Update- Surrender Claim Negotiation November 2007

This is an Update on the status of the Peguis claim in relation to the illegal taking of the St. Peter's Reserve in 1907 for the information of Peguis Members.

Meetings:

The Peguis Negotiating Team last met with Canada in mid-August 2007. At that time, the parties agreed that the process of assessing the compensation to which Peguis could be entitled upon settlement was virtually complete. Aside from an update on the value of the St. Peter's Reserve and the Peguis Reserves due at the end of September and some discussion required in regard to the claimed shortfall of assistance in relocation after the surrender, the parties could proceed with the assembly and analysis of the estimated compensation.

Peguis Claim:

The assessment of the compensation that Peguis would claim in these negotiations has been an extremely complicated, time consuming and costly exercise. Most surrender claims deal with the assessment of loss arising from the partial taking of a Reserve, but in the Peguis case, not only was the whole of the St. Peter's Reserve taken (an agreed area of 39, 393 acres/61.55 sq. miles), but Peguis was provided with replacement Reserve in the form of the Peguis Reserves 1B and 1C (an agreed area of 77,208 acres/122.2 sq. miles for Peguis IR1B and 976 acres/1.52 sq. miles for Peguis IR1C). Accordingly, all of the studies were large in scope (size and land types), extensive in time (100 years), complicated (hypothetical economic development at St. Peter's versus actual at Peguis Reserves, time consuming to complete (8 years so far) and costly (due to the numerous joint studies and extensive review work).

Keep in mind that since Peguis received new Reserves of about 78,184 acres in consideration for the surrender of St. Peter's Reserve and other matters referred to in the surrender document and related negotiations, Canada is entitled to a credit for the value of the land received, the economic benefit Peguis has derived from that land and other payments made to Peguis after the 1907 surrender took place.

Compensation Peguis will seek can be generally described as follows:

- The current unimproved market value of the Claim Land;
- The current value of the annual economic loss from its inability to use the Claim Land for economic activities (in this case, agriculture, forestry, mining, mineral extraction and other land development, e.g. commercial uses) from the time of the surrender until the present;
- Losses arising from its community Relocation (community infrastructure, physical relocation and loss of property); and
- Losses arising from the alleged error in survey of the south boundary of St. Peter's Reserve.

Canada's Claim of Offsets:

Peguis claim to compensation is offset to a degree by:

- The current unimproved market value of the Peguis Reserves 1B and 1C;
- The current value of the annual economic benefits from its use of the above Reserves for economic activities (in this case, agriculture, forestry, mining, mineral extraction and other land development, e.g. commercial uses) from the time the replacement Reserves were selected until the present;
- The current value of the annual economic benefits from Peguis use of the Claim Land after the 1907 surrender;
- Costs paid by Canada for the community Relocation;
- Amounts paid to Peguis for the sale of St. Peter's Reserve common land;
- Amounts paid to Peguis for other uses of the Peguis Reserves not covered by the loss studies (e.g. land transactions such as land rent); and
- Amounts paid to Peguis under the St. Peters Act to discharge liens on Claim land (Peguis disagrees with this claim).

Each value above, except the current land value, must then be converted from historic dollar values into current dollar values and only then can a final calculation be produced to provide a guideline for settlement purposes. Neither party is 100% committed to the resulting net dollar figure(s); rather, the

figure(s) are considered guidelines to provide an indicator or perhaps range around which negotiations might be concluded.

Update of Land Appraisal:

On October 17, 2007, Serecon Consulting provided an update of their 2002 opinion of the current value of the St. Peter's Reserve and Peguis Reserves. As the Claim Land (St. Peter's Reserve) was estimated to be of greater current market value than the Peguis Reserves, Peguis would be entitled to the difference in value as compensation.

Relocation:

Peguis has claimed that Canada failed to provide sufficient financial assistance to Peguis in relation to its forced relocation to Peguis IR1B after the 1907 surrender (including reconstruction of the community and physical relocation). Peguis also alleges that some of the assistance provided was mismanaged and misused for which Canada is not entitled to credits. Peguis technical advisors are continuing work on this part of the claim compensation.

Replacement of Federal Negotiator:

Unfortunately, Canada's negotiator took an extended leave of absence for health reasons as of November 2, 2007. Accordingly, she will be replaced by a new Negotiator without the history of understanding and experience with the Peguis surrender claim. Council will be seeking the appointment of an experienced Negotiator. This will be the third federal Negotiator assigned to Peguis claim negotiations since 1998.

Whitefish Lake Band Decision:

Earlier this year, the Ontario Court of Appeal heard an appeal of a lower court judgment by the Whitefish Lake Band which has major implications for the Peguis claim and claims across Canada. The decision was issued November 1, 2007, and was generally in favour of the First Nation. It remains to be seen whether the Band or Canada will further appeal the decision which deals with liability of Canada for breach of its fiduciary duties and the nature of assessment of claim compensation. This is a major decision impacting on claims in Canada including the Peguis 1907 surrender claim.

Future Negotiations:

We were ready to enter into formal negotiations on compensation at our November meeting. That meeting has been cancelled due to the illness of the federal Negotiator and future meetings are deferred pending the appointment of a new federal Negotiator, as well as consideration of the implications of the Whitefish Lake Band decision by Canada and Peguis. It is uncertain, at present, when formal negotiations of the compensation due to Peguis for the illegal taking of its Reserve in 1907 will resume again.

Questions:

If any Member has any questions, please do not hesitate to contact any member of Council or our Legal Advisor Lloyd Stevenson at 1 204 645 2359.