Consents

Each SHAREHOLDER shall be deemed to have consented to any transfer of SHARES made in accordance with this Agreement and each covenants and agrees to approve any resolution or execute any instrument required under any restrictions on the transfer of SHARES contained in the ARTICLES or BY-LAWS of the CORPORATION in order to give effect to such transfers.

2.2 Effective Agreement

Each SHAREHOLDER shall vote or cause to be voted the SHARES owned by it in such a way as to fully implement the terms and conditions of this Agreement and shall, if any DIRECTOR for any reason refuses to exercise his discretion in accordance with the terms of this Agreement, forthwith take such steps as are necessary to remove and replace such DIRECTOR.

2.3 Conflict

In the event of any conflict between the provisions of this Agreement on the one hand and the ARTICLES or the BY-LAWS on the other, the provisions of this Agreement shall govern. Each SHAREHOLDER agrees to vote or cause to be voted the SHARES owned by it as necessary so as to cause the ARTICLES or BY-LAWS, or both, as the case may be, to be amended to resolve any such conflict in favour of the provisions of this Agreement.

2.4 Acknowledgement by CORPORATION of Unanimous Shareholder Agreement

The CORPORATION, by its execution hereof, hereby acknowledges that it has actual notice of the terms of this Agreement, consents thereto and hereby covenants with each of the SHAREHOLDERS that it will at all times during the continuance hereof be governed by this Agreement in carrying out its business and affairs and accordingly, shall give or cause to be given such notices, execute or cause to be executed such deeds, transfers and documents and do or cause to be done all such acts, matters and things as may from time to time be necessary or conducive to the carrying out of the terms and intent hereof.

2.5 Prior Shareholder Agreements

The SHAREHOLDERS hereby agree that any provision of any prior agreement which affects the SHARES or the conduct of the business or the affairs of the CORPORATION in a manner which is inconsistent with the provisions of this Agreement shall be inapplicable to the PARTIES to the extent of such inconsistency.

2.6 Indemnification

Each of the SHAREHOLDERS agrees to indemnify and save harmless each of the DIRECTORS and their representatives respectively, from and against all costs, charges and expenses incurred by each such DIRECTOR in respect of any matter by reason of the exercise or purported exercise by the SHAREHOLDERS or any of them of the rights, powers, duties and liabilities expressed herein to be assumed by the SHAREHOLDERS.

ARTICLE 3 - CONDUCT OF THE AFFAIRS AND BUSINESS OF THE CORPORATION

3.1 BOARD

The BOARD shall consist of at least one (1) and not more than four (4) DIRECTORS. The holders of each class of SHARES shall be entitled, voting separately as a class at the annual meeting of CORPORATION or at any other meeting of the SHAREHOLDERS of such class called for the purpose, to nominate one (1) DIRECTOR and the SHAREHOLDERS shall elect the persons so nominated as DIRECTORS. No DIRECTOR nominated by the holders of one (1) of the classes of SHARES shall be removed from office prior to the end of the term of that DIRECTOR without the consent of the SHAREHOLDERS of such class expressed by ordinary resolution of the SHAREHOLDERS of such class unless such DIRECTOR is petitioned into bankruptcy, makes an assignment for the benefit of his creditors, is judged of unsound mind or incompetent to handle his own affairs by a court of competent jurisdiction or has defaulted in the payment of any sums due and owing by him to the CORPORATION and such default continues after twenty-one (21) days from the date of notice of such default having been given to such DIRECTOR by the CORPORATION or an OFFICER.

Any DIRECTOR who is the nominee of the holders of any class of SHARES shall become immediately disqualified to act as a DIRECTOR upon the passing of a resolution by the holders of that class of SHARES replacing such DIRECTOR with another nominee or otherwise withdrawing the nomination of that person as a DIRECTOR. Any vacancy on the BOARD occurring as a result of the death, disqualification or resignation of any DIRECTOR nominated by the holders of any class of SHARES shall be filled by a nominee of the holders of that class of SHARES.

3.2 Term of Office for DIRECTORS

It is the intention of the SHAREHOLDERS that the election of nominees of the BOARD be staggered in such a manner that there are always at least two DIRECTORS on the BOARD who have served during the previous year as a DIRECTOR. To that end and subject always to Section 3.1 the first DIRECTOR nominees of the holders of Class "A" and Class "C" SHARES shall be elected for a term extending to the close of the first annual meeting of SHAREHOLDERS and the first DIRECTOR nominees of the holders of Class "B" and Class "D" SHARES shall be elected or re-elected for a term or terms extending to the close of the second annual meeting of SHAREHOLDERS following the initial election of such DIRECTOR. At the end of the terms of the first DIRECTOR nominees, and at the end of the successive terms of their successive replacements, each replacement DIRECTOR shall be elected for a term ending at the close of the second annual meeting of SHAREHOLDERS which occurs following election of such DIRECTOR.

3.3 CHAIRMAN

The SHAREHOLDERS by a unanimous resolution may appoint a pre-eminent business person as CHAIRMAN for such term as the SHAREHOLDERS may determine subject always to removal of the CHAIRMAN by unanimous resolution of the SHAREHOLDERS at any time during the term of the CHAIRMAN. The CHAIRMAN so appointed shall be entitled to notice of and attend at all formal meetings of the BOARD. Notwithstanding the foregoing, no resolution of the DIRECTORS passed at a meeting where such CHAIRMAN was not present or had not been given notice shall be invalidated as a result and any resolution by all of the DIRECTORS shall be effective regardless of whether such resolution has been brought to the attention of such CHAIRMAN. Such CHAIRMAN shall not be a DIRECTOR nor be entitled to vote at any meeting of the BOARD except as provided in Section 3.5 of this Agreement. In the event that the SHAREHOLDERS at any time have not appointed a CHAIRMAN the DIRECTORS shall appoint a CHAIRMAN from among their number according to the BY-LAWS.

3.4 Voting

Except as otherwise required by law or by this Agreement, questions arising at any meeting of the DIRECTORS shall be decided by a majority of votes. Decisions of the DIRECTORS shall be attempted first by using the principle of consensus. If consensus cannot be reached after reasonable effort has been made to do so, then the CHAIRMAN of the meeting shall call for a vote on the matter in question.

3.5 Casting Vote

In the case of an equality of votes at a meeting of the BOARD, the CHAIRMAN, whether appointed pursuant to Section 3.3 hereof or by the DIRECTORS, shall have a casting vote; provided, however, that during the absence of the CHAIRMAN or the inability or failure of the CHAIRMAN to act the person who, pursuant to the BY-LAWS, becomes vested with the powers and duties of the CHAIRMAN shall not be entitled to have the casting vote.

3.6 Interested DIRECTOR

The following provisions shall apply in the case of a DIRECTOR who is disqualified from voting on any resolution in accordance with subsection 120(5) of the ACT (hereinafter referred to as the "Disqualified Director"):

- (a) any resolution passed by the remaining DIRECTORS shall be subject to ratification in writing by the SHAREHOLDER that nominated the Disqualified Director;
- (b) the SHAREHOLDER that nominated the Disqualified Director may by resolution in writing of the directors of that SHAREHOLDER authorize any person, other than the Disqualified Director, to ratify on its behalf the resolution of the CORPORATION; and
- (c) if the resolution is not ratified by such SHAREHOLDER within two (2) business days of the SHAREHOLDER receiving written notice thereof from the CORPORATION, then any SHAREHOLDER may call a meeting of the SHAREHOLDERS for resolution of the matter by a majority of votes.

3.7 OFFICERS

In addition to the CHAIRMAN appointed pursuant to Section 3.3 of this Agreement, the OFFICERS to be appointed are president, two vice-presidents, and a secretary-treasurer. All such OFFICERS shall be appointed in such a manner that each of the four (4) offices is held by a designee of the SHAREHOLDERS of a different class of SHARES voting as a class. All such OFFICERS shall hold office at the pleasure of the BOARD but no OFFICER nominated by holders of one of the classes of SHARES shall be removed from office prior to the end of the term of that OFFICER without the consent of the SHAREHOLDERS of such class expressed by ordinary resolution of the SHAREHOLDERS of such class unless such OFFICER is petitioned into bankruptcy, makes an assignment for the benefit of his creditors, is judged of unsound mind or incompetent to handle his own affairs by a court of competent jurisdiction or has defaulted in the payment of any sums due and owing by such OFFICER to the CORPORATION and such default continues after twenty-one days of the date of notice of such default having been given to such OFFICER by the CORPORATION or an OFFICER thereof. A vacancy in any of the four (4) offices provided for in this Section occurring as a result of the death, disqualification, resignation or removal of any OFFICER nominated by the holders of any class of SHARES shall be filled for the remainder of the term of such OFFICER by a nominee of the holders of that class of SHARES. Subject to the foregoing, OFFICERS shall be appointed for a term of two years.

3.8 Conduct

Unless otherwise agreed by unanimous consent of the SHAREHOLDERS, the SHAREHOLDERS shall not cause or permit the CORPORATION, and the BOARD shall not authorize the CORPORATION or the OFFICERS on behalf of the CORPORATION to:

- (a) take or institute any proceedings for the winding-up, reorganization or dissolution of the CORPORATION;
- (b) amalgamate or merge with any other corporation;
- (c) increase or decrease the authorized or issued capital of the CORPORATION or alter its capital structure in any way;
- (d) repurchase, redeem or otherwise acquire any issued SHARES other than as expressly herein provided;
- (e) incorporate or dispose of any subsidiary or AFFILIATE;
- (f) enter into any purchase, sale, lease or contract involving a financial commitment by the CORPORATION, in excess of the sum of Five Million (\$5,000,000.00) Dollars for any single transaction;
- (g) make, declare or pay any DIRECTOR'S fees, bonuses or other forms of remuneration, including non-monetary benefits, to any of the DIRECTORS, SHAREHOLDERS or AFFILIATES, except as herein provided, until all ADVANCES have been repaid and a cash reserve of One Hundred Thousand (\$100,000.00) Dollars has been established from net income of the CORPORATION before tax, no director's fees will be payable by the CORPORATION; thereafter director's fees (and the fee for the CHAIRMAN if appointed by the SHAREHOLDERS) shall be limited to Three Hundred Fifty (\$350.00) Dollars per day up to a maximum of Three Thousand Two Hundred (\$3,200.00) Dollars per year for each DIRECTOR;
- (h) give financial assistance by way of loan, guarantee or otherwise to any person, corporation or entity other than in the ordinary course of business;
- (i) declare or pay dividends or pay management or similar fees or repay ADVANCES except as herein provided;
- (j) sell, lease or exchange all or substantially all of the property of the CORPORATION other than in the ordinary course of business;
- (k) issue or grant any mortgage or debt obligation or otherwise create any charge whatsoever against any or all of the property of the CORPORATION except to the SHAREHOLDERS in accordance with this Agreement and except to secure an operating line of credit not to exceed Two Hundred and Fifty Thousand (\$250,000.00) Dollars, or borrow in excess of Two Hundred and Fifty Thousand (\$250,000) Dollars, except for borrowings by the CORPORATION from SHAREHOLDERS and except for borrowings contemplated by the FRONTEC JOINT VENTURE AGREEMENT;

- (l) be continued as a body corporate under the laws of another jurisdiction;
- (m) amend the ARTICLES or make, amend or repeal any BY-LAW;
- (n) enter into any agreements, transactions, or other dealings with any SHAREHOLDER, DIRECTOR, OFFICER or employee of the CORPORATION other than bona fide contracts of employment in the ordinary course of business at reasonable rates of remuneration and other than contracts with SHAREHOLDERS pursuant to which the CORPORATION will be billed at cost. "Cost" shall mean the aggregate of disbursements to third parties, salaries for those employees directly providing such services, fifteen (15%) per cent of salaries as contribution to benefits, and fifty (50%) per cent of such salaries as contribution to office overhead costs;
- (o) allow any SHARES or securities of the CORPORATION to be qualified for distribution to the public or listed for trading on a securities exchange;
- (p) enter into any joint venture or partnership with any person, corporation or entity, other than the FRONTEC JOINT VENTURE AGREEMENT;
- (q) sell or transfer any interest in the FRONTEC JOINT VENTURE AGREEMENT; or
- (r) pursue any business opportunity with any person, corporation or entity, other than the FRONTEC JOINT VENTURE AGREEMENT.

3.9 Guarantees and Indemnity

No SHAREHOLDER shall be obliged to enter into any GUARANTEE with respect to the indebtedness of the CORPORATION or to pledge its credit on behalf of the CORPORATION. Notwithstanding the foregoing, if any SHAREHOLDER with the unanimous consent of the other SHAREHOLDERS shall execute a GUARANTEE, the SHAREHOLDERS acknowledge and agree that each of them shall be liable on account of any such indebtedness only pro rata according to the ratio of the number of SHARES held by each SHAREHOLDER to all of the issued SHARES. Each SHAREHOLDER specifically reserves for itself a right of action against any or all of the other SHAREHOLDERS to pay their respective pro rata contributions in the event that any of the SHAREHOLDERS is called upon to satisfy any demand of any bank or other lending institution pursuant to such GUARANTEE in excess of the actual pro rata amount of such SHAREHOLDER'S liability. The provisions hereof shall not merge with the termination of this Agreement but shall survive for the benefit of those persons claiming contribution and indemnity as aforesaid.

3.10 Financial Reporting

The CORPORATION shall keep detailed records and books of account prepared in accordance with generally accepted accounting principles applied on a consistent basis and shall provide each SHAREHOLDER with unrestricted access to such records on accounts and such copies thereof as may become requested. The CORPORATION shall obtain and distribute to each SHAREHOLDER, within seven (7) days of receipt thereof, annual audited financial statements prepared by a firm of independent chartered accountants. The CORPORATION shall also prepare and distribute to the SHAREHOLDERS monthly internal unaudited financial

statements, such statements to be delivered to each SHAREHOLDER within twenty-one (21) days of the end of each month.

3.11 Distribution of Profits

Except when precluded or otherwise prohibited by the terms of any debt financing and to the extent permitted by law, the estimated net profits of the CORPORATION after making such provisions and transfers to reserves to fund ongoing operations of the CORPORATION of a total sum of One Hundred Thousand (\$100,000.00) Dollars, or such other amount as may be approved by the unanimous consent of the SHAREHOLDERS, shall be distributed to the SHAREHOLDERS proportionate to their holdings of SHARES quarterly or more frequently as may be determined by the BOARD.

3.12 SHAREHOLDERS' ADVANCES

- (a) The CORPORATION hereby acknowledges receipt of ADVANCES in the amount of Twenty Thousand (\$20,000.00) Dollars from each SHAREHOLDER, which shall be repayable as follows:
 - (i) interest on the principal amount of the ADVANCE at a rate equal to the PRIME RATE plus three and one half (3.5%) per cent per annum, calculated and compounded monthly and accruing from the date of the ADVANCE, shall be payable quarterly commencing on June 30, 1995; and
 - (ii) the principal amount of the ADVANCE shall be repayable on the earlier of:
 - (A) thirty (30) days after written demand is made by all SHAREHOLDERS; and
 - (B) September 30, 1995.
- (b) Within thirty (30) days' of written notice from the CORPORATION to all of the SHAREHOLDERS given prior to December 31, 1994, each SHAREHOLDER shall advance to the CORPORATION a further loan of up to of Twenty Five Thousand (\$25,000.00) Dollars as contribution to the development and marketing of the North Warning System proposal and contract, such ADVANCE to be repayable on the same terms as set forth in subsection 3.12(a) hereof.
- (c) If a majority of the BOARD decides that additional funds are required for the purposes of the CORPORATION, then the CORPORATION may make a written request to the SHAREHOLDERS for a loan to be made pro rata in proportion to their respective shareholdings in the CORPORATION and the SHAREHOLDERS shall make the requested ADVANCE on the same terms as set forth in subsection 3.12(a) hereof, except for the commencement date for interest payments and the maturity date set forth in subclause 3.12(a)(ii)(B) which shall be determined by a majority of the BOARD; provided that the maturity date shall be no later than twenty four (24) months following the date of such ADVANCE.

- (d) As security for payment of all of the indebtedness, liabilities and obligations of the CORPORATION to the SHAREHOLDERS arising under this Agreement, the CORPORATION shall execute and deliver to each of the SHAREHOLDERS forthwith upon execution of this Agreement a continuing debenture, which debenture shall be in the principal amount of One Million (\$1,000,000.00) Dollars, bear interest at a rate equal to the PRIME RATE plus three and one half (3.5 %) per cent per annum calculated and compounded monthly on all amounts outstanding and provide a fixed charge against all present and after-acquired property and assets, both real and personal, and undertaking of the CORPORATION (or such like security as may be appropriate in the jurisdictions where such property, assets and undertaking are located). No demand for payment shall be made by any SHAREHOLDER pursuant to such debenture until the maturity date of any ADVANCE or upon thirty (30) days' prior written notice by all SHAREHOLDERS which are owed ADVANCES by the CORPORATION as of the date of demand or upon the bankruptcy or insolvency of the CORPORATION or the making of an assignment by the CORPORATION for the benefit of its creditors or the appointment of a Receiver with respect to the CORPORATION. The property charged by the debentures shall be held *pari passu* for the benefit of all the SHAREHOLDERS and the net proceeds resulting from any realization on such property shall, except in circumstances where a Default Loan (as defined in Section 6.3 hereof) remains outstanding, be distributed *pro rata* to the SHAREHOLDERS in proportion to the respective indebtedness of the CORPORATION to each.
- (e) Each of the SHAREHOLDERS agrees that upon request of the BOARD, it will subordinate all ADVANCES in favour of any bank or lending institution providing financing to the CORPORATION.

3.13 FRONTEC JOINT VENTURE AGREEMENT

The PARTIES will attempt to negotiate the FRONTEC JOINT VENTURE AGREEMENT in such a manner that any management committee managing the affairs of the joint venture or any corporation carrying on the business of the joint venture, will have a balanced number of designees from each of the CORPORATION and the other joint venture party, that the number of designees from the CORPORATION will be four (4) in number and that the designees of the CORPORATION will be entitled collectively to one (1) vote and the designees of the other joint venture party will be entitled collectively to one (1) vote with respect to any matters coming before the management committee for resolution. In the event that the FRONTEC JOINT VENTURE AGREEMENT is concluded on the foregoing basis, the PARTIES agree as follows:

- (a) the four designees of the CORPORATION shall be the four (4) OFFICERS appointed pursuant to Section 3.7 of this Agreement;
- (b) in exercising the single vote available to them, the designees of the CORPORATION shall seek to reach consensus;
- (c) failing a consensual agreement as to the exercise of the vote, the vote shall be cast in the manner approved by the majority of the designees of the CORPORATION in attendance at the meeting;

- (d) if there is a deadlock among the designees in attendance as to the manner in which to cast the vote, absent designees shall be polled if reasonably practicable to do so and the vote will be cast in the manner determined by the majority; and
- (e) if a deadlock remains among the designees, the vote shall be cast by the Chairman of the BOARD.

ARTICLE 4 - SHARES

4.1 Restriction on Issuance

The PARTIES agree that no additional SHARES of the CORPORATION shall be issued without the unanimous consent of the SHAREHOLDERS, and that it is the intention of the SHAREHOLDERS that:

- (a) the number of SHARES issued in each class shall, at all times, be equal;
- (b) the Class A SHARES will at all times be held by LIDC or an AFFILIATE of LIDC;
- (c) the Class B SHARES will at all times be held by MAKIVIK or an AFFILIATE of MAKIVIK;
- (d) the Class C SHARES will at all times be held by NUNASI or an AFFILIATE of NUNASI;
- (e) the Class D SHARES will at all times be held by IDC or an AFFILIATE of IDC; and
- (f) if as a result of a WITHDRAWING EVENT, the CORPORATION has reacquired the SHARES of any class or the SHARES of one class have been acquired by a SHAREHOLDER or SHAREHOLDERS of any other class or classes, the SHARES reacquired by the CORPORATION or acquired by the other SHAREHOLDER or SHAREHOLDERS will not be reissued or retransferred respectively except to an AFFILIATE of the original holder of such class of SHARES and that such reissue or retransfer be at fair market value at the time of such reissue or retransfer. For the purposes of this subparagraph, fair market value shall mean for the first year following repurchase or acquisition of the SHARES, the fair market value established on the repurchase or acquisition pursuant to the VALUATION ARTICLE and, thereafter, as established at the time of reissue or retransfer.

The reissue or retransfer of SHARES of a class reacquired by the CORPORATION or acquired by a SHAREHOLDER holding another class of SHARES, to a corporation which is or would have been an AFFILIATE of the original holder of the SHARES of such class may occur without further consent on the part of the SHAREHOLDERS.

4.2 Restriction on Encumbering

So long as this Agreement is in force and effect, the SHAREHOLDERS will not in any manner or degree whatsoever pledge, charge, mortgage, hypothecate or otherwise

encumber their SHARES or ADVANCES or the debenture provided under Section 3.12, except for the pledging of distributions or ADVANCES to another SHAREHOLDER as herein provided. To the extent that any SHAREHOLDER has provided general security over its assets in favour of its banker or other lender, the SHAREHOLDER shall obtain a release from its banker or other lender of any security interest of any kind in its SHARES and ADVANCES and debenture.

4.3 Restriction on Alienation

The SHAREHOLDERS will not sell, transfer, convey or assign all or any portion of their SHARES or ADVANCES except as permitted by this Agreement without the unanimous prior written consent of the SHAREHOLDERS.

4.4 Disposition to AFFILIATE

A SHAREHOLDER may sell, transfer or otherwise dispose, legally and beneficially, of the whole or beneficially any part of its SHAREHOLDER'S INTEREST to any of its AFFILIATES provided that the SHAREHOLDER and the AFFILIATE enter into an agreement with the other PARTIES provided that:

- (a) the AFFILIATE will remain an AFFILIATE so long as it holds the SHAREHOLDER'S INTEREST or any part thereof; and
- (b) prior to the AFFILIATE ceasing to be an AFFILIATE it will transfer its SHAREHOLDER'S INTEREST back to the SHAREHOLDER of which it is an AFFILIATE or to another AFFILIATE of such SHAREHOLDER, provided that such other AFFILIATE enters into a similar agreement with the other PARTIES; and
- (c) the AFFILIATE will otherwise be bound by the provisions of this Agreement.
- (d) the SHAREHOLDER will hold the SHAREHOLDER'S INTEREST, to the extent transferred, in trust for the AFFILIATE in the event that less than the entire SHAREHOLDER'S INTEREST is transferred to the AFFILIATE. The CORPORATION however shall not be bound to recognize the Trust, notwithstanding notice of same and for the purposes of this Agreement, the CORPORATION shall deal only with the registered holders of SHARES for all purposes, including with limitation, the giving of notices, the making of distributions and the receipt of consents and approvals.

Any sale, transfer or other disposition referred to in this Section 4.4 shall not release the SHAREHOLDER from its obligations hereunder.

4.5 Share Certificates

The PARTIES agree that the certificates for all SHARES shall be endorsed with reference to this Agreement as follows:

"The shares represented by this Certificate are subject to the terms of a Unanimous Shareholder Agreement between Labrador Inuit Development Corporation, Makivik Corp., Nunasi Corporation, Inuvialuit Development Corporation and Pan Arctic Inuit Logistics

Corporation (the "Corporation") dated the 30th day of August, 1994 and such shares are not transferable on the books of the Corporation except in compliance with the terms and conditions of such Agreement; a copy of which Agreement is on record with the Secretary of the Corporation."

4.6 SHARES

The provisions of this Agreement relating to SHARES shall apply mutatis mutandis to any shares or securities into which such SHARES may be converted, changed, reclassified, redivided, redesignated, redeemed, subdivided or consolidated, to any SHARES or securities that are received by the SHAREHOLDERS as a stock dividend or distribution payable in SHARES or securities of the CORPORATION and to any shares or securities of the CORPORATION or of any successor or continuing company or corporation to the CORPORATION that may be received by the SHAREHOLDERS on a reorganization, amalgamation, consolidation or merger, statutory or otherwise.

ARTICLE 5 - RIGHT OF FIRST REFUSAL

5.1 Offer

In the event that any SHAREHOLDER shall receive a bona fide all cash offer (hereinafter in this Article referred to as the "Offer") from a third party or parties with whom it is dealing at arm's length for the purchase of all, but not less than all, of the SHARES owned by the SHAREHOLDER receiving the Offer and such SHAREHOLDER (hereinafter referred to as the "Vendor") is prepared to accept the Offer, the Vendor shall give written notice of the Offer to the other SHAREHOLDERS (hereinafter in this Article referred to as the "Purchasers") by sending to each Purchaser an executed copy of the Offer and notifying each Purchaser therewith of the Vendor's desire to accept the Offer. Subject to Section 5.4, each Purchaser shall have the right to purchase on the terms and conditions of the Offer that percentage of the Vendor's SHARES represented by the proportion which the number of SHARES held by the particular Purchaser is of the sum of all SHARES held by all Purchasers. The right to purchase shall be exercised by each Purchaser delivering notice in writing thereof to the Vendor within thirty (30) days after receipt of a copy of the executed Offer (hereinafter in this Article referred to as the "Exercise Period").

5.2 Second Notice

In the event that some but not all of the Purchasers exercise the right to purchase the Vendor's SHARES within the Exercise Period (hereinafter in this Article referred to as the "Second Purchasers"), the Vendor shall not be required to make any sale to the Purchasers, but in such case, the Vendor shall within five (5) days after the expiry of the Exercise Period give notice (hereinafter referred to as the "Second Notice") to the Second Purchasers of its desire to sell its SHARES to the Second Purchasers on the terms and conditions of the Offer. In such case subject to Section 5.4, each Second Purchaser shall have the right to purchase on the terms and conditions of the Offer that percentage of the Vendor's SHARES represented by the proportion which the number of SHARES held by such Second Purchaser is of the sum of all SHARES held by all Second Purchasers. The right to purchase shall be exercised by each Second Purchaser delivering notice in writing thereof to the Vendor within ten (10) days after receipt of the Second Notice (hereinafter referred to as the "Second Exercise Period").

5.3 Third Notice

In the event that some but not all of the Second Purchasers exercise the right to purchase the Vendor's SHARES, the provisions of Section 5.2 shall be applied mutatis mutandis on the basis that the following terms referred to in Section 5.2 hereof, namely "Purchasers", "Second Purchasers", "Exercise Period", "Second Notice" and "Second Exercise Period" shall respectively mean "Second Purchasers", "Third Purchasers", "Second Exercise Period", "Third Notice", and "Third Exercise Period".

5.4 Rejection or Non-Acceptance

In the event that after completion of the procedures described in Sections 5.1, 5.2 and 5.3 the Vendor has not received notices of exercise in the aggregate for all the Vendor's SHARES, the Vendor shall be at liberty to complete the sale of his SHARES to the third party or parties who made the Offer; provided that such sale shall be completed on terms and conditions which are no more favourable to any such third party purchaser than those set out in the original Offer and provided further that should such sale not be completed within one hundred and eighty (180) days from the expiry of the Exercise Period, then the Vendor's right to complete such sale shall terminate.

5.5 Acceptance

- (a) In the event that all of the Purchasers shall notify the Vendor in writing within the Exercise Period of their exercise of their rights to purchase all of the Vendor's SHARES, a binding agreement of purchase and sale shall exist between the Vendor and the Purchasers with respect to the Vendor's SHARES at and for a price equal to that described in the Offer and on the terms and conditions therein contained.
- (b) In the event that the Second Notice is given and all of the Second Purchasers shall notify the Vendor in writing within the Second Exercise Period of their exercise of their rights to purchase all of the Vendor's SHARES, a binding agreement of purchase and sale shall then exist between the Vendor and the Second Purchasers with respect to the Vendor's SHARES at and for a price equal to that described in the Offer and on the terms and conditions therein contained.
- (c) In the event that the Third Notice is given and all of the Third Purchasers shall notify the Vendor in writing within the Third Exercise Period of their exercise their rights to purchase all of the Vendor's SHARES, a binding agreement of purchase and sale shall then exist between the Vendor and the Third Purchasers with respect to the Vendor's SHARES at and for a price equal to that described in the Offer and on the terms and conditions therein contained.

5.6 Conditions of Offer

Each of the SHAREHOLDERS covenants and agrees that it will not:

- (a) accept any offer for the purchase of its SHARES which will require some form of consideration, other than cash or cash equivalent in Canadian currency, to be paid to its, it being intended that the consideration not be of a unique nature such that the Purchasers would be unable to provide the same consideration;

- (b) subject to Section 4.4, accept any offer to purchase its SHARES from a party or parties with whom it is not dealing at arm's length;
- (c) accept any offer for the purchase of less than all of the SHARES owned by it.

5.7 Closing

Any purchase and sale of SHARES between SHAREHOLDERS pursuant to the terms of this Article shall close on the closing date specified in the Offer, if any, and otherwise shall close on the thirtieth (30th) day after the expiry of the Exercise Period, the Second Exercise Period or the Third Exercise Period, as the case may be, or on such other date as the PARTIES may agree upon. The provisions of the CLOSING ARTICLE shall apply mutatis mutandis to the closing of such purchase and sale.

ARTICLE 6 - WITHDRAWING EVENT

6.1 Remedies

Upon the occurrence of a WITHDRAWING EVENT, the WITHDRAWING SHAREHOLDER agrees that one or more of the REMAINING SHAREHOLDERS or the CORPORATION may do any one or more of the following:

- (a) pursue any remedy available to them in law or in equity, it being acknowledged that specific performance, injunctive relief (mandatory or otherwise) or other equitable relief may be the only adequate remedy for a default; or
- (b) take such actions in their own names or in the name of the WITHDRAWING SHAREHOLDER or the CORPORATION, as may reasonably be required, to cure the default, in which event all payments, costs and expenses incurred therefor by the REMAINING SHAREHOLDERS or the CORPORATION shall be payable by the WITHDRAWING SHAREHOLDER on demand with interest as provided for in Section 9.1 hereof; or
- (c) exercise the buy/sell option as set out in Section 6.2 hereof; or
- (d) waive the default provided, however, that any waiver of a particular default shall not operate as a waiver of any subsequent or continuing default.

6.2 Buy/Sell Option

Upon the occurrence of a WITHDRAWING EVENT, the CORPORATION has an option to purchase all, but not less than all, of the WITHDRAWING SHAREHOLDER'S SHARES on the following terms and conditions:

- (a) any of the REMAINING SHAREHOLDERS or the CORPORATION may within thirty (30) days after becoming aware of the WITHDRAWING EVENT request a determination of the value of the WITHDRAWING SHAREHOLDER'S SHARES, in accordance with the provisions of the VALUATION ARTICLE, such determination to be made however at the expense of the WITHDRAWING SHAREHOLDER and to be final and binding upon the PARTIES;

- (b) the CORPORATION may at any time within thirty (30) days after the date of determination of the value of the WITHDRAWING SHAREHOLDER'S SHARES, by written notice to the WITHDRAWING SHAREHOLDER, exercise the option to purchase the WITHDRAWING SHAREHOLDER'S SHARES; failing which, the REMAINING SHAREHOLDERS collectively may within a further period of thirty (30) days exercise the option to purchase all but not less than all the WITHDRAWING SHAREHOLDER'S SHARES by providing written notice thereof to the WITHDRAWING SHAREHOLDER;
- (c) in the event that the CORPORATION fails to exercise the option to purchase within the time period specified, then each REMAINING SHAREHOLDER shall be entitled to purchase that percentage of the WITHDRAWING SHAREHOLDER'S SHARES represented by the proportion which the number of SHARES held by the particular REMAINING SHAREHOLDER is of the sum of all SHARES held by all REMAINING SHAREHOLDERS, unless the REMAINING SHAREHOLDERS unanimously agree in writing that the percentages purchased by each REMAINING SHAREHOLDER shall be otherwise;
- (d) the total purchase price payable for the WITHDRAWING SHAREHOLDER'S SHARES by the CORPORATION or the REMAINING SHAREHOLDERS, as the case may be, shall be an amount equal to two thirds (2/3) of the value of such SHARES less the cost of determining the value as aforesaid. The purchase price payable by each REMAINING SHAREHOLDER shall be that percentage of the total purchase price which equals the percentage of the WITHDRAWING SHAREHOLDER'S SHARES which the particular REMAINING SHAREHOLDER shall be entitled to purchase pursuant to the terms of this Section 6.2; and
- (e) the closing date for the purchase and sale of the WITHDRAWING SHAREHOLDER'S SHARES shall be the thirtieth (30th) day after the date of exercise of the within option to purchase. The provisions of the CLOSING ARTICLE and the VALUATION ARTICLE shall apply mutatis mutandis to the closing of such purchase and sale.

6.3 Loan Default

In addition to any other rights of the REMAINING SHAREHOLDERS herein provided for, if the WITHDRAWING SHAREHOLDER defaults by refusing or failing to make an ADVANCE as provided for in Section 3.12 hereof, then the REMAINING SHAREHOLDERS may elect to make and are authorized by the WITHDRAWING SHAREHOLDER to make such contribution by way of loan (hereinafter in this Article referred to as the "Default Loan") on behalf of and for the account of the WITHDRAWING SHAREHOLDER, in which event the WITHDRAWING SHAREHOLDER shall owe and shall forthwith pay or cause to be paid to such REMAINING SHAREHOLDERS:

- (i) the amount of the Default Loan; and
- (ii) the reasonable costs of the REMAINING SHAREHOLDERS relating to obtaining monies to make the Default Loan other than the interest payable by the REMAINING SHAREHOLDERS in respect of such monies; and

- (iii) interest on the amount of the Default Loan outstanding from time to time calculated and payable monthly on the first day of each and every calendar month at a rate equal to the PRIME RATE at the time the Default Loan is made plus five (5%) per cent per annum calculated and compounded monthly;
- (a) the PARTIES agree that so long as the Default Loan or any associated obligations remains outstanding, all distributions payable by the CORPORATION to the WITHDRAWING SHAREHOLDER shall be paid directly by the CORPORATION to the REMAINING SHAREHOLDERS which have made the Default Loan and such payment by the CORPORATION shall constitute and be deemed a valid payment of distributions to the WITHDRAWING SHAREHOLDER to the extent of the payment so made to the REMAINING SHAREHOLDERS. For the purpose aforesaid, the SHAREHOLDERS hereby irrevocably direct the CORPORATION to pay all such distributions directly to the REMAINING SHAREHOLDERS until the entire amount of the Default Loan together with costs and interest due to the REMAINING SHAREHOLDERS has been paid.

ARTICLE 7 - VALUATION

7.1 Calculation of Value

For the purposes of a purchase and sale of SHARES pursuant to Article 6 hereof, the value of the SHARES shall be equal to the fair market value of such SHARES as determined by an independent chartered business valuator (hereinafter in this Article referred to as the "Valuator") who shall be appointed by the parties to the purchase and sale acting jointly. Failing such joint appointment of a Valuator, any of the parties to the purchase and sale may apply to a Justice of the Supreme Court of the Northwest Territories for the appointment of a Valuator. In determining the fair market value of the SHARES, the Valuator shall act as an expert, not as an arbitrator, and shall:

- (a) not take into account goodwill;
- (b) not have regard to the fact that the shareholdings constitute a minority or majority interest;
- (c) substitute the fair market value for the historical or depreciated value of assets of the CORPORATION and in that regard shall obtain such appraisals as he deems necessary; and
- (d) in all other respects apply generally accepted accounting principles.

ARTICLE 8 - CLOSING

8.1 Location of Closing

The closing of any purchase and sale of a SHAREHOLDER'S INTEREST hereunder shall take place at the registered office of the CORPORATION or at such other place as the parties to such purchase and sale may agree upon in writing.

8.2 Actions Upon Closing

On the closing date the selling party shall provide to the purchasing party all documents and conveyances necessary to complete the sale of SHARES contemplated herein and all documents necessary to divest the selling party of its interest or the interest of its nominees in all positions and offices held in the CORPORATION, all said documents and conveyances to be provided against payment of the purchase price for the SHARES in accordance with the terms of this Agreement. In the event that the purchasing party is not in default and on the closing date the selling party shall neglect or refuse to complete the transaction, the purchasing party, upon such default and upon payment by it of the purchase price to the credit of the selling party at the bank of the CORPORATION or with the solicitor for the CORPORATION and upon compliance with the provisions of Sections 8.3 and 8.4 hereof, shall have the right to complete the transaction as aforesaid for and on behalf of and in the name of the selling party and the selling party hereby irrevocably constitutes the purchasing party the true and lawful attorney of the selling party to complete the said transaction and to execute any and all documents necessary in that behalf. If the selling party is not in default and at the time of closing the purchasing party shall neglect or refuse to complete the transaction the selling party shall have the right, upon such default (without prejudice to any other rights which it may have), to terminate the agreement of purchase and sale.

8.3 Release of Guarantees

Upon the closing of any purchase and sale of SHARES pursuant to this Agreement, in the event the selling party or the person who CONTROLS the selling party, or both, are contingently liable by way of indemnity or guarantee or otherwise for any of the obligations or liabilities of the CORPORATION, then in such event the purchasing party shall provide indemnities to the selling party and the person who CONTROLS the selling party against such liability or obligation and shall use their best efforts to attempt to obtain releases from such contingent liabilities.

8.4 SHAREHOLDER'S ADVANCES

In the event that there are ADVANCES in favour of the selling party, then in such event, in addition to the purchase price as determined in accordance with the remaining terms of this Agreement, the purchasing party shall pay to the selling party the amount of such ADVANCES as at the closing date and the selling party shall assign to the purchasing party the ADVANCES and any evidence of indebtedness therefor from the CORPORATION, and in the event the selling party is indebted to the CORPORATION for any sum of money as at the closing date, the purchasing party shall deduct an amount equal to the indebtedness of the selling party to the CORPORATION from the purchase price payable to the selling party and shall pay said sum directly to the CORPORATION to extinguish the debt of the selling party to the CORPORATION.

8.5 Transferee to be Bound

No sale, transfer, conveyance or assignment of a SHAREHOLDER'S INTEREST shall be effective unless and until the permitted Transferee first agrees to be bound by and to observe and perform the terms of this Agreement in the place and stead of the Transferor.

ARTICLE 9 - GENERAL PROVISIONS

9.1 Interest

If any PARTY is required by this Agreement to pay monies to any other PARTY, then such monies shall bear interest at the PRIME RATE plus five (5%) per cent per annum calculated and compounded monthly until repayment, unless a different rate of interest is expressly provided for herein.

9.2 Confidentiality

This Agreement, the affairs of the CORPORATION and the relations between the SHAREHOLDERS shall be treated by each of the SHAREHOLDERS as confidential and shall not be disclosed by any SHAREHOLDER except on behalf of and for the benefit of the CORPORATION as required for the purposes of its business and affairs, or as required by law, or to the auditors of such SHAREHOLDER or such other persons to whom disclosure may reasonably be required and such SHAREHOLDER shall use all reasonable efforts to cause its auditors and any such other persons, if such information is disclosed to them, to keep the same confidential and not to disclose it, except in each case with the consent of the DIRECTORS.

9.3 Further Assurances

The PARTIES and each of them do hereby covenant and agree to do such things and execute such further documents, agreements and assurances as may be necessary or advisable from time to time in order to carry out the terms and conditions of this Agreement in accordance with their true intent.

9.4 Singular, Plural and Gender

Wherever the singular, plural, masculine, feminine or neuter is used throughout this Agreement the same shall be construed as meaning the singular, plural, masculine, feminine, neuter, body politic or body corporate where the fact or context so requires and the provisions hereof and all covenants herein shall be construed to be joint and several when applicable to more than one PARTY.

9.5 Assignment of Agreement

The PARTIES agree that this Agreement shall not be assignable by any of them without the express written consent of the others first had and obtained.

9.6 Notices

Any notice required to be given hereunder by any PARTY shall be deemed to have been well and sufficiently given if:

- (a) personally delivered to the PARTY to whom it is intended or if such PARTY is a corporation to an officer of that corporation; or
- (b) if mailed by prepaid registered mail or delivered, to the address of the PARTY to whom it is intended hereinafter set forth:

- (i) if to LIDC then:

Labrador Inuit Development Corporation
P.O. Box 1000
Station "B"
Happy Valley - Goose Bay
Labrador, Newfoundland
A0P 1E0
Fax No.: (709) 922-2931

- (ii) if to MAKIVIK then:

Makivik Corporation
650 - 32 Avenue
Suite 400
Lachine, Quebec
H8T 3K5
Fax No.: (514) 634-3817

- (iii) if to NUNASI then:

Nunasi Corporation
260, 5022 - 49 Street
Yellowknife, N.W.T
X1A 3R7
Fax No.: (403) 920-4592

- (iv) if to IDC then:

Inuvialuit Development Corporation
P.O. Bag 7
Inuvik, Northwest Territories
X0E 0T0
Fax No.: (403) 979-3256

- (v) if to the CORPORATION then:

Pan Arctic Inuit Logistics Corporation
c/o Nunasi Corporation
260, 5022 - 49 Street
Yellowknife, N.W.T
X1A 3R7
Fax No.: (403) 920-4592

or to such other address as a PARTY may from time to time direct in writing.

- (c) if transmitted by facsimile to the facsimile number of the PARTY to whom it is intended as set forth above, or to such other facsimile number as a PARTY may from time to time direct in writing.

Any notice delivered or transmitted by facsimile as aforesaid shall be deemed to have been received on the day after delivery or transmission and any notice mailed shall be deemed to have been received ten (10) days after the date it is postmarked. Originally executed copies of all notices transmitted by facsimile shall also be mailed on the date of facsimile transmission. If normal mail service is interrupted by strike, slow-down, force majeure or other cause after the notice has been sent the notice will not be deemed to be received until actually received. In the event normal mail service is impaired at the time of sending the notice, then personal delivery only shall be effective.

9.7 Entire Agreement

This Agreement constitutes the entire agreement between the PARTIES relating to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether verbal or written, of the PARTIES and there are no warranties, representations or other agreements among the PARTIES in connection with the subject matter hereof except as specifically set forth herein.

9.8 Payment of Monies

The PARTIES acknowledge and agree that any payment of monies required to be made hereunder shall be made in Canadian funds and that any tender of monies or documents hereunder may be made upon the solicitors acting for the PARTY upon whom the tender is desired and it shall be sufficient that a negotiable bank draft is tendered instead of cash.

9.9 Unenforceable Terms

If any term, covenant or condition of this Agreement or the application thereof to any PARTY or circumstance shall be invalid or unenforceable to any extent the remainder of this Agreement or application of such term, covenant or condition to a PARTY or circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby and each remaining term, covenant or condition of this Agreement shall be valid and shall be enforceable to the fullest extent permitted by law.

9.10 Amendments

This Agreement may be altered or amended in any of its provisions when any such changes are reduced to writing and signed by all the PARTIES but not otherwise.

9.11 Remedies Not Exclusive

No remedy herein conferred upon any PARTY is intended to be exclusive of any other remedy available to that PARTY but each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing by law or in equity or by statute.

9.12 Preamble Incorporation

The PARTIES hereby confirm and ratify the matters contained and referred to in the preamble to this Agreement and agree that same are expressly incorporated in this Agreement.

9.13 General Principle

The PARTIES consider that the rights and benefits associated with their respective land claim settlement agreements are inalienable and desire to reflect that principle in this Agreement to the extent reasonably possible.

9.14 No Waiver

No consent or waiver, express or implied, by any PARTY to or of any breach or default by any PARTY in the performance by such other PARTY of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of obligations hereunder by such PARTY. Failure on the part of any PARTY to complain of any act or failure to act of another PARTY or to declare such other PARTY in default, irrespective of how long such failure continues, shall not constitute a waiver by such PARTY of its rights hereunder.

9.15 Counterparts

This Agreement may be executed in several counterparts each of which when so executed shall be deemed to be an original, and such counterparts shall constitute the one and same instrument and notwithstanding their date of execution shall be deemed to be dated as of the date of this Agreement. The counterparts of this Agreement may be validly delivered by telephone transmission.

9.16 Headings

The headings in this Agreement have been inserted for reference and as a matter of convenience only and in no way define, limit or enlarge the scope or meaning of this Agreement or any provision hereof.

9.17 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Northwest Territories and the PARTIES hereby submit to the jurisdiction of the Courts in the Northwest Territories.

9.18 Enurement

This Agreement shall enure to the benefit of and be binding upon the PARTIES hereto, and their respective successors and permitted assigns.

IN WITNESS WHEREOF the parties have hereunto affixed their corporate seals

duly attested to by the hands of their duly authorized officers in that behalf all as of the day and year first above written.

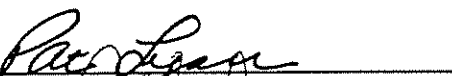
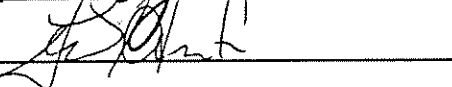
LABRADOR INUIT DEVELOPMENT CORPORATION

Per: 
Per: 

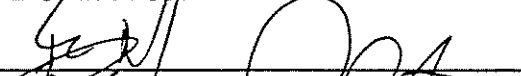
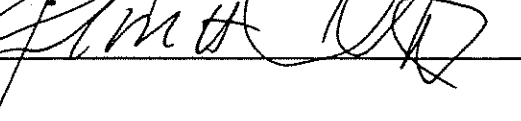
MAKIVIK CORPORATION

Per: 
Per: 

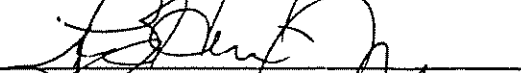

NUNASI CORPORATION

Per: 
Per: 

INUVIALUIT DEVELOPMENT CORPORATION

Per: 
Per: 

PAN ARCTIC INUIT LOGISTICS CORPORATION

Per: 
Per: 

RESOLUTION IN WRITING OF THE
DIRECTOR OF PAN ARCTIC INUIT
LOGISTICS CORPORATION (the
"Corporation")

TRANSFER OF SHARE

WHEREAS David Connelly is the registered owner of one (1) Class "D" share in the capital of the Corporation, held in trust for Inuvialuit Development Corporation, represented by share certificate number 1D;

AND WHEREAS INUVIALUIT DEVELOPMENT CORPORATION as beneficial owner of the one (1) Class "D" share in the capital of the Corporation has requested that the one (1) Class "D" share be transferred by David Connelly to it.

THEREFORE BE IT RESOLVED that the director of the Corporation does hereby consent to and approve the transfer of one (1) Class "D" share in the capital of the Corporation from David Connelly to Inuvialuit Development Corporation. The President is hereby authorized and directed to cancel share certificate number 1D and to issue new share certificate as follows as fully paid and non-assessable:

<u>SHARE CERTIFICATE NUMBER ISSUED</u>	<u>ISSUED TO</u>	<u>NUMBER AND CLASS OF SHARES ISSUED</u>
#2D	INUVIALUIT DEVELOPMENT CORPORATION	ONE (1) CLASS "D" SHARE

The director of the Corporation is authorized and directed to amend the securities registers of the Corporation to reflect such transfer of the Class "D" share in the capital of the Corporation.

SUBSCRIPTION AND ISSUE OF SHARES

WHEREAS the Corporation has received the following subscriptions for shares in the capital of the Corporation together with the sum of \$1.00 per share with each subscription:

LABRADOR INUIT DEVELOPMENT CORPORATION - 5,000 CLASS "A" SHARES - \$5,000.00;

MAKIVIK CORPORATION. - 5,000 CLASS "B" SHARES - \$5,000.00;

NUNASI CORPORATION - 5,000 CLASS "C" SHARES - \$5,000.00;

INUVIALUIT DEVELOPMENT CORPORATION - 4,999 CLASS "D" SHARES
\$4,999.00

THEREFORE BE IT RESOLVED that the director of the Corporation hereby consents to and accepts the above noted subscriptions for Class "A", Class "B", Class "C" and Class "D" shares in the capital of the Corporation and hereby acknowledges receipt of the sum of \$1.00 per share with each subscription. The President be and he is hereby authorized and directed to issue new share certificates as follows as fully paid and non-assessable:

<u>SHARE CERTIFICATE NUMBER ISSUED</u>	<u>ISSUED TO</u>	<u>NUMBER AND CLASS OF SHARES ISSUED</u>
1A	LABRADOR INUIT DEVELOPMENT CORPORATION	FIVE THOUSAND (5,000) CLASS "A" SHARES
1B	MAKIVIK CORPOR- ATION	FIVE THOUSAND (5,000) CLASS "B" SHARES
1C	NUNASI CORPORATION	FIVE THOUSAND (5,000) CLASS "C" SHARES
3D	INUVALUIT DEVELOP- MENT CORPORATION	FOUR THOUSAND NINE HUNDRED NINETY-NINE (4,999) CLASS "D" SHARES

The director of the Corporation is hereby authorized and directed to amend the securities registers of the Corporation in order to reflect the issue of Class "A", Class "B", Class "C" and Class "D" shares in the capital of the Corporation.

APPOINTMENT OF INTERIM OFFICERS

BE IT RESOLVED that for the purposes of temporary convenience the following persons be and they are hereby appointed as interim officers of the Corporation, to hold the offices as are set out opposite their respective names only until the next meeting of the Board of Directors of the Corporation:

PRESIDENT - David Connelly

SECRETARY-TREASURER - Fred Hunt

VICE-PRESIDENT - Don Allard

VICE-PRESIDENT - Fred Hall

JOINT VENTURE AGREEMENT

BE IT RESOLVED:

1. That the Corporation be and is hereby authorized to enter into a joint venture agreement with Frontec Logistics Corp. substantially in the form of and substantially on the terms and conditions set out in the draft joint venture agreement dated as of July 25, 1994 (the "Joint Venture Agreement").
2. That the four officers of the Corporation (the "Approved Signatories") be and they are hereby authorized and directed to execute and deliver, in the name of and on behalf of the Corporation (whether under the corporate seal of the Corporation or otherwise), a joint venture agreement substantially in the form of and substantially on the terms and conditions set out in the Joint Venture Agreement, with such amendments or variations as the Approved Signatories may approve, such approval to be conclusively evidenced by their execution and delivery of the Joint Venture Agreement, as amended.
3. That the Approved Signatories be and they are hereby authorized and directed to do all such things as may be necessary or desirable in order to give effect to the foregoing, including, without limitation, the execution and delivery of such other documents and certificates as may be necessary or desirable for the purpose of bringing the proposed transactions into effect and of performing the terms and conditions of the Joint Venture

- Agreement and the obligations of the Corporation set out in all the said documents.

NORTH WARNING SYSTEM JOINT VENTURE PROPOSAL

BE IT RESOLVED that any two officers of the Corporation be and are hereby authorized and directed to execute and deliver, in the name of the Corporation, under its corporate seal, all corporate documents relating to submission by the Corporation and Frontec Logistics Corporation to The Government of Canada of a proposal relating to the operation and maintenance of the North Warning System.

INDEMNITY AGREEMENT

WHEREAS David Connelly has performed certain acts as Incorporator and first director of the Corporation on behalf of the shareholders on the condition that the shareholders of the Corporation indemnify him from any claims for such acts.

1. That the Corporation enter into an indemnity agreement, upon the terms and conditions set out in the Agreement (the "Agreement") made as of the 30th day of August, 1994, between Labrador Inuit Development Corporation, Makivik Corporation, Nunasi Corporation, Inuvialuit Development Corporation and the Corporation and David Connelly.
2. That the Agreement be and is hereby approved, and any two officers of the Corporation (the "Approved Signatories") be and they are hereby authorized and directed to execute and deliver, in the name and on behalf of the Corporation and under its corporate seal, an agreement in

- substantially the same form and containing substantially the same terms and conditions as the Agreement, with such amendments or variations as they may deem expedient to make and approve, the approval of any such amendment or variation to be conclusively evidenced by their execution of the Agreement, as amended.

UNANIMOUS SHAREHOLDER AGREEMENT

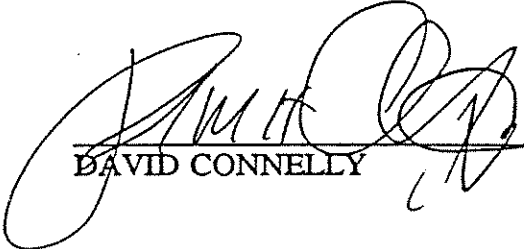
1. That the Corporation enter into a unanimous shareholder agreement upon the terms and conditions set out in the Unanimous Shareholder Agreement (the "USA") made as of the 30th day of August, 1994, between Labrador Inuit Development Corporation, Makivik Corporation, Nunasi Corporation, Inuvialuit Development Corporation and the Corporation.
2. That the USA be and is hereby approved and any two officers of the Corporation (the "Approved Signatories") be and they are hereby authorized and directed to execute and deliver, in the name and on behalf of the Corporation and under its corporate seal, an agreement in substantially the same form and containing substantially the same terms and conditions as the USA, with such amendments or variations as they may deem expedient to make and approve, the approval of any such amendment or variation to be conclusively evidenced by their execution of the USA, as amended.

RESIGNATION-OF DIRECTOR

WHEREAS David Connelly tendered his resignation a the director of the Corporation effective upon execution of this resolution the 30th day of August, 1994.

BE IT RESOLVED that the Corporation accepts the resignation of David Connelly as a director effective upon execution of this resolution.

The foregoing resolution is hereby consented to and adopted by the sole director of the Corporation (as is evidenced by his signature hereto) effective as of the 30th day of August, 1994.



DAVID CONNELLY

RESOLUTION IN WRITING OF THE
SHAREHOLDERS OF PAN ARCTIC INUIT
LOGISTICS CORPORATION (the
"Corporation")

RESIGNATION OF DIRECTOR

WHEREAS the Corporation received the resignation of David Connelly as director of the Corporation effective August 30, 1994.

BE IT RESOLVED that the resignation of David Connelly as director of the Corporation effective August 30, 1994 be and the same is hereby accepted and the resignation is directed to be filed in the minute book of the Corporation.

APPOINTMENT OF NEW DIRECTORS

WHEREAS the Articles of Incorporation provide that the number of directors for the Corporation shall be not less than 1 nor more than 8 directors.

BE IT RESOLVED that the number of directors for the Corporation shall be set at four (4) directors until otherwise resolved by the shareholders of the Corporation.

AND WHEREAS pursuant to section 3.2 of the Unanimous Shareholder Agreement the terms of the directors shall be staggered in such manner that there are always at least two directors on the Board of Directors who have served a previous term as a director.

THEREFORE BE IT FURTHER RESOLVED that the following persons be and are hereby appointed as directors of the Corporation to hold office until their successors are appointed or until the next annual meeting of the

Corporation:

JOHN LAMPE (as director nominee for LABRADOR INUIT
DEVELOPMENT CORPORATION)

PAT LYALL (as director nominee for NUNASI CORPORATION)

and the following persons be and are hereby appointed as directors of the
Corporation to hold office until their successors are appointed or until the
second annual meeting of the shareholders from the date hereof:

Simeonie Nalukturuk (as director nominee for MAKIVIK CORPORATION),

RUSSELL NEWMARK (as director nominee for INUVIALUIT
DEVELOPMENT CORPORATION)

The foregoing resolution is hereby consented to and adopted by the shareholders of the
Corporation (as is evidenced by the signatures of their duly authorized officers in that behalf)
effective as of the 30th day of August, 1994.

LABRADOR INUIT DEVELOPMENT
CORPORATION

Per: 

Per: 

MAKIVIK CORPORATION

Per: 

Per: 

NUNASI CORPORATION

Per: 

Per: PRESIDENT & CEO

VICE-CHAIRMAN

INUVIALUIT DEVELOPMENT
CORPORATION

Per: 

Per: 

IN THE MATTER OF A JOINT VENTURE AGREEMENT BETWEEN FRONTEC LOGISTICS CORP., A CORPORATION OWNED AND CONTROLLED BY ATCO ENTERPRISES LTD. AND CANADIAN UTILITIES- LIMITED AND PAN ARCTIC INUIT LOGISTICS CORPORATION, A CORPORATION OWNED AND CONTROLLED INDIRECTLY BY THE INUIT OF ARCTIC CANADA, FORMED FOR THE PURPOSE OF SOLICITING AND PERFORMING AN OPERATION AND MAINTENANCE CONTRACT FOR THE OPERATION OF THE NORTH WARNING SYSTEM.

APPROVAL

The respective representatives of Frontec Logistics Corp. and Pan Arctic Inuit Logistics Corporation having successfully completed negotiations for the formation of a joint venture to solicit from the Government of Canada and perform a contract for the operation and maintenance of the North Warning System, the undersigned as the representative of the Inuit of Quebec designated for the purpose hereby confirms the approval of the Inuit of Quebec for the execution of the Joint Venture Agreement by Don Allard being the officer of Pan Arctic Logistics Corporation appointed as designee of the Inuit of Quebec.

Dated at Iqaluit in the Northwest Territories this 30th day of August, 1994.

A handwritten signature in dark ink, appearing to read 'Don Allard', is written over a horizontal line.

Representing the Inuit of Quebec

THIS AGREEMENT MADE as of the 30th day of August, 1994.

BETWEEN:

LABRADOR INUIT DEVELOPMENT CORPORATION,
MAKIVIK CORP., NUNASI CORPORATION and
INUVIALUIT DEVELOPMENT CORPORATION (the
"Shareholders") and PAN ARCTIC INUIT LOGISTICS
CORPORATION (the "Corporation") (the Shareholders and the
Corporation being hereinafter referred to as the "Indemnifiers")

- and -

DAVID CONNELLY, of Inuvik, in the Northwest Territories
(hereinafter referred to as the "Incorporator")

WHEREAS the Corporation was incorporated by the Incorporator acting in the
capacity of incorporator and first director;

AND WHEREAS the Shareholders have requested that the Incorporator issue
shares in the Corporation to the Shareholders and resign as director in favour of the new
directors and the Incorporator has agreed to do so upon the condition that the Indemnifiers
execute and deliver this Indemnity;

NOW THEREFORE THIS AGREEMENT WITNESSES that for valuable
consideration the receipt and sufficiency of which is hereby acknowledged by each of the parties,
the parties have agreed as follows:

1. The Indemnifiers, and each of them, shall indemnify and save harmless the
Incorporator:
 - (a) from and against any and all claims of every nature and kind whatsoever which
may be made against him by any person, firm, corporation, government, or by
any governmental department, body, commission, board, bureau, agency or
instrumentality including the Crown in any of Her capacities, arising out of acts
and proceedings referred to in paragraph 3 hereof;
 - (b) subject to the provisions of the *Canada Business Corporations Act*, from and
against any and all liability, losses, damages, costs, charges, expenses, fines and
penalties which he may sustain, incur or be liable for in consequence of the
Incorporator acting as incorporator or up to the date hereof as a director of the
Corporation; and

- (c) in particular, and without in any way limiting the generality of the foregoing, from and against all liabilities and penalties at any time imposed upon the Incorporator or any claims at any time made against him by virtue of the *Canada Business Corporations Act*, the *Bankruptcy Act* (Canada), the *Income Tax Act* (Canada), and the *Alberta Corporate Income Tax Act*, or any re-enactment or amendment of any such statutes and which in any way involve the affairs or business of the Corporation.

2. It is hereby confirmed by the parties hereto that the Incorporator has tendered his resignation in writing as first director to the Corporation effective the 30th day of August, 1994.

3. The Incorporator represents and warrants to the Indemnifiers that the Incorporator has performed no acts and taken no proceedings with respect to the Corporation save and except the following:

- (a) Consenting to act as a first director of the Corporation;
- (b) Preparing, executing and filing with the Director of Corporations Articles of Incorporation, Notice of Director and Notice of Registered Office;
- (c) Receiving and approving applications for shares in the capital of the Corporation, issuing share certificates and transferring the Incorporator's original share so that the Shareholders are the only shareholders of the Corporation;
- (d) All other matters set forth in the Minutes of the Meeting of the sole director of the Corporation dated April 29, 1994 and August 30, 1994 and Minutes of the Meeting of the sole shareholder of the Corporation dated April 29, 1994;
- (e) Retaining, instructing and authorizing payment to legal counsel with respect to: the organization of the Corporation; preparation of a Unanimous Shareholder Agreement; and the negotiation, drafting and finalizing of a Joint Venture Agreement with Frontec Logistics Corporation with respect to the North Warning System;
- (f) Resigning as first director of the Corporation.

4. If any provisions or part of paragraph 1 of this Agreement shall be held invalid or contrary to law, the remainder of paragraph 1 of this Agreement shall nevertheless be and be deemed to be valid and binding upon the parties hereto.

5. This Agreement shall be construed in accordance with and be governed by the laws of Canada and Northwest Territories.

6. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first above written.

LABRADOR INUIT DEVELOPMENT CORPORATION

Per: Paul Hall

Per: _____

MAKIVIK CORP.

Per: Don Allen

Per: _____

NUNASI CORPORATION

Per: John

Per: _____

INUVIALUIT DEVELOPMENT CORPORATION

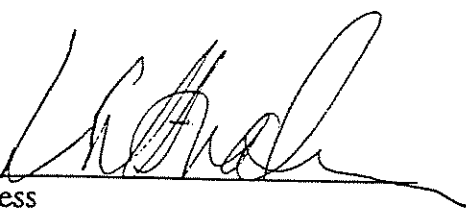
Per: John

Per: _____

PAN ARCTIC INUIT LOGISTICS CORPORATION

Per: Paul Hall

Per: John


Witness


DAVID CONNELLY

PAN ARCTIC INUIT LOGISTICS CORPORATION
SHAREHOLDER DEBENTURE

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged by PAN ARCTIC INUIT LOGISTICS CORPORATION (the "Borrower"), a body corporate organized under the *Canada Business Corporations Act*, the Borrower hereby promises to pay to MAKIVIK CORPORATION and its successors and Permitted Assigns (the "Lender") upon demand, at the address for notice of the Lender, or at such other place as the Lender may designate by notice in writing to the Borrower, the principal amount of One Million Dollars (\$1,000,000) of lawful money of Canada together with interest thereon from and including the date hereof at a rate per annum equal to the PRIME RATE in effect from time to time plus three and one half per cent (3.5%) per annum calculated and compounded monthly both before and after demand, default and judgment, with interest on overdue interest at the same rate.

1. As security for the due and punctual payment and performance by it of the Obligations, the Borrower hereby grants, conveys, demises, mortgages, charges, pledges, transfers and assigns to and in favour of the Lender:

- (a) as and by way of a first, fixed and specific mortgage and charge on all of its right, title, estate and interest, present and future, in and to all freehold and leasehold real property, including all rights-of-way, easements, licenses and privileges pertinent to or appertaining to such real property, together with all structures and improvements, equipment, machinery, apparatus and fixtures now and hereafter forming a part thereof (collectively referred to herein as the "Real Property");
- (b) as and by way of an assignment and transfer of all the Borrower's right, title, estate and interest in and to:
 - (i) all present and future leases, agreements to lease, licenses and other forms of occupancy agreements (collectively, the "Leases") and all benefits, powers or advantages of the Borrower to be derived therefrom and all covenants, obligations, undertakings and agreements of the tenants, licensees or occupants thereunder;
 - (ii) all rents, income, profits and other monies now due and payable or which hereafter become due and payable to the Borrower under or derived from any of the Leases, including the proceeds of rental insurance and business interruption insurance, with full power and authority to demand, sue for, recover, receive and give receipts for all such rents, income, profits and other monies; and

- (iii) the benefit of any guarantees or indemnities relating to the said rents, income, profit or Leases;
- (c) as and by way of a general assignment all of its right, title, estate and interest, present and future, in and to any and all proceeds of existing or future insurance policies pertaining to the Real Property and all proceeds of expropriation or similar taking of the Real Property or any part or parts thereof and all benefits, powers and advantages of the Borrower to be derived therefrom;
- (d) as and by way of a first, fixed and specific mortgage and charge and security interest of and in all of its undertaking, property and assets wheresoever situate, for the time being both present and future, now owned or hereafter acquired by or on behalf of the Borrower, of whatsoever nature and kind, including, but without limiting the generality of the foregoing that undertaking, property and assets of the Borrower (wherever situate) described as follows:
 - (i) all materials, supplies, machinery, equipment, vehicles, furniture, tools, accessories and appliances now or hereafter owned or acquired by or on behalf of the Borrower and every interest therein which the Borrower now has or hereafter acquires;
 - (ii) all of the Borrower's present and future accounts, accounts receivable, money, intangibles, claims, contract rights, demands, chattel papers, instruments, documents, notes and choses in action, together with any and all security therefor, including, without limiting the generality of the foregoing, all of their present and future mortgages, debentures, bonds, promissory notes, bills of exchange, insurance claims, judgments and book debts, now due or hereafter to become due to or owned by the Borrower, together with all securities, documents, computer disks, tapes, software or records now or hereafter owned by the Borrower and representing or evidencing the said debts, accounts, accounts receivable, claims, contract rights, demands and choses in action and all other rights and benefits in respect thereof;
 - (iii) with respect to the personal property described in clauses (i) and (ii), all substitutions and replacements thereof, increases, additions and accessions thereto and any interest of the Borrower therein;
 - (iv) all rights, agreements, licences, permits, consents, policies, approvals, development agreements, building contracts, performance bonds, purchase orders, plans, blueprints, specifications, patents, trademarks, goodwill,

know-how, rights to carry on business and specifications presently owned and hereafter acquired by the Borrower;

- (v) all rents, revenues, income, insurance proceeds, expropriation proceeds and other proceeds and other monies to which the Borrower may from time to time be entitled;
- (vi) the benefit of any guarantees or indemnities relating to all or part of the property referred to in clause 1(d)(v); and
- (vii) all property in any form (including money) derived, directly or indirectly, from any dealing with the property referred to in clauses (i) to (vi), inclusive, or proceeds therefrom or that indemnifies or compensates for all or part of such property or proceeds therefrom that is destroyed and damaged,

and with respect to clauses (i) to (vii) inclusive, in, to and under all amendments, extensions, renewals and replacements of any of the foregoing and all rights, remedies, powers, privileges and claims of the Borrower thereunder (whether arising pursuant thereto or available to the Borrower at law or in equity) including without limitation, the right of the Borrower to enforce the foregoing and the obligations of the other parties thereto and to give or withhold any and all consents, requests, directions, approvals, extensions and/or waivers thereunder.

The undertaking, property and assets of the Borrower subject to the mortgages, charges, assignments and security interests created in this paragraph 1 are hereinafter collectively referred to as the "Mortgaged Property", provided that whenever used herein in connection with the rights and remedies of the Lender the term "Mortgaged Property" shall, where the context requires or permits, mean the whole or any part thereof.

2. TO HAVE AND TO HOLD AND TO USE AND APPLY the Mortgaged Property and all rights hereby conferred unto the Lender, forever for the uses and purposes and subject to the terms and conditions herein set forth.

3. The last day of any term reserved by any lease, verbal or written, or any agreement therefor, now held or hereafter acquired by the Borrower, as lessee, and forming part of the Mortgaged Property is hereby excepted out of the mortgages, charges, assignments and security interests hereby created or granted or any instrument in implementation hereof. As further security for the payment of the Obligations, the Borrower agrees that it will stand possessed of the reversion of such last day remaining in the Borrower in respect of each such term, respectively, upon trust to assign and dispose of the same in such manner as the Lender

may from time to time by notice in writing direct (when entitled to do so in accordance with the provisions hereof) and, upon any sale or sales of such leasehold interest or any part thereof, the Lender shall, for the purpose of vesting the aforesaid residue of such term or renewal thereof in any purchaser or any other person, firm or corporation, be entitled by deed or other instrument in writing to appoint such purchaser or other person, firm or corporation as a new trustee of the aforesaid residue for any such term or renewal thereof in place of the Borrower and to vest the same accordingly in the new trustee freed and discharged from any obligation whatsoever respecting the same.

4. Notwithstanding anything herein contained, to the extent that any leasehold estate purported to be granted, conveyed, demised, mortgaged, charged, pledged, transferred or assigned by this Debenture, requires the consent or approval of the landlord thereof, the grant, conveyance, demise, mortgage, charge, pledge, transfer and assignment thereof shall not take effect or be in force until such time as the consent or approval of such landlord has been obtained.

5. The Borrower covenants and agrees with the Lender that so long as this Debenture is outstanding the Borrower shall not without the prior consent in writing of the Lender (i) sell or otherwise dispose of by conveyance, transfer, lease or otherwise the Mortgaged Property or a substantial part of the Mortgaged Property, (ii) create any mortgage, hypothec, charge, lien or other encumbrance upon the Mortgaged Property or any part or parts thereof ranking or purporting to rank in priority to or *pari passu* with the charge created by this Debenture except *pari passu* to other Shareholders under the Shareholder Agreement, or (iii) sell or otherwise dispose of by conveyance, transfer, lease or otherwise any part of the Mortgaged Property other than in the ordinary course of business.

6. Notwithstanding anything herein contained, it is expressly understood and agreed that the Borrower may assume or give purchase money security interests or other purchase money liens on personal property acquired by the Borrower after the date hereof.

7. The mortgages, charges, assignments and security interests hereby created shall be effective and shall attach whether or not any monies or liabilities secured hereunder shall be advanced or incurred before or after or at the same time as this Debenture is issued and shall continue and remain in effect until such time as this Debenture is discharged as provided in paragraph 21 hereof irrespective of whether at any time prior thereto there may have been no Obligations outstanding.

8. The security hereby constituted shall be enforceable immediately upon any default in the payment by the Borrower of any of the Obligations when due. Whenever the security hereby constituted shall become enforceable, the Lender may, in addition to any other rights it may have, without further notice (other than such notices as may be required pursuant to the

Shareholder Agreement or applicable law) or presentment to the Borrower or any other action whatsoever other than as required by the Shareholder Agreement or applicable law:

- (a) immediately take possession of the Mortgaged Property with power, among other things, to exclude the Borrower, to preserve and maintain the Mortgaged Property, to receive rents, income and profits of all kinds and pay therefrom all reasonable expenses of maintaining, preserving, protecting and operating the Mortgaged Property and all charges, payment of which may be necessary to preserve or protect the Mortgaged Property and enjoy and exercise all powers necessary to the performance of all functions made necessary or advisable by possession of the Mortgaged Property;
- (b) commence and pursue proceedings in any court of competent jurisdiction for the appointment of a receiver, manager, or a receiver and manager (a "Receiver") of the Mortgaged Property;
- (c) commence and pursue proceedings in any court of competent jurisdiction for the sale or foreclosure of the Mortgaged Property;
- (d) file proofs of claim and other documents to establish its claims in any proceedings relative to the Borrower;
- (e) with or without taking possession, take any action or proceedings to enforce the performance of any covenant in favour of the Borrower contained in any lease or any other indenture or agreement respecting the Mortgaged Property;
- (f) whether or not the Lender has taken possession of the Mortgaged Property, sell, lease or otherwise dispose thereof, either as a whole or in separate parcels, at public auction, by public tender or by private sale, with only such notice as may be required by law, for cash or upon credit or any combination thereof, and upon such terms and conditions as the Lender may determine (but not inconsistent with the Lender's duty to act in accordance with applicable law), and the Lender may execute and deliver to any purchaser of the Mortgaged Property, good and sufficient deeds and documents for the same, the Lender being irrevocably constituted the attorney of the Borrower for the purpose of making any such sale, lease or other disposition and executing such deeds and documents;
- (g) by instrument in writing appoint any person to be a Receiver of the Mortgaged Property and remove any Receiver so appointed and appoint another in his stead; and any such Receiver so appointed shall have the power:

- (i) to take possession of and collect and get in the Mortgaged Property and for that purpose to take proceedings in the name of the Borrower or otherwise and to make any arrangement or compromise;
- (ii) to carry on or concur in carrying on all or any part of the business of the Borrower;
- (iii) to borrow or raise money on the security of the Mortgaged Property in priority to this Debenture or otherwise, for the purpose of the maintenance, preservation or protection of the Mortgaged Property or for carrying on all or any part of the business of the Borrower;
- (iv) to sell, lease or otherwise dispose or concur in a disposition of the Mortgaged Property, at public auction, by public tender or by private sale, with only such notice as may be required by law, for cash or upon credit or any combination thereof, at such time and upon such terms and conditions as the Receiver may determine but not inconsistent with the duty of a receiver to act in accordance with applicable law; and
- (v) to make any arrangement or compromise with respect to the Mortgaged Property which the Receiver shall think expedient in the interest of the Lender;

provided that for all purposes the Receiver shall, so far as concerns responsibility for his acts or omissions, be deemed to be the agent of the Borrower to the extent permitted by applicable law, and not that of the Lender and the Borrower shall be solely responsible for the Receiver's acts or defaults and for his reasonable remuneration and expenses and the Lender shall not be in any way responsible for any misconduct or negligence on the part of any such Receiver; and

- (h) exercise or pursue any other remedy or proceeding authorized or permitted hereby or by law or equity including the right to take any other action, suit, remedy or proceeding authorized or permitted under this Debenture or by law or in equity in order to enforce the security constituted by this Debenture.

Such remedies may be exercised from time to time separately or in combination. Nothing in this Debenture shall curtail or limit the remedies of the Lender permitted by any law or statute to a mortgagee or creditor, all such remedies being in addition to and not in substitution for any other rights or remedies of the Lender however created.

9. In case of any sale of the Mortgaged Property in accordance with the provisions of paragraph 8 hereof, whether by the Lender or by a Receiver, or under judicial proceedings, the Borrower agrees that it will forthwith, upon request, execute and deliver to the purchaser such deeds, assurances, conveyances and receipts as may be reasonably required to transfer good title to the Mortgaged Property sold, and if in case of any such sale the Borrower shall fail to do so forthwith after request, the Lender or such Receiver may execute and deliver to the purchaser of the Mortgaged Property, such deeds, assurances, conveyances and receipts as may be reasonably required to transfer good and sufficient title to the same, and the Lender or, if appointed, the Receiver, is hereby irrevocably constituted the attorney of the Borrower for the purpose of making such sale and executing all deeds, assurances, conveyances, receipts and documents appertaining thereto.
10. All monies collected or received by or on behalf of the Borrower after the security hereby constituted shall have become enforceable which are proceeds from the disposition of any of the Mortgaged Property shall be received in trust for the Lender and shall be forthwith paid to the Lender.
11. Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liabilities of the Borrower to make payment of the Obligations hereby secured or interest thereon or other moneys owing hereunder (to the extent to which the exercise of such powers has not resulted in the satisfaction of all amounts owing hereunder) nor shall such operate as a merger of any covenant or affect the right of the Lender to interest at the rate hereinbefore provided and any judgment shall bear interest at such rate.
12. The Borrower agrees to pay to the Lender forthwith upon demand all reasonable costs and expenses incurred by the Lender in recovering and enforcing payment of the Obligations or any part thereof or in realizing upon the security hereof in accordance with the provisions hereof and of the Shareholder Agreement, including any reasonable costs and expenses of taking possession of, protecting, preserving, collecting or realizing upon any of the Mortgaged Property and any reasonable legal expenses and solicitor's fees (on a solicitor and his own client basis) and disbursements and any reasonable expenses of any valuator or similar person and any reasonable remuneration and expenses of any Receiver appointed hereby in connection therewith. All such amounts, together with interest thereon at the rate hereinbefore provided shall be added to and form part of the Obligations secured hereby and shall be secured hereby.
13. The Borrower agrees that it shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, mortgages, charges, assignments, security interests and assurances as the Lender may reasonably require for the better mortgaging, charging and assigning unto the Lender the Mortgaged Property and for the better accomplishing, effectuating and perfecting of this Debenture,

including, without in any way limiting the generality of the foregoing, such as may be required in order to register this Debenture or perfect the registration of this Debenture or the mortgages, charges, assignments and security interests herein provided wherever the Lender in its discretion considers that the same or notice of the same ought to be registered or recorded.

14. The Lender may, at any time, grant extensions of time or other indulgences to, accept compositions from or grant releases and discharges to the Borrower in respect of the Mortgaged Property or otherwise deal with the Borrower or with the Mortgaged Property and other security held by the Lender and the Borrower agrees that any such act or any failure by the Lender to exercise any of its rights or remedies hereunder shall in no way affect or impair the mortgages, charges, assignments or security interests hereof or the rights or remedies of the Lender whether provided for hereunder or otherwise.

15. (a) The Lender may, in whole or in part, waive any breach of any of the provisions of this Debenture by the Borrower or any of its rights and remedies, whether provided for hereunder or otherwise, provided that no such waiver shall be binding upon the Lender, unless given expressly by the Lender to the Borrower in writing.

(b) No waiver given in accordance with subparagraph 15(a) hereof shall be a waiver of any other or subsequent breach by the Borrower of any of the provisions of this Debenture or of any other of the rights and remedies of the Lender whether provided for hereunder or otherwise.

16. This Debenture is issued pursuant to the provisions of the Shareholder Agreement as security for the Obligations and is in all respects subject to the Shareholder Agreement and the rights arising thereunder. In the case of any conflict or inconsistency between the terms and conditions of the Shareholder Agreement and the terms and conditions contained in this Debenture, the terms and conditions of the Shareholder Agreement shall prevail, including without limiting the generality of the foregoing, the terms providing for the rate of interest applicable to the Obligations.

17. No person dealing with the Lender or the Receiver shall be concerned to inquire whether the powers which the Lender or the Receiver is purporting to exercise have become exercisable, or whether any money remains due upon the security of this Debenture, or as to the necessity or the expediency of the stipulations and conditions subject to which any sale shall be made, or otherwise as to the propriety or regularity of any sale or other dealings by the Lender with the Mortgaged Property or to see to the application of any money paid to the Lender.

18. Save and except as to claims at law or in equity to an accounting and save as otherwise provided by law, the Lender shall not, nor shall any Receiver appointed by it, be responsible or liable, for any debts contracted by it, for damage to persons or property, or for

salaries or for non-fulfilment of contracts during any period wherein the Lender or the Receiver shall manage the Mortgaged Property upon or after entry, as herein provided, nor shall the Lender nor the Receiver be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession might be liable.

19. The rights and remedies of the Lender hereunder are, to the fullest extent possible in law, mutually exclusive and are cumulative and not alternative.

20. The security created hereby is in addition to and not in substitution for any other security now or hereafter held by the Lender. All payments made in respect of the Obligations and all monies received by the Lender or any Receiver appointed by the Lender in respect of the enforcement of the Debenture may be applied in satisfaction of the Obligations in such order as may be determined in the discretion of the Lender, and the Lender may at any time apply or change any such appropriation of such payments or monies to such part or parts of the Obligations as the Lender may determine in its discretion.

21. If the Borrower shall fully pay or cause the Obligations to be fully paid to the Lender, the Lender shall, at the request and expense of the Borrower, discharge this Debenture and release the Mortgaged Property from the grants, conveyances, demises, mortgages, charges, pledges, transfers and assignments constituted hereby and shall execute and deliver to the Borrower all such deeds, reconveyances, reassignments, discharges and other instruments as shall be required by the Borrower for the purpose of releasing and discharging the Mortgaged Property and for registering such discharge and release in all appropriate offices of public record. The Lender is the person entitled to receive the money hereunder and to give a discharge of this Debenture.

22. For the purposes of this Debenture:

- (a) "Business Day" means a day on which the main branch of the Bank of Montreal in Yellowknife is open for business, other than a Saturday or a Sunday;
- (b) "Obligations" means all present and future, direct or contingent indebtedness, liabilities and obligations of any kind or nature now or at any time and from time to time owing by the Borrower to the Lender pursuant to or by virtue of the Shareholder Agreement and this Debenture including the repayment of any ADVANCES made pursuant to Section 3.12 of the Shareholder Agreement;
- (c) "Permitted Assigns" means any person, firm, corporation or other entity to which this Debenture or an interest herein has been assigned in accordance with the Shareholder Agreement;

- (d) "Shareholder Agreement" means the unanimous shareholder agreement dated the date hereof among the Borrower, the Lender, Labrador Inuit Development Corporation, Nunasi Corporation and Inuvialuit Development Corporation; and
- (e) all other capitalized or initially capitalized terms not defined herein shall have the respective meanings set out in the Shareholder Agreement.

23. Notice may be served on either of the Borrower or the Lender by the other and shall be deemed to have been well and sufficiently given if:

- (a) personally delivered to the party to whom it is intended or if such party is a corporation to an officer of that corporation; or
- (b) if mailed by prepaid registered mail or delivered by courier to the address of the party to whom it is intended herein set forth:

- (i) if to the Borrower, at:

Pan Arctic Inuit Logistics Corporation
c/o Nunasi Corporation
260, 5022 - 49 Street
Yellowknife, N.W.T.
XIA 3R7

Fax No.: (403) 920-4592

and

- (ii) if to the Lender, at:

Makivik Corporation
650 - 32 Avenue
Suite 400
Lachine, Québec
H8T 3K5

Fax: (514) 634-3817

or to such other address as either party may from time to time direct in writing.

- (c) if transmitted by facsimile to the facsimile number of the party to whom it is intended as set forth above, or to such other facsimile number as a party may from time to time direct in writing.

Any notice delivered or transmitted by facsimile or courier as aforesaid shall be deemed to have been received on the Business Day after delivery or transmission and any notice mailed shall be deemed to have been received ten (10) days after the date it is postmarked. Originally executed copies of all notices transmitted by facsimile shall also be mailed on the date of facsimile transmission. If normal mail service is interrupted by strike, slow-down, force majeure or other cause after the notice has been sent the notice will not be deemed to be received until actually received. In the event normal mail service is impaired at the time of sending the notice, then only personal delivery, delivery by courier or delivery by facsimile shall be effective.

24. If any provision hereof is determined to be void, voidable or unenforceable, in whole or in part, such determination shall to the extent permitted by applicable law, not affect or impair or be deemed to affect or impair the validity of any other provision hereof and all provisions hereof are hereby declared to be separate, severable and distinct.

25. Time shall be of the essence hereof.

26. The rights and restrictions contained in the Shareholder Agreement concerning the assignment of the rights and obligations thereunder shall govern the ability of the Borrower and the Lender to assign their rights and obligations hereunder, as if the rights and restrictions contained in the Shareholder Agreement were set out herein. All references to "Lender" herein shall be read and construed as including its successors. If this Debenture or any interest of the Lender therein shall be assigned to one or more Permitted Assigns, all references herein to "Lender" shall be read and construed as references to the Lender and such respective Permitted Assigns and their respective successors.

27. The Borrower acknowledges receipt of a true copy of this Debenture.

28. This Debenture shall be deemed to be an instrument made in and governed in all respects by the laws of the Province of Ontario and the Borrower and the Lender hereby irrevocably attorn to the non-exclusive jurisdiction of the courts thereof.

29. In this Debenture words importing the singular number shall include the plural and *vice versa* and words importing use of any gender shall include all genders. Expressions such as "hereof", "hereunder" and "hereby" shall be construed as referring to the entire

Debenture and not only to the particular paragraph, subparagraph, clause or sub-clause in which they appear.

30. The mortgages, charges and assignments of, and the security interests in, the Mortgaged Property created by this Debenture shall extend to and bind the entire legal and beneficial interest and title of the Borrower in the Mortgaged Property and such mortgages, charges, assignments of, and security interests in, the legal and beneficial interest of the Borrower in the Mortgaged Property shall stand as security for the Obligations.

31. This Debenture and all its provisions shall enure to the benefit of the Lender its successors and Permitted Assigns and shall be binding on the Borrower, its successors and assigns.

IN WITNESS WHEREOF PAN ARCTIC INUIT LOGISTICS CORPORATION has caused its seal to be hereunto affixed and this Debenture to be signed by its President and by its Secretary as of the 30th day of August, 1994.

PAN ARCTIC INUIT LOGISTICS
CORPORATION

by

by

C.S.

AFFIDAVIT OF BONA FIDES

CANADA
NORTHWEST TERRITORIES

I, DON ALLARD, of Lachine, in the Province of Quebec, MAKE OATH AND
SAY:

1. ^{or agent} THAT I am an officer of MAKIVIK CORPORATION, the holder of the foregoing Debenture and I am aware of the circumstances connected therewith, and have a personal knowledge of the facts deposed to.

2. THAT the said Debenture was executed in good faith and for valuable consideration and not for the purpose of protecting the book debts therein mentioned against the creditors of PAN ARCTIC INUIT LOGISTICS CORPORATION (the "Grantor"), or for the purpose of preventing such creditors from recovering any claim they have against the said Grantor.

SWORN BEFORE ME at CALCAN 4,)
in the Province of Quebec, ALBERTA BT)
this 14 day of September,)
1994.)

B. Todd)
A NOTARY PUBLIC IN AND FOR)
ALBERTA)
BRIAN TOD)

Don Allard

JOINT VENTURE AGREEMENT

B E T W E E N:

PAN ARCTIC INUIT LOGISTICS CORPORATION

- and -

FRONTEC LOGISTICS CORP.

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THIS AGREEMENT made as of the 25th day of July, 1994.

BETWEEN:

PAN ARCTIC INUIT LOGISTICS CORPORATION, a
corporation incorporated under the laws of Canada (hereinafter
called "PAN ARCTIC")

- and -

FRONTEC LOGISTICS CORP., a corporation incorporated
under the laws of Canada (hereinafter called "FRONTEC")

JOINT VENTURE AGREEMENT

WHEREAS:

- A. FRONTEC holds the CURRENT O & M CONTRACT from CANADA for the operation and maintenance of the NWS;
- B. A portion of the NWS is located on lands which are or may become subject to LAND CLAIM SETTLEMENT AGREEMENTS;
- C. PAN ARCTIC is owned by a consortium of INUIT corporations;
- D. It is the position of PAN ARCTIC that arising from the use by the NWS of lands in INUIT REGIONS and the inalienable rights of and benefits to INUIT under the LAND CLAIM SETTLEMENT AGREEMENTS, the INUIT have a right to become involved in the benefits flowing from the use by the NWS of lands in INUIT REGIONS;
- E. The PARTICIPANTS have agreed to strive to achieve the INUIT CONTENT OBJECTIVE;
- F. FRONTEC has submitted a bid to CANADA for a NEW O & M CONTRACT for the operation and maintenance of the NWS commencing on April 1st, 1995;
- G. PAN ARCTIC and FRONTEC have agreed to form a joint venture for the purposes of the solicitation and performance of the NEW O & M CONTRACT and all RENEWAL O & M CONTRACTS; and

H. The PARTICIPANTS, within the context of this AGREEMENT, share the objectives of the INUIT becoming full and meaningful participants in their local economies and in the Canadian economy and of achieving the GOALS described herein;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants set forth herein the PARTICIPANTS hereto agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 Definitions

- (a) AFFILIATE of any PARTICIPANT means any person directly or indirectly controlling, controlled by or under direct or indirect common control with such PARTICIPANT and includes, in the case of FRONTEC, ATCO and CU, but does not include, in the case of PAN ARCTIC, the shareholders of PAN ARCTIC;
- (b) AGREEMENT means this agreement and any instrument supplemental or ancillary hereto and the expression "Article" or "Section" followed by a number means and refers to the specified article or section of this AGREEMENT;
- (c) ALLOWABLE COST means the portion of the REVENUES designated and allowable by CANADA as cost with respect to the WORK under the PRINCIPAL SUBCONTRACT and the OTHER SUBCONTRACTS;
- (d) ALLOWABLE PRINCIPAL SUBCONTRACT PROFIT means that portion of the DISTRIBUTABLE FUNDS relating to WORK, other than AWR, performed under the PRINCIPAL SUBCONTRACT which is equal to five (5%) percent of the ALLOWABLE COST of such WORK;
- (e) ATCO means ATCO Enterprises Inc.;
- (f) ATTAINED RECRUITMENT LEVEL has the meaning set out in Section 8.4;
- (g) AWR means WORK under the PRINCIPAL SUBCONTRACT and the OTHER SUBCONTRACTS other than that portion of the WORK which is to be performed under the FIRM FIXED PRICE CONTRACT;
- (h) BID COSTS means those costs incurred to complete the PROPOSAL as

contemplated by Section 3.3;

- (i) BUSINESS DAY means any day which is not a Saturday, Sunday or a statutory holiday in the province of Ontario and on which the main branch of the Bank of Montreal in Ottawa, Ontario is open for business;
- (j) CANADA means her Majesty the Queen in Right of Canada and her successors or assigns under all O & M CONTRACTS;
- (k) Canada means the Dominion of Canada, the territory known as Canada or her Majesty the Queen in Right of Canada as the context may require;
- (l) CONTRACT YEAR means any one-year period commencing on April 1st during which any O & M CONTRACT is in force;
- (m) CONTRIBUTION means the amount of cash contributed or to be contributed to the JOINT VENTURE by a PARTICIPANT pursuant to Section 9.2;
- (n) COOPERATION AGREEMENT means that certain agreement dated 05/02/92 between the Inuvialuit Regional Corporation and the Department of National Defence as such agreement may be amended from time to time;
- (o) CU means ~~Canadian Utilities~~ Canadian Utilities Limited;
- (p) CURRENT O & M CONTRACT means the existing contract dated November 30, 1987 between CANADA and FRONTEC for the operation and maintenance of the NWS;
- (q) DEFAULT has the meaning set out in Section 11.1;
- (r) DEFAULTING PARTICIPANT has the meaning set out in Section 11.1;
- (s) DISTRIBUTABLE FUNDS means the sum of:
 - (i) the portion, calculated as a percentage of ALLOWABLE COST, of the REVENUES designated by CANADA as profit with respect to the WORK under the PRINCIPAL SUBCONTRACT and the OTHER SUBCONTRACTS; and
 - (ii) the portion of the REVENUES designated by CANADA as allowable general and administrative costs with respect to the INUIT BUSINESS

DEVELOPMENT PROGRAM.

- (t) EMPLOYMENT DENOMINATOR means two hundred (200) or such other number as may be determined pursuant to Section 8.5;
- (u) EXCESS FUNDED AMOUNT means those monies advanced on behalf of a PARTICIPANT by the other PARTICIPANT in accordance with Section 9.3;
- (v) EXPERT means the expert to be appointed in accordance with the provisions of Article 13;
- (w) FIRM FIXED PRICE CONTRACT means the firm fixed price portion of the PRINCIPAL SUBCONTRACT and the OTHER SUBCONTRACTS;
- (x) FRONTEC means Frontec Logistics Corp. as agent, nominee and bare trustee for ATCO and CU;
- (y) GOALS means the goals of the JOINT VENTURE as set out in Section 2.2;
- (z) INTEREST AMOUNT means interest on the principal amount of any monies advanced to the JOINT VENTURE by FRONTEC which are paid to a SUBCONTRACTOR for WORK performed under OTHER SUBCONTRACTS, calculated as follows:
 - (i) interest on such principal amount at the rate of interest paid by FRONTEC on its borrowings to a maximum of the PRIME RATE plus one and one quarter (1 1/4%) per cent per annum from the later of the date on which the JOINT VENTURE paid the SUBCONTRACTOR such amount and the thirty-first (31st) day after the date on which the JOINT VENTURE received an invoice for such WORK, until the earlier of the date on which the JOINT VENTURE received payment from CANADA in respect of such WORK and the forty-fifth (45th) day after the date on which the JOINT VENTURE received an invoice for such WORK; less
 - (ii) any interest, which by the terms of any applicable O & M CONTRACT, has been paid by CANADA to the JOINT VENTURE on account of such principal amount;
- (aa) INUIT means those people known as Inuit who are beneficiaries under LAND CLAIM SETTLEMENT AGREEMENTS or who are making regional land claims against Canada;

- (ab) INUIT BUSINESS DEVELOPMENT PROGRAM means the INUIT business development program which is identified as such by CANADA under the NEW O & M CONTRACT and any such program which may be identified as such by CANADA in any RENEWAL O & M CONTRACT;
- (ac) INUIT CONTENT OBJECTIVE means the objective of having INUIT constitute fifty (50%) percent of the individuals engaged in carrying out the WORK;
- (ad) INUIT EMPLOYMENT YEAR has the meaning set out in Section 8.4;
- (ae) INUIT PARTICIPATION PROGRAM means the program to be arranged by the PRINCIPAL SUBCONTRACTOR pursuant to Section 7.2;
- (af) INUIT REGIONS means those regions of Canada which are governed by LAND CLAIM SETTLEMENT AGREEMENTS and in the case of the Labrador INUIT the region within which the INUIT represented by the Labrador Inuit Association reside;
- (ag) INUIT SUBCONTRACTS means any subcontract let to any INUIT person or to any partnership, joint venture, unincorporated organization or corporation controlled by INUIT;
- (ah) JOINT VENTURE means the joint venture between the PARTICIPANTS formed pursuant to and for the limited purposes set out in this AGREEMENT;
- (ai) JOINT VENTURE COSTS means the aggregate of all payments, outlays and expenses made or incurred by or on behalf of the JOINT VENTURE in accordance with this AGREEMENT with respect to the operation of the JOINT VENTURE and for greater certainty includes BID COSTS, MEETING COSTS, WORKING CAPITAL COSTS, PROJECT MANAGER'S FEE, any INTEREST AMOUNT, interest payable to the PRINCIPAL SUBCONTRACTOR under the PRINCIPAL SUBCONTRACT and RECRUITMENT COSTS but does not include:
 - (i) the principal amount payable in consideration for the performance of any SUBCONTRACT (including for greater certainty the PRINCIPAL SUBCONTRACT and the OTHER SUBCONTRACTS); or
 - (ii) costs incurred by any PERSON in its performance of any SUBCONTRACT;

- (aj) JOINT VENTURE FINANCING means the credit facility made available to the PARTICIPANTS from a bank or other financial institution pursuant to Section 9.2 for the provision of WORKING CAPITAL and any funds required for the payment by the JOINT VENTURE when due of the amounts payable for the performance of SUBCONTRACTS;
- (ak) LAND CLAIM SETTLEMENT AGREEMENTS mean those agreements now or in the future existing between Canada and INUIT resolving land claims against Canada by those INUIT, as amended from time to time;
- (al) MANAGEMENT COMMITTEE means the committee appointed pursuant to Section 4.1 of this AGREEMENT;
- (am) MEETING COSTS means the costs contemplated by subsection 4.1(f);
- (an) NWS means North Warning System;
- (ao) NET CASH FLOW has the meaning set out in Section 10.1;
- (ap) NEW O & M CONTRACT means the contract for the operation and maintenance of the NWS to be let or extended by CANADA or any other owner of the NWS for an initial term of five (5) years commencing on April 1, 1995;
- (aq) O & M CONTRACT means any contract or renewal or extension entered into between the JOINT VENTURE and CANADA or any other owner of the NWS for operation and maintenance of the NWS and includes, if awarded to the JOINT VENTURE, the NEW O & M CONTRACT and any RENEWAL O & M CONTRACT;
- (ar) OTHER SUBCONTRACTS means SUBCONTRACTS let on behalf of the JOINT VENTURE by the PROJECT MANAGER for that portion of the WORK under an O & M CONTRACT which is to be performed by PERSONS other than the PRINCIPAL SUBCONTRACTOR. The PROJECT MANAGER is to designate, pursuant to subsection 5.1(a), prior to the execution of an O & M CONTRACT by the JOINT VENTURE, the portion of the WORK under such O & M CONTRACT which is to comprise the OTHER SUBCONTRACTS;
- (as) PAN ARCTIC means Pan Arctic Inuit Logistics Corporation;
- (at) PAN ARCTIC NOMINEE means

- (i) any INUIT identified by PAN ARCTIC as satisfying the reasonable employment or training standards contemplated in this AGREEMENT for employment in or training for employment in performance of the WORK under the PRINCIPAL SUBCONTRACT,
 - (ii) any existing INUIT employee of FRONTEC who is deemed to be a PAN ARCTIC NOMINEE pursuant to Section 8.9 and
 - (iii) any INUIT, hired by FRONTEC after the date of the AGREEMENT, who is employed in the performance of WORK upon the commencement of the NEW O & M CONTRACT;
-
- (au) PARTICIPANT means each of FRONTEC and PAN ARCTIC as parties to and joint venturers under this AGREEMENT and their respective successors and permitted assigns;
 - (av) PERSON means an individual, a corporation, a partnership, a trustee or any unincorporated organization and words importing persons have similar meaning;
 - (aw) PRIME RATE means the rate per annum announced from time to time by the Bank of Montreal as its prime rate and used by that bank as a reference rate for commercial loans in Canadian dollars in Canada;
 - (ax) PRINCIPAL SUBCONTRACT means the agreement made pursuant to Article 6 respecting the performance of all the WORK with the exception of the WORK to be performed under the OTHER SUBCONTRACTS;
 - (ay) PRINCIPAL SUBCONTRACTOR means the PERSON responsible for the performance of the WORK under the PRINCIPAL SUBCONTRACT;
 - (az) PROJECT means the letting by or on behalf of the JOINT VENTURE of SUBCONTRACTS for the performance of the WORK and the supervision by or on behalf of the JOINT VENTURE of the performance of the SUBCONTRACTS;
 - (ba) PROJECT MANAGER means the PERSON appointed to manage the PROJECT pursuant to Article 5;
 - (bb) PROJECT MANAGER'S FEE means the fee payable to the PROJECT MANAGER pursuant to Section 5.5;
 - (bc) PROPORTIONATE INTEREST has the meaning set out in Section 2.10;

- (bd) PROPOSAL means the complete proposal with respect to the NEW O & M CONTRACT, submitted to CANADA by FRONTEC in November, 1993, as the same may be amended to reflect the formation and purposes of the JOINT VENTURE and may be further amended from time to time;
- (be) RECRUITMENT COSTS means the costs incurred by PAN ARCTIC in the identification and recruitment of PAN ARCTIC NOMINEES;
- (bf) RENEWAL O & M CONTRACT means any contract for the operation and maintenance of the NWS offered by CANADA or any other owner of the NWS as a renewal or extension or a new contract following the expiration of the initial five (5) year term of the NEW O & M CONTRACT;
- (bg) REVENUES means the gross revenues received or to be received by the JOINT VENTURE from CANADA under any O & M CONTRACT;
- (bh) SUBCONTRACTS means the PRINCIPAL SUBCONTRACT and the OTHER SUBCONTRACTS;
- (bi) SUBCONTRACTORS means PERSONS performing WORK under the O & M CONTRACT on behalf of the JOINT VENTURE pursuant to a SUBCONTRACT;
- (bj) WORK means the work, services and materials to be done, performed or provided by or on behalf of the JOINT VENTURE in the performance of any O & M CONTRACT;
- (bk) WORKING CAPITAL means the amount of working capital that is required by the JOINT VENTURE to provide for the payment of the JOINT VENTURE COSTS; and
- (bl) WORKING CAPITAL COSTS means costs incurred by or on behalf of the JOINT VENTURE in connection with the provision of WORKING CAPITAL.

1.2 FRONTEC as PARTICIPANT, PROJECT
MANAGER and PRINCIPAL SUBCONTRACTOR

This AGREEMENT contemplates that FRONTEC will act in three different capacities in relation to the JOINT VENTURE. First, in its capacity as PARTICIPANT, FRONTEC shall enjoy the rights and be subject to the obligations undertaken and agreed to by it in connection with the creation and operation of the JOINT VENTURE. Second, FRONTEC,

in its capacity as PROJECT MANAGER, shall enjoy the rights and be subject to the obligations undertaken by it in its capacity as the PROJECT MANAGER for and on behalf of the JOINT VENTURE. Third, FRONTEC, in its capacity as PRINCIPAL SUBCONTRACTOR, shall enjoy the rights and be subject to the obligations undertaken by it in connection with the performance by it of the PRINCIPAL SUBCONTRACT. Insofar as other PERSONS may, from time to time, serve in the capacity of PROJECT MANAGER and/or PRINCIPAL SUBCONTRACTOR, this AGREEMENT and the PRINCIPAL SUBCONTRACT refer to the PROJECT MANAGER and the PRINCIPAL SUBCONTRACTOR in a manner that would permit either or both of these roles to be filled either by FRONTEC or a PERSON or PERSONS other than FRONTEC. For greater certainty, the parties hereto acknowledge and agree that for so long as FRONTEC is the:

- (a) PROJECT MANAGER, that PAN ARCTIC shall have the right to enforce the terms of this AGREEMENT against FRONTEC in its capacity as PROJECT MANAGER; and
- (b) PRINCIPAL SUBCONTRACTOR, that PAN ARCTIC shall have the right to enforce the terms of the PRINCIPAL SUBCONTRACT against FRONTEC in its capacity as PRINCIPAL SUBCONTRACTOR.

ARTICLE 2 - RELATIONSHIP BETWEEN PARTICIPANTS

2.1 Purpose of JOINT VENTURE

The PARTICIPANTS hereby create and embark upon the JOINT VENTURE, the affairs of which shall be conducted by them in accordance with the provisions of this AGREEMENT. The purpose of the JOINT VENTURE shall be limited to the solicitation and performance of O & M CONTRACTS pursuant to the terms of this AGREEMENT. Except as otherwise agreed in writing by the PARTICIPANTS no other project shall be undertaken by the PARTICIPANTS through this JOINT VENTURE.

2.2 GOALS of the JOINT VENTURE

The parties agree that the goals of the JOINT VENTURE (the "GOALS") are as follows:

- (a) to solicit the award to the JOINT VENTURE of the NEW O & M CONTRACT and, subject to there being no prior termination of the JOINT VENTURE, any RENEWAL O & M CONTRACTS;

- (b) within the context of the JOINT VENTURE'S commitment to a continuing program for cost reductions, cost savings initiatives and increased efficiencies in the performance of any O & M CONTRACT, to maximize the profit to the PARTICIPANTS and to perform the WORK in an exemplary fashion;
- (c) to seek a cost savings sharing plan with CANADA so that savings resulting from any change in the scope of the WORK which is negotiated with CANADA would be shared equally between CANADA and the JOINT VENTURE;
- (d) to strive to achieve, in accordance with this AGREEMENT, the INUIT CONTENT OBJECTIVE;
- (e) to encourage, foster and support greater participation by PAN ARCTIC in the PROJECT so that an equal sharing of WORK, profits and liabilities between the PARTICIPANTS is achieved for RENEWAL O & M CONTRACTS obtained by the JOINT VENTURE;
- (f) to carry out the purpose and GOALS of the JOINT VENTURE in such a manner that the JOINT VENTURE recognizes and complies with the provisions of all LAND CLAIM SETTLEMENT AGREEMENTS for the benefit of INUIT; and
- (g) such further or other goals as the MANAGEMENT COMMITTEE may from time to time determine.

2.3 Subcontracting and the INUIT CONTENT OBJECTIVE

The PARTICIPANTS are committed to compliance, within the INUIT REGIONS, with the general measures and process for the procurement of INUIT products, resources, employment and services (contemplated in the LAND CLAIM SETTLEMENT AGREEMENTS and the COOPERATION AGREEMENT for the benefit of INUIT) in the award of OTHER SUBCONTRACTS and for the award of subcontracts by the PRINCIPAL SUBCONTRACTOR under the PRINCIPAL SUBCONTRACT. The award of these subcontracts shall be made in compliance with the obligations of Canada with respect to the award by it of contracts under the relevant LAND CLAIM SETTLEMENT AGREEMENTS and the COOPERATION AGREEMENT. The model of the COOPERATION AGREEMENT shall be extended to all INUIT REGIONS to direct the subcontracting process and to serve as a guide for pursuing the INUIT CONTENT OBJECTIVE. In the event that any new LAND CLAIM SETTLEMENT AGREEMENT or amendments to existing LAND CLAIM SETTLEMENT AGREEMENTS result in additional costs to the PROJECT MANAGER or the PRINCIPAL SUBCONTRACTOR which were not included in ALLOWABLE COST, the JOINT VENTURE shall use reasonable efforts to negotiate with CANADA to have any increased costs resulting from such amendment

included as part of ALLOWABLE COST.

2.4 JOINT VENTURE Assets

Upon the award to the JOINT VENTURE of the NEW O & M CONTRACT, PAN ARCTIC shall pay FRONTEC the sum of Fifty Thousand (\$50,000.00) Dollars and immediately thereafter FRONTEC shall assign to PAN ARCTIC an undivided one half interest in all of the right, title and interest of FRONTEC in the PROPOSAL and shall deliver a copy of the PROPOSAL to PAN ARCTIC. Thereafter, both PARTICIPANTS shall have equal access to the PROPOSAL and any information or historical data developed or received by the JOINT VENTURE or FRONTEC in connection with the performance of WORK under any O & M CONTRACT. Notwithstanding the foregoing, PAN ARCTIC shall only be entitled to access to FRONTEC'S internal documents, data and reports respecting the costs incurred by it in the performance of WORK under the PRINCIPAL SUBCONTRACT:

- (a) upon receipt from CANADA of notice of a default in the performance of WORK under the PRINCIPAL SUBCONTRACT in circumstances where PAN ARCTIC is entitled to terminate the PRINCIPAL SUBCONTRACT in accordance with subsection 7(c) of the PRINCIPAL SUBCONTRACT; or
- (b) for the purpose of soliciting the award to the JOINT VENTURE of a RENEWAL O & M CONTRACT or allocating the WORK to be performed under any RENEWAL O & M CONTRACT;
- (c) to the extent that such information is supplied to CANADA by FRONTEC in the ordinary course of its performance of the PRINCIPAL SUBCONTRACT;
- (d) if and to the extent lawfully demanded of the JOINT VENTURE by CANADA in the course of an audit and not supplied to CANADA by FRONTEC;
- (e) if and to the extent required to answer any formal claim by CANADA against the JOINT VENTURE arising out of any audit of FRONTEC records carried out by CANADA pursuant to any O & M CONTRACT and not supplied to CANADA by FRONTEC; or
- (f) if and to the extent required to comply with any lawful demand on the JOINT VENTURE by any governmental authority or any order binding the JOINT VENTURE made by any court of competent jurisdiction and not so supplied by FRONTEC;

but PAN ARCTIC shall be entitled to receive all information or historical data developed or

received by FRONTEC in its capacity as a PARTICIPANT or as the PROJECT MANAGER under this AGREEMENT. It is not anticipated that initially the JOINT VENTURE will acquire any assets other than the O & M CONTRACTS.

2.5 No Authority to Bind

Except as otherwise provided in this AGREEMENT or the PRINCIPAL SUBCONTRACT:

- (a) neither PARTICIPANT shall have the authority to act for or bind the other PARTICIPANT in any respect whatsoever and neither PARTICIPANT shall be required to indemnify the other PARTICIPANT in respect of any obligation incurred by such PARTICIPANT hereunder or in connection with any O & M CONTRACT, or any SUBCONTRACT; and
- (b) the liability of the PARTICIPANTS in respect of obligations of the JOINT VENTURE under any O & M CONTRACT shall be several and in proportion to their PROPORTIONATE INTERESTS subject to the obligations of FRONTEC as PROJECT MANAGER and the obligations of the PARTICIPANTS to the extent that they are SUBCONTRACTORS.

2.6 Not a Partnership

The parties hereby disclaim any intention to create a partnership and nothing in this AGREEMENT shall constitute the PARTICIPANTS as partners nor, except as expressly set forth in this AGREEMENT, constitute any PARTICIPANT as the agent of the other. Except as otherwise expressly and specifically provided in this AGREEMENT, no PARTICIPANT shall be, or by reason of any provision herein contained be deemed to be, the agent or legal representative of the other, whether for purposes of this AGREEMENT or otherwise, nor shall any PARTICIPANT have any power or authority to act for or assume any obligations or responsibility on behalf of the other PARTICIPANT.

2.7 Duration of the AGREEMENT

This AGREEMENT shall commence as of the date hereof and shall continue and not be terminated except as hereinafter provided.

2.8 Representations by PAN ARCTIC

PAN ARCTIC represents and warrants to FRONTEC as follows:

- (a) PAN ARCTIC has been duly incorporated and organized and is validly subsisting under the laws of Canada with full power and capacity to own its own property, to give and perform the covenants, representations, indemnities, warranties, and undertakings required of it by this AGREEMENT, and to carry on the business which it carries on and will be duly registered as an extra-provincial corporation wherever and whenever required for the purposes of this AGREEMENT;
- (b) there are no actions or proceedings pending or threatened against PAN ARCTIC in any court of law, before any judicial or administrative tribunal, governmental commission, department or agency which might result in a material adverse change in the business, properties or financial condition of PAN ARCTIC including, without limitation, PAN ARCTIC'S interest in the JOINT VENTURE, and there are no material unsatisfied judgments or writs of execution outstanding against it;
- (c) neither the execution and delivery of this AGREEMENT or the PRINCIPAL SUBCONTRACT nor the consummation of the transactions contemplated hereby or thereby will constitute a breach of or default under any contract or instrument to which PAN ARCTIC is a party or by which it may be bound, nor will it result in the acceleration in the time of performance of any obligation under any such contract or instrument, nor would it result in the creation of a new lien or encumbrance upon any of PAN ARCTIC'S assets including, without limitation, PAN ARCTIC'S interest in the JOINT VENTURE;
- (d) PAN ARCTIC has taken all necessary corporate action to authorize the execution, delivery and performance of this AGREEMENT and the PRINCIPAL SUBCONTRACT; and
- (e) this AGREEMENT and the PRINCIPAL SUBCONTRACT each constitutes a valid and binding obligation of PAN ARCTIC, enforceable against PAN ARCTIC in accordance with its terms.

2.9 Representations by FRONTEC

FRONTEC represents and warrants to PAN ARCTIC as follows:

- (a) FRONTEC is duly authorized to enter into this AGREEMENT and the PRINCIPAL SUBCONTRACT as agent, nominee and bare trustee for ATCO and CU;
- (b) FRONTEC has been duly incorporated and organized and is validly subsisting

under the laws of Canada with full power and capacity to own its own property, to give and perform the covenants, representations, indemnities, warranties, and undertakings required of it by this AGREEMENT and the PRINCIPAL SUBCONTRACT, and to carry on the business which carries on, and is duly registered as an extra-provincial corporation under the laws of the Northwest Territories, the Yukon Territory, and the provinces of Quebec, Newfoundland, and Ontario;

- (c) there are no actions or proceedings pending or threatened against FRONTEC, ATCO or CU in any court of law, before any judicial or administrative tribunal, governmental commission, department or agency which might result in a material adverse effect on the interest of FRONTEC, ATCO and CU in this JOINT VENTURE, and there are no material unsatisfied judgments or writs of execution outstanding against any of them;
- (d) neither the execution and delivery of this AGREEMENT or the PRINCIPAL SUBCONTRACT nor the consummation of the transactions contemplated hereby or thereby will constitute a breach of or default under any contract or instrument to which FRONTEC, ATCO or CU is a party or by which it may be bound, nor will it result in the acceleration in the time of performance of any obligation under any such contract or instrument, nor would it result in the creation of a new lien or encumbrance upon any of the assets of FRONTEC, ATCO or CU including, without limitation, the interest of FRONTEC, ATCO or CU in the JOINT VENTURE;
- (e) each of ATCO and CU have been duly incorporated and organized and are validly subsisting under the laws of Alberta and Canada respectively with full power and capacity to own its own property, to give and perform the indemnities, warranties and undertakings given on its behalf by FRONTEC in this AGREEMENT and the PRINCIPAL SUBCONTRACT and to carry on the business which it carries on and will be duly registered whenever and wherever required for the purposes of this AGREEMENT and the PRINCIPAL SUBCONTRACT;
- (f) each of ATCO, CU and FRONTEC has taken all necessary corporate action to authorize the execution, delivery and performance of this AGREEMENT and the PRINCIPAL SUBCONTRACT; and
- (g) this AGREEMENT and the PRINCIPAL SUBCONTRACT each constitutes a valid and binding obligation of ATCO, CU and FRONTEC, enforceable against each of them in accordance with its terms.

2.10 PROPORTIONATE INTEREST

- (a) For so long as FRONTEC remains the PRINCIPAL SUBCONTRACTOR, PROPORTIONATE INTEREST, with respect to each PARTICIPANT, means an interest equal to the proportionate interest held by each PARTICIPANT in the DISTRIBUTABLE FUNDS (as determined pursuant to Section 8.1) resulting from the performance of the WORK under the PRINCIPAL SUBCONTRACT and under the OTHER SUBCONTRACTS. The PROPORTIONATE INTEREST shall be determined quarterly throughout the term of this AGREEMENT based upon the allocation of DISTRIBUTABLE FUNDS for the immediately preceding fiscal quarter of the JOINT VENTURE and for the period prior to and including the first quarter of the first CONTRACT YEAR based upon the MANAGEMENT COMMITTEE'S estimated allocation of DISTRIBUTABLE FUNDS during such quarter; and
- (b) Thereafter PROPORTIONATE INTEREST means with respect to each PARTICIPANT an undivided fifty (50%) percent interest.

ARTICLE 3 - O & M CONTRACTS

3.1 CURRENT O & M CONTRACT

FRONTEC agrees to complete all of its obligations under the CURRENT O & M CONTRACT in a proper and timely way and in such a manner that if the JOINT VENTURE is successful in obtaining the NEW O & M CONTRACT:

- (a) all accrued obligations and deferred costs will be properly recorded and payment provided for under the CURRENT O & M CONTRACT so that there will be no carry over of such accrued obligations or deferred costs to the JOINT VENTURE under the NEW O & M CONTRACT; and
- (b) there will be an orderly transition from the CURRENT O & M CONTRACT to the NEW O & M CONTRACT.

3.2 NEW O & M CONTRACT

The JOINT VENTURE shall pursue the acquisition of the NEW O & M CONTRACT and any RENEWAL O & M CONTRACTS and each of the PARTICIPANTS shall act diligently, in good faith and with a view to the best interests of the JOINT VENTURE in soliciting the acquisition of such contracts on behalf of the JOINT VENTURE.

3.3 Completion of PROPOSAL and
 Settling ALLOWABLE COST of WORK

FRONTEC acknowledges and agrees that when it receives the sum of Fifty Thousand (\$50,000.00) Dollars pursuant to Section 2.4 of this AGREEMENT, it will be fully compensated for all costs of preparation of the PROPOSAL accruing to the date of the execution of this AGREEMENT. The PROJECT MANAGER will be responsible for revising and resubmitting the PROPOSAL and for negotiating and settling with CANADA the WORK and the ALLOWABLE COST to be received by the JOINT VENTURE as part of the REVENUES for such WORK. All direct costs of the PARTICIPANTS directly relating to the preparation and revision of the PROPOSAL accruing from and after the date of the execution of this AGREEMENT and approved by the MANAGEMENT COMMITTEE shall be shared equally by the PARTICIPANTS. If the MANAGEMENT COMMITTEE fails to approve costs due to deadlock on the MANAGEMENT COMMITTEE the matter shall be referred to the EXPERT for resolution. FRONTEC estimates that the direct cost to revise and resubmit the PROPOSAL will be approximately Fifty Thousand (\$50,000.00) Dollars. Direct costs for the purposes of this Section means amounts paid or payable to third parties, together with the cost of salaries of employees of FRONTEC or PAN ARCTIC while directly engaged in the preparation and revision of the PROPOSAL plus twenty (20%) percent for benefits. Direct costs shall not include salaries and benefits of FRONTEC employees which are recoverable by FRONTEC under the CURRENT O & M CONTRACT. The obligations of PAN ARCTIC to contribute to such direct costs shall become payable to FRONTEC only upon the award of the NEW O & M CONTRACT to the JOINT VENTURE.

3.4 Negotiating ALLOWABLE COST and
 Terms of the NEW O & M CONTRACT

The PROJECT MANAGER shall provide PAN ARCTIC with notice of and an opportunity to participate fully in all future negotiations with respect to the NEW O & M CONTRACT. In order to prepare for the negotiations, PAN ARCTIC will be permitted to review the PROPOSAL but will not be entitled to receive a copy prior to the award to the JOINT VENTURE of the NEW O & M CONTRACT. The terms of the NEW O & M CONTRACT, including the amount of DISTRIBUTABLE FUNDS and including the terms of the INUIT PARTICIPATION PROGRAM, shall be subject to approval by each PARTICIPANT. In the event that the terms of the NEW O & M CONTRACT offered by CANADA are not acceptable to either PARTICIPANT, that PARTICIPANT may, on written notice to the other, withdraw from the negotiations and from the JOINT VENTURE.

ARTICLE 4 - MANAGEMENT OF JOINT VENTURE

4.1 MANAGEMENT COMMITTEE

- (a) The affairs of the JOINT VENTURE shall be managed and all decisions and determinations of the PARTICIPANTS with respect to the JOINT VENTURE shall be made by a MANAGEMENT COMMITTEE consisting of four (4) members appointed by PAN ARCTIC and up to four (4) representatives appointed by FRONTEC. Each PARTICIPANT may at any time and from time to time by written notice to the other, replace any of its representatives on the MANAGEMENT COMMITTEE and any representatives so replaced shall be deemed to have resigned from the MANAGEMENT COMMITTEE upon the giving of such notice. PAN ARCTIC hereby appoints as its initial members of the MANAGEMENT COMMITTEE Fred Hall, Fred Hunt, David Connelly and Don Allard. FRONTEC hereby appoints as its initial members of the MANAGEMENT COMMITTEE George Paicu, Ian Hargrave, Gary Ingimundarson and Andy Ross;
- (b) Meetings of the MANAGEMENT COMMITTEE shall be held at such place as may be approved by a quorum of the MANAGEMENT COMMITTEE and absent such approval shall be held at Ottawa, Ontario. Notice of each meeting shall be deemed to have been given to each member if not less than fourteen (14) days prior thereto notice of the meeting has been given to the PARTICIPANTS in the manner provided in this AGREEMENT; provided that no notice of a meeting shall be necessary if all members of the MANAGEMENT COMMITTEE are present thereat or if those absent waive notice of the meeting or otherwise consent to the holding thereof;
- (c) The MANAGEMENT COMMITTEE shall elect a chairperson who shall serve for a one (1) year term and who shall not have a casting vote. The position of chairperson shall rotate alternatively between the members designated by PAN ARCTIC and FRONTEC;
- (d) Three (3) members of the MANAGEMENT COMMITTEE, two (2) representing PAN ARCTIC and one (1) representing FRONTEC, shall constitute a quorum for the transaction of business at any meeting of the MANAGEMENT COMMITTEE. Each of the PARTICIPANTS shall be entitled to only one (1) vote in respect of each question submitted to the MANAGEMENT COMMITTEE notwithstanding the number of members present at any meeting. Meetings may be held by telephone with the consent of the members participating in the meeting, which consent may not be unreasonably withheld. A resolution of the

MANAGEMENT COMMITTEE signed by all of the members of the MANAGEMENT COMMITTEE shall be as effective as if approved at a meeting of the MANAGEMENT COMMITTEE. Signatures delivered by facsimile shall be acceptable for this purpose;

- (e) The members of the MANAGEMENT COMMITTEE shall not be required to devote their full time to the business of the JOINT VENTURE, but only such time as shall reasonably be necessary to perform their duties hereunder; and
- (f) Each MANAGEMENT COMMITTEE member shall be entitled to reimbursement for all actual, reasonable and appropriate expenditures made by such member on behalf of the JOINT VENTURE and in accordance with this AGREEMENT including reimbursement, in accordance with the budget prepared and approved by the MANAGEMENT COMMITTEE, of all actual and reasonable expenses incurred by such member in attending meetings of the MANAGEMENT COMMITTEE.

4.2 Additional MANAGEMENT COMMITTEE Responsibilities

Without limiting any other specific provision of this AGREEMENT or the generality of Section 4.1(a), the MANAGEMENT COMMITTEE shall:

- (a) develop policies to be followed by the PROJECT MANAGER;
- (b) monitor and review the performance of the PROJECT MANAGER in meeting the contractual obligations of the JOINT VENTURE under any O & M CONTRACT;
- (c) provide direction to and monitor the performance of the PROJECT MANAGER in the context of the GOALS and objectives of the JOINT VENTURE;
- (d) identify business opportunities for the JOINT VENTURE within the scope of the operation and maintenance of the NWS;
- (e) establish guidelines for the INUIT PARTICIPATION PROGRAM and approve a budget for RECRUITMENT COSTS;
- (f) review the qualification standards described in Section 7.1;
- (g) review the performance of the INUIT PARTICIPATION PROGRAM;
- (h) meet with representatives of CANADA and the PROJECT MANAGER as

required from time to time;

- (i) approve any changes to the PRINCIPAL SUBCONTRACT;
- (j) approve the letting of all OTHER SUBCONTRACTS as well as the letting of any subcontract over One Hundred Thousand (\$100,000.00) Dollars for performance of AWR by the PRINCIPAL SUBCONTRACTOR;
- (k) approve the annual operating budget of the JOINT VENTURE and WORKING CAPITAL requirements;
- (l) prepare a budget for MEETING COSTS and a policy for reimbursement by the JOINT VENTURE of MANAGEMENT COMMITTEE members for MEETING COSTS within that budget; and
- (m) develop a strategy for implementation of the GOALS to encourage greater participation by PAN ARCTIC in the PROJECT so that an equal sharing by the PARTICIPANTS of WORK, profits and liabilities is achieved for any RENEWAL O & M CONTRACTS obtained by the JOINT VENTURE.

4.3 Decisions

Each decision of the MANAGEMENT COMMITTEE shall be made promptly, in good faith and strictly upon the merits of the proposed action, course of action or matter taking into consideration such matters as may be specifically provided for in this AGREEMENT. The members of the MANAGEMENT COMMITTEE shall exercise their powers and discharge their duties under this AGREEMENT honestly and in good faith with a view to the best interests of the JOINT VENTURE and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances.

4.4 Limitation of Liability

No member of the MANAGEMENT COMMITTEE shall be liable for the acts, receipts, neglects or defaults of any other member of the MANAGEMENT COMMITTEE or for any loss, damage or expense of any PERSON through the insufficiency or deficiency of title to any property acquired by order of the PARTICIPANTS or for the insufficiency or deficiency of any security in or upon which any of the moneys of the PARTICIPANTS shall be invested or for any loss or damage arising from the bankruptcy, insolvency, or tortious act of any PERSON with whom any moneys, securities or effects of the PARTICIPANTS shall be deposited or for any loss occasioned by any error of judgment or oversight on the part of any member of the MANAGEMENT COMMITTEE, or for any loss, damage or misfortune

whatever which may happen in the execution of the duties of the MANAGEMENT COMMITTEE member or in relation thereto unless the same shall happen through the gross negligence or wilful malfeasance of such MANAGEMENT COMMITTEE member.

4.5 Indemnity

Every MANAGEMENT COMMITTEE member and his or her respective heirs, executors and administrators and the estate and effects of each shall from time to time and at all times be indemnified and saved harmless by the JOINT VENTURE from and against:

- (a) all liabilities, costs, charges and expenses (including costs on a solicitor and his own client basis) whatsoever that such MANAGEMENT COMMITTEE member sustains or incurs in or about any action, suit or proceeding that is brought, commenced or prosecuted against such MANAGEMENT COMMITTEE member for or in respect of any act, deed, matter or thing whatsoever made, committed, done or permitted by such MANAGEMENT COMMITTEE member to be done in or about the lawful execution of the duties of the office of the MANAGEMENT COMMITTEE member or alleged to be so done; and
- (b) all liabilities, other costs, charges or expenses which are approved by the MANAGEMENT COMMITTEE that such MANAGEMENT COMMITTEE member sustains or incurs in or about or in relation to the affairs of the JOINT VENTURE;

except such liabilities, costs, charges or expenses as are occasioned by the gross negligence or wilful malfeasance of the MANAGEMENT COMMITTEE member.

4.6 Banking

The JOINT VENTURE shall maintain a JOINT VENTURE bank account in such location as shall be designated from time to time by the MANAGEMENT COMMITTEE. Until otherwise so designated, the location of the JOINT VENTURE bank account shall be located in Ottawa, Ontario.

4.7 Auditors

The JOINT VENTURE shall employ such auditors and solicitors as the MANAGEMENT COMMITTEE shall approve from time to time. Until otherwise approved the auditors of the JOINT VENTURE shall be Price Waterhouse, Ottawa, Ontario.

4.8 Fiscal Year

The fiscal year of the JOINT VENTURE shall end on the last day of March in each year and the MANAGEMENT COMMITTEE shall arrange for the accounts of the JOINT VENTURE to be audited promptly after the end of each fiscal year.

4.9 Payments to PARTICIPANTS

- (a) Except as may be expressly provided for herein or hereafter approved by the MANAGEMENT COMMITTEE, no payment will be made from the funds of the JOINT VENTURE to either of the PARTICIPANTS, or any member, director, officer or employee of any PARTICIPANT for the services of any such person hereunder in connection with the JOINT VENTURE.
- (b) Each PARTICIPANT shall be entitled to reimbursement of all actual, reasonable and appropriate expenditures which are approved in advance by the MANAGEMENT COMMITTEE and made by the PARTICIPANT on behalf of the JOINT VENTURE in accordance with this AGREEMENT. Except as expressly provided herein or hereafter approved by the MANAGEMENT COMMITTEE no PARTICIPANT shall make any payments or incur any expenses on behalf of the JOINT VENTURE nor shall it be entitled to any compensation or reimbursement from the JOINT VENTURE or the other PARTICIPANT for expenses incurred in connection with the formation, business or affairs of the JOINT VENTURE or for any of its internal or overhead expenses incurred in performing any management, accounting and/or administrative duties and functions hereunder.

ARTICLE 5 - PROJECT MANAGEMENT

5.1 PROJECT MANAGER

During the first five (5) CONTRACT YEARS of this JOINT VENTURE, FRONTEC shall act as PROJECT MANAGER unless replaced during that time by a decision of the MANAGEMENT COMMITTEE. Thereafter the PROJECT MANAGER shall be as chosen by the MANAGEMENT COMMITTEE. For so long as it is PROJECT MANAGER, FRONTEC agrees that it shall be obligated as follows:

- (a) to designate by written notice to PAN ARCTIC, prior to the execution of the NEW O & M CONTRACT or any RENEWAL O & M CONTRACT, the portions of the WORK under such O & M CONTRACT which are to be

performed under OTHER SUBCONTRACTS. WORK to be performed under the OTHER SUBCONTRACTS shall include WORK relating to chartered fixed wing or rotary winged aircraft, marine, cat-train, trucking or other similar transportation services. WORK to be performed under the PRINCIPAL SUBCONTRACT shall include WORK relating to the manning and operation of logistic support sites, system support centre, system control centre, contract management office and the making of reservations for the use of scheduled travel services by individuals;

- (b) to let OTHER SUBCONTRACTS (subject to the provisions of Section 4.2(j)) and be fully responsible at its own cost for the due performance of OTHER SUBCONTRACTS at a price to the JOINT VENTURE equivalent to the REVENUES receivable and received from CANADA with respect to the portion of the WORK to be performed under the OTHER SUBCONTRACTS less any DISTRIBUTABLE FUNDS with respect to such WORK and to supervise the WORK performed under the OTHER SUBCONTRACTS;
- (c) to ensure that, with respect to each OTHER SUBCONTRACT, CANADA designates the ALLOWABLE COST applicable to that OTHER SUBCONTRACT;
- (d) subject to the obligations of the MANAGEMENT COMMITTEE, to carry out the management and day-to-day operational control of the affairs of the JOINT VENTURE;
- (e) to monitor the WORK performed by the PRINCIPAL SUBCONTRACTOR under the PRINCIPAL SUBCONTRACT;
- (f) to liaise with representatives of CANADA on all day-to-day operational matters relating to any O & M CONTRACT;
- (g) to carry out its obligations under this AGREEMENT within the context of the GOALS and objectives of the JOINT VENTURE pursuant to policies established by the MANAGEMENT COMMITTEE;
- (h) to report to the MANAGEMENT COMMITTEE in a full and timely manner on the JOINT VENTURE'S performance in pursuing its GOALS and objectives and meeting the budgets of the JOINT VENTURE and the contractual obligations owed to CANADA under any O & M CONTRACT, at a reporting frequency of no less than quarterly or otherwise as may be determined by the MANAGEMENT COMMITTEE;

- (i) to promptly notify the PARTICIPANTS of any DEFAULT or any event which, with the giving of notice or the lapse of time, would constitute a DEFAULT;
- (j) to establish, and provide to the MANAGEMENT COMMITTEE for review, qualification standards for trainee positions designated as required to perform the WORK and to meet the INUIT CONTENT OBJECTIVE;
- (k) to monitor the candidate selection process whereby INUIT candidates are selected for training in the performance of portions of the WORK under the PRINCIPAL SUBCONTRACT;
- (l) to supervise the orderly integration of qualified PAN ARCTIC NOMINEES into positions for performance of WORK under the PRINCIPAL SUBCONTRACT;
- (m) to obtain the JOINT VENTURE FINANCING, loans from FRONTEC and/or CONTRIBUTIONS from the PARTICIPANTS as contemplated by Article 9;
- (n) if JOINT VENTURE FINANCING is required, to administer the JOINT VENTURE FINANCING;
- (o) to submit claims for and collect on behalf of the JOINT VENTURE all REVENUES, pay all JOINT VENTURE COSTS, and remit to the PARTICIPANTS' NET CASH FLOW as contemplated in Article 10;
- (p) to pay to PAN ARCTIC in accordance with subsection 5.2(b)(iv) all RECRUITMENT COSTS properly incurred as set forth in subsection 7.1(m);
- (q) to establish, operate and be the sole signing authority for the JOINT VENTURE bank account and to hold the funds in the JOINT VENTURE bank account on behalf of the JOINT VENTURE for disposition by the PROJECT MANAGER in accordance with the provisions of this AGREEMENT;
- (r) to perform the accounting and bookkeeping services and maintain the records necessary for the operation of the PROJECT and the JOINT VENTURE;
- (s) to provide administrative support services for the MANAGEMENT COMMITTEE including calling and holding of meetings of the MANAGEMENT COMMITTEE, the recording of decisions of the MANAGEMENT COMMITTEE and the communication to the PARTICIPANTS of the decisions of the MANAGEMENT COMMITTEE;

- (t) to obtain all business licenses required by the JOINT VENTURE;
- (u) to ensure that FRONTEC under the PRINCIPAL SUBCONTRACT obtains and maintains such public liability and property damage insurance as may be required under the O & M CONTRACT with the PARTICIPANTS as named insureds; and
- (v) to take all steps and proceedings as may be reasonably necessary or desirable to enforce the performance by CANADA of its obligations under all O & M CONTRACTS including enforcement of any payment required to be made by CANADA under such O & M CONTRACTS and, for the purpose of enforcing such payments and for so long as FRONTEC is PROJECT MANAGER, PAN ARCTIC irrevocably appoints FRONTEC its true and lawful attorney and agent to commence and prosecute such proceedings in the name and on behalf of the JOINT VENTURE.

5.2 Operation of JOINT VENTURE Bank Account

- (a) The PROJECT MANAGER shall deposit into the JOINT VENTURE bank account all REVENUES received from CANADA, CONTRIBUTIONS and the proceeds of the JOINT VENTURE FINANCING.
- (b) The PROJECT MANAGER shall pay from such bank account in the following order:
 - (i) payments due under OTHER SUBCONTRACTS and to the PRINCIPAL SUBCONTRACTOR under the PRINCIPAL SUBCONTRACT as and when such amounts become payable by the JOINT VENTURE;
 - (ii) BID COSTS to such of the PARTICIPANTS as have paid same, after the date of award of the NEW O & M CONTRACT to the JOINT VENTURE;
 - (iii) WORKING CAPITAL COSTS;
 - (iv) RECRUITMENT COSTS pursuant to subsection 7.1(m);
 - (v) PROJECT MANAGER'S FEE as and when such fee becomes payable pursuant to Section 5.5;
 - (vi) amounts due to FRONTEC pursuant to Section 9.1 or to the PARTICIPANTS pursuant to Section 9.2;

(vii) MEETING COSTS; and

(viii) NET CASH FLOW pursuant to Article 10.

5.3 Manner of Performance

The PROJECT MANAGER shall perform its duties hereunder honestly and in good faith and with a view to the best interests of the JOINT VENTURE and in connection therewith shall exercise the degree of care, diligence and skill that a reasonable prudent manager would exercise in comparable circumstances.

5.4 Consequential Damages

Notwithstanding any other provision of this AGREEMENT, except as otherwise provided in this Section 5.4, the PROJECT MANAGER shall not be liable to PAN ARCTIC under any claim, whether based in contract, in tort (including negligence and strict liability), under warranty, or otherwise, for any indirect, incidental or consequential loss or damages suffered by PAN ARCTIC whatsoever including, without limitation, loss of revenue, loss of earnings, loss of profits or other economic loss. Provided FRONTEC shall be liable to and shall indemnify and hold PAN ARCTIC harmless of and from any and all losses, costs, demands, charges, expenses, actions, claims and liabilities (including costs as between a solicitor and his own client) which it may suffer or incur, directly or indirectly as a result of any failure of FRONTEC to perform any of its obligations hereunder and which relate to:

- (a) any failure to pay PAN ARCTIC any monies payable to it under Articles 5, 7 or 10 of this AGREEMENT;
- (b) any claims made against PAN ARCTIC by third parties; or
- (c) any consequential losses or other damages suffered by PAN ARCTIC resulting from the early termination of any O & M CONTRACT as a result of a default by FRONTEC in the performance of any of the obligations under such O & M CONTRACT which it had assumed pursuant to this AGREEMENT or the PRINCIPAL SUBCONTRACT, other than a default beyond FRONTEC'S control, to a combined maximum under this AGREEMENT and the PRINCIPAL SUBCONTRACT of One Million Dollars (\$1,000,000).

5.5 PROJECT MANAGER'S FEE

The PROJECT MANAGER, as compensation for acting as PROJECT MANAGER, shall be entitled to receive out of the REVENUES deposited in the JOINT

VENTURE bank account, commencing at the end of the first quarter of the first CONTRACT YEAR for so long as the PROJECT MANAGER continues to act in such capacity during the term of a subsisting O & M CONTRACT, a fee of Two Hundred Thousand (\$200,000.00) Dollars per CONTRACT YEAR payable in arrears in quarterly instalments of Fifty Thousand (\$50,000.00) Dollars each. The fee is to be paid to the PROJECT MANAGER in full satisfaction of all costs, liabilities and expenses incurred by the PROJECT MANAGER in carrying out its obligations as PROJECT MANAGER other than liabilities properly incurred on behalf of the JOINT VENTURE.

ARTICLE 6 - PRINCIPAL SUBCONTRACT

6.1 Performance by FRONTEC

During the initial five (5) year term of the NEW O & M CONTRACT, FRONTEC shall act as PRINCIPAL SUBCONTRACTOR pursuant to the terms of the PRINCIPAL SUBCONTRACT unless the PRINCIPAL SUBCONTRACT is terminated in accordance with its provisions or FRONTEC is replaced as PRINCIPAL SUBCONTRACTOR by a decision of the MANAGEMENT COMMITTEE. The MANAGEMENT COMMITTEE shall designate the PRINCIPAL SUBCONTRACTOR for any RENEWAL O & M CONTRACT.

6.2 Terms

The terms of the PRINCIPAL SUBCONTRACT will be as are agreed upon by the PARTICIPANTS on or before execution of this AGREEMENT (as such terms may be amended from time to time by the MANAGEMENT COMMITTEE). The PRINCIPAL SUBCONTRACT shall be executed and delivered by the PARTICIPANTS concurrently with the execution and delivery of this AGREEMENT.

ARTICLE 7 - EMPLOYMENT OF INUIT IN PERFORMANCE OF WORK

7.1 Achievement of INUIT CONTENT OBJECTIVE

The following provisions shall apply at all times during the term of the PRINCIPAL SUBCONTRACT when the INUIT CONTENT OBJECTIVE is not being achieved:

- (a) from and after the date of execution of this AGREEMENT, FRONTEC shall advise PAN ARCTIC of any employment or training position which becomes available in relation to the performance of the CURRENT O & M CONTRACT and of the qualifications for such position, and PAN ARCTIC shall endeavour to

identify and provide to FRONTEC particulars of INUIT candidates who are qualified and willing to fill such employment or training position;

- (b) on or before September 30, 1994 the PRINCIPAL SUBCONTRACTOR shall prepare and shall deliver to PAN ARCTIC a projection of the type and number of positions (including training positions) and qualifications of the individuals who are to be retained by the PRINCIPAL SUBCONTRACTOR in such positions in order to perform the WORK over the projected life of the NEW O & M CONTRACT including any attrition expected in such positions;
- (c) PAN ARCTIC, within sixty (60) days of receiving the notice from the PRINCIPAL SUBCONTRACTOR under subsection 7.1(b), shall provide the PRINCIPAL SUBCONTRACTOR with a list of the positions for which it expects to be able to identify INUIT candidates;
- (d) PAN ARCTIC, while maintaining in confidence the particulars of the projections provided pursuant to subsection 7.1(b), shall commence recruitment of INUIT to fill the positions or to undertake training to fill the positions so identified;
- (e) the PRINCIPAL SUBCONTRACTOR shall annually update the projections prepared pursuant to subsection 7.1(b) and shall deliver such updates to PAN ARCTIC at least ninety (90) days prior to the beginning of each CONTRACT YEAR. The PRINCIPAL SUBCONTRACTOR shall, by notice to PAN ARCTIC, identify, by position type and qualification, the positions (including training positions) which the PRINCIPAL SUBCONTRACTOR expects to fill for performance of WORK under the PRINCIPAL SUBCONTRACT for the ensuing CONTRACT YEAR and identify by position type and qualification new positions (not previously offered to INUIT) in a number equal to ten (10%) percent of the EMPLOYMENT DENOMINATOR and those previously offered to INUIT hereunder which are not currently filled by INUIT (which positions shall be made available for INUIT candidates in the ensuing CONTRACT YEAR) as well as the anticipated start dates for such employment or training;
- (f) PAN ARCTIC, within sixty (60) days of receiving notice from the PRINCIPAL SUBCONTRACTOR under subsection 7.1(e) above, shall endeavour to identify and provide to the PRINCIPAL SUBCONTRACTOR particulars of INUIT candidates who are qualified and willing to fill the employment or training positions identified by the PRINCIPAL SUBCONTRACTOR;
- (g) in setting the qualification standards for trainee and employment positions and evaluating the qualifications of INUIT candidates, the PRINCIPAL

SUBCONTRACTOR shall act fairly and use objective standards (which shall be no more onerous than those required by FRONTEC for other employees performing similar WORK) and shall accept for training or employment those INUIT candidates who meet these standards. The PRINCIPAL SUBCONTRACTOR may reject candidates who have been discharged for cause, have voluntarily terminated earlier employment with the PRINCIPAL SUBCONTRACTOR, other than in circumstances of constructive dismissal, or who fail to meet security qualifications contemplated by Article 14. The qualification standards shall be subject to review and challenge by PAN ARCTIC and any challenge as to such qualification standards shall be referred to the EXPERT for determination pursuant to Article 13;

- (h) the PRINCIPAL SUBCONTRACTOR shall carry out training of the accepted INUIT candidates who report for that purpose and upon completion of training shall endeavour to employ those candidates who have met the objectives of the INUIT PARTICIPATION PROGRAM in performance of WORK under the PRINCIPAL SUBCONTRACT;
- (i) if any PAN ARCTIC NOMINEE is terminated by the PRINCIPAL SUBCONTRACTOR for cause or terminates his or her employment or employment training with the PRINCIPAL SUBCONTRACTOR, the PRINCIPAL SUBCONTRACTOR shall immediately notify PAN ARCTIC of the availability of such employment position or of the commencement date of a training program to fill such employment position and the qualifications for such employment position or for such training program and PAN ARCTIC shall endeavour to provide, as soon as possible, and in any event within ninety (90) days of the receipt by PAN ARCTIC of a notice under this subsection, a replacement PAN ARCTIC NOMINEE who is qualified and willing to undertake the employment or employment training to fill such vacated position;
- (j) in the event that any employment or training position with the PRINCIPAL SUBCONTRACTOR is created by the resignation or discharge, whether or not for cause, of any PAN ARCTIC NOMINEE, the PRINCIPAL SUBCONTRACTOR, to the extent that it is able to do so, shall fill the employment position with a temporary employee and shall reserve the employment or training position for a new PAN ARCTIC NOMINEE for a period of ninety (90) days from the date of the receipt by PAN ARCTIC of the notice under subsection 7.1(i);
- (k) PAN ARCTIC NOMINEES accepted by the PRINCIPAL SUBCONTRACTOR for employment or training shall become employees of the PRINCIPAL

SUBCONTRACTOR;

- (l) notwithstanding subsection 7.1(k) above PAN ARCTIC may exercise an option to:
 - (i) seek and obtain the consent of PAN ARCTIC NOMINEES employed by the PRINCIPAL SUBCONTRACTOR to them becoming employees of PAN ARCTIC contracted to the PRINCIPAL SUBCONTRACTOR;
 - (ii) have PAN ARCTIC NOMINEES thereafter accepted by the PRINCIPAL SUBCONTRACTOR for training or employment become employees of PAN ARCTIC contracted to the PRINCIPAL SUBCONTRACTOR;

and such PAN ARCTIC NOMINEES (these being the PAN ARCTIC NOMINEES who were previously employed by the PRINCIPAL SUBCONTRACTOR and who have chosen to become PAN ARCTIC employees together with all new PAN ARCTIC NOMINEES accepted by the PRINCIPAL SUBCONTRACTOR after the date of the exercise by PAN ARCTIC of the option provided for in this subsection) shall thereupon be hired as PAN ARCTIC employees contracted to the PRINCIPAL SUBCONTRACTOR with respect to the performance of the WORK under the PRINCIPAL SUBCONTRACT, with the salaries and benefits to be paid by PAN ARCTIC to such employees being those salaries and benefits provided for as part of ALLOWABLE COST under the O & M CONTRACT. The contract amount payable by the PRINCIPAL SUBCONTRACTOR to PAN ARCTIC with respect to such employees shall be that amount recoverable by the JOINT VENTURE from CANADA with respect to their training and employment including all applicable allowances for payroll burdens and general and administrative costs;

- (m)
 - (i) the PRINCIPAL SUBCONTRACTOR shall use reasonable commercial efforts to obtain timely payment of any monies available from CANADA under the INUIT PARTICIPATION PROGRAM in respect of RECRUITMENT COSTS and shall forthwith pay any such monies received from CANADA to PAN ARCTIC;
 - (ii) the PROJECT MANAGER shall use reasonable commercial efforts to obtain timely payment of any monies available from CANADA in respect of RECRUITMENT COSTS under any O & M CONTRACT and shall forthwith pay any such monies received from CANADA to PAN ARCTIC; and

- (iii) the PROJECT MANAGER shall reimburse PAN ARCTIC for the balance of the RECRUITMENT COSTS, if any, as an expense of the JOINT VENTURE, to the extent approved by the MANAGEMENT COMMITTEE; and
- (n) initial emphasis shall be placed upon the training and employment of an INUIT assistant to the individual designated by the PRINCIPAL SUBCONTRACTOR to be responsible for management of the PRINCIPAL SUBCONTRACT, and upon training and employment of INUIT in the following positions:
 - (i) at Logistic Support Sites: transportation specialists, warehousing personnel, radar technicians, facilities technicians;
 - (ii) at System Support Centre: radar technicians and logistics personnel; and
 - (iii) at the Contract Management Office: the assistant to the PROJECT MANAGER, human resource recruiting assistant, logistic personnel, drafting technicians, engineering technicians, administrative assistant and computer support personnel; and
 - (iv) travel reservation consultant; and

thereafter the PRINCIPAL SUBCONTRACTOR shall in good faith use reasonable commercial efforts to train and employ PAN ARCTIC NOMINEES proportionately at all levels of personnel engaged in the performance of WORK under the PRINCIPAL SUBCONTRACT and in good faith shall act in a manner consistent with the attainment of the INUIT CONTENT OBJECTIVE.

7.2 INUIT PARTICIPATION PROGRAM

The training of PAN ARCTIC NOMINEES pursuant to Section 7.1 will be carried out by the PRINCIPAL SUBCONTRACTOR under an INUIT PARTICIPATION PROGRAM for which the PRINCIPAL SUBCONTRACTOR shall arrange to receive funding from CANADA. In negotiating the provision of funds under the INUIT PARTICIPATION PROGRAM, the PRINCIPAL SUBCONTRACTOR shall use reasonable commercial efforts to obtain separate compensation for RECRUITMENT COSTS to be paid to PAN ARCTIC to defray its costs in recruiting PAN ARCTIC NOMINEES.

7.3 Limitation of PAN ARCTIC Remedies

Notwithstanding any other provisions contained in this AGREEMENT or the

PRINCIPAL SUBCONTRACT, the remedies of PAN ARCTIC and the liability of FRONTEC for any default by FRONTEC under this Article 7, other than a failure of FRONTEC to make any payment to PAN ARCTIC when provided for pursuant to this Article, shall be strictly limited to the rights and remedies given to PAN ARCTIC pursuant to Section 8.2 of this JOINT VENTURE AGREEMENT.

7.4 Dispute Resolution

Any disputes between the PARTICIPANTS as to whether the PRINCIPAL SUBCONTRACTOR is in default in relation to the performance of any of the obligations under this Article 7 shall be referred to the EXPERT for determination pursuant to Article 13.

ARTICLE 8 - ALLOCATION OF REVENUES, COSTS AND PROFITS

8.1 Allocation of DISTRIBUTABLE FUNDS

- (a) For so long as FRONTEC or its permitted assign is the PRINCIPAL SUBCONTRACTOR, ALLOWABLE PRINCIPAL SUBCONTRACT PROFIT shall be allocated to FRONTEC, subject to adjustment in favour of PAN ARCTIC pursuant to Section 8.2; and
- (b) all other DISTRIBUTABLE FUNDS (for greater certainty including that earned in respect of AWR and the OTHER SUBCONTRACTS, and all DISTRIBUTABLE FUNDS earned at any time that FRONTEC is not the PRINCIPAL SUBCONTRACTOR) and all other monies received by the JOINT VENTURE and not specifically allocated to a PARTICIPANT hereunder shall be allocated and shared equally by the PARTICIPANTS.

8.2 Participation of PAN ARCTIC in
ALLOWABLE PRINCIPAL SUBCONTRACT PROFIT

For so long as FRONTEC or its permitted assign is the PRINCIPAL SUBCONTRACTOR, PAN ARCTIC shall be entitled to receive the proportion of the ALLOWABLE PRINCIPAL SUBCONTRACT PROFIT set forth below:

- (a) in the event that the PRINCIPAL SUBCONTRACTOR fails to perform any of its obligations pursuant to Article 7, PAN ARCTIC shall be entitled from the date of default to receive the maximum percentage of the ALLOWABLE PRINCIPAL SUBCONTRACT PROFIT provided for under this Section;

- (b) otherwise PAN ARCTIC shall be entitled to receive a percentage of the ALLOWABLE PRINCIPAL SUBCONTRACT PROFIT equal to the ATTAINED RECRUITMENT LEVEL divided by the EMPLOYMENT DENOMINATOR.

Notwithstanding the foregoing, the maximum percentage of the ALLOWABLE PRINCIPAL SUBCONTRACT PROFIT which will be allocated to PAN ARCTIC pursuant to this Section is ten (10%) percent of the ALLOWABLE PRINCIPAL SUBCONTRACT PROFIT in the first, twenty (20%) percent in the second, thirty (30%) percent in the third, forty (40%) percent in the fourth and fifty (50%) percent in the fifth and subsequent CONTRACT YEARS. NET CASH FLOW shall be distributed for the first three quarters of each CONTRACT YEAR on the basis of the ATTAINED RECRUITMENT LEVEL for the first quarter of such CONTRACT YEAR and appropriate adjustments shall be made to the distribution of NET CASH FLOW for the final quarter to adjust to the actual ATTAINED RECRUITMENT LEVEL over that CONTRACT YEAR.

8.3 Allocation of WORKING CAPITAL COSTS

Notwithstanding anything else contained in this AGREEMENT, WORKING CAPITAL COSTS will be shared equally by the PARTICIPANTS.

8.4 ATTAINED RECRUITMENT LEVEL

ATTAINED RECRUITMENT LEVEL shall be calculated for any CONTRACT YEAR by determining the number of INUIT EMPLOYMENT YEARS for that CONTRACT YEAR and adding to it any INUIT EMPLOYMENT YEARS determined by the MANAGEMENT COMMITTEE pursuant to Sections 8.8 and 8.9. An INUIT EMPLOYMENT YEAR or fraction thereof is a CONTRACT YEAR or fraction thereof during which a PAN ARCTIC NOMINEE has been employed by FRONTEC in the performance of WORK under the PRINCIPAL SUBCONTRACT. For the purpose of the calculation of the number of INUIT EMPLOYMENT YEARS in any CONTRACT YEAR, if a PAN ARCTIC NOMINEE commences or continues employment or training (other than to fill a vacancy left by a PAN ARCTIC NOMINEE) at the time scheduled by FRONTEC and either remains in FRONTEC'S employment for the remainder of the CONTRACT YEAR or is terminated by FRONTEC other than for cause, such PAN ARCTIC NOMINEE shall be deemed to have been employed by FRONTEC for the full CONTRACT YEAR. If a vacancy is created by the termination of a PAN ARCTIC NOMINEE by FRONTEC for cause or the voluntary termination by the PAN ARCTIC NOMINEE other than in the case of constructive dismissal, and such vacancy is filled by a PAN ARCTIC NOMINEE within ninety (90) days of notice by FRONTEC to PAN ARCTIC of such vacancy, the period of vacancy shall be treated as having been continuously filled by the PAN ARCTIC NOMINEE for the purposes of the calculation of INUIT EMPLOYMENT YEARS. For greater certainty, it is agreed that AWR shall not be taken into

consideration in determining INUIT EMPLOYMENT YEARS.

8.5 EMPLOYMENT DENOMINATOR

EMPLOYMENT DENOMINATOR is initially set at two hundred (200) based on FRONTEC'S estimate of the number of full time employees expected to be engaged in the performance of WORK under the FIRM FIXED PRICE CONTRACT portion of the PRINCIPAL SUBCONTRACT in the third (3rd) and subsequent CONTRACT YEARS of the initial term of five (5) years of the PRINCIPAL SUBCONTRACT. In the event that a change is made to the foregoing projection, FRONTEC shall promptly notify the MANAGEMENT COMMITTEE of such change and the MANAGEMENT COMMITTEE may approve an appropriate adjustment to the EMPLOYMENT DENOMINATOR. FRONTEC shall, at the start of each quarter commencing at the beginning of the third CONTRACT YEAR of the initial term of the PRINCIPAL SUBCONTRACT, report to the MANAGEMENT COMMITTEE the number ("Actual Employment Number") of full time employees actually engaged in the performance of such WORK at the commencement of such quarter and in the event that the Actual Employment Number is less than the then current EMPLOYMENT DENOMINATOR, the EMPLOYMENT DENOMINATOR shall be reduced to the Actual Employment Number if the Actual Employment Number is evenly divisible by 10 or to the next highest number which is evenly divisible by 10.

8.6 PRINCIPAL SUBCONTRACT and
OTHER SUBCONTRACTS Actual Profit and Loss

For greater certainty the PARTICIPANTS declare that it is not their intention that the PRINCIPAL SUBCONTRACTOR account to PAN ARCTIC for any profit earned or loss suffered by the PRINCIPAL SUBCONTRACTOR in its performance of the PRINCIPAL SUBCONTRACT. The PROJECT MANAGER may retain any profit earned and shall bear any loss suffered as a result of the actual cost paid by the PROJECT MANAGER in consideration for the performance of the OTHER SUBCONTRACTS being different than the ALLOWABLE COST with respect to the OTHER SUBCONTRACTS.

8.7 Cost Savings Sharing Plan

The PARTICIPANTS shall share equally all monies recovered from CANADA under any cost savings sharing plan.

8.8 INUIT SUBCONTRACTS of PRINCIPAL SUBCONTRACT WORK

The MANAGEMENT COMMITTEE, for the purpose of calculating the number of INUIT EMPLOYMENT YEARS in a CONTRACT YEAR, shall determine to what extent,

if any, subcontracts for WORK under the FIRM FIXED PRICE CONTRACT portion of the PRINCIPAL SUBCONTRACT, by virtue of being INUIT SUBCONTRACTS or by virtue of employing INUIT, contribute to the INUIT CONTENT OBJECTIVE for such CONTRACT YEAR and shall notify the PARTICIPANTS of the number of INUIT EMPLOYMENT YEARS, if any, contributed by such subcontracts. If these subcontracts make such a contribution, the number of employment or training positions which FRONTEC is required by subsection 7.1(e) to identify for such CONTRACT YEAR shall be reduced accordingly. Any dispute between the PARTICIPANTS as to the extent to which these subcontracts satisfy the INUIT CONTENT OBJECTIVE for that CONTRACT YEAR shall be referred to the EXPERT for determination pursuant to Article 13.

8.9 Existing INUIT Employees of FRONTEC

Prior to the start of the first CONTRACT YEAR, FRONTEC will project how many INUIT then employed by FRONTEC will remain in its employment in the fifth (5th) CONTRACT YEAR and there will be added to the ATTAINED RECRUITMENT LEVEL for each CONTRACT YEAR a number of INUIT EMPLOYMENT YEARS equivalent to the following: for the first CONTRACT YEAR, one-fifth (1/5) of this projected number of INUIT employees; for the second, two-fifths (2/5) of this number; for the third, three-fifths (3/5) of this number; for the fourth, four-fifths (4/5) of this number; and for the fifth and subsequent CONTRACT YEARS the full projected number of INUIT employees. In addition, if any INUIT employee of FRONTEC who was projected to be terminated is instead relocated within the FRONTEC organization in another capacity on the NWS and is involved in the performance of WORK, such INUIT employee shall be deemed to be a PAN ARCTIC NOMINEE for the purposes of the calculation of INUIT EMPLOYMENT YEARS.

ARTICLE 9 - FINANCING OF JOINT VENTURE

9.1 FRONTEC to Fund

For so long as FRONTEC is the PRINCIPAL SUBCONTRACTOR it shall advance to the JOINT VENTURE bank account from time to time a sum sufficient to fund WORKING CAPITAL and amounts payable to SUBCONTRACTORS when due, which sums shall be repaid to FRONTEC as set forth in Section 5.2(b)(vi). FRONTEC shall be entitled to receive:

- (a) interest at the rate of interest paid by FRONTEC on its borrowings to a maximum of the PRIME RATE plus one and one quarter (1 1/4%) per

cent per annum on any funds required by the JOINT VENTURE and advanced by FRONTEC for WORKING CAPITAL (such interest shall form part of WORKING CAPITAL COSTS);

- (b) any INTEREST AMOUNT;
- (c) any interest received by the JOINT VENTURE from CANADA in respect of monies advanced to the JOINT VENTURE by FRONTEC which had been paid to a SUBCONTRACTOR for WORK under OTHER SUBCONTRACTS other than interest received in respect of a period in respect of which an INTEREST AMOUNT was paid to FRONTEC; and
- (d) amounts payable to FRONTEC under the PRINCIPAL SUBCONTRACT;

but FRONTEC shall not be entitled to receive and shall not receive any interest on the INTEREST AMOUNT. In order to assist the JOINT VENTURE to fund WORKING CAPITAL, the PARTICIPANTS agree to advance to the JOINT VENTURE, as initial WORKING CAPITAL, the sum of Fifty Thousand (\$50,000.00) Dollars each from their initial distributive share of NET CASH FLOW.

9.2 JOINT VENTURE FINANCING

If FRONTEC should cease to be the PRINCIPAL SUBCONTRACTOR, the JOINT VENTURE shall thereafter be funded in the manner set out in this Section. The PROJECT MANAGER shall arrange JOINT VENTURE FINANCING with a bank or other financial institution and in connection therewith shall, if necessary, secure repayment of any monies borrowed under such credit facility with several (but not joint) charges on each PARTICIPANT'S PROPORTIONATE INTEREST in all amounts due to the JOINT VENTURE from CANADA. Further, the PROJECT MANAGER is hereby authorized, if required as a condition of the JOINT VENTURE FINANCING, to provide the PARTICIPANTS' several (but not joint) covenants to repay their PROPORTIONATE INTEREST in borrowings under the JOINT VENTURE FINANCING. The JOINT VENTURE'S requirements for WORKING CAPITAL and such further amounts, if any, as may be required to pay SUBCONTRACTORS, to the extent possible, shall be supplied by the JOINT VENTURE FINANCING. In the event that the JOINT VENTURE'S financing requirements exceed the amount of the JOINT VENTURE FINANCING, the PARTICIPANTS shall finance the short-fall by equal CONTRIBUTIONS.

9.3 EXCESS FUNDED AMOUNT

In the event that a PARTICIPANT fails to advance monies when required

pursuant to Sections 9.1 and 9.2 (the PARTICIPANT in default of such obligation being referred to as the "Delinquent PARTICIPANT") the other PARTICIPANT shall be entitled but not obligated to contribute on behalf of the Delinquent PARTICIPANT all or any part of the amount in default. Any EXCESS FUNDED AMOUNT so advanced on behalf of the Delinquent PARTICIPANT shall be payable by the Delinquent PARTICIPANT to the other PARTICIPANT on demand together with interest at a per annum rate equal to three and one-half (3.5 %) percent in excess of the PRIME RATE from the date of advance of such EXCESS FUNDED AMOUNT to the date of its repayment. If the Delinquent PARTICIPANT fails to repay the EXCESS FUNDED AMOUNT, plus interest thereon, within ninety (90) days of receiving a demand therefor from the other PARTICIPANT then the Delinquent PARTICIPANT shall, if so requested by the other PARTICIPANT, grant an irrevocable, unconditional and absolute assignment of and charge on its PROPORTIONATE INTEREST in the NET CASH FLOW to the other PARTICIPANT to secure repayment of such EXCESS FUNDED AMOUNT plus interest as aforesaid.

9.4 Evidence of Charges

In the event that a PARTICIPANT is required to grant a charge pursuant to this Article 9 and fails or refuses to provide such charge within fourteen (14) days of receipt of a request to do so, the PARTICIPANT that fails or refuses to grant such charge hereby irrevocably appoints the other PARTICIPANT as its true and lawful attorney in fact and agent to do so on its behalf. The PARTICIPANT holding the power of attorney granted by this Section shall not exercise the power of attorney hereby granted until its ability to do so is confirmed by the EXPERT if, within the said fourteen (14) day period, the PARTICIPANT required to give the charge disputes the granting of such charge or the manner in which such charge is required to be documented. Such appointment and power of attorney, being coupled with an interest, shall not be revoked by the dissolution, winding-up, bankruptcy or insolvency of the PARTICIPANT granting the power of attorney, which PARTICIPANT hereby ratifies and confirms and agrees to ratify and confirm all that the other PARTICIPANT may lawfully do or cause to be done by virtue of the provisions of this Section.

9.5 Dispute as to Financing

Any dispute between the PARTICIPANTS as to the amount of any CONTRIBUTION, advance or retention made or required to be made or the rate or calculation of any interest or WORKING CAPITAL COSTS or the granting of any charge contemplated by this Article 9 made or required to be made pursuant to the provisions of this Article 9, at the request of either PARTICIPANT shall be resolved by the EXPERT.

ARTICLE 10 - DISTRIBUTION

10.1 NET CASH FLOW

NET CASH FLOW means that amount, if any, computed in respect of each fiscal quarter of the JOINT VENTURE, by which:

- (i) the aggregate of:
 - (A) the gross REVENUES received from CANADA and the gross amount of all other payments or revenue received by the JOINT VENTURE;
 - (B) the amount of the reserves, if any, carried forward by the JOINT VENTURE from the previous fiscal quarter; and
 - (C) the unused portion of any money CONTRIBUTIONS made by the PARTICIPANTS;
- (ii) exceeds the aggregate of (but without duplication of any amount deducted in determining the aggregate referred to in subsection (i) above);
 - (A) the amounts paid in the fiscal quarter in respect of JOINT VENTURE COSTS and amounts paid in consideration for the performance of any SUBCONTRACT; and
 - (B) a reasonable reserve for operation of the JOINT VENTURE for the ensuing fiscal periods as established by the MANAGEMENT COMMITTEE.

10.2 Distribution of NET CASH FLOW

Within thirty (30) days after the close of each fiscal quarter of the JOINT VENTURE, the NET CASH FLOW for the preceding quarter shall be distributed in accordance with the PROPORTIONATE INTEREST of the PARTICIPANTS but any such distribution shall be subject to the provisions of Section 8.2 and shall be subject to any redirection of proceeds provided for pursuant to any charges granted under Article 9.

10.3 Dispute as to Distributions

In the event of any dispute between the PARTICIPANTS as to availability,

application or distribution of moneys pursuant to the provisions of this Article 10, or as to the calculation of the amount of moneys available for distribution, such dispute shall be resolved by the EXPERT.

ARTICLE 11 - DEFAULTS BY PARTICIPANTS

11.1 DEFAULTS

Any of the following events shall constitute a DEFAULT by a PARTICIPANT (the "DEFAULTING PARTICIPANT") hereunder:

- (a) where a PARTICIPANT or any of its permitted assignees fails in any material respect to perform any of its obligations hereunder (including, in the case of FRONTEC, if it is in default in its capacity as PROJECT MANAGER and/or PRINCIPAL SUBCONTRACTOR, providing, in the case of a default by FRONTEC in its capacity as PRINCIPAL SUBCONTRACT, such default shall entitle PAN ARCTIC to terminate the PRINCIPAL SUBCONTRACT pursuant to subsection 7(c) of the PRINCIPAL SUBCONTRACT) and such failure continues after notice thereof has been given by the other PARTICIPANT (the "Non-Defaulting PARTICIPANT"); or
- (b) if a PARTICIPANT, other than in connection with a *bona fide* corporate reorganization, is wound up, dissolved, liquidated or has its existence terminated (unless such existence is immediately reinstated) or has any resolution passed therefor or makes a general assignment for the benefit of its creditors or a proposal under the *Bankruptcy and Insolvency Act* (Canada), as amended or re-enacted from time to time, or is adjudged bankrupt or insolvent; or if it makes an application to the applicable court for a compromise or arrangement under the *Companies' Creditors Arrangement Act* (Canada), as amended or re-enacted from time to time, or files any petition, answer or other instrument seeking any reorganization, arrangement, composition, re-adjustment, liquidation or similar relief for itself under any present or future law relating to bankruptcy, insolvency or other relief for or against debtors generally or under applicable corporate law if any such application or filing has not been withdrawn or does not otherwise cease to be effective within thirty (30) days after it is made; or
- (c) if a court of competent jurisdiction enters an order, judgment or decree against a PARTICIPANT seeking any reorganization, arrangement, composition, re-adjustment, liquidation, dissolution, winding-up, termination of existence, declaration of bankruptcy or insolvency or similar relief under any present or

future law relating to bankruptcy, insolvency or other relief for or against debtors generally, and such order, judgment or decree remains unvacated and unstayed for an aggregate of thirty (30) days (whether or not consecutive) from the day of entry thereof; or if any trustee in bankruptcy, receiver, receiver and manager, liquidator or any other officer with similar powers is appointed for the PARTICIPANT (other than where a receiver or a receiver and manager is appointed with respect to non-recourse or limited recourse debt of the PARTICIPANT) and such appointment remains unvacated and unstayed for an aggregate of thirty (30) days (whether or not consecutive); or

- (d) if an encumbrancer takes possession of all of the property of a PARTICIPANT or such part thereof as would have a material adverse effect on the ability of the PARTICIPANT to carry out its duties hereunder and remains in possession of such property for an aggregate of thirty (30) days from the date it takes possession.

11.2 Remedies on DEFAULT

Upon the occurrence of a DEFAULT by a DEFAULTING PARTICIPANT, the Non-Defaulting PARTICIPANT shall have the right to:

- (a) bring any proceedings in the nature of specific performance, injunction or other equitable remedy, it being acknowledged by each of the PARTICIPANTS that damages at law may be an inadequate remedy for a DEFAULT or threatened breach of this AGREEMENT; and/or
- (b) bring any action at law as may be permitted in order to recover damages; and/or
- (c) give the DEFAULTING PARTICIPANT a notice exercising its election either to purchase the entire PROPORTIONATE INTEREST of the DEFAULTING PARTICIPANT pursuant to the appraisal and sale procedure set forth in Section 11.3, provided that in the case of a DEFAULT under subsection 11.1(a) this election may not be exercised until the DEFAULT has continued for a period of ninety (90) days; and/or
- (d) give notice that the members of the MANAGEMENT COMMITTEE representing the DEFAULTING PARTICIPANT shall have no further right to vote as members of the MANAGEMENT COMMITTEE and the members of the MANAGEMENT COMMITTEE representing the Non-Defaulting PARTICIPANT shall thereafter have the sole right to vote on the MANAGEMENT COMMITTEE on behalf of both PARTICIPANTS; and/or

- (e) terminate this AGREEMENT without prejudice to the exercise of any of the other remedies which may be available to the Non-Defaulting PARTICIPANT under this AGREEMENT or at law if, as a consequence of the DEFAULT:
 - (i) CANADA has given notice of default under the applicable O & M CONTRACT;
 - (ii) the default under such O & M CONTRACT has not been remedied, at the latest, ten (10) days prior to the end of the applicable period of time for remedying such default, if any, under such O & M CONTRACT; and
 - (iii) CANADA has given notice of its intention to terminate such O & M CONTRACT or would be entitled to terminate it at the end of the period of time for remedying such default, if any, under such O & M CONTRACT.

The rights available to the Non-Defaulting PARTICIPANT under this AGREEMENT and at law shall be deemed to be several and not dependent on each other and each such right accordingly shall be construed as complete in itself and not by reference to any other such right. Any one or more and/or any combination of such rights may be exercised by the Non-Defaulting PARTICIPANT from time to time and no such exercise shall exhaust the rights or preclude the Non-Defaulting PARTICIPANT from exercising any one or more of such rights or combination thereof from time to time thereafter or simultaneously. If FRONTEC is the DEFAULTING PARTICIPANT, and CANADA as a result gives notice in writing to the JOINT VENTURE that it requires change in PROJECT management then PAN ARCTIC shall from and after the giving of a notice of such DEFAULT, be entitled to take over and assume the responsibilities of PROJECT MANAGER and to receive the PROJECT MANAGER'S FEE therefor.

11.3 Appraisal and Sale Procedure

- (a) If, on the giving of notice of an election pursuant to subsection 11.2(c), the Non-Defaulting PARTICIPANT elects to proceed under this Section to purchase the interest of the DEFAULTING PARTICIPANT in and to the JOINT VENTURE assets at the fair market value thereof (the Non-Defaulting PARTICIPANT and the DEFAULTING PARTICIPANT being herein referred to as the Purchasing PARTICIPANT and Selling PARTICIPANT respectively), the determination of the fair market value (the "Fair Market Value") of the JOINT VENTURE assets shall be referred to an EXPERT in accordance with the provisions of Article 13.
- (b) For the purposes of determining the Fair Market Value of the JOINT VENTURE

assets, the EXPERT shall select and retain such appraisers as the EXPERT deems necessary for the purpose.

- (c) The EXPERT shall determine the Fair Market Value of the JOINT VENTURE assets as at the date notice was given pursuant to subsection 11.2(c) not taking into account goodwill but taking into account the following:
 - (i) the values established by any appraisal;
 - (ii) the nature and required time of payment of any non-contingent liability for JOINT VENTURE COSTS unpaid and to be assumed by the purchasing PARTICIPANT;
 - (iii) any contingent liabilities which, in the opinion of the EXPERT, ought reasonably to be assumed by the Purchasing PARTICIPANT on the sale;
 - (iv) the effects of any partially completed transactions relating to the JOINT VENTURE and in that regard with respect to any partially completed O & M CONTRACT the value of such contract to the Purchasing PARTICIPANT shall be based on a calculation of the Selling PARTICIPANT'S previously anticipated but unreceived profit stream to the end of the term of such O & M CONTRACT discounted at a rate three (3%) percent in excess of the PRIME RATE in effect at the time of the calculation of the Fair Market Value to give a present value of the discounted profit stream, deducting from such present value the cost to the Purchasing PARTICIPANT to replace the Selling PARTICIPANT in the JOINT VENTURE and multiplying the result by sixty six and 6/10 (66.6%) percent;
 - (v) all other factors relating to the transaction which the EXPERT considers as being relevant to Fair Market Value.
- (d) The EXPERT shall give a written report determining such Fair Market Value, with the following additional determinations:
 - (i) the balance owing by either PARTICIPANT to the other with respect to an EXCESS FUNDED AMOUNT;
 - (ii) the form of any charge, letter of credit, or indemnification in relation to contingent liability or any other document that the EXPERT considers necessary to carry out the intent of the purchase.

- (e) The purchase price for the Selling PARTICIPANT'S interest in the JOINT VENTURE assets shall be an amount equal to the selling PARTICIPANT'S PROPORTIONATE INTEREST in the Fair Market Value and shall be paid as follows:
 - (i) by assumption of a proportionate amount of any JOINT VENTURE FINANCING on the interest being acquired;
 - (ii) by set-off or addition (as may be appropriate) of any amount owing by or to the Purchasing PARTICIPANT to or by the Selling PARTICIPANT as determined by the EXPERT under subsection (d) above;
 - (iii) by set-off of the proportionate amount of any non-contingent liabilities to be assumed by the Purchasing PARTICIPANT as determined by the EXPERT pursuant to clause 11.3(c)(iii);
 - (iv) the balance, if any, by payment in full within sixty (60) days of the determination of Fair Market Value by the EXPERT.
- (f) In the event of any purchase by a Purchasing PARTICIPANT pursuant to this Section 11.3, the Selling PARTICIPANT shall be deemed to have agreed that until the expiration of five (5) years from the closing date of the sale, the Selling PARTICIPANT shall not directly or indirectly as principal, shareholder, contractor, subcontractor or otherwise enter into any competition with any bid made by the Purchasing PARTICIPANT in any new venture or joint venture in which the Purchasing PARTICIPANT is a participant or in any corporation which the Purchasing PARTICIPANT has an interest with respect to the award of any RENEWAL O & M CONTRACT.

11.4 Remedies Revocable and Non-Exclusive

- (a) Any election of the Purchasing PARTICIPANT under subsection 11.2(c) may be revoked or withdrawn by the Purchasing PARTICIPANT at any time until fifteen (15) days after the determination of the Fair Market Value by the EXPERT appointed pursuant to Section 11.3 by giving written notice thereof to the Selling PARTICIPANT.
- (b) The rights of the Non-Defaulting PARTICIPANT under this Article 11 shall not be exclusive remedies but shall be in addition to all other rights and remedies, if any, available to the Non-Defaulting PARTICIPANT at law or in equity.

11.5 Closing

- (a) The closing ("Closing") of the purchase and sale of an interest in the JOINT VENTURE assets by one PARTICIPANT to another PARTICIPANT pursuant to any provision of this Article shall be held at the principal place of business of the JOINT VENTURE at 10:00 o'clock in the forenoon (local time) on the date which is stipulated by the Purchasing PARTICIPANT (not to be in excess of sixty (60) days from the date of determination of Fair Market Value by the EXPERT), with a minimum of ten (10) days written notice of the date being given to the Selling PARTICIPANT, or otherwise on a mutually acceptable date. At the Closing, the Selling PARTICIPANT shall deliver to the Purchasing PARTICIPANT such deeds, documents, and assurances reasonably required by the Purchasing PARTICIPANT'S solicitors as being necessary or desirable to effect the sale and transfer of such interest (the "Transfer Documents") and the purchase price (to the extent payable in cash) shall be paid to the Selling PARTICIPANT and to the extent represented by assumed liabilities or deferred payments shall be appropriately documented. The Transfer Documents shall be legally sufficient to convey to the Purchasing PARTICIPANT the interest of the Selling PARTICIPANT in the JOINT VENTURE assets.
- (b) If the Selling PARTICIPANT is not represented at the Closing or is represented but fails for any reason whatsoever to produce and deliver the Transfer Documents to the Purchasing PARTICIPANT, then the purchase price, to the extent payable in cash, may be deposited by the Purchasing PARTICIPANT into a special account at a branch of the JOINT VENTURE'S bank in the name of the Selling PARTICIPANT, and to the extent represented by assumed liabilities or deferred payments, by deposit of the appropriate documentation by the Purchasing PARTICIPANT with its own solicitor in escrow. Such deposits shall constitute valid and effective payment of the purchase price to the Selling PARTICIPANT even though the Selling PARTICIPANT has, in breach of this AGREEMENT, voluntarily encumbered or disposed of its interest and notwithstanding the fact that an assignment or assignments for any such interest may have been delivered in breach of this AGREEMENT to any alleged pledgee, transferee or other person. If the purchase price is deposited and any relevant documents placed in escrow as aforesaid, then, from and after the date of such deposit, and even though the Transfer Documents have not been delivered to the Purchasing PARTICIPANT, the purchase of the interest shall be deemed to have been fully completed and all the right, title, benefit and interest, both at law and in equity, in and to the interest shall be conclusively deemed to have been transferred and assigned to and become vested in the Purchasing PARTICIPANT and all right, title, benefit and interest, both at law and in equity, of the Selling

PARTICIPANT or of any transferee, assignee or other person having any interest, legal or equitable, therein or thereto, whether as a PARTICIPANT or creditor of any PARTICIPANT, or otherwise, shall cease and determine, provided however, that the Selling PARTICIPANT shall be entitled to receive the purchase price so deposited without interest and delivery of any documents placed in escrow as aforesaid upon delivery to the Purchasing PARTICIPANT of the Transfer Documents.

- (c) The Selling PARTICIPANT hereby irrevocably constitutes and appoints the Purchasing PARTICIPANT as its true and lawful attorney in fact and agent for, in the name and on behalf of the Selling PARTICIPANT to execute and deliver in the name of the Selling PARTICIPANT all such assignments, transfers, deeds or instruments as may be necessary effectively to transfer and assign the interest of the Selling PARTICIPANT in the JOINT VENTURE assets, or any part thereof, to the Purchasing PARTICIPANT. Such appointment and power of attorney, being coupled with an interest, shall not be revoked by the dissolution, winding-up, bankruptcy or insolvency of the Selling PARTICIPANT and the Selling PARTICIPANT hereby ratifies and confirms and agrees to ratify and confirm all that the Purchasing PARTICIPANT may lawfully do or cause to be done by virtue of the provisions hereof.

11.6 Assumption of Liabilities

At the Closing held pursuant to this Article 11, the Purchasing PARTICIPANT, by a legally enforceable agreement shall indemnify and secure the Selling PARTICIPANT against the future debts, engagements and liabilities of such Selling PARTICIPANT in respect of the JOINT VENTURE.

11.7 No Partition

No PARTICIPANT shall make an application to the court nor commence any action for the partition or sale of the JOINT VENTURE assets except in accordance with the provisions hereof.

ARTICLE 12 - SALE OR OTHER DISPOSITION BY A PARTICIPANT

12.1 Prohibited Transfers

Except as otherwise expressly permitted in Articles 9, 11 and 12 hereof and then only with the written consent of CANADA if required under any subsisting O & M

CONTRACT, no PARTICIPANT may sell, transfer, assign, exchange, give, demise, bequeath, alienate or otherwise dispose of, or mortgage, hypothecate, charge, pledge or otherwise encumber or permit or suffer any encumbrance of all or any part of its interest in the JOINT VENTURE or under or in respect of this AGREEMENT or make any agreement or commitment to do any of the same unless in each case approved by the other PARTICIPANT, and any attempt to do so shall be void. Any sale, exchange, gift, charge, pledge or other purported assignment, transfer or encumbrance of an interest in the JOINT VENTURE made other than in accordance with the express terms and provisions of this AGREEMENT shall confer no right or interest whatsoever under this AGREEMENT. The foregoing shall apply notwithstanding that any PARTICIPANT may become insolvent, be declared bankrupt, make a proposal under any applicable bankruptcy legislation or permit an order to be made for its winding-up or liquidation.

12.2 Right of First Refusal

- (a) Notwithstanding the provisions of Section 12.1, a PARTICIPANT (hereinafter referred to as the "Selling PARTICIPANT") may sell all but not less than all of its interest in the JOINT VENTURE if:
 - (i) it has received and accepted, subject only to compliance with this Section, a bona fide, arms' length, non-assignable, unconditional offer (the "Offer") therefor from a third party (the "Offeror") for cash or on reasonable credit terms to be completed within sixty (60) days after acceptance of the Offer (but for no other consideration and not as part of or in connection with another transaction);
 - (ii) the Offer obligates the Offeror to enter into an agreement with the other PARTICIPANT (the "Continuing PARTICIPANT") as contemplated in subsection 12.2(c);
 - (iii) the Selling PARTICIPANT has given the Continuing PARTICIPANT a written notice (the "Notice of Offer") enclosing a copy of the Offer and stating sufficient information about the Offeror and its financial position to the extent known to the Selling PARTICIPANT (including information regarding the persons controlling or interested in the Offeror) to enable the Continuing PARTICIPANT to make an informed decision regarding the Offer and the Offeror. The Notice of Offer shall be accompanied by a certificate of the Selling PARTICIPANT or of a senior officer of the Selling PARTICIPANT that there is no direct or indirect supplementary consideration (whether or not in the nature of a tangible or intangible asset, money, property, securities or other benefit) and the offer is not made as part of or in connection with any other transaction; and

- (iv) the Continuing PARTICIPANT does not give the notice contemplated under subsection 12.2(b) within the thirty (30) day period therein required.
- (b) The Continuing PARTICIPANT may at any time within thirty (30) days of receipt of the Notice of Offer from the Selling PARTICIPANT give written notice to the Selling PARTICIPANT of such Continuing PARTICIPANT'S election to purchase all (or the portion thereof intended to be sold, as the case may be) of the Selling PARTICIPANT'S interest in the JOINT VENTURE. The acquisition shall be on the terms of the Offer except:
 - (i) that the purchase price will not be paid until sixty (60) days after delivery of the Notice of Offer unless earlier payment is agreed to by the Selling PARTICIPANT and the Continuing PARTICIPANT; and
 - (ii) the purchase price shall be the lesser of:
 - (A) the purchase price in the offer; and
 - (B) eighty (80%) per cent of the Fair Market Value of the Selling PARTICIPANT'S interest in the JOINT VENTURE determined in accordance with the provisions of Section 11.3 (which shall apply *mutatis mutandis*) such amount being subject to adjustment upon payment in the manner provided for in subsection 11.3(e).

If the Continuing PARTICIPANT elects to purchase the Selling PARTICIPANT'S interest in the JOINT VENTURE, such Continuing PARTICIPANT shall purchase all of such interest from the Selling PARTICIPANT and Sections 11.5 and 11.6 shall apply to such purchase *mutatis mutandis*.

- (c) If the Continuing PARTICIPANT does not give the notice pursuant to subsection 12.2(b) within the thirty (30) day period then the Selling PARTICIPANT may, notwithstanding Section 12.1 dispose of its interest in the JOINT VENTURE on the terms and conditions and to the Offeror mentioned in the Notice of Offer within a period of sixty (60) days following acceptance of the Offer, but not otherwise. The Offeror shall contemporaneously with such disposition enter into an agreement with the Continuing PARTICIPANT (and satisfactory to such Continuing PARTICIPANT'S counsel) in the terms hereof, whereby the Offeror shall be bound by and entitled to the benefit of this AGREEMENT in place of the Selling PARTICIPANT and with its rights and obligations to supplant and replace those of the Selling PARTICIPANT. Such disposition shall not be completed if there has been any material change in the Offeror or the Offer since the Notice

of Offer, to which the Continuing PARTICIPANT has not consented. All interests in the JOINT VENTURE shall continue to be subject to the provisions of this Article 12 and so on from time to time.

12.3 Permitted Transfers to AFFILIATES

Section 12.1 shall not apply to a transfer by a PARTICIPANT of its entire interest in the JOINT VENTURE to one of its AFFILIATES provided that contemporaneously with such transfer:

- (a) the transferee enters into an agreement with the other PARTICIPANT in the terms hereof, whereby it shall be bound by and entitled to the benefit of this AGREEMENT;
- (b) the transferor and each person that has been a transferor under this Section 12.3 since the last sale of that interest under Section 12.2 shall guarantee to the other PARTICIPANT the performance by the transferee of all of its obligations under this AGREEMENT; and
- (c) the transferee and all of such transferors shall agree with the other PARTICIPANT that they will remain AFFILIATES so long as the transferee is a PARTICIPANT;

such agreements and guarantee all to be satisfactory to the other PARTICIPANT, acting reasonably.

12.4 Restructuring of FRONTEC

In the event that ATCO and CU assign to FRONTEC all of their interest in the JOINT VENTURE and the PRINCIPAL SUBCONTRACT and notice of such assignment is given to PAN ARCTIC by ATCO and CU and FRONTEC agrees with PAN ARCTIC to be bound by this AGREEMENT as a principal, PAN ARCTIC shall accept FRONTEC as a principal party to this AGREEMENT in place of ATCO and CU and ATCO and CU shall thereupon be completely released from their obligations and liabilities hereunder. In the event that ATCO and CU assign to FRONTEC all of their interest in the JOINT VENTURE without having assigned to FRONTEC all of their interests in the PRINCIPAL SUBCONTRACT then, subject to execution by PAN ARCTIC and FRONTEC as contractor and ATCO and CU as PRINCIPAL SUBCONTRACTOR substantially on the same terms and conditions as the PRINCIPAL SUBCONTRACT, PAN ARCTIC agrees that ATCO and CU shall thereupon be completely released from their obligations and liabilities under this JOINT VENTURE AGREEMENT. Notwithstanding the foregoing, for so long as FRONTEC remains the

PRINCIPAL SUBCONTRACTOR, unless CANADA releases ATCO and CU from any guarantees or covenants relating to any O & M CONTRACT, nothing in the foregoing shall release ATCO or CU from the obligations assumed by FRONTEC under this AGREEMENT relative to the fulfilment of its obligations as the PRINCIPAL SUBCONTRACTOR.

12.5 Restructuring of PAN ARCTIC

PAN ARCTIC may, upon notice to FRONTEC and with the consent of CANADA (if required under any subsisting O & M CONTRACT), assign all of its interest in the JOINT VENTURE to another entity owned by the consortium of INUIT corporations which owns PAN ARCTIC or in which the consortium participates and such INUIT entity shall agree with FRONTEC to be bound by this AGREEMENT as a principal and FRONTEC shall accept such INUIT entity as the principal party to this AGREEMENT in place of PAN ARCTIC.

ARTICLE 13 - APPOINTMENT OF EXPERT

13.1 EXPERT

In the event any matter, by the terms of this AGREEMENT is to be resolved by an EXPERT, such EXPERT shall be appointed in accordance with the provisions of Section 13.2 and the matter shall be resolved in accordance with the provisions of Sections 13.3 and 13.4.

13.2 Appointment

Upon request for the appointment of an EXPERT in accordance with Section 13.1, each PARTICIPANT shall be entitled, within ten (10) days after receipt of notice of such request, to nominate a person to serve as EXPERT. The PARTICIPANTS shall consult in good faith to select from among the nominees a mutually acceptable expert and, in the event that they are unable to agree promptly on the person to serve as an EXPERT, either PARTICIPANT may request that the managing partner of a major national Canadian firm of chartered accountants having an office located in Ottawa appoint an independent qualified expert to determine the matter. If such senior partner shall fail or refuse to act within five (5) days, any PARTICIPANT may refer the names of all nominees to a Judge of the Ontario Court (General Division) under the provisions of the *Arbitration Act* (Ontario). The sole function of the Judge shall be to select, from among the nominees duly nominated, a person to serve as EXPERT. The decision as to the appointment of the EXPERT under this Section shall be binding upon the PARTICIPANTS, including any PARTICIPANT which has neglected or refused to nominate a person to serve as EXPERT.

13.3 Determination by EXPERT

The PARTICIPANTS shall cooperate with the EXPERT in determining the matter submitted to the EXPERT and shall provide all information and documents reasonably required by the EXPERT in connection with the matter to be determined. The EXPERT shall have the right to retain such advisors as the EXPERT considers necessary to assist in making a determination.

13.4 Report of EXPERT

The EXPERT shall report his determination of any matter referred to him in accordance with the provisions hereof in writing to the PARTICIPANTS, and such report shall be binding upon the PARTICIPANTS and be conclusive. No appeal or reference to a court shall be permitted therefrom. The EXPERT shall give each of the PARTICIPANTS reasonable opportunity to present arguments and evidence in respect of the matters to be determined and shall report his determination as soon as practicable. The fees and expenses of the EXPERT shall be paid in the amount that the EXPERT apportions on an equitable basis having regard to the result of the determination. The provisions of the *Arbitration Act* (Ontario) shall apply to the determination of the EXPERT.

ARTICLE 14 - SECURITY AND SECRECY

14.1 Conduct of JOINT VENTURE

The JOINT VENTURE shall comply with all of the rules, regulations and orders of CANADA applicable to secrecy, protection and handling of the WORK and the O & M CONTRACT documents. If required by CANADA, each PARTICIPANT shall obtain all necessary security clearances. The PARTICIPANTS understand and agree that failure or inability on the part of any PARTICIPANT to obtain the necessary security clearances may require the PROJECT MANAGER, on the instructions of CANADA, to refrain from disclosing or discussing certain details respecting the WORK with such PARTICIPANT or any of its MANAGEMENT COMMITTEE members who have failed to obtain the required security clearances and that the acceptance of PAN ARCTIC NOMINEES by the PRINCIPAL SUBCONTRACTOR for employment or training pursuant to Section 7.1 may be subject to the requirement by CANADA that such PAN ARCTIC NOMINEES obtain a security clearance. The JOINT VENTURE and PROJECT MANAGER shall endeavour to persuade CANADA to implement appropriate security standards and to interpret these standards as favourably as the particular circumstances may allow with a view to encouraging and facilitating the employment of INUIT in the performance of the WORK.

14.2 Protection of the WORK

FRONTEC, while PROJECT MANAGER and PRINCIPAL SUBCONTRACTOR, and thereafter the JOINT VENTURE, shall take all measures necessary, including those set out in any written instructions issued by CANADA, for the protection of the WORK and the specifications and all information issued, used or disclosed in connection with the WORK and for the protection of any materials supplied by CANADA, against espionage, sabotage and fire.

ARTICLE 15 - GENERAL

15.1 Term

Subject as herein provided as to earlier termination and subject to the completion of the provisions of this Section and all liabilities and obligations of the JOINT VENTURE having been satisfied, this AGREEMENT shall terminate upon the first to occur of the following events:

- (a) on completion, without renewal or extension in the name of the JOINT VENTURE, of any O & M CONTRACT;
- (b) at the end of the term of any subsisting O & M CONTRACT (inclusive of all option years pertaining thereto), if notice of such termination is given by one PARTICIPANT to the other at least twelve (12) months prior to the expiry date;
- (c) the award by CANADA of the NEW O & M CONTRACT to a PERSON other than the JOINT VENTURE or its nominee; or
- (d) upon the date which is twenty-one (21) years after the date hereof.

Immediately following any such event, the PARTICIPANTS shall ascertain all liabilities and obligations of the JOINT VENTURE as of the date thereof and, after making due provision for all such liabilities and obligations, shall divide all remaining assets of the JOINT VENTURE between the PARTICIPANTS equally. Any such termination shall be without prejudice to any rights or liabilities accruing to either PARTICIPANT with respect to the other under this AGREEMENT to the date of termination.

15.2 Notices

Any notice required to be given hereunder by any PARTICIPANT shall be deemed to have been well and sufficiently given if:

- (a) personally delivered to the PARTICIPANT to whom it is addressed or if such PARTICIPANT is a corporation to an officer of that corporation; or
- (b) if mailed by prepaid registered mail or delivered, to the address of the PARTICIPANT to whom it is intended hereinafter set forth:

- (i) if to PAN ARCTIC, then:

Pan Arctic Inuit Logistics Corporation
at its Registered Office

with a concurrent copy to such address as may be specified by PAN ARCTIC by notice in writing to FRONTEC given at any time hereafter

- (ii) if to FRONTEC, then:

Frontec Logistics Corp.
Suite 100, 170 Laurier Avenue West
Ottawa, Ontario
K1P 5V5
Fax: (613) 787-3888

with a concurrent copy to:

Frontec Logistics Corp.
P.O. Box 2426
10035 - 105 Street
Edmonton, Alberta
T5J 2V6
Fax (403) 420-3426

Either PARTICIPANT may change its address for notice at any time upon giving written notice to the other PARTICIPANT.

- (c) if transmitted by facsimile to the facsimile number of the PARTICIPANT to whom it is intended as set forth above or to such other facsimile number as a PARTICIPANT may from time to time direct in writing.

Any notice delivered or transmitted by facsimile as aforesaid shall be deemed to have been received on the BUSINESS DAY after delivery or transmission and any notice mailed shall be deemed to have been received ten (10) BUSINESS DAYS after the date it is postmarked.

Originally executed copies of all notices transmitted by facsimile shall also be mailed on the date of facsimile transmission. If normal mail service is interrupted by strike, slow-down, force majeure or other cause after the notice has been sent the notice will not be deemed to be received until actually received. In the event normal mail service is impaired at the time of sending the notice, then personal delivery only shall be effective.

15.3 Applicable Law

This AGREEMENT shall be governed by and construed in accordance with the laws of the Province of Ontario.

15.4 Attornment

The PARTICIPANTS agree to attorn to the jurisdiction of the courts of the Province of Ontario with respect to any claim or dispute arising out of this AGREEMENT.

15.5 Amendments

This AGREEMENT is subject to amendment only with the unanimous consent in writing of each of the PARTICIPANTS.

15.6 Severability

Every provision of this AGREEMENT is intended to be severable. If any term or provision hereof or portion thereof, or the application thereof to any PERSON or circumstance, shall, to any extent, be invalid or unenforceable for any reason whatsoever, the remainder of this AGREEMENT or the application of such provision or portion thereof to any other PERSON or circumstance shall not be affected thereby and each provision of this AGREEMENT shall be valid and enforceable to the fullest extent permitted by law.

15.7 Time of the Essence

Time shall be of the essence of this AGREEMENT.

15.8 Table of Contents and Headings

The Table of Contents and Section headings are inserted for convenience of reference only and shall not affect the interpretation of this AGREEMENT.

15.9 Entire Agreement

This AGREEMENT and the PRINCIPAL SUBCONTRACT constitute the entire agreement between the PARTICIPANTS pertaining to the subject matter hereof and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the PARTICIPANTS and there are no warranties, representations or other agreements between the PARTICIPANTS in connection with the subject matter hereof except as specifically set forth herein and therein. No supplement, modification, waiver or termination of this AGREEMENT or the PRINCIPAL SUBCONTRACT shall be binding unless executed in writing by the PARTICIPANT to be bound thereby.

15.10 Waiver

No waiver of any of the provisions of this AGREEMENT shall be deemed or shall constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

15.11 Contra Proferentum Not Applicable

The PARTICIPANTS acknowledge having participated fully in the preparation of this AGREEMENT and agree that the principle of *contra proferentum* shall not apply with respect to this AGREEMENT to either PARTICIPANT.

15.12 Counterparts

This AGREEMENT may be signed in counterpart and such counterparts taken together shall be of full force and effect upon the PARTICIPANTS executing the same.

15.13 Further Assurances

Each party to this AGREEMENT from time to time hereafter, and throughout the term of this AGREEMENT, shall upon any reasonable request and at the expense of the other party to this AGREEMENT, promptly execute and deliver all such documents, instruments and assurances and do all such other acts and things as may be lawful and within its power to do in order to more effectually implement and carry out the provisions and the true intent of this AGREEMENT.

15.14 Compliance with Law

Each party to this AGREEMENT shall comply with all applicable federal, provincial, territorial, county, municipal, or other statutes, laws, ordinances, regulations, rules or orders of any governmental or quasi-governmental entity, body, agency, commission, board

or official applicable to the business of that party.

15.15 Expenses

Except as otherwise specifically provided in this AGREEMENT, each of the parties hereto shall bear its own expenses (including those of counsel, accountants and advisers) incurred in connection with this AGREEMENT and the transactions contemplated by this AGREEMENT.

15.16 Confidentiality

This AGREEMENT, the affairs of the JOINT VENTURE and the relations between the PARTICIPANTS shall be treated by each of the PARTICIPANTS as confidential and shall not be disclosed by either PARTICIPANT except on behalf of and for the benefit of the JOINT VENTURE as required for the purposes of its business and affairs, or as required by law, or to AFFILIATES, or to the auditors of such PARTICIPANT or such other persons to whom disclosure may reasonably be required and such PARTICIPANT shall use all reasonable efforts to cause its auditors and any such other persons, if such information is disclosed to them, to keep the same confidential and not to disclose it, except in each case with the consent of the MANAGEMENT COMMITTEE.

15.17 Calculation of Time

If any date or any time period ends on a date which is not a BUSINESS DAY, such date or time period shall be extended to 5:00 p.m. (Ottawa time) on the next BUSINESS DAY.

15.18 Enurement

This AGREEMENT shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have executed this AGREEMENT
this ~~23~~ day of 30 AUGUST, 1994

[Handwritten signature]

PAN ARCTIC INUIT LOGISTICS
CORPORATION

Per: *[Signature]*

Per: *[Signature]*

Per: *[Signature]*

Per: *[Signature]*

FRONTEC LOGISTICS CORP.

Per: *[Signature]*

Per: *[Signature]*

ATCO Enterprises Inc. ("ATCO") and Canadian Utilities Limited ("CU"), jointly and severally, acknowledge and agree that Frontec Logistics Corp. ("Frontec") is acting as their agent, nominee and bare trustee with respect to the above Agreement. Subject to Section 12.4 of the above Agreement, ATCO and CU agree with Pan Arctic Inuit Logistics Corporation ("Pan Arctic") to be bound by the above Agreement to the same extent as Frontec and agree that Pan Arctic may enforce its rights and remedies under the above Agreement directly against ATCO and CU or either of them.

DATED this 25 day of Aug, 1994.

ATCO ENTERPRISES INC.

THIS AGREEMENT made effective the 1st day of April, 1995.

BETWEEN:

PAN ARCTIC INUIT LOGISTICS CORPORATION,

(hereinafter referred to as "PAN ARCTIC"),

- and -

FRONTEC LOGISTICS CORP.,

(hereinafter referred to as "FRONTEC").

PRINCIPAL SUBCONTRACT

WHEREAS PAN ARCTIC and FRONTEC have entered into the JOINT VENTURE AGREEMENT providing for the solicitation and performance by the JOINT VENTURE of the NEW O & M CONTRACT and any RENEWAL O & M CONTRACTS;

AND WHEREAS, pursuant to Section 6.2 of the JOINT VENTURE AGREEMENT, PAN ARCTIC and FRONTEC agreed to concurrently execute this PRINCIPAL SUBCONTRACT, the terms of which are subject to the JOINT VENTURE obtaining the NEW O & M CONTRACT and any changes hereto that the MANAGEMENT COMMITTEE may subsequently determine are necessary or desirable;

AND WHEREAS the JOINT VENTURE anticipates being awarded the NEW O & M CONTRACT for a five (5) year term commencing April 1, 1995;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants contained herein and other good and valuable consideration the parties hereto agree as follows:

1. Definitions and Capitalized Terms

In this PRINCIPAL SUBCONTRACT, unless there is something in the subject matter or context inconsistent therewith, the following words shall have the respective meanings set out in this Section:

- (a) "EVENTS OF DEFAULT" has the meaning set out in Section 6 hereof;
- (b) "EVENT OF INSOLVENCY" means, with respect to FRONTEC, the occurrence of any one of the following events:
 - (i) if FRONTEC, other than in connection with a *bona fide* corporate reorganization, is wound up, dissolved, liquidated or has its existence terminated (unless such existence is immediately reinstated) or has any resolution passed therefor or makes a general assignment for the benefit of its creditors or a proposal under the *Bankruptcy and Insolvency Act* (Canada), as amended or re-enacted from time to time, or is adjudged bankrupt or insolvent; or if it makes an application to the applicable court for a compromise or arrangement under the *Companies' Creditors Arrangement Act* (Canada), as amended or re-enacted from time to time, or files any petition, answer or other instrument seeking any reorganization, arrangement, composition, re-adjustment, liquidation or similar relief for itself under any present or future law relating to bankruptcy, insolvency or other relief for or against debtors generally or under applicable corporate law if any such application or filing has not been withdrawn or does not otherwise cease to be effective within thirty (30) days after it is made; or
 - (ii) if a court of competent jurisdiction enters an order, judgment or decree against FRONTEC seeking any reorganization, arrangement, composition, re-adjustment, liquidation, dissolution, winding-up, termination of existence, declaration of bankruptcy or insolvency or similar relief under any present or future law relating to bankruptcy, insolvency or other relief for or against debtors generally, and such order, judgment or decree remains unvacated and unstayed for an aggregate of thirty (30) days (whether or not consecutive) from the day of entry thereof; or if any trustee in bankruptcy, receiver, receiver and manager, liquidator or any other officer with similar powers is appointed for FRONTEC (other than where a receiver or a receiver and manager is appointed with respect to non-recourse or limited recourse debt of FRONTEC) and such

appointment remains unvacated and unstayed for an aggregate of thirty (30) days (whether or not consecutive); or

- (iii) if an encumbrancer takes possession of all of the property of FRONTEC or such part thereof as would have a material adverse effect on the ability of FRONTEC to carry out its duties hereunder and remains in possession of such property for an aggregate of thirty (30) days from the date it takes possession;
- (c) FRONTEC means Frontec Logistics Corp. as agent, nominee and bare trustee for ATCO and CU;
- (d) "JOINT VENTURE AGREEMENT" means the joint venture agreement dated as of July 25, 1994 between PAN ARCTIC and FRONTEC; and
- (e) "PRINCIPAL SUBCONTRACT" means this agreement and the words "hereto", "hereof", "herein", "hereby", "hereunder" and similar expressions mean or refer to this agreement, as amended or supplemented from time to time in writing by the parties hereto and references to Sections and subsections are to those Sections and subsections of this agreement.

Unless there is something in the subject matter or context inconsistent therewith, all capitalized terms not otherwise defined in this PRINCIPAL SUBCONTRACT shall have the respective meanings set out in the JOINT VENTURE AGREEMENT.

2. Term

The effectiveness of this PRINCIPAL SUBCONTRACT is conditional upon the execution and delivery of the NEW O & M CONTRACT by CANADA and the JOINT VENTURE. This PRINCIPAL SUBCONTRACT shall commence upon the commencement of the term of the NEW O & M CONTRACT and shall continue for the term of the NEW O & M CONTRACT unless earlier terminated as hereinafter provided.

3. FRONTEC'S Duties and Obligations

- (a) The parties agree that FRONTEC shall have the right to perform and shall assume the obligation to perform that portion of the WORK under the NEW O & M CONTRACT which is specified in subsection 3(b) hereof.

- (b) FRONTEC hereby agrees to perform and discharge all of the duties and obligations set forth below in a timely manner, honestly and in good faith and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent contractor would exercise in comparable circumstances:
- (i) the performance of all WORK under the NEW O & M CONTRACT other than the WORK designated by the PROJECT MANAGER pursuant to subsection 5.1(a) of the JOINT VENTURE AGREEMENT as that which is to be performed under the OTHER SUBCONTRACTS;
 - (ii) all of the duties and obligations of the JOINT VENTURE to CANADA in respect of the WORK referred to in clause 3(b)(i) above;
 - (iii) the duties and obligations of the JOINT VENTURE in respect of such WORK relating to compliance with applicable statutes, regulations, ordinances and by-laws, the provisions of notices and reports, confidentiality and security precautions, insurance and indemnities in favour of CANADA, the inspection and acceptance of WORK by CANADA and warranties relating to such WORK;
 - (iv) the performance, assumption and observance of all provisions of Article 7 of the JOINT VENTURE AGREEMENT applicable to the PRINCIPAL SUBCONTRACTOR, including without limitation, the implementation of the provisions of Article 7 of the JOINT VENTURE AGREEMENT relating to the training and employment of qualified INUIT candidates in the performance of the WORK provided that any default hereunder by FRONTEC shall be governed by the provisions of Section 7.3 of the JOINT VENTURE AGREEMENT and not by the terms of this PRINCIPAL SUBCONTRACT;
 - (v) the maintenance, for review by CANADA or PAN ARCTIC, of appropriate records with respect to the performance of the WORK to be performed under this PRINCIPAL SUBCONTRACT. For greater certainty, such records shall include copies of all reports provided to CANADA by FRONTEC respecting the performance of such WORK and all reports, notices and correspondence from CANADA respecting same, but unless otherwise provided for under any O & M CONTRACT or the JOINT VENTURE AGREEMENT shall not include copies of FRONTEC'S internal financial documentation, data and reports respecting the costs incurred by it in the performance of such WORK. FRONTEC shall provide CANADA, and PAN ARCTIC, and their agents and

representatives with access to such records and shall permit them to review and make copies of same;

- (vi) the obligation of FRONTEC to promptly notify PAN ARCTIC of any EVENT OF DEFAULT or any event which, with the giving of notice or the lapse of time, would constitute an EVENT OF DEFAULT;
- (vii) the negotiation of all labour contracts with the unions representing employees engaged by FRONTEC in the performance of the WORK;
- (viii) the obligation to comply with the provisions of Section 2.3 of the JOINT VENTURE AGREEMENT in awarding subcontracts hereunder; and
- (ix) the obtaining and maintaining such public liability and property damage insurance as may be required under the NEW O & M CONTRACT with the PARTICIPANTS as named insureds.

4. Compensation to FRONTEC

As full compensation to FRONTEC for its performance of the WORK to be performed by it pursuant to Section 3 hereof, the parties agree that FRONTEC shall be entitled to receive for its own account:

- (a) that portion of the REVENUES representing the ALLOWABLE COST paid by CANADA in respect of such WORK less any portion of such ALLOWABLE COST which is designated by CANADA as allowable general and administrative costs with respect to the INUIT BUSINESS DEVELOPMENT PROGRAM; and
- (b) an amount, to be paid monthly out of REVENUES, WORKING CAPITAL or JOINT VENTURE FINANCING, which is equivalent to the aggregate of the following:
 - (i) if and to the extent not previously received by FRONTEC under clause 4(b)(ii), interest on any principal amount referred to in subsection 4(a) above which has been properly invoiced to the PROJECT MANAGER by FRONTEC and to CANADA by the PROJECT MANAGER and remains outstanding, payable at the interest rate paid by FRONTEC on its borrowings to a maximum of the PRIME RATE plus one and one quarter (1 1/4%) per cent per annum from the thirty-first (31st) day after the date on which the PROJECT MANAGER received an invoice for such WORK

until the earlier of the date on which the JOINT VENTURE receives payment from CANADA in respect of such WORK and the forty-fifth (45th) day after the date on which the PROJECT MANAGER received an invoice for such WORK; and

- (ii) if and to the extent not previously received by FRONTEC under clause 4(b)(i) above, any interest received by the JOINT VENTURE from CANADA under the terms of the NEW O & M CONTRACT in respect of the late payment of any principal amount referred to in subsection 4(a) above.

FRONTEC shall submit to the PROJECT MANAGER, at the end of each month during the term of this PRINCIPAL SUBCONTRACT, an invoice for the principal amount referred to in subsection 4(a) for WORK performed during that month under this PRINCIPAL SUBCONTRACT whereupon the PROJECT MANAGER shall submit a claim to CANADA for such WORK. FRONTEC shall receive the amount referred to above for such WORK when payment of same is received from CANADA. The amount referred to in clause 4(b)(i) above shall not be payable with respect to any amount invoiced by FRONTEC for WORK for any period during which payment for such WORK has been delayed by CANADA as a result of any default by FRONTEC in its obligations as PROJECT MANAGER or PRINCIPAL SUBCONTRACTOR. Nothing in this PRINCIPAL SUBCONTRACT shall obligate PAN ARCTIC to make any payment to FRONTEC for the performance of WORK except to the extent of the interest of PAN ARCTIC in the portion of the REVENUES received from CANADA which constitute ALLOWABLE COST in respect of such WORK.

5. Termination

This PRINCIPAL SUBCONTRACT shall terminate upon the occurrence of any of the following events:

- (a) the date of expiry of the first five (5) CONTRACT YEARS of the NEW O & M CONTRACT or such earlier date as is specified by a decision of the MANAGEMENT COMMITTEE pursuant to Section 6.1 of the JOINT VENTURE AGREEMENT;
- (b) the giving by PAN ARCTIC of a notice of termination of this PRINCIPAL SUBCONTRACT pursuant to Section 7 hereof; or
- (c) the termination by CANADA of the NEW O & M CONTRACT prior to the end of its term.

6. EVENTS OF DEFAULT

The following shall be considered EVENTS OF DEFAULT under this PRINCIPAL SUBCONTRACT:

- (a) a failure in any material respect of FRONTEC or its permitted assignee to perform or comply with its duties and obligations under this PRINCIPAL SUBCONTRACT (including its duties or obligations under the NEW O & M CONTRACT); or
- (b) the occurrence of an EVENT OF INSOLVENCY with respect to FRONTEC.

7. Remedies

Upon the occurrence of an EVENT OF DEFAULT, PAN ARCTIC shall have the right to:

- (a) bring any proceedings in the nature of specific performance, injunction or other equitable remedy, it being acknowledged by FRONTEC that damages at law may be an inadequate remedy for an EVENT OF DEFAULT or threatened breach of this PRINCIPAL SUBCONTRACT; and/or
- (b) bring any action at law as may be permitted in order to recover damages; and/or
- (c) terminate this PRINCIPAL SUBCONTRACT without prejudice to the exercise of any of the other remedies available to PAN ARCTIC under this PRINCIPAL SUBCONTRACT or at law and to let, on behalf of the JOINT VENTURE, a new subcontract respecting the performance of the WORK to be performed hereunder to a party other than FRONTEC if, as a consequence of the EVENT OF DEFAULT:
 - (i) CANADA has given notice of default under the NEW O & M CONTRACT;
 - (ii) the default under the NEW O & M CONTRACT has not been remedied, at the latest, ten (10) days prior to the end of the applicable period of time for remedying such default, if any, under the NEW O & M CONTRACT; and

- (iii) CANADA has given notice of its intention to terminate the NEW O & M CONTRACT or would be entitled to terminate it at the end of the period of time for remedying such default, if any, under such O&M CONTRACT.

The rights available to PAN ARCTIC under this PRINCIPAL SUBCONTRACT and at law shall be deemed to be several and not dependent on each other and each such right accordingly shall be construed as complete in itself and not by reference to any other such right. Any one or more and/or any combination of such rights may be exercised by PAN ARCTIC from time to time and no such exercise shall exhaust the rights or preclude PAN ARCTIC from exercising any one or more of such rights or combination thereof from time to time thereafter or simultaneously.

8. Consequential Damages

Notwithstanding any other provision of this PRINCIPAL SUBCONTRACT, except as otherwise provided in this Section 8, FRONTEC shall not be liable to PAN ARCTIC under any claim, whether based in contract, in tort (including negligence and strict liability), under warranty, or otherwise, for any indirect, incidental or consequential loss or damages suffered by PAN ARCTIC whatsoever including, without limitation, loss of revenue, loss of earnings, loss of profits or other economic loss. Provided FRONTEC shall be liable to and shall indemnify and hold PAN ARCTIC harmless of and from any and all losses, costs, demands, charges, expenses, actions, claims and liabilities (including costs as between a solicitor and his own client) which it may suffer or incur, directly or indirectly as a result of any failure of FRONTEC to perform any of its obligations hereunder and which relate to:

- (a) any claims made against PAN ARCTIC by third parties; or
- (b) any consequential losses or other damages suffered by PAN ARCTIC resulting from the early termination of the NEW O & M CONTRACT as a result of a default by FRONTEC in the performance of any of the obligations under the NEW O & M CONTRACT which it had assumed pursuant to this PRINCIPAL SUBCONTRACT, other than a default beyond FRONTEC'S control, to a combined maximum under this PRINCIPAL SUBCONTRACT and the JOINT VENTURE AGREEMENT of One Million Dollars (\$1,000,000).

9. Rights on Termination

PAN ARCTIC'S obligations to pay and FRONTEC'S right to receive payment pursuant to subsection 4(a) of this PRINCIPAL SUBCONTRACT for WORK performed under this PRINCIPAL SUBCONTRACT shall terminate upon the lawful termination of this PRINCIPAL SUBCONTRACT but FRONTEC shall be entitled to receive payment for all WORK which has been duly completed and in respect of which the JOINT VENTURE has collected REVENUES from CANADA. Provided, however, that PAN ARCTIC may retain for setoff against amounts payable to FRONTEC hereunder, amounts deemed necessary to cover the amount of damages suffered or reasonably anticipated to be suffered by PAN ARCTIC as a result of the termination of the PRINCIPAL SUBCONTRACT or any default of FRONTEC hereunder. Any payment made pursuant to this Section shall in no way affect PAN ARCTIC'S rights to claim indemnity pursuant to the JOINT VENTURE AGREEMENT.

10. Arbitration

FRONTEC and PAN ARCTIC hereby agree that any issues arising under this PRINCIPAL SUBCONTRACT for which an alternative dispute resolution procedure has been provided under the NEW O & M CONTRACT, shall be resolved through use of such procedure. PAN ARCTIC and FRONTEC agree that any dispute arising out of or relating to FRONTEC'S performance of or failure to perform its obligations under Article 7 of the JOINT VENTURE AGREEMENT shall be resolved in the manner provided for in the JOINT VENTURE AGREEMENT. Any other dispute may, with the consent of the parties, be referred for arbitration in accordance with the following principles:

- (a) the parties shall attempt to appoint a single arbitrator. If the parties are unable to agree on a single arbitrator within ten (10) days after they have agreed to the arbitration, then an arbitrator shall be appointed by a judge of the appropriate court of Ontario pursuant to the *Arbitrations Act* (Ontario) upon application of any party hereto after giving five (5) days' notice to all other parties of its intention to make such an application. The provisions of the *Arbitrations Act* (Ontario) shall apply to any such court application pursuant to this subsection;
- (b) the arbitrator shall be qualified by education and training to pass upon the particular question in dispute;
- (c) the arbitrator shall proceed immediately to hear and determine the question or questions in dispute and the parties shall have the right to make representations to the arbitrator concerning the subject matter of the arbitration. The decision and reasons therefor of the arbitrator shall be made within thirty (30) days after

the appointment of the arbitrator, subject to any reasonable delay due to unforeseen circumstances. Notwithstanding the foregoing, if the arbitrator fails to make a decision within thirty (30) days after his appointment then any party may elect to have a new arbitrator appointed in like manner as if none had previously been appointed;

- (d) the decision and reasons therefor of the arbitrator shall be drawn up in writing and signed by the arbitrator and shall be final and binding upon the parties as to any question or questions so submitted to arbitration and the parties shall be bound by such decision and perform the terms and conditions thereof;
- (e) the fees and expenses of the arbitrator shall be apportioned and allocated between PAN ARCTIC and FRONTEC by the arbitrator in an equitable manner having regard to the result of the arbitrator's determination; and
- (f) no party hereto shall be deemed to be in default of any matter being arbitrated until five (5) days after the decision of the arbitrator is delivered to the parties.

11. Security

No person shall be employed or trained by FRONTEC in the performance of the WORK under this PRINCIPAL SUBCONTRACT, unless that person first obtains the security clearances required by CANADA for the portion of WORK under this PRINCIPAL SUBCONTRACT to be performed by that person.

12. Independent Contractor

FRONTEC acknowledges and agrees that it is at all times during the term of this PRINCIPAL SUBCONTRACT an independent contractor and that nothing in this PRINCIPAL SUBCONTRACT creates an employer-employee relationship between PAN ARCTIC and FRONTEC.

13. Restructuring of FRONTEC

In the event that ATCO and CU assign to FRONTEC all of their interest in the JOINT VENTURE and this PRINCIPAL SUBCONTRACT and notice of such assignment is given to PAN ARCTIC, and FRONTEC agrees with PAN ARCTIC to be bound by this PRINCIPAL SUBCONTRACT as principal, PAN ARCTIC shall accept FRONTEC as the

principal party to this PRINCIPAL SUBCONTRACT in place of ATCO and CU, and ATCO and CU shall thereupon be completely released from their obligations and liabilities hereunder. In the event that ATCO and CU assign to FRONTEC all of their interest in this PRINCIPAL SUBCONTRACT without having assigned to FRONTEC all of their interests in the JOINT VENTURE then, subject to execution by PAN ARCTIC, ATCO and CU as contractor and FRONTEC as PRINCIPAL SUBCONTRACTOR of an agreement on essentially the same terms and conditions as this PRINCIPAL SUBCONTRACT, with such changes as may be necessary to give effect to the assignment, PAN ARCTIC agrees that ATCO and CU shall thereupon be completely released from their obligations and liabilities under this PRINCIPAL SUBCONTRACT as PRINCIPAL SUBCONTRACTOR. Notwithstanding the foregoing, unless CANADA releases ATCO and CU from all guarantees or covenants relating to the NEW O & M CONTRACT, nothing in the foregoing shall release ATCO or CU from the obligations assumed by FRONTEC hereunder.

14. Restructuring of PAN ARCTIC

PAN ARCTIC shall, concurrently with any assignment of its interest in the JOINT VENTURE pursuant to Section 12.5 of the JOINT VENTURE AGREEMENT, assign all of its interest in this PRINCIPAL SUBCONTRACT to the INUIT entity referred to in Section 12.5 of the JOINT VENTURE AGREEMENT and such INUIT entity shall agree with FRONTEC to be bound by this PRINCIPAL SUBCONTRACT as a principal and FRONTEC hereby agrees to accept such INUIT entity as the principal party to this PRINCIPAL SUBCONTRACT in place of PAN ARCTIC.

15. Not a Partnership

Nothing in this PRINCIPAL SUBCONTRACT shall constitute the parties hereto as partners or, except as expressly set forth in this PRINCIPAL SUBCONTRACT, constitute either party as the agent of the other.

16. Accounting Terms

Unless otherwise defined or the context otherwise requires, all accounting and financial terms used in this PRINCIPAL SUBCONTRACT shall be construed in accordance with Canadian generally accepted accounting principles.

17. Currency

All dollar amounts referred to herein refer to lawful money of Canada.

18. Rules of Interpretation

Words importing the singular number shall include the plural and *vice versa* and words imparting the use of any gender shall include all genders. Headings used in this PRINCIPAL SUBCONTRACT are for convenience of reference only and shall not constitute a part of this PRINCIPAL SUBCONTRACT for any other purpose including, without limitation, its interpretation. Expressions such as "hereof", "hereunder", and "hereby" shall be construed as referring to the entire PRINCIPAL SUBCONTRACT and not only to the particular Section, subsection or clause in which they appear.

19. Notices

Any demand, notice or other document required or permitted to be given hereunder shall be in writing and may be given by personal delivery or transmitted by telecopy or other electronic means of written communication or sent by prepaid registered mail to the respective parties as follows:

(a) if to PAN ARCTIC, to:

Pan Arctic Inuit Logistics Corporation
at its Registered Office

with a concurrent copy to such address as may be specified by PAN ARCTIC by notice in writing to FRONTEC given at any time hereafter

(b) if to FRONTEC, to:

Frontec Logistics Corp.
Suite 100, 170 Laurier Avenue West
Ottawa, Ontario
K1P 5V5
Fax: (613) 787-3888

with a concurrent copy to:

Frontec Logistics Corp.
P.O. Box 2426
10035 - 105 Street
Edmonton, Alberta
T5J 2V6
Fax (403) 420-3426

Any such demand, notice or other document delivered personally or by telecopy or other electronic means of written communication shall be deemed to have been given and received on the date of delivery or transmittal thereof (provided that such day is a BUSINESS DAY and, if not, on the next following BUSINESS DAY) and any notice sent by prepaid registered mail shall be deemed to have been received by and given on the date of actual receipt thereof by the intended recipient; provided, however, that if there shall be, between the time of mailing and the actual date of receipt, a mail strike, slowdown or other labour dispute which might affect the delivery of such notice by mail then such notice shall only be effective if delivered in person or by telecopy or other electronic means of written communication as aforesaid. Any party may at any time give notice to the other parties of any change of address, telex number or telecopy number in accordance with the foregoing provisions hereof.

20. Applicable Law

This PRINCIPAL SUBCONTRACT shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and each of the parties hereto hereby irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

21. Amendments

This PRINCIPAL SUBCONTRACT is subject to amendment only with the prior written consent of the MANAGEMENT COMMITTEE and, if required under the NEW O & M CONTRACT, the prior written consent of CANADA.

22. Assignment

No party may assign its entire interest or any part thereof in this PRINCIPAL SUBCONTRACT without the prior written consent of the other party and, if required under the

NEW O & M CONTRACT, the prior written consent of CANADA, except in the case of a restructuring by FRONTEC under Section 13 hereof or a restructuring of PAN ARCTIC under Section 14 hereof, in respect of which the consent of the other party shall not be required.

23. Severability

The invalidity or unenforceability of any provision or part of any provision of this PRINCIPAL SUBCONTRACT shall not affect the validity or enforceability of any other provision or part thereof, and any such invalid or unenforceable provision or part thereof shall be deemed to be separate, severable and distinct, and no provision or part thereof shall be deemed dependent upon any other provision or part thereof unless expressly provided for herein.

24. No Waivers, Remedies

No failure on the part of any of the parties hereto to exercise and no delay in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

25. Time

Time shall be of the essence of this PRINCIPAL SUBCONTRACT.

26. Enurement

This PRINCIPAL SUBCONTRACT shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

27. Further Assurances

Each of the parties hereto shall do all such acts and execute and deliver all such documents or instruments reasonably requested by the other party hereto or its counsel as may be necessary or desirable to complete the transactions contemplated by this PRINCIPAL SUBCONTRACT and carry out its provisions.

28. Counterparts

This PRINCIPAL SUBCONTRACT may be executed in any number of counterparts by any one or more of the parties and the persons to be bound hereby. Each executed counterpart shall be deemed to be an original and such counterparts shall together constitute one and the same agreement.

IN WITNESS WHEREOF the parties hereto have executed this PRINCIPAL SUBCONTRACT this 28 day of August, 1994.

30 100 4/28

PAN ARCTIC INUIT LOGISTICS CORPORATION

Per: [Signature]

FRONTEC LOGISTICS CORP.

Per: [Signature]
[Signature]

ATCO ENTERPRISES INC. ("ATCO") and CANADIAN UTILITIES LIMITED ("CU"), jointly and severally, acknowledge and agree that Frontec Logistics Corp. ("FRONTEC") is acting as their agent, nominee and bare trustee with respect to the above PRINCIPAL SUBCONTRACT. Subject to Section 13 of the PRINCIPAL SUBCONTRACT ATCO and CU agree with Pan Arctic Inuit Logistics Corporation ("PAN ARCTIC") to be bound by the above PRINCIPAL SUBCONTRACT to the same extent as FRONTEC and agree that PAN ARCTIC may enforce its rights and remedies under the above PRINCIPAL SUBCONTRACT directly against ATCO and CU or either one of them.

IN WITNESS WHEREOF ATCO and CU have executed this PRINCIPAL SUBCONTRACT this 25 day of Aug, 1994.

ATCO ENTERPRISES INC.

Per: [Signature]
Per: [Signature]

CANADIAN UTILITIES LIMITED

Per: [Signature]
Per: [Signature]

SECTION C

INDUSTRIAL BENEFITS

ARTICLE C1 - DETERMINATION OF CANADIAN CONTENT VALUE

1) The Canadian Content Value (CCV) of any Industrial and Regional Benefit Transaction shall be determined in accordance with the following:

- (a) Canadian Content is that portion of the selling price for product or service associated with the Work performed in Canada. Canadian Content may also be calculated as the selling price less the cost of directly and indirectly imported materials, labour, services and overhead.
- (b) Selling Price is the net selling price to the buyer after all discounts. It does not include applicable federal and provincial sales taxes, excise taxes, GST and tariffs.
- (c) Cost of Direct Imports is that portion of the selling price associated with directly imported materials, labour, services and overhead. It includes the tariffs and the cost of transportation to the Canadian place of importation (place where first landed in Canada).
- (d) Cost of Indirect Imports is that portion of the selling price associated with the costs for materials, labour, services and overhead that, while obtained through a Canadian supplier, in fact originated outside of Canada.
- (e) Reasonableness and materiality should apply when apportioning any of the above costs for foreign and domestic sources. Calculation of Canadian Content should be based on information derived through generally accepted accounting principles.
- (f) Canadian labour content will be the value of wages, and salaries paid for production and non-production labour in Canada to Canadian citizens or to individuals who have been "permanent residents" of Canada, as defined in the Immigration Act, R.S.C. 1985, c.1-2.

2) Amounts claimed as Industrial and Regional Benefits shall exclude:

- (a) The value of materials, labour and services imported into Canada.
- (b) The amount of all Canadian Excise Taxes, Import Duties, Federal and Provincial Sales Taxes, and Goods and Services Taxes.
- (c) The amount of all non-Canadian customs, import or administration duties.

SECTION C

- (d) The value of goods and services with respect to which credit has been received or is being claimed by the Contractor or its Eligible Parties as an Industrial and Regional Benefit to Canada under any other agreement.
 - (e) The value of any travel, living, relocation costs, as well as premiums paid to individuals classified as non-Canadians who may work on this Project.
 - (f) Transportation costs associated with the delivery of equipment, or services not attributable to Canadian carriers.
 - (g) Any portion of an activity for which nonrepayable financial assistance was provided by the Crown.
 - (h) Raw materials and semi-processed goods (in the case of purchases of non-project related goods and services).
- 3) All Subcontracts placed with Canadian suppliers, having a value of less than \$100,000, shall be deemed to have one hundred (100) percent Canadian Content Value with the right of audit that in each of the contracts referred to in this paragraph the Canadian Content value is at least sixty (60) percent; if Canadian Content Value is not at least sixty (60) percent, then the actual Canadian Content Value shall be counted.
- 4) Any Subcontract involving food items placed with a Canadian supplier shall be deemed to have a one hundred (100) percent Canadian Content Value, provided that the Contractor has employed its best efforts to maximize the purchase and utilization of Canadian grown and/or produced food or food stuffs.

SECTION C

ARTICLE C2 - INDUSTRIAL AND REGIONAL BENEFITS COMMITMENT

- 1) The Contractor hereby commits to Her Majesty to achieve a minimum total Canadian Content of 94.8 per-cent (%) of Total Contract Price which represents a Value amount of \$241,347,982 excluding GST. As the commitment includes the estimated prices shown in paragraphs b and g, of Article B1 - PRICE totalling \$32,350,000 the Canadian Content Value, as indicated in the Tables attached hereto, including the currently designated TABLE C3, will be subject to proportional adjustment should the actual amounts for the items described in paragraphs b and g of Article B1 - PRICE be different from the estimated amounts set forth therein.
- 2) This IRB Commitment is comprised of specific transactions/activities with related Canadian Content Values to be achieved on a time-phased basis.

SECTION C

TABLE C-3

TOTAL CANADIAN CONTENT VALUE

Fiscal Year Ending March 31						
Fiscal Years	1995-96	1996-97	1997-98	1998-99	1999-2000	TOTAL
TOTAL	\$57,954,635	\$45,170,756	\$42,260,715	\$45,951,179	\$50,010,697	\$241,347,982

SECTION C

ARTICLE C3 - LONG TERM DEVELOPMENT

1) In consideration of the award of this Contract and at no additional cost to Her Majesty, the Contractor hereby warrants as follows:

a) that \$8 million will be spent by Frontec Logistics Corp., over the life of the Contract, to continue to develop and maintain a competitive Marketing Group, based in Alberta and with an office in Ottawa, and will as part of this commitment:

- i) maintain a Marketing Division;
- ii) pursue target markets; and,
- iii) optimize the capability and capacity of the corporation

Frontec Logistics Corp. has projected technical service market opportunities of up to \$80 million for itself and its partners over the Contract period and projects its success ratio on these opportunities at 33%. Frontec Logistics Corp. will exert its best efforts to obtain this target.

b) That \$6 million will be spent by Inuit development corporations, over the life of the Contract, to initiate, expand and develop economic and business development opportunities to enable the Inuit to become equal and meaningful participants in the northern and national economy and society.

The economic and business development activities to be undertaken by the Inuit in fulfilment of this commitment shall be undertaken by Pan Arctic Inuit Logistics Corporation and/or by its shareholders, being Labrador Inuit Development Corporation, Makivik Corporation, Nunasi Corporation, and Inuvialuit Development Corporation.

Activities to be undertaken in fulfilment of this commitment shall include, but not be limited to the following:

- i) identification of areas of potential business or economic development;
- ii) initial meetings, research and pre-feasibility studies on identified economic opportunities;
- iii) completion of feasibility studies and project designs;
- iv) preparation of proposals and/or bids;
- v) marketing of proposed projects and/or ventures;
- vi) negotiation and conclusion of agreements and contracts for proposed projects and business ventures; and,
- vii) project or venture development activities including start up, construction, capital acquisition costs, etc.

The areas of business and economic development interest to be pursued under this commitment shall include, but not be limited to the following:

SECTION C

- i) transportation
- ii) renewable and non-renewable resource development
- iii) communications;
- iv) construction;
- v) tourism;
- vi) environmental reclamation;
- vii) commercial and retail opportunities; and
- viii) the service sector.

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SECTION C

ARTICLE C4 - SMALL BUSINESS TRANSACTIONS

- 1) The Contractor hereby commits to Her Majesty that not less than \$9,000,000 shall be achieved through Small Business transactions in the North as part of its commitment in Article D2 - NORTHERN BENEFITS POLICY, Article D3 - NORTHERN EMPLOYMENT AND TRAINING and Article D6 - FAILURE TO MEET NORTHERN COMMITMENTS.
- 2) Small Business means a Canadian enterprise employing one hundred (100) employees or fewer when awarded a Subcontract.

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SECTION C

ARTICLE C5 - REPORTS AND REVIEWS

- 1) Reports - The Contractor may be required to submit progress reports of the achievement of its Industrial and Regional Benefits commitments.
- 2) Reviews - Reviews of transactions and achievements of Industrial and Regional Benefits shall be held as requested by the Contracting Authority.

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SECTION C

ARTICLE C6 - VERIFICATION AND ACCESS TO RECORDS

1) If the Contracting Authority determines that the Canadian Content Value must be verified, the Contracting Authority shall notify the Contractor and the Contractor shall, at all reasonable times, provide the Contracting Authority with access to its accounts and records related thereto and shall use its best efforts to arrange for the same in respect of its Subcontractors or any other parties to any transaction.

2) In any case, where subsequent to the verification action taken pursuant to Sub-Article C6-1; and

- a) owing to the inaccessibility of the accounts and records of the parties mentioned in sub- Article C6-1 (despite the Contractor's best efforts in that regard); or
- b) because accounts and records examined by the Contracting Authority are insufficient to determine the extent of the Contractor's achievements in respect to any Industrial and Regional Benefit transaction.

it cannot be verified that a transaction has provided the Canadian Content Value claimed then that part of the Canadian Content Value which cannot be verified shall have the value determined by the discretion of the Contracting Authority based upon the Canadian Content Value which it determines has, in fact, been achieved.

PAN ARCTIC INUIT LOGISTICS CORPORATION

#260, 5022-49th Street
Yellowknife, N.W.T.
X1A 3R7

October 4, 1994

Supply and Services Canada
North Warning System Office
219 Laurier Avenue West
10th Floor
Ottawa, Ontario
K1A 0S5

Attention: NWSO DSS Procurement Manager

Dear Sir:

**Subject: Your File No. 02NX. W8464-3-JC05
North Warning System O&M Contract
Ref: Pan Arctic General and Administration Costs**

As requested, I would like by way of this letter to confirm the commitment of Pan Arctic Inuit Logistics Corporation to utilize the amounts referred to as "Pan Arctic General and Administration Costs", which are included as part of the Firm Fixed Price for the North Warning System O&M Contract, to initiate, develop and expand the market and business development opportunities of PAIL and its various shareholder corporations.

The market and business development activities to be undertaken in fulfillment of this commitment, will be carried out by PAIL and/or its shareholders, namely the Labrador Inuit Development Corporation, Makivik Corporation, Nunasi Corporation and the Inuvialuit Development Corporation.

Pan Arctic Inuit Logistics Corporation, and the regional Inuit development corporations that are shareholders in PAIL, are currently involved in a variety of business and economic development projects and activities and have identified a number of additional areas where market development activities and various types of entrepreneurial initiatives should be undertaken.

However, the pursuit of these business development opportunities will necessitate the expenditure of significant amounts of money well in advance of the point in time at which profits could be expected to be returned to the original

investors. These business development costs include expenditures in such areas as: the undertaking of feasibility studies and other types of market research; the provision of start-up or investment capital; legal and consulting fees; and, the various costs associated with assembling the necessary organizational capacities and resources for such business initiatives.

The funding to be provided under the "Pan Arctic General and Administration Costs" component of the North Warning System O&M Contract will be utilized by the Inuit to help meet these market and business development costs and start-up expenses. The resulting business development activities will enable the Inuit to take advantage of emerging business opportunities in the north and will enable the Inuit to become equal and meaningful participants in the northern and national economy and society.

A total of \$6 million will be spent by Pan Arctic Inuit Logistics Corporation and its shareholders, over the life of the North Warning System O&M Contract, in pursuit of these business and market development opportunities. The areas of business and market development in which activities will be undertaken as part of this expenditure commitment will include, but are not limited to the following:

- transportation and shipping services
- renewable and non-renewable resource development
- communications
- construction activities
- tourism services and operations
- environmental reclamation
- real estate developments, and
- consumer services.

The specific activities to be undertaken as part of this commitment have yet to be decided upon by PAIL and its shareholders but, in general terms, these activities will include: research and pre-feasibility studies in areas identified as having the greatest potential for successful Inuit investment in additional areas of northern business activity; the preparation of business plans and market research in these identified potential areas of business activity; the negotiation of joint venture agreements with potential business partners; and, the undertaking of business consultations, bid preparation activities and investment negotiations.

Pan Arctic Inuit Logistics Corporation and its shareholders look forward to carrying out these business development activities and to becoming involved in additional areas of business investment in the north as a result of these activities.

If you have any further questions in relation to these proposed business development activities, please contact the undersigned.

Yours truly,
PAN ARCTIC INUIT LOGISTICS CORPORATION



F. Hunt
President

SECTION D

NORTHERN BENEFITS

ARTICLE D1 - AUTHORITIES AND DEFINITIONS

Unless the content otherwise requires, the following terms shall have the meanings set out as follows:

"Cooperation Agreement" means the agreement dated 05 February 1992 between the Inuvialuit Regional Corporation and the Department of National Defence concerning the operation and maintenance of the North Warning System.

"LSS" means Logistic Support Site. The five LSSs are: Inuvik, Cambridge Bay, Hall Beach, Iqaluit and Goose Bay.

"Northern Benefit Authority" means the Minister of Indian Affairs and Northern Development or his delegate who is hereby designated by the minister to carry out any functions necessary to ensure that the government's objectives of northern economic development for the project are achieved through this Contract;

"Northern Business" means a Canadian enterprise which has a permanent operating presence in the "Northern Region";

"Northern Expenditure" means a direct expenditure for labour, training, goods or services to a "Northern Resident" or a "Northern Business";

"Northern Region" means the region of Canada comprising Yukon Territory, The Northwest Territories and Labrador;

"Northern Resident" means a person who has established permanent residence in the "Northern Region";

"Person Year" means 2,000 hours of paid-for labour per year;

"Shortfall" means the amount by which the "Northern Expenditure" falls short of the amount to which the Contractor is committed pursuant to this SECTION;

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SECTION D

ARTICLE D2 - NORTHERN BENEFITS POLICY

1) The Contractor hereby commits to provide Northern Benefits at least to the minimum level detailed in accordance with the breakdown shown in TABLE D2-1 over and above current operations in the North as of the date of this Contract.

TABLE D2-1

Contract - 1995 - 2000	Employment of Northern Residents	Training of Northern Residents	Northern Expenditures Excluding Labour and Training	Total Northern Expenditure
CONTRACT	\$12.5 million	\$500K	\$15 million	\$28 million

2) For the purposes of this Article, all prices and financial commitments quoted are then year Canadian dollars.

3) In respect to activities in the North, the Contractor will pursue a policy of preference towards Northern Business and Northern Residents, with the recognition that all will have to be competitive with respect to costs and technical requirements.

4) The Contractor hereby commits to maximize business and employment benefits within the Northern Region associated with this project, both through the extension of existing activities and through encouragement of those Northern Businesses that can meet cost and technical requirements.

5) The Contractor hereby commits, for all Northern jobs, to advertise, recruit and hire locally through a co-operative approach with band or municipal councils, native associations and Territorial, Provincial and Federal Government agencies.

6) The Contractor hereby commits to train or arrange to train local Northern Residents to the required level of competence for the program.

7) The Contractor hereby commits to take all reasonable steps to mitigate any anticipated or actual negative socio-economic impacts in the Northern Region which are within the Contractor's reasonable control.

8) The Contractor hereby commits to consult on a continuing basis with all known parties likely to be affected by the program.

9) As set out by the Cooperation Agreement with the Inuvialuit Regional Cooperation under the Inuvialuit Final Agreement regarding land claim settlements in Inuvialuit Settlement region (ISR) and the Nunavut Final Agreement and Land Claim Settlement Agreements the Contractor hereby commits to specific employment, training and subcontracting arrangements set out in those agreements in all places where the Work is performed.

SECTION D

ARTICLE D3 - NORTHERN EMPLOYMENT AND TRAINING

1) The Contractor hereby commits to train or arrange to train and to hire Northern Residents in accordance with the breakdown shown in TABLE D3-1 over the life of this Contract, at a cost of not less than that shown in TABLE D2-1 which is included in the Contract Price.

TABLE D3-1

TOTAL NUMBER OF NORTHERN RESIDENTS TO BE TRAINED	38
NUMBER OF POSITIONS TO BE FILLED BY TRAINED NORTHERN RESIDENTS	38

2) The Contractor hereby commits to create Person Years of employment in the Northern Region in accordance with the breakdown shown in TABLE D3-2 over the life of this Contract.

TABLE D3-2

PERSON YEARS OF EMPLOYMENT IN THE NORTHERN REGION	290
PERSON YEARS OF EMPLOYMENT OF NORTHERN RESIDENTS	190

3) Of the Person Years identified in TABLE D3-2, the Contractor hereby commits to strive to maximize the participation of aboriginal people to be employed on the Operations and Maintenance of the NWS.

SECTION D

4) TABLE D3-3 below identifies the categories of employment that are available in NWS operations within the Northern Region. The Contractor hereby commits to provide employment opportunities for Northern Residents in all categories listed, where Northern Residents have or can attain the necessary requirements.

TABLE D3-3

Categories of Northern Employment

Category

Type of Position

1. Managerial/Professional	- LSS Supervisor/Resident Manager - Manager, Northern Affairs
2. Technical	- Community Based Electronic Technician (CBET) - Community Based Facilities Technician (CBFT) - Facilities Maintenance Technician (FMT) (Vehicles)
3. Admin/Clerical	- Community Based Supply/Transportation Person (CBSTP) - Administrative Assistant (Management Trainee) - Warehouseperson II - Clerical
4. Equipment Operation	- Facilities Maintenance Operator II (FMO II) - Heavy Equipment Operator
5. Food Operation	- Chef/Cook
6. Site Support	- Facilities Maintenance Operator I - Janitorial

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SECTION D

5) TABLE D3-4 below identifies the skills and experience normally regarded as pre-requisites for employment in each of the positions provided in NWS operations within the Northern Region. The Contractor hereby commits to utilizing these referenced skill and experience requirements and stipulated minimum levels of education in the hiring of Northern Residents for NWS operations.

TABLE D3-4

Northern Employment Prerequisites

Position	Skills	Related Experience	Stipulated Minimum Levels of Education
<u>Managerial/Professional</u>			
LSS Supervisor/ Resident Manager	Supervisor experience in northern setting	5 years	Grade 10
Manager, Northern Affairs	Personnel/business skills	3 years	Grade 10
<u>Technical</u>			
Community Based Electronic Technician (CBET)	AN/FPS 117 or 124 training Communications/Electronics skills	2 years	Certificate + Grade 12
Community Based Facilities Technician (CBFT)	Electrical systems, PGS and facilities	3 years	Certificate Grade 10
<u>Administration</u>			
Community Based Supply/Transportation Person (CBSTP)	Shipping/receiving equipment, coordination of transportation, maintaining warehouse and materials, forecasting stock levels	3 years	Grade 12 or equivalent
Administrative Assistant	Interpersonal/communication skills, word processing	1 year	Grade 10
Warehouseperson II	Inventory control, shipping/ receiving in computerized facility	1 year	Grade 10

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SECTION D

<u>Equipment Operation</u>			
Facilities Maintenance Operator II	Operation of Cat graders, loaders and trucks	3 years	Certificate Grade 10
<u>Food Services</u>			
Chef/Cook	Food preparation	3 years	Certificate Grade 12 or equivalent
<u>Site Support</u>			
Facilities Maintenance Operator I	Cleaning, sanitation and minor repair tasks	1 year	Grade 8

6) The Contractor hereby commits to sourcing for employment in NWS Northern operations for the community based Logistics Support Sites by the basis of proximity to NWS sites. Employees will be sourced in the following order of priority :

- Within the community (local);
- Within the region (regional);
- Within the NWT, Labrador or Yukon Territory; and
- Southern Canada.

For greater clarity refer to TABLE D3-5 for details on specific communities.

SECTION D

TABLE D3-5

EMPLOYMENT SOURCING BY NWS SITE

<u>Site</u>	<u>Local</u>	<u>Regional</u>	<u>NWT Labrador and Yukon</u>	<u>Southern Canada</u>
Inuvik, NWT LSS	Inuvik	MacKenzie Delta Beaufort	Northern Region	Remainder of Canada
Cambridge Bay, NWT LSS	Cambridge Bay	Kitikmeot	Northern Region	Remainder of Canada
Hall Beach, NWT LSS	Hall Beach	Baffin	Northern Region	Remainder of Canada
Iqaluit, NWT LSS	Iqaluit	Baffin	Northern Region	Remainder of Canada
Goose Bay, LAB LSS	Goose Bay	Labrador	Northern Region	Remainder of Canada

7) In recognition of the Northern lifestyle, the Contractor hereby commits to providing various rotation schedule options to NWS employees who are Northern Residents. The above noted options are to be included in the Northern Benefits plan to be supplied pursuant to the SOW and are to be reviewed annually with the option to amend upon mutual agreement of both parties.

8) The Contractor hereby commits to providing transportation assistance to Northern employees to reach NWS Logistic Support Sites. The amount of assistance will be governed by the rotation schedule selected.

9) The Contractor hereby commits to providing financial assistance to long term NWS employees wishing to relocate to a community designated as a NWS Logistic Support Site community. The terms of the financial assistance will be in accordance with the Contractor's corporate policy on relocation assistance as detailed in the Northern Benefits plan to be supplied pursuant to the SOW.

10) The Contractor hereby commits that, subject to operational requirements, NWS employees will be provided first priority for work assignments at sites geographically close to their home community. The Contractor will make every effort to assign employees to positions on sites geographically close to their home community.

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SECTION D

11) In recognition of the importance of local management capability to the delivery of Northern Benefits, the Contractor hereby commits to appoint a Manager, Northern Affairs. The Manager, Northern Affairs will work directly with the Logistic Support Site (LSS) Managers in the human resource, logistics and procurement elements of the Contract, as well as liaison with DIAND, DND, GNWT, YTG, Labrador and the Kativik Regional Government. As well, the Manager, Northern Affairs will ensure that the work is undertaken in compliance with Land Claim Settlement Agreements, the Cooperation Agreements, and similiar Agreements. Other responsibilities include the preparation of training plans and reports, monitoring the plans, providing advice and guidance on issues relating to subcontracting, purchasing, employment and training, as well as providing advice, assistance and guidance on the political structures in the North. The community based LSS managers are based in Inuvik NWT, Iqaluit NWT and Goose Bay Labrador and rotational LSS managers are based in Cambridge Bay and Hall Beach.

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SECTION D

ARTICLE D4 - NORTHERN BUSINESS

- 1) Both parties acknowledge and agree that the Contractor's compliance with the requirements of this Article shall be subject to Northern Business being competitive in the event it complies with the following:
 - a) the ability to provide technical work and/or services in accordance with Her Majesty's requirement under the Contract; and
 - b) the price quoted by a Northern Business for the provision of such work and/or such service does not exceed the Contractor's Northern preference policy, detailed below:
 - i) contracts under \$5,000, 20% (maximum bid adjustment \$1,000);
 - ii) contracts \$5,000 - \$1,000,000, 20% (maximum bid adjustments \$100,000);
 - iii) contracts \$1,000,000 - \$2,500,000, 10% on the first \$1,000,000, 5% on the remainder (maximum bid adjustment \$175,000);
 - iv) contracts over \$2,500,000 (maximum bid adjustment \$175,000); and
 - c) Land Claims Settlements Agreements.
- 2) The Contractor hereby commits to Northern Expenditures excluding labour and training of not less than the amounts shown in TABLE D2-1.
- 3) Except for those sites within the Inuvialuit Settlement Region where the provisions of the Cooperation Agreement apply, the Contractor hereby commits to utilize commercial scheduled air services for the movement of personnel and goods within the Northern Region. Where such services are not available, the Contractor hereby commits to utilize Northern commercial charter air services.
- 4) The Contractor hereby commits to enter into agreements with Northern Business for the provision of catering, food and janitorial services on NWS sites. The value of these agreements is shown in TABLE D4-1 and includes labour costs.

SECTION D

TABLE D4-1

NORTHERN BUSINESSES PROVIDING
CATERING, FOOD, & JANITORIAL
SERVICES

Total

\$8.0M

5) The Contractor hereby commits to the procurement of services listed below, to the extent required, from Northern Business, under contract or fee for service:

Examples of these include:

Local air transportation;

Local freight haul and expediting;

Catering;

Custodial;

Snow removal;

Road and airstrip maintenance;

Building maintenance;

Minor engineering consulting;

Minor capital projects or improvements;

Vocational training programs and instruction;

Cross-cultural sensitivity programs and instruction;

Laundry and dry cleaning;

Overflow accommodation services;

Environmental emergency response;

Water delivery;

Waste removal;

Sand and gravel;

Medical and counselling services to NWS employees;

Various AWR work;

Trucking;

Travel services; and
barging

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SECTION D

Selection of individual suppliers of services under this paragraph will be determined by compliance with requirements for the services to be provided and by competitiveness as defined in this sub-ARTICLE D4-1.

6) To the extent required the Contractor hereby commits to the procurement from Northern Business of goods listed below. Examples of these include:

- automotive parts and supplies and repairs;
- canteen - various supplies;
- clothing - arctic gear;
- construction labour and materials;
- communications equipment;
- electrical;
- electronics;
- fuel - diesel, jet, gas;
- gas - compressed, cylinder;
- hardware and industrial supplies;
- janitorial equipment, supplies, chemicals;
- heating, ventilation, refrigeration parts and supplies;
- heavy equipment parts and repairs;
- lumber;
- fasteners;
- plumbing supplies;
- vehicles;
- tools;
- welding equipment and supplies;
- sports equipment; and

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for

SECTION D

aggregates (sand, gravel, etc.)

Selection of individual suppliers of goods under this paragraph will be determined by compliance with requirements for the goods to be provided and by competitiveness as defined in this Sub-ARTICLE D4-1.

7) The Contractor hereby commits to the procurement of other non-commercial services from Northern Business, and/or community organizations or governments listed below:

- a) Rentals:
 - vehicles and equipment;
 - recreational equipment.
- b) Provincial/Territorial Governments:
 - training programs;
 - training facilities.
- c) Municipal Governments:
 - snow clearance;
 - road and airstrip maintenance;
 - water delivery;
 - waste disposal;
 - sand and gravel;
 - fire protection; and
- d) Community organizations:
 - recreational facilities and programs;
 - entertainment facilities.

Selection of individual suppliers under this paragraph will be determined by compliance with requirements for the services to be provided and by competitiveness as defined in this Sub-ARTICLE D4-1.

8) Within the limits of operational effectiveness and economic feasibility, the Contractor hereby commits to break down service and purchase Subcontracts to a level or value that can be undertaken by Northern Business.

9) In certain circumstances the Contractor hereby commits to waive bid bonding requirements, on all labour and material Subcontracts valued at less than \$100,000 and certain other supply Subcontracts regardless of value, to facilitate participation of Northern Businesses in tendering for NWS business opportunities.

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SECTION D

10) ADDITIONAL WORK REQUIREMENTS (AWR)

To facilitate the participation of Northern Business, the Contractor hereby commits to maximizing Additional Work Requirements in the North. The criteria for award will include geographical preference in the order of priority listed below:

- a) Local (community)
- b) Regional (region)
- c) NWT, Labrador and Yukon Territory
- d) Southern Canada

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SECTION D

ARTICLE D5 - REPORTS AND REVIEWS

- 1) The Contractor hereby commits to prepare reports and conduct reviews in accordance with the Contract Data Requirements Lists (CDRL) of Schedule A - Statement of Work.

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SECTION D

ARTICLE D6 - FAILURE TO MEET NORTHERN COMMITMENTS

- 1) Her Majesty and the Contractor acknowledge and agree:
 - a) that any failure of the Contractor to achieve the obligations set out in this Section will cause Her Majesty to sustain actual damages in the form of injury to the economy of Canada which will be commercially impracticable or extremely difficult to compute or ascertain, and that the provisions of this Article that apply to the failure of the Contractor to achieve any commitment hereunder are the Parties' best pre-estimate of such actual damages and are not intended to be nor to be construed as a penalty;
 - b) that Northern Benefit obligations undertaken by the Contractor herein constitute a covenant of the Contract, collateral to the award of the Contract to the Contractor;
- 2) If at the end of the Contract, the Contractor has failed to meet the monetary commitment specified in column TOTAL NORTHERN EXPENDITURE of TABLE D2-1 of this SECTION the Contract Price shall be reduced by an amount equal to the SHORTFALL as agreed liquidated damages.

SECTION D

ARTICLE D7 - VERIFICATION AND ACCESS TO RECORDS

1) If the Northern Benefit Authority determines that the Northern Benefits or any other aspect of a commitment must be verified, the Contracting Authority shall notify the Contractor and the Contractor shall, at all reasonable times, provide the Contracting Authority with access to its accounts and records related thereto and shall use its best efforts to arrange for the same in respect of its Subcontractors or any other parties to any commitment.

2) In any case where subsequent to the verification action taken pursuant to sub-Article 1) of this Article; and

- a) owing to the inaccessibility of the accounts and records of the parties mentioned in sub-Article 1) of this Article (despite the Contractor's best efforts in that regard); or
- b) because accounts and records examined by the Contracting Authority are insufficient to enable the Northern Benefit Authority to determine the extent of the Contractor's achievements in respect to any Northern Benefit;

it cannot be verified that a Northern Benefit commitment has been achieved then the achievement of that part of the Northern Benefit which cannot be verified shall be determined at the discretion of the Northern Benefit Authority.

THIS AGREEMENT made effective as of the 1st day of April, 1995.

BETWEEN:

PAN ARCTIC INUIT LOGISTICS CORPORATION
(hereinafter referred to as the "CORPORATION")

- and -

LABRADOR INUIT DEVELOPMENT CORPORATION
(hereinafter referred to as the "CONTRACTOR")

SERVICE AGREEMENT

PREAMBLE

WHEREAS:

A. The goals and objectives of the CORPORATION include the initiation, expansion and development of economic and business opportunities for Canadian Inuit and the fulfilment of associated contract commitments, including, without limitation, the operation and maintenance of the North Warning System;

B. The CONTRACTOR is a business development corporation representing one of Canada's Inuit land claim settlement areas in Arctic Canada and has experience and resources to contribute to the operations of the CORPORATION;

C. The CORPORATION wishes to retain the CONTRACTOR to provide the SERVICES on the terms and conditions herein contained;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained, other good and valuable consideration and the sum of One (\$1.00) Dollar now paid by each party hereto to the other (the receipt and sufficiency of which is hereby acknowledged), the parties hereby agree as follows:

ARTICLE 1

1.1 Definitions

In this Agreement the following words and expressions shall have the meanings herein set forth unless inconsistent with the subject matter or context:

(a) EFFECTIVE DATE means the 1st day of April, 1995;

- (b) FEE has the meaning ascribed to that term in Section 2.3 hereof;
- (c) NWS O & M CONTRACT means the North Warning System Operations and Maintenance Contract signed on December 29, 1994 and made effective April 1, 1995 among the Government of Canada, Frontec Logistics Corp. and the CORPORATION, as amended, renewed, extended, substituted or supplemented from time to time;
- (d) SERVICES means all marketing development and management services as the CORPORATION may reasonably require of the CONTRACTOR in connection with all aspects of the business and affairs of the CORPORATION including, without restricting the generality of the foregoing, the following:
 - (i) Management advice with respect to all issues affecting the CORPORATION, but most particularly relating to the fulfilment by the CORPORATION of its obligations and commitments under the Joint Venture Agreement between the CORPORATION and Frontec Logistics Corp. signed in Iqaluit on August 30, 1994, and under the NWS O & M CONTRACT;
 - (ii) Management advice with respect to the identification and evaluation of potential new areas of business activity in which the CORPORATION might wish to become involved;
 - (iii) Public relations activities in support of the CORPORATION with the Governments of the Northwest Territories, Quebec, Newfoundland and Labrador, and Nunavut (when it is established in 1999), as appropriate, and their various departments and agencies relating to all issues affecting the CORPORATION including, without limitation, business development activities, regulatory concerns and employment and training initiatives;
 - (iv) Promoting and assisting the CORPORATION in maintaining good customer relations, particularly with regard to major clients, including the Government of Canada in relation to the NWS O & M CONTRACT;
 - (v) Providing community relations advice and assistance, particularly with respect to the concerns and priorities of the shareholders of the CORPORATION and the Inuit and Inuvialuit beneficiary membership bodies within the various applicable land claim settlement regions, which are represented by the shareholders of the CORPORATION;
 - (vi) Assisting the CORPORATION in developing and maintaining good corporate relations with other Inuit and Inuvialuit businesses and with the

various national and regional organizations which provide political or business development representation for the Inuit and Inuvialuit in the Northwest Territories, Northern Quebec and Labrador;

- (vii) Assisting the CORPORATION in streamlining and enhancing its business practices, procedures and systems, including, but not limited to, developing concepts, plans and appropriate implementation strategies in consultation with the CORPORATION and its shareholders for cost-effective and mutually beneficial business communications and information exchange capabilities;
- (viii) Undertaking specific economic and business development activities in fulfilment of the provisions of ARTICLE C3 - LONG TERM DEVELOPMENT of the NWS O & M CONTRACT, at such costs as may be determined by the CORPORATION, which activities shall include but not be limited to the following:
 - identification of areas of potential business or economic development;
 - initial meetings, research and pre-feasibility studies on identified economic and business opportunities;
 - completion of feasibility studies and project designs;
 - completion of proposals and/or bids;
 - marketing of proposed projects and/or ventures;
 - negotiation and conclusion of agreements and contracts for proposed projects and business ventures; and
 - project or venture development activities including start up, construction and capital acquisition.

The areas of business and economic development interest to be pursued by the CONTRACTOR in fulfilment of the CORPORATION'S commitments under ARTICLE C3 of the NWS O & M CONTRACT shall include, but not be limited to, transportation, renewable and non-renewable resource development, communications, construction, tourism, environmental reclamation, commercial and retail opportunities and the service sector;

- (ix) Reporting to the CORPORATION on the economic and business development activities undertaken by the CONTRACTOR in fulfilment of

the CORPORATION'S commitments under ARTICLE C3 of the NWS O & M CONTRACT in such format and in such detail as may be requested by the CORPORATION in order for the CORPORATION to report in turn to its joint venture partner(s), to the Government of Canada and the CORPORATION'S other clients as may be necessary;

- (x) Providing timely advice to the CORPORATION with respect to Inuit and Inuvialuit firms that might be interested in bidding on subcontracts related to the North Warning System;
- (xi) Providing advice and assistance to the CORPORATION in relation to its recruitment and selection activities with respect to the PAIL/Frontec Inuit Training Program, as generally specified under the terms of the Joint Venture Agreement between the CORPORATION and Frontec Logistics Corp., which attempt to increase Inuit and Inuvialuit participation in the work being carried out under the NWS O & M CONTRACT. The activities to be carried out by the CONTRACTOR in this regard shall be conducted within the relevant land claim settlement region and shall include, but not be limited to, the following:
 - assisting in the distribution of application forms for the Inuit Training Program to interested individuals, regional Inuit organizations, Canada Employment Centres and other appropriate places in the region;
 - promoting awareness of the Inuit Training Program within the various communities and organizations within the applicable land claim settlement region and the specialized types of training that are available for Inuit and Inuvialuit individuals under this program;
 - encouraging qualified individuals to complete the application form and related documentation necessary for entry into the Inuit Training Program, and assisting potential training candidates with returning the completed forms to the CORPORATION'S operating office in Ottawa;
 - advising and assisting the CORPORATION in evaluating the qualifications of individuals who have applied for training under the Inuit Training Program, and in carrying out reference checks and background reviews on such potential candidates for training prior to their names being formally forwarded by the CORPORATION as candidates for training under the Inuit Training Program.

1.2 Preamble

The parties hereby confirm and ratify the matters contained and referred to in the Preamble to this Agreement and agree that same are expressly incorporated into and form part of this Agreement.

ARTICLE 2

2.1 Retainer

The CORPORATION hereby agrees to retain the CONTRACTOR to provide the CORPORATION with the SERVICES and the CONTRACTOR hereby agrees to provide the CORPORATION with the SERVICES.

2.2 Term of Agreement

Subject to earlier termination in accordance with Section 4.1 hereof, this Agreement:

- (a) shall remain in full force and effect for a period of one (1) year from the EFFECTIVE DATE; and
- (b) shall be automatically renewed for successive terms of one (1) year each unless either party gives written notice of termination to the other party at least thirty (30) days prior to the end of any such year (with such termination to be effective at the end of such year).

2.3 FEE

In consideration for the performance of the SERVICES, the CORPORATION shall pay to the CONTRACTOR a fee (the "FEE") which shall be in an amount determined by the Board of Directors of the CORPORATION based on the year-end audited financial statements of the CORPORATION and shall be paid on an annual basis within three (3) months from the end of the term of this Agreement and any renewal thereof. The CORPORATION agrees to make advances to the CONTRACTOR on a quarterly basis upon receipt by the CORPORATION of an invoice from the CONTRACTOR; provided, however, that the CORPORATION shall not be obligated to make quarterly advances of any amount in excess of one-quarter of the CORPORATION'S reasonable estimate of the aggregate FEE payable to the CONTRACTOR for that fiscal period of the CORPORATION. The funds so advanced by the CORPORATION shall be treated as a deposit to be applied against the FEES payable to the CONTRACTOR for the term to which the advance relates.

2.4 Income Tax

The CONTRACTOR acknowledges and agrees that it has sole responsibility for the reporting of the FEE for income tax purposes and for payment of any income tax or other tax, levy or charge assessed in respect of the FEE by any government, whether federal, provincial or municipal.

2.5 Expenses

The CONTRACTOR shall be reimbursed, in accordance with the CORPORATION'S expense policy from time to time, for all travel and other out-of-pocket expenses actually and properly incurred by representatives of the CONTRACTOR in connection with the performance of the SERVICES, upon reasonable particulars of such expenses being provided to the CORPORATION.

ARTICLE 3

3.1 Provision of SERVICES

The SERVICES will be performed by the CONTRACTOR in the following manner:

- (a) attendance and participation in the CORPORATION'S strategy meetings and discussions;
- (b) attendance and representations to community, business and government groups and at meetings relating to matters of interest to the CORPORATION;
- (c) participation in special projects as directed by the CORPORATION'S Board of Directors.

3.2 Faithfulness of CONTRACTOR

The CONTRACTOR agrees with the CORPORATION that during the continuance of this Agreement, the CONTRACTOR shall devote such time as is necessary for the efficient and expedient provision of the SERVICES and shall act at all times in a diligent and faithful manner and shall provide the SERVICES in a manner which is to the greatest advantage of the CORPORATION.

3.3 Independent Contractor

Notwithstanding anything in this Agreement to the contrary, the parties agree that the CONTRACTOR is an independent contractor and not an employee of the CORPORATION.

3.4 Litigation

The CONTRACTOR hereby agrees to cooperate with the CORPORATION, at the expense of the CORPORATION, both during and after the term of this Agreement, in the bringing of or defending of any action or claim of any nature whatsoever in respect of which the CORPORATION is a party or has an interest which arises in any manner whatsoever, directly or indirectly, in connection with the CONTRACTOR'S performance of the SERVICES.

ARTICLE 4

4.1 Termination of Agreement

This Agreement may be terminated in either of the following events:

- (a) upon the mutual written agreement of the parties hereto; or
- (b) at the sole option of the CORPORATION, this Agreement shall be deemed to be automatically terminated if the CONTRACTOR makes an assignment for the benefit of creditors or is declared bankrupt, or if a custodian or receiver or receiver and manager or other officer with similar powers is appointed with respect to the CONTRACTOR or any of its property or if the CONTRACTOR voluntarily files a petition in bankruptcy or proposes to take the benefit of any provision of the *Companies Creditors Arrangement Act* as now or hereafter in force or makes an arrangement with its creditors pursuant to any statute now or hereafter in force.

ARTICLE 5

5.1 No Waiver

No consent or waiver, express or implied, by either party to or of any breach or default by the other party in the performance by the other party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of obligations hereunder by such party hereunder. Failure on the part of either party to complain of any act or failure to act of the other party or to declare the other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder.

5.2 Unenforceable Terms

If any term, covenant or condition of this Agreement or the application thereof to any party or circumstance shall be invalid or unenforceable to any extent the remainder of this

Agreement or application of such term, covenant or condition to a party or circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby and each remaining term, covenant or condition of this Agreement shall be valid and shall be enforceable to the fullest extent permitted by law.

5.3 Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto relating to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether verbal or written, of the parties. There are no general, specific, implied or express warranties, representations or other agreements by or between the parties in connection with the entering into of this Agreement or the subject matter hereof except as specifically set forth herein.

5.4 Amendments

No alteration or amendment of this Agreement shall take effect unless the same is in writing duly executed by each of the parties in the same manner as this Agreement.

5.5 Further Assurances

The parties hereto and each of them do hereby covenant and agree to do such things and execute and deliver such further documents, agreements and assurances as may be necessary or advisable from time to time in order to carry out the terms and conditions of this Agreement in accordance with their true intent.

5.6 Notices

Any notice required to be given hereunder by any party shall be deemed to have been well and sufficiently given if:

- (a) personally delivered to the party to whom it is intended or if such party is a corporation to an officer of that corporation; or
- (b) mailed by prepaid registered mail, transmitted by facsimile or delivered, to the address or facsimile number of the party to whom it is intended as follows:
 - (i) if to the CORPORATION, then:

Pan Arctic Inuit Logistics Corporation
280 Albert Street, Suite 900
Ottawa, Ontario
K1P 5G8

Fax No.: (613) 234-2595

(ii) if to the CONTRACTOR, then:

Labrador Inuit Development Corporation
P. O. Box 1000, Station "B"
Happy Valley - Goose Bay
Labrador, Newfoundland
AOP 1EO

Fax No.: (709) 896-5834

or to such other address or number as a party may from time to time direct in writing.

Any notice delivered before 4:30 p.m. local time on a day that is not a Saturday, Sunday or statutory holiday in the Province or Territory in which the notice is to be sent (a "Business Day") shall be deemed to have been received on the date of delivery and any notice delivered after 4:30 p.m. local time on a Business Day or delivered on a day other than a Business Day, shall be deemed to have been received on the next Business Day. Any notice mailed shall be deemed to have been received seventy two (72) hours after the date it is postmarked. Any notice sent by facsimile before 4:30 p.m. local time on a Business Day shall be deemed to have been received when the sender receives the answer back confirming receipt by the recipient; provided, however, that any facsimile received after 4:30 p.m. local time on a Business Day or received on a day other than a Business Day shall be deemed to have been received on the next Business Day. If normal mail or communications service is interrupted by strike, slow-down, force majeure or other cause after the notice has been sent the notice will not be deemed to have been received until actually received. In the event normal mail service is impaired at the time of sending the notice, then personal delivery or facsimile transmission only shall be effective.

5.7 Headings

The headings in this Agreement have been inserted for reference and as a matter of convenience only and in no way define, limit or enlarge the scope or meaning of this Agreement or any provision hereof.

5.8 Singular, Plural and Gender

Wherever the singular, plural, masculine, feminine or neuter is used throughout this Agreement the same shall be construed as meaning the singular, plural, masculine, feminine, neuter, body politic or body corporate where the facts or context so requires.

5.9 Assignment

This Agreement shall not be assigned by either party without the prior written

consent of the other party; provided, however, that if the CONTRACTOR transfers all of its shares in the capital of the CORPORATION to an affiliate thereof as permitted pursuant to the Unanimous Shareholder Agreement between the CORPORATION and its shareholders dated August 30, 1994, as amended from time to time, then this Agreement may be assigned by the CONTRACTOR to such affiliate.

5.10 Enurement

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

5.11 Governing Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of the Northwest Territories and the parties hereto hereby submit to the jurisdiction of the Courts in the Northwest Territories.

IN WITNESS WHEREOF the parties have hereunto set their corporate seals duly attested to by the hands of their properly authorized officers in that behalf all on the day and year first above written.

**PAN ARCTIC INUIT LOGISTICS
CORPORATION**

Per: _____

Per: _____

**LABRADOR INUIT DEVELOPMENT
CORPORATION**

Per: _____

Per: _____