

COURT FILE NUMBER

2501-02733

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE *COOPERATIVES AND SOCIETIES ACT*
SA 2001, c C-28.1

AND IN THE MATTER OF THE RECEIVERSHIP OF
PICTURE BUTTE FEEDER COOPERATIVE

APPLICANT

ALVAREZ & MARSAL CANADA INC., IN ITS CAPACITY AS
COURT-APPOINTED RESTRUCTURING OFFICER OF
PICTURE BUTTE FEEDER COOPERATIVE

DOCUMENT

FIRST REPORT OF THE RESTRUCTURING OFFICER

JUNE 24, 2025

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RESTRUCTURING OFFICER
ALVAREZ & MARSAL CANADA INC.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Attention: Orest Konowalchuk / Bryan Krol
Telephone: (403) 538-4736 / (403) 538-7523
Email: okonowalchuk@alvarezandmarsal.com
bkrol@alvarezandmarsal.com

COUNSEL
TORYS LLP
46th Floor, Eighth Avenue Place East
525 - 8th Avenue SW
Calgary, Alberta T2P 1G1
Attention: Kyle Kashuba
Telephone: (403) 776-3744
Fax: (403) 776-3800
Email: kkashuba@torys.com
File: 39108-2013

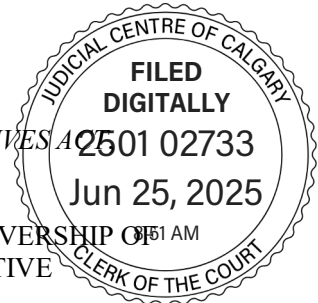


TABLE OF CONTENTS

INTRODUCTION	3
TERMS OF REFERENCE	4
BACKGROUND AND OVERVIEW	5
INITIAL ACTIVITIES OF THE RESTRUCTURING OFFICER	9
OPERATIONAL AND RESTRUCTURING UPDATE	11
RESTRUCTURING OFFICER’S FUTURE COURSE OF ACTION	24
JUSTICE MAH DECISION RE: CONFIDENTIAL APPENDIX.....	25
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS	26
APPROVAL OF THE RESTRUCTURING OFFICER’S, FEES AND COSTS, ITS COUNSEL’S FEES AND COSTS, AND COUNSEL TO PBFC’S FEES AND COSTS	28
SECURITY DEPOSIT RELEASE (COST ALLOCATION)	30
RECEIVER’S CONCLUSIONS AND RECOMMENDATIONS	31

APPENDICES

APPENDIX A	Ministerial Order (January 27, 2025)
APPENDIX B	Ministerial Action Items
APPENDIX C	January 31, 2025 Letter (PBFC to Members)
APPENDIX D	PBFC Member Updates
APPENDIX E	Ministerial Rescinding Order
APPENDIX F	Professional Fees and Disbursements Summary

INTRODUCTION

1. Effective February 21, 2025 (the “**Restructuring Officer Order Date**”), pursuant to an order granted by the Court of King’s Bench of Alberta (the “**Court**”) in Action No. 2501-02733 (the “**Restructuring Officer Order**”), Alvarez & Marsal Canada Inc. was appointed the receiver and manager (the “**Restructuring Officer**”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the “**Property**”) of Picture Butte Feeder Cooperative (“**PBFC**” or the “**Cooperative**”) pursuant to section 299(1) of the *Cooperatives Act*, SA 2001, c C-28.1 (the “*Cooperatives Act*”), as amended and section 13(2) of the *Judicature Act*, RSA 2000, c J-2, as amended (the “**Restructuring Proceedings**”).
2. The Restructuring Officer Order empowers and authorizes, but does not obligate, the Restructuring Officer to, among other things, take possession and control of the Property and of any and all proceeds, receipts and disbursements arising out of or from the Property, and abandon, dispose of, or otherwise release any interest in any of the Cooperative’s real or personal property, or any right in any immovable property.
3. The purpose of this first report of the Restructuring Officer (the “**First Report**”) is to provide this Honourable Court with information in respect of the following matters:
 - a) an overview and background of the Cooperative;
 - b) the initial activities of the Restructuring Officer since the Restructuring Officer Order Date;
 - c) an operational update of the Cooperative since the Restructuring Officer Order Date;
 - d) the Restructuring Officer’s future proposed course of action;

- e) the actual cash receipts and disbursements for the period from February 28, 2025, to May 31, 2025 (the “**Reporting Period**”);
 - f) approval of the Restructuring Officer’s actions, activities and conduct, and approval of the Restructuring Officer’s fees and disbursements and those of the Restructuring Officer’s counsel, Torys LLP (“**Torys**” or the “**Restructuring Officer’s Counsel**”) and the Cooperative’s legal counsel, Cassels Brock & Blackwell LLP (“**Cassels**” or the “**PBFC’s Counsel**”); and
 - g) the Restructuring Officer’s conclusions and recommendations.
4. Unless otherwise set forth herein, capitalized words or terms not defined or ascribed a meaning in this First Report are as defined or ascribed the meaning set out in the Restructuring Officer Order.
5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this First Report, the Restructuring Officer has relied primarily upon information obtained through the representations of certain stakeholders, the Cooperative’s consultants and former employees of PBFC. In addition, where applicable, the Restructuring Officer has relied on the Cooperative’s books and records, which were produced and maintained principally by the Cooperative and its former financial statement external auditors.
7. While the Restructuring Officer has reviewed certain financial information in respect of the Cooperative for reasonableness, the Restructuring Officer has not performed an audit, review or otherwise attempted to verify the accuracy or completeness of the Company’s financial information that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the Chartered Professional Accountants Canada Handbook, and accordingly, the

Restructuring Officer expresses no opinion or other form of assurance contemplated under CASs in respect of financial information.

BACKGROUND AND OVERVIEW

The FALG Program and Feeder Associations in Alberta

8. Established in 1991, PBFC is an Alberta cooperative established under the *Cooperatives Act*, that operates as a feeder association and is the largest of the 45 feeder associations in Alberta in terms of borrowings (eight times larger than the second largest feeder association in Alberta) and use of the provincial guarantee available under the Feeder Associations Loan Guarantee Program (the “**FALG Program**”).
9. PBFC, located in the heart of the ‘Feedlot Alley’ area of Alberta that is estimated to be one of the larger cattle feeding areas in North America and was created to provide a cost-effective financing alternative for cattle producers in Southern Alberta. PBFC holds 100% voting and outstanding shares of 2415082 Alberta Ltd. (“**241 Ltd.**”), a corporation incorporated pursuant to the laws of Alberta with a registered office in Lethbridge, Alberta. 241 Ltd. owns and holds certain software and intellectual property rights that are used in the business of PBFC and the members of the Cooperative (collectively, the “**Members**”).
10. A feeder association, such as PBFC, is a cooperative set up and managed by livestock producers that enters into agreements with its members with the objective of assisting its members to grow, finish or otherwise deal with livestock or livestock products. Specifically, PBFC assists its Members in acquiring livestock by providing easy access to low-interest, leveraged financing backed by a government guarantee as part of the FALG Program. The FALG program has been supporting farmers in Alberta and other provinces for over eight decades. The FALG Program typically finances 17% to 24% of the cattle crop in Alberta each year, thereby providing a significant portion of the lending requirements, of and vital support to, the Alberta livestock industry.

11. Under the FALG Program, PBFC offers its Members access to funding in the form of two types of loans: (a) cattle purchase loans (“**Cattle Loans**”), and (b) cattle equity draw program loans (“**Equity Loans**”). To have access to either loans, membership with PBFC is a prerequisite.
12. The purpose of Cattle Loans is to assist new or existing Members in financing the purchase of livestock for growing and/or finishing. Subject to board of director (or Restructuring Officer) approval, the maximum borrowing limit for each Member under the Cattle Loans program is capped at \$3 million. All livestock purchased using a Cattle Loan is property of PBFC and is typically tagged or branded as PBFC livestock and used as collateral to secure the Cattle Loans advanced to the Members. Livestock purchased using a Cattle Loan does not become property of the Member until such time as the Cattle Loan is fully repaid (hence, the livestock is owned by PBFC). Until the Cattle Loan is repaid in full, Members have a contingent interest in the sale proceeds of the livestock. Once the cattle are ultimately sold by the producer, the purchase price from the buyers is remitted directly to PBFC, which are applied against the Cattle Loan and any remaining balance (the “**Overage**”) is remitted to the Member.
13. Equity Loans (only available to existing Members) are to provide Members with advances, where a Member has equity in their existing livestock, largely to allow Members to pay for ongoing production costs, such as feed. Livestock owned by Members or livestock in which Members have a contingent interest as a result of having obtained a Cattle Loan can be used as collateral to allow a Member to obtain an advance on equity in that particular livestock.
14. As at the Restructuring Officer Order Date, PBFC had approximately 240 members (both active and non-active).

Credit Agreement

15. On October 19, 2022, the Bank of Montreal (“**BMO**”), as administrative agent (in such capacity, the “**Agent**”) for the syndicate of lenders (collectively, the

“**Lenders**”), and PBFC entered into a First Amended and Restated Credit Agreement (as amended, or amended and restated, the “**Credit Agreement**”). Pursuant to the terms of the Credit Agreement, the Lenders made available to PBFC revolving credit facilities in the total maximum amount of \$335,000,000 (the “**Facilities**”). The purpose of the Facilities is to finance loans from PBFC to its Members under the FALG Program. In accordance with the FALG Program, the Province provided a guarantee to the Lenders in the amount of 15% of the total amount of the Facilities pursuant to a guarantee agreement dated June 19, 2017 between PBFC, the Agent and the Province (the “**Provincial Guarantee**”). The Credit Agreement is set to expire on November 30, 2025, which PBFC will seek to renew with the Lenders.

16. As at the Restructuring Date, approximately \$275 million was utilized of the Facilities in active Cattle Loans and Equity Loans were outstanding to its Members.

Events leading up to the Restructuring Officer Order

17. On January 27, 2025, the Inspection and Investigation Section of Alberta Agriculture and Irrigation (the “**Ministry**”) issued an order (the “**Ministerial Order**”) under section 6(1) of the *Feeder Association Guarantee Act* (Alberta) (“**FAGA**”) that prohibited PBFC from making any further advances to Members under the FALG Program. A copy of the Ministerial Order is attached as Appendix “A” to this Report. The Ministerial Order was ordered as a result of various inspections on PBFC that took place between September 7, 2023 and May 15, 2024 by the Ministry, which were outlined in a report completed by the Ministry dated November 18, 2024 (the “**Inspection Report**”). As a result of the Ministerial Order, the Members were unable to access the guaranteed funding under the FAGL Program.
18. A meeting took place with the Ministry, representatives of the Feeder Association of Alberta (the “**FAA**”) (an umbrella association in which all feeder associations in Alberta belong) and PBFC to determine what was required to rescind the

Ministerial Order. A non-exhaustive list of action items (the “**Action Items**”) required by the Ministry to be fulfilled was provided to the PBFC board of directors (the “**Prior PBFC Board**”). The Action Items required a substantial number of personnel and operational changes, including an overhaul of PBFC’s corporate governance policies, by-laws and the establishment of a new independent board of directors (the “**New PBFC Board**”). A copy of the Action Items is attached as Appendix “**B**” to this Report.

19. As a result of the Ministerial Order and the Action Items, the Prior PBFC Board believed it required the assistance of professionals outside of PBFC, and as a result sought a board resolution to apply to Court and seek the appointment of a Restructuring Officer. This decision was outlined in a letter dated January 31, 2025 (the “**January 31 Letter**”) to the Members, which is attached as Appendix “**C**” to this Report. The purpose of the Restructuring Officer and the Restructuring Officer Order was to address the Action Items and to allow the Ministry to consider rescinding the Ministerial Order.
20. Shortly after the January 31 Letter, the Administrator, local Supervisor and staff resigned from their respective positions. All directors remained on the Board to ensure stability in the organization, until the Restructuring Officer Order was granted by the Court. The remaining members of the Prior PBFC Board engaged Alvarez & Marsal Canada ULC, on February 13, 2024, to assist the remaining board, its counsel and for the planning of the restructuring proceedings.
21. Further background on PBFC and its financial circumstances, including the FAGL Program, are contained in the materials filed in support of the Restructuring Officer Order, including the Affidavit of Mr. Tony Ankermann, sworn February 18, 2025 (the “**Affidavit of Tony Ankermann**”). These documents and other relevant information have been posted by the Restructuring Officer on its website, including the Restructuring Officer Order and various application materials at: www.alvarezandmarsal.com/picturebutte (the “**Restructuring Officer’s Website**”).

INITIAL ACTIVITIES OF THE RESTRUCTURING OFFICER

22. Since the Restructuring Officer Order Date, the Restructuring Officer's activities with respect to the Cooperative have included, but are not limited to, the following:

- a) attending and taking possession and control of PBFC's Property, which included, among other things, attending PBFC's office in Lethbridge, Alberta (the "**PBFC Office**") to coordinate changing the locks, and engaging a third-party IT provider to review the network to restrict access;
- b) making arrangements with the PBFC Office landlord to maintain access to the PFBC Office and continue with the current leasing arrangements;
- c) taking control of the books and records;
- d) restricting access to PBFC's bank accounts such that they would only be accessible to representatives of the Restructuring Officer;
- e) working with the Cooperative's auditor, Avail LLP ("**Avail**"), to review the PBFC books and records and to gain an understanding of the Cooperative's operations;
- f) reviewing insurance policies and ensuring all policies were valid and that no premiums were outstanding;
- g) initiating and carrying out a solicitation process to seek and hire a full-time local Supervisor and Administrator and review all applications concerning same;
- h) in consultation with the Ministry, the FCC and Agent, engage a part-time Administrator, a full-time Supervisor, and eventually a full-time Administrator (who has a scheduled start date of July 3, 2025);

- i) engage the assistance of PBFC's former auditor, Avial, to assist with various matters as required;
- j) attending to numerous meetings with representatives from the Ministry, FAA and the Lenders, along with other stakeholders and Members;
- k) conducting the Cattle Audit (subsequently defined);
- l) collaborated with the Ministry, Feeders Association of Alberta (the "FAA"), and PBFC's Lenders to address issues outlined in the Ministerial Order;
- m) forming a Member Advisory Group and Task Force (both subsequently defined);
- n) providing continued updates and communication to Members, along with planning and hosting two townhall meetings in order provide an update to Members on restructuring progress and to address any concerns arising. Copies of the Member updates are attached as Appendix "D" to this Report and are posted to the Restructuring Officer's Website;
- o) completing a review of the FAGA and FAGR and the Member files to identify gaps or deficiencies in PBFC corporate governance and document files;
- p) established reporting protocols and attending to various reporting to the Ministry, the Lenders and other stakeholders;
- q) completing a fulsome review of the Member security deposits, which were reconciled to the financial records;
- r) updating and reconciling PBFC's financial records, including Member deposits, loan balances, and banking transactions;

- s) negotiating with the Lenders on an amended Credit Agreement, a Side Letter Agreement (with the Ministry and Lenders) and completing various requirements to allow the Ministry to rescind the Ministerial Order effective May 1, 2025. Although the Restructuring Officer was successful in having the Ministerial Order rescinded, PBFC could not lend under the guarantee program with the Lenders until the above-mentioned documents were agreed to, and those documents were ultimately agreed to on May 21, 2025.
- t) reviewing existing and new Member eligibility and issuing new loans starting May 26, 2025;
- u) ensuring that Member funds from cattle sales were collected and deposited into PBFC's accounts and applied against outstanding loan balances and any Overages that the Restructuring Officer reviewed and returned to the Member;
- v) preparing a comprehensive and integrated three-statement financial model (the "**3-Way Model**") for PBFC to understand the historical performance of PBFC and help plan for the next fiscal year. The 3-Way Model was a requirement from the Lenders for continued lending under the Facilities, as discussed further below; and
- w) daily monitoring of the cash receipts and disbursements.

OPERATIONAL AND RESTRUCTURING UPDATE

Overview

23. As at the Restructuring Officer Order Date, PBFC did not have any employees nor a board of directors, as they had all resigned either on or before the Restructuring Officer Order Date. This required the Restructuring Officer to assemble its team from A&M (and other consultants) to immediately take possession and control of PBFC's operations, banking and loan book, while having to consult with various

stakeholders, including the Ministry. Upon its appointment, the immediate goal of the Restructuring Officer was to stabilize PBFC's operations and obtain an in-depth understanding of its 240 Members with active loans of \$275 million.

24. The Restructuring Officer focused on a two-phase strategy to carry out its operational improvements and restructuring initiatives in addressing the Action Items. The first phase ("**Phase I**") was largely focused to address matters that would (i) rescind the Ministerial Order; (ii) seek an amendment to the Credit Agreement that would allow the Lenders to continue to extend credit to the PBFC Members; (iii) establish revised Member eligibility criteria in requalifying existing members, new members and new loans in accordance with FAGR and FAGA; (iv) hire a new supervisor and administrator; and (v) reconcile and conduct a review of the PBFC books and records, and existing Member loans. The second phase ("**Phase II**") consists of focusing on corporate governance matters, including:
 - a) the development of a comprehensive set of corporate governance policies and procedures (collectively, the "**Policies**");
 - b) the implementation of the Policies, which PBFC anticipates will include running a fair and transparent election to appoint a new board of directors of PBFC at an appropriate future time; and
 - c) the transition of PBFC out of the control of the Restructuring Officer into the control of a newly elected board of directors, so that PBFC can resume its normal operations with the revised Policies in place.
25. Below is a summary of the material initiatives completed in Phase I by the Restructuring Officer since the Restructuring Officer Order Date:

Books and Records

Assets and Liabilities

26. As at the Restructuring Officer Order Date, PBFC's primary assets consisted of, but were not limited to, the following:
- a) cash and cash equivalents of approximately \$2.9 million;
 - b) office equipment and leasehold improvements. PBFC does not own any real property and operates out of leased premises located at #120, 876 Heritage Blvd W, Lethbridge, Alberta;
 - c) Cattle Loans and Equity Loans totaling \$275 million;
 - d) Approximately 101,000 head of cattle owned or collateralized by PBFC as a result of the Cattle Loan; and
 - e) approximately \$18.6 million in security deposits received from Members.
27. As at the Restructuring Officer Order Date, PBFC held approximately \$20.1 million held in various investments with BMO Private Investment Counsel Inc. The investment portfolio consists of a low volatility fixed income, equity and corporate bond investments. Of this amount, \$17.2 million represented security deposits received and held from Members and the remaining \$2.9 million represents an unrestricted fund balance available for use (equity) within PBFC. As at the date of this Report, approximately \$1.5 million remains in unrestricted value in the investments that can be utilized by PBFC.
28. PBFC's liabilities largely consist of outstanding Facilities and certain non-material operational accounts payables.

Revenue and Expenses

29. PBFC's main revenue stream is derived from the spread of interest received from loans made to its Members (difference between the interest received on its loans and interest paid the Lenders under the Credit Agreement), passive income earned on its investments from Member deposits, along with other fees and amounts paid by Members. PBFC's main operating expenses largely consist of interest paid from Member loans under the Credit Agreement, legal and professional fees, board and organizational costs and salaries paid to its staff and consultants.

Reconciliation of Financial Records

30. Since its appointment, the Restructuring Officer, supported by the Interim Administrator and Avail, has reconciled PBFC's financial records, including member deposits, loan balances and other receipts and disbursements.
31. After the Restructuring Officer Date, the Restructuring Officer's main focus was reconciling the books and records of the Cooperative. Once the reconciliation was complete, the Restructuring Officer then focused its attention towards ensuring Member deposits were applied to their respective loan balances and any overages were processed. Due to the required time to reconcile the books and records, certain amounts owed to members for overages for the first couple months of the Restructuring Officer Proceeding were delayed in being processed; however overages are now being processed in a more timely manner and the process is only anticipated to continue to improve as the Restructuring Officer looks to bring on a full-time Administrator.
32. Concurrently, the Restructuring Officer, in consultation with the Lenders and Avail, undertook to understand the banking process including the use of Canadian Overnight Repo Rate Average ("CORRA") loans in preparation of the future point in time when the Ministerial Order is rescinded.

Member File Reconciliation

33. As outlined in the Inspection Report prepared by the Ministry, it was alleged that the books and records of PBFC, including Member files, loan documents, and other supporting materials, were deficient in several areas. To address these deficiencies, the Restructuring Officer enlisted the assistance of Avail to conduct a comprehensive review of all Member files. A copy of the Inspection Report can be found on the Website.
34. The Restructuring Officer conducted a manual examination of PBFC's 196 Member files, to verify the inclusion of the following documents:
- a) application for membership;
 - b) membership agreement, signed by member and a PBFC representative;
 - c) loan limit approval documents approved and related board minutes, if available;
 - d) a copy of the Alberta Personal Property Registry (the "**Alberta PPR**") report and related security information;
 - e) copy of identification - Licence/Passport/PLA;
 - f) land ownership or lease document;
 - g) personal information protection agreement;
 - h) indemnity agreement;
 - i) custom feedlot agreement;
 - j) member information form; and
 - k) authorization and direction to pay.

35. The Restructuring Officer did identify certain inconsistencies in file documentation within certain of the Member files; however, it was noted that various loans were reconciled back to the financial records of PBFC. As a result, going-forward, and as communicated to the Ministry and Lenders, the Restructuring Officer has instituted a process that will ensure that all Member file information and documented as Members will be complete, as the Members become re-evaluated for membership eligibility including for all Cattle Loans and Equity Loans.

Communications with Various Stakeholders

Memorandums and Townhalls

36. The Restructuring Officer, immediately upon its appointment, established a communication framework to keep PBFC Members informed throughout the restructuring process. Such updates included: (i) Member update memorandums were emailed to Members and included on the Website (copies of the Member memorandums are attached as Appendix “D” to this Report); and one townhall meeting hosted by the Restructuring Officer in March 2025 and another townhall meeting on June 23, 2025 in Lethbridge, Alberta.
37. Attendees at the June 23rd townhall included many of the PBFC Members, the Restructuring Officer and representatives from the Ministry, FAA, and PBFC’s newly hired Supervisor. Both townhall meetings provided Members with an update on operational developments, governance policy updates and other information in respect of the Restructuring Proceedings, including financial results.

Task Force Team & Member Advisory Committee

38. As part of the Restructuring Officer’s goal to stabilize PBFC’s operations, the Restructuring Officer ensured that it had the appropriate experts and stakeholders to assist and provide guidance (as required) while the Restructuring Officer took steps to restructure the affairs of PBFC. The Restructuring Officer established two informal committees/advisory groups, namely:

- a) **Task Force Committee.** This committee is comprised of representatives from the Ministry, the FAA and the Lenders;
 - b) **Member Advisory Group.** This advisory group consisted of three individuals that were either current Members of PBFC and a representative from FAA.
39. Since the Restructuring Officer Order Date, the Task Force has been meeting weekly with the Restructuring Officer. The purpose of the meetings was to provide the Task Force committee (key stakeholders) updates on the Restructuring Proceedings and to discuss any questions, concerns or issues encountered by the Restructuring Officer during the proceedings. Starting June 26, 2025, the Task Force is expected to meet on a bi-weekly basis.
40. The Member Advisory Group (“**MAG**”) served as a communication bridge between the Restructuring Officer and PBFC members, providing insights into Member experiences and Cooperative operations during the early stages of the Restructuring Proceedings. MAG met with the Restructuring Officer in the early stages of the restructuring proceedings and provided valuable assistance and advice to the Restructuring Officer, but no longer meets on a regular basis now that operations have been stabilized.

3-Way Model

41. The Restructuring Officer developed a three-statement financial model integrating PBFC’s income statement, balance sheet, and cash flow statement. This model was designed to provide a comprehensive financial projection framework, supporting informed decision-making during the restructuring process. The model incorporates reconciled financial data, updated loan balances and operational costs, with assumptions derived from historical trends, current operations, and anticipated lending activities. These assumptions are being refined through ongoing consultations with the Supervisor, internal discussions, and analysis of operational realities.

42. The Restructuring Officer believes that this model will serve as a critical tool to evaluate financial scenarios and guide PBFC's restructuring activities and will serve as a valuable resource to PBFC in the future. In addition, the 3-Way Model was also required by the Lenders as part of the amended Credit Agreement, as discussed further below. Based on the Restructuring Officer's preliminary forecast, the financial forecasts show PBFC will continue to be profitable of the next year, which is dependent on the return of its Members and new members continuing to seek Cattle Loans and Equity Loans.

Inventory Count

43. Between March 3 and March 7, 2025, a comprehensive inventory count of all cattle on contract to PBFC was conducted by the Ministry, with assistance from the Restructuring Officer and its engaged contractors from Livestock Identification Services Ltd. ("**LIS**") (the "**Cattle Audit**"). As outlined in the Ministry Cattle audit letter dated March 14, 2025 (the "Cattle Audit Letter"), the inspection teams visited 52 farms and custom feedlots to ensure that:
- a) cattle were properly identified with a feeder association brand or a combination of RFID tags and feeder association dangle tags;
 - b) the correct number of cattle was present; and
 - c) the cattle were in good condition.
44. The Restructuring Officer, with the assistance from Avail, reconciled the Cattle Audit to the January 2025 month-end report (the "**January 2025 Report**"), prepared by the previous PBFC Administrator and Supervisor and confirmed that the January 2025 Report was accurate (minus any cattle sales since January 27, 2025, when the Ministerial Order came into effect). The Ministry and LIS each confirmed the existence of the cattle and noted no significant issues.
45. Completing the Cattle Audit was the critical first step towards providing assurance to the Ministry and the Lenders of the existence of the cattle (PBFC's collateral was

intact) that would allow the Restructuring Officer to continue its efforts in addressing the Action Items for purposes of having the Ministerial Order being rescinded, as discussed further below.

Security Review

46. The Restructuring Officer instructed Torys to conduct a security review concerning the security held by PBFC in relation to its members. A summary of select activities and findings in respect of their review is as follows:

- a) Torys reviewed 125 member agreements and related security documents;
- b) their review included searches in the Alberta PPR and the Canadian Securities Registration System to identify security interests and registrations related to the various individual Members;
- c) the Member agreements generally created valid and enforceable security interests in favor of PBFC for the described personal property set out in the respective Member Agreements; and
- d) certain deficiencies were noted, such as missing registrations and the incomplete execution of agreements.

47. The results highlighted that while most security interests were properly perfected, some deficiencies required attention and updating in order to ensure comprehensive enforceability and compliance. Any deficiencies identified are being addressed by PBFC on a go forward basis when the Members are requalified.

New Administrator and Supervisor

48. On March 5, 2025, the Restructuring Officer engaged a part-time Administrator (Ms. Lynda Miller) to assist with the day-to-day operations and bookkeeping of PBFC, while the Restructuring Officer sought a permanent Administrator for PBFC.

49. The Restructuring Officer conducted employment searches to fill two critical positions required for PBFC. Based on the review and follow-up with the various candidates for these roles, the Restructuring Officer was successful in engaging two highly respected and competent individuals for the following full-time positions:
- a) **Supervisor.** On May 5, 2025, Mr. Cody McBride was hired as PBFC's new Supervisor. Mr. McBride brings 13 years of experience at ATB Financial, including roles in agriculture lending and as Director of Specialized Financing for the Beef Industry, and previously served as the local Supervisor of Alberta Choice Feeder Coop.
 - b) **Administrator:** On June 18, 2025, Ms. Beverly Nieboer signed a full-time employment agreement with PBFC to be PBFC's permanent Administrator. Ms. Nieboer is a Chartered Professional Accountant, and brings a wealth of experience acting in her prior roles such as an internal accountant and financial controller at Boot Group of Companies and Evans Group of Companies, respectively, and four years at BDO Canada LLP as a staff accountant. Ms. Nieboer's official start date with PBFC will be July 3, 2025, and she will be available to the Restructuring Officer to start training in her role as Administrator during the week of June 23, 2025.
50. Both the Administrator and Supervisor roles were presented to the Provincial Supervisor to ensure that the Ministry believed these individuals met the qualifications required to fulfill these roles. The Provincial Supervisor provided full support to the Restructuring Officer to proceed with the employment of both Mr. McBride and Ms. Nieboer.

Initial Operational Cost Savings

51. The Restructuring Officer has been conducting a preliminary review of PBFC's expenditures over the past two fiscal year-ends to determine if there were any opportunities to initiate cost-saving measures for the organization. While this

review continues to be ongoing and it is believed there will be further cost-saving measures, the Restructuring Officer noted immediate savings to salaries and wages. Specifically, the combined salaries/fees incurred by PBFC's former supervisor and administrator in fiscal 2023 and 2024 was approximately \$1.6 million and \$1.3 million, respectively, which did not include a retirement payout of approximately \$116,000 to PBFC's former administrator.

52. The Restructuring Officer negotiated new employment contracts with PBFC's new supervisor (Mr. McBride) and Administrator (Ms. Nieboer), which alone should see an overall combined reduction in executive salaries/fees when comparing to last two fiscal years in the range of \$850,000 - \$1.15 million.

RCMP Investigation

53. On March 12, 2025, the Restructuring Officer was contacted by a representative of the Royal Canadian Mounted Police ("**RCMP**") who explained that there was an ongoing investigation with respect to PBFC.
54. The RCMP informed the Restructuring Officer that there was a search warrant issued by the Court, and that they required access to the PBFC Office to review and retain certain information. On March 20, 2025, the RCMP attended the PBFC Office and the Restructuring Officer provided access to the premises and the requested documents.
55. The RCMP retained certain PBFC information to assist with their investigation, but have since provided the Restructuring Officer with copies of the documentation and information in their possession so as to not hinder PBFC's restructuring efforts. Due to the confidential nature of this investigation, the Restructuring Officer is not permitted to disclose further information as to the specific review being conducted by the RCMP, but the Restructuring Officer can advise that this investigation will not impact the go-forward operations and lending activities of PBFC.

Ministerial Order Rescinded

56. On May 1, 2025, the Honourable RJ Sigurdson, Minister, Agriculture and Irrigation (the “**Minister**”) delivered a letter (the “**Rescinding Order**”) to the Restructuring Officer, advising that following the corrective actions, and under the sound management of the Restructuring Officer, PBFC has brought its operations into compliance with the requirements of FAGA and FAGR. As a result, effective May 1, 2025, the Ministerial Order dated January 27, 2025, prohibiting further advances under the provincial loan guarantee, was rescinded. A copy of the Rescinding Order is attached as Appendix “E” to this Report.

Amended Credit Agreement and Side Letter

57. As a result of negotiations and the Restructuring Officer addressing various concerns facing PBFC, including obtaining the Rescinding Order, the Restructuring Officer reached an agreement with the Lenders to continue to provide financing to PBFC. To allow for continued funding, PBFC (through the Restructuring Officer) was required to enter into the Seventh Amendment to the First Amended and Restated Credit Agreement between PBFC and its Lenders (the “**Amended Agreement**”), which was executed on May 21, 2025. Certain key aspects to the Amended Agreement address the restoration of the Facilities; member re-evaluation; governance and compliance; operational improvements; cashflow forecast modelling and projections; and updated rates and fees.
58. In addition to the Amended Agreement, a Side Letter (the “**Side Letter**”) was negotiated between PBFC, the Lenders and the Ministry and their respective counsel. After extensive negotiations and discussions, the Side Letter was executed on May 21, 2025. The Side Letter clarifies reporting requirements and its timing to the Provincial Supervisor, reporting of inventory counts and internal controls.

New Loans and Acceptance of Members

59. The Restructuring Officer commenced accepting new Cattle Loan and Equity Loan requests effective May 26, 2025, shortly after the Amended Agreement and Side Letter was executed and approved. The Restructuring Officer is presently going through the process to requalify all of its existing Members to the FAGR requirements, and also other enhanced criteria to ensure PBFC is compliant on their acceptance of Members going forward.
60. Below is a summary of PBFC's efforts in requalifying existing Members, qualifying new members and the value of new loans which are either being approved or are in the process of being approved:

Picture Butte Feeder Cooperative		
Key Lending Highlights		
<i>in CAD 000s</i>		
Number of requalified members		17
Number of new members		-
Number of requalified members in progress		28
Number of new members in progress		3
\$ value of new loans completed	\$	5,135
\$ value of new loans in progress.	\$	6,500

The Supervisor has been working diligently to (re)qualify all Members and process all new loan requests as quickly as possible, with the assistance of the Restructuring Officer. Early indications have shown that there is a high degree of interest from existing Members and new Members wishing to seek loans from PBFC. The Restructuring Officer, along with the Supervisor and new Administrator, will be initiating marketing efforts to seek new Members as PBFC has a material amount of availability under its existing Facilities to provide its Members with Cattle Loans and Equity Loans.

RESTRUCTURING OFFICER'S FUTURE COURSE OF ACTION

61. The Restructuring Officer has completed its Phase I goals and is now in a position to initiate the tasks set out in in Phase II within these Restructuring Proceedings.
62. Specifically, the Restructuring Officer will now be focusing its efforts on developing and implementing the Policies as well as seeking a new independent board of directors that will be elected by the PBFC Members. More information will be made available on this process to the Members in the coming weeks, and the Restructuring Officer has advised the PBFC Members that should they be interested in becoming an independent director of PBFC going forward, to reach out to and advise the Restructuring Officer of their interest in this regard.
63. The Restructuring Officer has outlined below a preliminary draft timeline concerning their proposed next steps:
 - a) transition accounting and operational tasks to the new Administrator over the next month;
 - b) establish and develop draft updated by-laws and corporate governance policies, between June 23 - July 4, 2025;
 - c) arrange for consultation and seek feedback with the Ministry, the FAA, the Lenders and other consultants (as required) on PBFC's updated corporate governance policies, between July 4 – August 1, 2025;
 - d) seek Court approval of PBFC's by-laws and corporate governance policies. The Restructuring Officer has booked time with this Honourable Court on August 27, 2025 for this approval;
 - e) call for nominations of board of directors from Members and seek independent board members, review applications and selected qualified candidates for Member voting, between September 1 to October 15, 2025;

- f) arrange for a special meeting of Members to vote on a new elected board of directors by the end of October 2025, including electing the chairperson for the board;
 - g) train, transition and monitor the board of directors into its role to ensure the board cohesiveness and effectiveness, from November 1-30, 2025, while continuing to monitor the operations of PBFC;
 - h) assist PBFC in the negotiation of the expiring Amended Credit Agreement that is set to expire by November 30, 2025; and
 - i) seek the Restructuring Officer's discharge in December 2025 or earlier.
64. The proposed timeline above for Phase II is an estimated timeline that may be subject to change based on matters that may be out of the control of the Restructuring Officer. The Restructuring Officer is focused on an appropriate transition to occur, but whilst making sure that PBFC is under appropriate corporate governance.

JUSTICE MAH DECISION RE: CONFIDENTIAL APPENDIX

65. As discussed previously in this Report, the Ministerial Order was ordered as a result of various inspections on PBFC that took place between September 7, 2023 and May 15, 2024 by the Ministry, which were outlined in the Inspection Report. The Inspection Report was attached to the Confidential Affidavit of Tony Ankermann sworn on February 18, 2025 (the “**Ankermann Affidavit**”), and was relied upon at the February 21, 2025 hearing. At the hearing for the Restructuring Officer Order, the issue of the potential sealing of the Ankermann Affidavit was raised. Justice D.R. Mah requested that counsel for certain individuals and counsel for the Restructuring Officer prepare written submissions setting out the countervailing positions and argument concerning the sealing order that was being sought. Briefs of Law were prepared and submitted the following week, and reviewed by the Justice.

66. In the decision of Justice D.R. Mah released on March 18, 2025, the sealing order that was sought in respect of the Ankermann Affidavit was denied, and consequently, the Inspection Report now forms part of the public record. Justice Mah's decision and reasons are reported in *Picture Butte Feeder Cooperative (Re), 2025 ABKB 162*.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

67. The following is a statement of the Restructuring Officer's receipts and disbursements within the Restructuring Officer's operating accounts between February 21, 2025 to May 31, 2025:

Picture Butte Feeder Cooperative Interim Statement of Receipts and Disbursements February 21, 2025 to May 31, 2025 <i>in CAD 000s</i>	
	Reporting Period Feb 21/25 to May 31/25
Opening swingline balance	\$ (10,422)
Receipts	
Collection of accounts receivable	139,235
Investment proceeds	1,750
Bank interest	43
Total Receipts	\$ 141,028
Disbursements	
Corra loan repayments	116,000
Overages	10,497
Corra loan interest	2,023
Other bank charges	1,005
Restructuring professional fees and costs	616
PBFC legal counsel & advisor costs	521
Professional retainers	282
Miscellaneous expenses	38
RFID & tag fees	26
Office and administration	15
Information technology	1
Total Disbursements	\$ 131,024
Total Receipts and Disbursements	\$ 10,004
Ending cash balance	\$ (418)

68. Opening balance in the swingline accounts (line of credit) of \$10.4 million represents outstanding PBFC's borrowings.
69. The Restructuring Officer collected approximately \$141 million relating primarily to approximately:
- a) \$139.2 million in accounts receivable collections from Members' cattle sales to pay off existing Cattle Loans and Equity Loans;
 - b) \$1.8 million of unrestricted investment proceeds have been withdrawn from the PBFC private banking portfolio into the operating accounts to assist with the funding of various required operating and restructuring disbursements; and
 - c) \$43,000 of bank interest.
70. Disbursements paid during the Reporting Period were \$131 million, which primarily relate to approximately:
- a) \$116.0 million in CORRA loan repayments from the collection of accounts loan receivables;
 - b) \$10.5 million in overage payments to PBFC members;
 - c) \$2.0 million in CORRA loan interest payments;
 - d) \$1 million in interest expenses on the prime loan swingline bank account at the prime rate of interest plus 0.2%, which includes an amendment fee to the Lenders in with respect to the Amended Agreement;
 - e) Restructuring fees and costs of approximately \$615,600 relating to:
 - i. the Restructuring Officer's invoices for services rendered up to March 28, 2025 totaling \$443,000;

- ii. the Restructuring Officer's legal counsel (Torys) for services rendered up to April 30, 2025 \$172,600
- f) PBFC legal counsel and advisor costs of approximately \$520,500 relating to:
 - i. PBFC legal counsel (Cassels) fees and costs for services rendered up to April 15, 2025 totaling \$442,900; and
 - ii. Consulting fees and costs from Avail for services rendered up to April 6, 2025 totaling \$77,600;
- g) Retainer deposits of approximately \$282,500 relating to deposits provided by PBFC to the Restructuring Officer, its legal counsel (Torys) and Avail. These amounts will be held by the respective firms and will be applied against either final professional fee invoices in the future or returned back to PBFC;
- h) Other expenses of approximately \$70,000 primarily relate to historically issued cheques being cashed during the Reporting Period, RFID and tag fees, office and administrative expenses, and information technology support.

71. The ending swingline borrowings as at May 31, 2025, was approximately \$418,000.

APPROVAL OF THE RESTRUCTURING OFFICER'S, FEES AND COSTS, ITS COUNSEL'S FEES AND COSTS, AND COUNSEL TO PBFC'S FEES AND COSTS

72. The Restructuring Officer seeks approval from this Honourable Court of its fees and disbursements from the February 13, 2025 to May 30, 2025, those of its legal counsel, Torys' fees and disbursements from February 20, 2025 to June 12, 2025, and those of the Counsel to PBFC from January 1, 2025 to May 30, 2025 (the

“Interim Taxation Period”), pursuant to paragraph 33 of the Restructuring Officer Order.

73. The total fees and disbursements of the Restructuring Officer during the Interim Taxation Period total \$896,705.8 (excluding GST) (the **“Restructuring Officer’s Fees and Costs”**), which is broken down by fees of \$874,651.0 and \$22,054.8.
74. The total fees and disbursements of the Restructuring Officer’s Counsel, during the Interim Taxation Period total \$276,756.32 (excluding GST) (the **“Restructuring Officer’s Counsel’s Fees and Costs”**), which is broken down by fees of \$267,718.50 and disbursements of \$9,037.82.
75. The total fees and disbursements of Counsel to PBFC, during the Interim Taxation Period total \$523,709.07 (excluding GST) (the **“PBFC Counsel’s Fees and Costs”**), which is broken down by fees of \$522,981.03 and disbursements of \$728.04. A summary of the Restructuring Officer’s, the Restructuring Officer’s Counsel’s Fees and Disbursements and PBFC Counsel’s Fees and Costs are attached as Appendix **“F”**.
76. The accounts of the Restructuring Officer, Restructuring Officer’s Counsel’s Fees and Costs and PBFC Counsel’s Fees and Costs detail the work completed, including the date, description, duration, and the individual responsible for each task. These activities encompass a wide range of efforts, such as reconciling PBFC’s financial records, advancing governance reforms, conducting member requalification’s, negotiating the Amended Agreement. The Restructuring Officer has also overseen operational improvements, including the resumption of lending and the development of corporate policies to ensure compliance with the FAGA and related regulations. All of the activities and conduct by the Restructuring Officer is outlined in this Report. Copies of invoices for these services will be made available to the Court upon request.
77. The Restructuring Officer respectfully submits that its professional fees and disbursements, along with those of its legal counsel, and those of PBFC’s Counsel,

are fair and reasonable given the complexity and scope of the Restructuring Proceedings and the Restructuring Officer's mandate and tasks to date. These fees reflect the significant progress made in stabilizing PBFC's operations, addressing regulatory concerns, and positioning the Cooperative for long-term success.

78. The Restructuring Officer respectfully requests that this Honourable Court approve the Restructuring Officer's Fees and Costs, the Restructuring Officer's Counsel's Fees and Costs, and PBFC's Counsel's fees and costs as outlined in this First Report.

SECURITY DEPOSIT RELEASE (COST ALLOCATION)

79. Since the granting of the Restructuring Officer Order, the Restructuring Officer has received various feedback from the Members sharing concerns regarding how PBFC will be able to recover costs from these proceedings and should these costs be borne proportionately (or in some fashion) from the Member's security deposits.
80. The security deposits held by PBFC are highly regulated and must be protected (including the return of these deposits) pursuant FAGR, the Manual of Directives and the Member Agreements. The Restructuring Officer is advised that there may be certain Members not intending to borrow any further funds from PBFC for their operations and will be requiring their security deposits back, which is causing concern from other Members with respect to the allocation of costs from the Restructuring Proceedings and potential future litigation. Specifically, the concerns raised center around who is ultimately responsible to bear these costs and should there be a mechanism to hold back some portion of the security deposits from existing members or those members that do not qualify as Eligible Members.
81. Currently, the cost of the administration of the Restructuring Proceedings is being paid through the unrestricted equity earned by PBFC's members over the years.
82. The Restructuring Officer does share the concerns raised by various Members on potential cost allocations and if a determination either needs to be made by this Court or through the newly elected board of directors. The Restructuring Officer

will discuss these matters once the newly elected board of directors have been selected to determine what (if any) holdbacks could be implemented by the organization on its Members. In the interim, as security deposits come due, the Restructuring Officer intends to pay these amounts to the Members in accordance with the regulations.

RECEIVER'S CONCLUSIONS AND RECOMMENDATIONS

83. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court approve:

- a) the actions, activities and conduct of the Restructuring Officer as more set forth in this Report;
- b) the Restructuring Officer's Fees and Costs, the Restructuring Officer's Counsel's Fees and Costs and PBFC Counsel's Fees and Costs.

All of which is respectfully submitted this 24th day of June, 2025.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Court-appointed Restructuring Officer of
Picture Butte Feeder Cooperative
and not in its personal or corporate capacity**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX A



ALBERTA
AGRICULTURE AND IRRIGATION

*Office of the Minister
MLA, Highwood*

January 28, 2025

Picture Butte Feeder Co-operative
120 – 876 Heritage Blvd West
Lethbridge, AB T1K 8G1

VIA COURIER

ATTN:

Shane Schooten, Chairman
Kevin Serfas, Director
Trevor Molenaar, Director
Melanie Fleischhauer,
Administrator

Tony Ankerman, Vice Chairman
Bill Schooten, Director
Brad de Leeuw, Director

Jason Konyenbelt, Director
Philipp Lammerding, Director
Conrad Withage, Director

Dear Picture Butte Feeder Co-operative (PBFC) Chairman, Board Members and Administrator:

Re: Minister's Order

The Inspection and Investigation Section (IIS) of Alberta Agriculture and Irrigation (AGI) conducted inspections of PBFC between September 7, 2023, and May 15, 2024. IIS presented a report of its findings to me as the Minister of Agriculture and Irrigation.

Upon reviewing the findings of that inspection, I have decided to make an order under section 6(1) of the *Feeder Associations Guarantee Act* (FAGA). This order prohibits further advances under the loan guaranteed by the Province pursuant to the Guarantee Agreement dated June 19, 2017, (as amended).

Pursuant to s. 6(2)(a) of the FAGA, please find attached a copy of the Minister's Order dated January 28, 2025.

AGI will deliver a copy of the IIS inspection report to PBFC's Chairman, Board Members and Administrator within the next few days.

Sincerely,

Honourable RJ Sigurdson
Minister, Agriculture and Irrigation

/attachment

cc: Honourable Nate Horner, President of Treasury Board and Minister of Finance
Jason Hale, Deputy Minister, Agriculture and Irrigation
Kate White, Deputy Minister, Treasury Board and Finance
John Conrad, Assistant Deputy Minister, Primary Agriculture Division
Bruce Hamblin, Acting Executive Director, Animal Health and Assurance

**FEEDER ASSOCIATIONS GUARANTEE ACT
MINISTER'S ORDER**

WHEREAS section 6 of the *Feeder Associations Guarantee Act*, S.A. 2009, c. F-11.1 (the "Act") provides that, where the Minister of Agriculture and Irrigation (the "Minister") is of the opinion that a feeder association is not complying with the Act or the *Feeder Associations General Regulation* (AR 13/2012) (the "Regulation"), or is being operated in an unsound manner, the Minister may, by order prohibit further advances under a guaranteed loan made to the feeder association;

WHEREAS a Guarantee Agreement dated June 19, 2017, as amended, was entered into between His Majesty the King in right of Alberta as represented by the Minister of Treasury Board and Finance (the "Province"), Bank of Montreal (the "Lender"), and Picture Butte Feeder Co-operative ("PBFC"), pursuant to which the Province guaranteed certain borrowings of PBFC from the Lender (the "Guaranteed Loan", as defined in the Guarantee Agreement);

WHEREAS the Minister has reviewed the Report on the Inspection of Picture Butte Feeder Co-operative, prepared by the Inspection and Investigation Section of Alberta Agriculture and Irrigation, dated November 18, 2024, (the "Inspection Report"), which contains findings of inspections of PBFC conducted between September 7, 2023, and May 15, 2024;

WHEREAS, upon reviewing the findings in the Inspection Report, the Minister is of the opinion that PBFC:

- (a) has failed to comply with the Act and Regulation; and
- (b) is being operated in an unsound manner.

in the respects set out in the Appendix to this Minister's Order;

THEREFORE, I, RJ Sigurdson, Minister of Agriculture and Irrigation, pursuant to s. 6(1) of the Act, order as follows:

1. I hereby prohibit the making of further advances under the Guaranteed Loan to PBFC.
2. This Order is effective upon delivery to the Lender.

MADE on the 27th day of Jan, 2025, at the City of Edmonton, Alberta.



HONORABLE RJ SIGURDSON
MINISTER OF AGRICULTURE AND IRRIGATION

APPENDIX

Noncompliance with the Act and Regulation

- (1) Accepting ineligible feeder members (Regulation, section 11(1) and section 11(2))
 - PBFC contravened section 11(1) of the Regulation by accepting members who did not meet the requirements of section 11(1)(a) of the Regulation, which include but are not limited to, owning or leasing land on which the individual directly carries on the business of farming for gain or reward.
 - PBFC contravened section 11(2) of the Regulation by allowing members to maintain membership when it was not reasonably apparent from the person's conduct that the primary purpose for holding the membership was to enable the person to receive supplies of livestock under the Act and Regulation for growing or finishing or both.
- (2) Using guaranteed loan proceeds for improper purposes (Act, section 4 and Regulation, section 13)
 - PBFC contravened section 4 of the Act and section 13 of the Regulation by using proceeds of the Guaranteed Loan for a purpose other than supplying livestock or advances to the member, or for the other purposes allowed by section 13 of the Regulation.
 - PBFC contravened section 4 of the Act and section 13 of the Regulation by using proceeds of the Guaranteed Loan for transactions made on behalf of members who had withdrawn from PBFC.
- (3) Supplying livestock and advances where the member is in contravention (Regulation, s 14(3))
 - PBFC contravened section 14(3) of the Regulation by providing livestock or advances to individuals that PBFC knew or reasonably should have known were not eligible to be feeder members under section 11(1) or 11(2) of the Regulation.
- (4) Providing more advances than allowed (Regulation, section 30(2))
 - PBFC contravened section 30(2) of the Regulation by providing advances to members that exceeded 50% of the difference between the purchase price and fair market value of the livestock.
- (5) Exceeding the maximum total monetary obligation limit
 - PBFC contravened section 31(1) of the Regulation by supplying livestock to members in excess of the prescribed limit for their total monetary obligation, excluding advances.
- (6) Failing to properly collect security deposits (Regulation, section 33(1))
 - PBFC contravened section 33 of the Regulation by failing to collect security deposits from certain members.

- (7) Obstructing inspections and failing to provide reasonable assistance (Act, section 9(3))
- PBFC contravened section 9(3) of the Act by obstructing the Minister in carrying out inspection powers under section 9(1) of the Act and failing to provide reasonable assistance to the Minister. This included, but is not limited to:
 - PBFC staff refused speak to inspectors.
 - PBFC used non-disclosure agreements with staff in a way that lead to them refusing to speak with inspectors.
 - Chairman Schooten interfered with the Minister's attempt to interview a relevant witness.
 - PBFC failed to respond to the inspectors' questions about the amended Board minutes.
- (8) Maintaining inadequate sales documents (Regulation, section 17)
- PBFC contravened section 17 of the Regulation by failing to maintain adequate sale documentation including the name of purchaser and purchase price of livestock, and to provide records on request.

Unsound Practices

(9) Unsound practices by PBFC Administration

- PBFC administration is operating PBFC in an unsound manner. Specifically:
 - Allowing memberships reliant on powers of attorney
 - Preparing or accepting irregular powers of attorney and other legal documents
 - Accepting documents with irregular signatures
 - Accepting documents that may have not been properly executed or witnessed
 - Using equity advances in payment of security deposits
 - Failing to reduce the risk of member default
 - Failing to update sales records in a timely way
 - Processing transactions in the names of member who had withdrawn
 - Failing to keep adequate Board minutes
 - Failing to keep adequate financial records.

(10) Unsound practices by the Board

- PBFC Board of Directors are operating PBFC in an unsound manner. Specifically:
 - Failing to consider membership eligibility requirements
 - Failing to consider appropriate monetary limits for new members
 - Permitting a high proportion of related transactions
 - Failing to keep adequate financial statements
 - Failing to address conflicts of interest
 - Providing excessive Board compensation and expenses
 - Failing to hold an annual general meeting in a timely manner.

APPENDIX B

February 13, 2025

Discussion Paper

The Feeders Association of Alberta (FAA) Board requested a meeting with the Ag Minister to discuss the current situation impacting the membership of Picture Butte Feeders Coop (PBFC). We were invited by the Ministers office to attend a meeting in Calgary on February 7, 2025.

We had a very open discussion with the Ag Minister and his team at the February 7, 2025, meeting and based on that we would like to facilitate a discussion with PBFC to share the potential next steps to what a pathway forward might look like.

To be clear FAA is an advocate for all Feeder Association members in the province and feels that it is in all our best interest to see the current situation resolved in the best and quickest manner possible.

The tone of the conversation made it clear that the Minister continues to be a very strong advocate for the Feeder program and that the only threat to the program as a whole is non-compliance.

The messaging centered around a number of key topics. If FAA and PBFC are able to gain consensus on these items FAA will approach the Minister to confirm we are all in agreement and then we can discuss process and timelines as well as any related conditions.

Key areas of discussion

Board Operations

In broad terms PBFC will need to take a very comprehensive look at how their Board and staff function going forward. Some examples include:

- Issues surrounding Conflict of Interest need to be clearly discussed and outlined in policy. The Feeder Manual states that Individuals and their spouses whose livelihood depends in part upon the sale of goods and services to feeder association members should not hold staff or executive positions. Examples for this include livestock dealers, custom feeders and management staff. Strong internal polices need to be drafted and enforced.
 - Also, in the Feeder Manual it states that Directors' positions are volunteers and as such, payment of fees is not appropriate. However, an honorarium or payment of expenses related to meeting (e.g., mileage) may be provided. Based on this the Current Board remuneration should be reviewed for appropriateness.
1. Board Governance has to be a priority and PBFC must look at its governance structure first. The intent of the Feeder program must be supported and protected moving forward. Any systemic disregard for the program must be eliminated.
 2. Shane Schooten and Kevin Serfas and their direct family are to be suspended for one year from borrowing guarantee funds.
 3. The Administrator and Supervisor have been involved in the current business dealings and they are to be replaced.

4. Board Elections are to be held. The Existing Board would resign, and a new board elected. Existing board members excluding Mr. Schooten and Mr. Serfas would be eligible for re-election.
5. A very thorough review of all existing members should be undertaken to ensure they meet eligibility requirements.

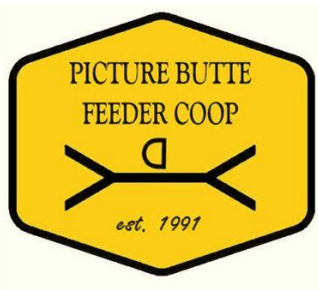
Banking

1. Standard reporting is to be provided as per the conditions set out in the signed Feeder Agreement. This includes BMO receiving and taking accountability for Livestock Supply Forms.

Enhanced Inspections and Training

1. Ensure that the new PBFC Board Members receive Board Governance training of their responsibilities.
2. New Staff, as approved by Provincial Supervisor Tom Pack, are to receive training. PBFC will need to secure the services of a new Office Administrator and Supervisor to assist new Board with coming into compliance.
3. Supervisor logbook / inspection sheets to be inspected monthly by the Provincial Supervisor and/or his delegate inspector.
4. An inventory of cattle is to be conducted monthly by the Provincial Supervisor and/or his delegate inspector.
5. Provincial Supervisor and/or his delegate inspector will inspect all supporting purchase documentation for all purchases and all sales documentation monthly.
6. It should be noted that NOT all of the enhanced reporting requirements are intended to be permanent but will remain in place until a solid base of operations can be determined.

APPENDIX C



PBFC

P: (587) 787 1539
F: (587) 787 1852
office@pbfccattle.com
www.pbfccattle.com

#120
876 Heritage Blvd W
Lethbridge
T1K 8G1

January 31, 2025

To all Members of the Picture Butte Feeder Co-operative

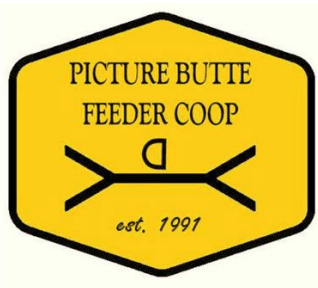
We are writing to advise that yesterday, the PBFC was served with an order under s. 6(1) of the *Feeder Association Guarantee Act* from the Minister of Agriculture and Irrigation. This section provides that the Minister can prohibit further advances under the Government Guarantee on the basis that a feeder association is not operating in compliance with the *Feeder Association Guarantee Act* and Regulation and is being operated in an unsound manner.

The PBFC is carefully reviewing the basis for this order, which was also just provided yesterday and is considering all options.

This prohibits any new loans and the advancement of any amounts as of yesterday. It does not affect loans already advanced.

Should you have any immediate questions, please contact Melanie Fleischhauer at the PBFC office. PBFC expects to provide additional information shortly with respect to the administration of current outstanding advances.

APPENDIX D



PBFC

P: (587) 787 1539
F: (587) 787 1852
office@pbfccattle.com
www.pbfccattle.com

#120
876 Heritage Blvd W
Lethbridge
T1K 8G1

February 27, 2025

VIA EMAIL

Attention: Picture Butte Feeder Cooperative Members

Dear PBFC Members:

Re: Appointment of Restructuring Officer of assets of Picture Butte Feeder Cooperative

OVERVIEW

On January 31, 2025, a letter was delivered by Picture Butte Feeder Cooperative (“**PBFC**”) to its members (the “**Members**”) informing them of an order (“**Ministerial Order**”) that was issued on January 27, 2025, by the Minister of Agriculture and Irrigation (the “**Ministry**”) pursuant to section 6 of the *Feeders Association Guarantee Act* (Alberta) prohibiting further advances under guaranteed loans to PBFC.

On February 20, 2025, in a further letter from PBFC to its members, PBFC advised that as a result of the Ministerial Order, it would apply to the Court of King’s Bench of Alberta (the “**Court**”) to appoint Alvarez & Marsal Canada Inc. (“**A&M**”) as receiver-manager (the “**Restructuring Officer**”) pursuant to the *Cooperatives Act* (Alberta) and the *Judicature Act* (Alberta).

On February 21, 2025, an order was granted by the Court (the “**Restructuring Officer Order**”), appointing A&M as the Restructuring Officer over all of PBFC’s current and future assets, undertakings, and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the “**Property**”).

The members of PBFC’s board of directors have resigned prior to or upon the appointment of the Restructuring Officer. In addition, the Restructuring Officer advises that prior to the Restructuring Officer Order being granted, both Melanie Fleischhauer (Administrator) and Broek Murray (Supervisor) resigned their positions with PBFC. The Restructuring Officer is currently in the process of hiring an interim administrator (“**Interim Administrator**”) who will perform the duties required in the role of the vacant administrator position, as discussed further below.

We wish to re-iterate that the appointment of the Restructuring Officer and the granting of the Restructuring Officer Order does not mean that PBFC is in liquidation. Rather, its purpose is completely the contrary, which is to allow PBFC to refocus its efforts to continue to provide the critical services to its Members and resume full lending operations in short order. We can confirm that there are a significant amount of monies held within PBFC relating to Member loans and investments in possession with the Restructuring Officer.

Since February 21, 2025, the Restructuring Officer has been in direct contact and has held multiple conversations with representatives of the Minister of Agriculture and Irrigation (the “**Ministry**”), the Feeders Association of Alberta (“**FAA**”), the senior lenders (the “**Senior Lenders**”), former staff and former members of the PBFC board of directors. These discussions were centered around understanding the concerns and requirements of the Ministry, the Senior Lenders and the PBFC Members as a result of these restructuring proceedings. In these discussions, the Restructuring Officer also expressed the proposed goals of the restructuring, the roles and duties it is required to adhere to pursuant to the Restructuring Officer Order, and addressing the immediate concerns of PBFC and its Members.

Based on these discussions, the Restructuring Officer has identified the following immediate and long-term next steps that need to be addressed:

Immediate Next Steps:

1. Hiring of an Interim Administrator

- a. We are in the process of immediately engaging an Interim Administrator that will assist us in updating and reconciling the accounting records, loan books and security deposits of the Members. We expect to have an Interim Administrator in place early next week.
- b. The Restructuring Officer will be conducting a search for a permanent Administrator in due course.

2. Provincial Supervisor Inventory Audit

- a. In collaboration with the Ministry and with the support of the FAA and the Senior Lenders, the Restructuring Officer is arranging for a fulsome cattle (inventory) audit (the “**Audit**”) of all feedlots and pens ***next week starting Tuesday, March 4, 2025*** and this process should take less than a week. We will reach out to all owners and managers of each feedlot to advise on timing of these inventory audits.
- b. The Audit will be a critical step for the Restructuring Officer to complete, which is intended to provide the Minister and the Senior Lenders the comfort they require to verify the existence of the Senior Lenders’ collateral, which in turn will assist in the Ministry in its consideration concerning the lifting of the Ministerial Order.
- c. PBFC’s former Supervisor, Mr. Broek Murray, has agreed to assist the Restructuring Officer to transition his role to an interim supervisor(s) and we thank Mr. Murray for his assistance. PBFC’s existing contract supervisors (Mr. Curtis Van Vaerenbergh and Mr. Ryan Cleghorn), will continue to assist the Restructuring Officer, as required.
- d. The Provincial Supervisor will be arranging for three supervisors from the Ministry to assist the Restructuring Officer in the completion of the Audit.

3. Member Deposits, Equity Proceeds and Continued Loans

- a. The top priority of the Restructuring Officer is to resume PBFC operations back to normal expeditiously.
- b. The Ministry, the FAA and the Senior Lenders have expressed their support of PBFC to resume full operations as soon as possible. We are optimistic the Ministry may consider lifting the Ministerial Order, provided that the Restructuring Officer is able to achieve satisfactory results from the Audit, the engaging of the Interim Administrator and interim supervisor and can demonstrate that PBFC’s operations have been stabilized under the supervision of the Restructuring Officer.
- c. ***In the interim, while we continue to review PBFC’s banks accounts and books and records, we wish to reassure Members that nothing has come to our attention that would suggest that the Members security deposits are not safe or not intact and are currently being held under the control of the Restructuring Officer.***
- d. Please be also advised that should any Member be in possession of a physical cheque or funds from the sale of cattle, please continue to either make deposits at the BMO bank or deliver them to PBFC so that our team members can arrange for the deposit.

Long-term Focus

The Restructuring Officer's mandate is to make the necessary changes within PBFC to ensure that PBFC is best positioned for continued operational success going forward and will address the following:

- the development of a comprehensive set of corporate governance policies and procedures (collectively, the “**Policies**”) that will address the concerns of the Ministry;
- the hiring of a permanent administrator and supervisor;
- the implementation of the Policies, which PBFC anticipates will include running a fair and transparent election to appoint a new board of directors of PBFC at an appropriate time; and
- the transition of PBFC out of the control of the Restructuring Officer into the control of a newly elected board of directors, so that PBFC can resume its normal operations with the revised Policies in place.

FUTURE COMMUNICATION

Restructuring Officer's Contact Information

The Restructuring Officer will be working from the PBFC office over the next several weeks and remotely from its offices. All inquiries and communications with the Restructuring Officer regarding the restructuring proceedings should be directed to the following:

Bryan Krol

Director

(403) 538-7523

Email: bkrol@alvarezandmarsal.com

Taylor Poirier

Director

(604) 639-0852

tpoirier@alvarezandmarsal.com

Quinn Park

Associate

(403) 538-7513

Email: qpark@alvarezandmarsal.com

Zach Keith

Consultant

(403) 382-6852

Email: Zach.Keith@availcpa.com

Once the Restructuring Officer has engaged its Interim Administrator, we will communicate to all Members in due course and will provide all Members with the Interim Administrator's contact information. All publicly available information relating to the Restructuring proceedings can be found on the Restructuring's Officer website at: www.alvarezandmarsal.com/picturebutte. Members are still able to contact the PBCF office to reach one of our members by calling (587) 787-1539.

Member Advisory Group

The Restructuring Officer has arranged for a small group of existing Members and a representative of the FAA to assist the Restructuring Officer, by acting as helpful bridge of communication between the Members and the Restructuring Officer and to share their and members experiences of the industry and the co-operative, in general. While the Members are encouraged to contact the Restructuring Officer directly, should a Member wish to contact one of the following members, you may do so and the following individuals will communicate directly with us:

Tony Ankermann

PBCF Member

(403) 382-9399

Email: tankermann4@gmail.com

Conrad-Colleen Withage

PBFC Member

(403) 382-0728

Email: cwithage@gmail.com

Craig Guthrie

FAA Executive Director

(587) 635-5669

Email: CGuthrie@feederassoc.com

Proposed Town-Hall Meeting

To promote continued and ongoing, open and transparent communication between PBFC, the Restructuring Officer, and the Members, the Restructuring Officer is planning to host a Town-Hall meeting within the next couple of weeks once operations have been stabilized and we are in a position to discuss the status of the organizational restructuring.

The Restructuring Officer is advised that representatives of the Ministry and the FAA wish to join the Restructuring Officer to express their continued support of PBFC during its restructuring proceedings and to also make themselves available to answer any questions or concerns the Members may have. We will provide further communication to the Members on the timing of the Town-Hall, including the format of the meeting (i.e. in-person or virtual attendance).

SUMMARY

The Restructuring Officer understands that the events leading up to the Ministerial Order may have come to a surprise to many, which has led to certain concerns, questions and anxiety about the future operations of PBFC and the status of your loans and deposits. We wish to re-iterate that your loans and deposits are safe and the Restructuring Officer is working closely to satisfy certain concerns outlined in the Ministerial Order to allow PBFC to resume its operations with no future impediments.

We are encouraged by our recent communication with the Ministry, the FAA and the Senior Lenders. These parties have all expressed the importance of PBFC to resume its operations as soon as possible and it is our hope that once the above-mentioned “Immediate Next Steps” have been addressed, this will allow the Ministry to consider lifting the Ministerial Order.

Please note that the Restructuring Officer is rapidly collecting information from a variety of sources, and events are rapidly evolving. The strategy and actions contemplated in this letter are therefore subject to change. While the Restructuring Officer has made and will continue to make its best efforts to ensure the accuracy of the information contained in this letter and any further communications, it cannot provide an assurance of accuracy in the circumstances.

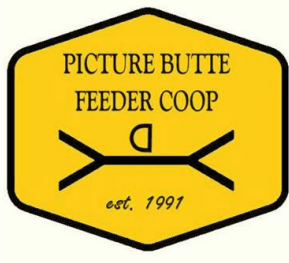
We thank you in advance for your patience and questions to date from the Members, and we will continue to provide you with ongoing updates on the restructuring process.

Yours truly,

**Alvarez & Marsal Canada Inc.,
acting in its capacity as the court-appointed
Restructuring Officer**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President



PBFC

P: (587) 787 1539
F: (587) 787 1852
office@pbfccattle.com
www.pbfccattle.com

#120
876 Heritage Blvd W
Lethbridge
T1K 8G1

March 17, 2025

VIA EMAIL

Dear Picture Butte Feeder Cooperative Members

Re: The Restructuring Officer's Update to PBFC Members

We wish to provide the PBFC Members with some positive updates since our last communication letter to you on February 27, 2025.

IIS Inventory Audit

As a result of recent events involving PBFC and our firm, Alvarez & Marsal Canada Inc., being appointed as the court-appointed Restructuring Officer, the Alberta Ministry of Agriculture and Irrigation's Inspection and Investigation Section ("IIS") required that a fulsome inventory count of all cattle on contract to PBFC, be completed.

Between March 3 – 7, 2025, the inventory count was conducted by the Ministry pursuant to section 9 of the *Feeder Association Guarantee Act*, and the Restructuring Officer and certain contractors from Livestock Identification Services Ltd. assisted the Restructuring Officer and the IIS with this inventory count.

The Restructuring Officer is pleased to report that the IIS completed its Audit on March 14, 2025, and the following resulted:

- The inspection teams attended 52 farms and feedlots where Members' cattle were supposed to be located and inspected the following:
 - cattle were properly identified with a feeder association brand or combination of RFID tag and feeder association dangle tag;
 - the correct number of cattle were present; and
 - cattle were in good condition.
- The January 2025 month-end report that was completed and reconciled by the previous PBFC Administrator and Supervisor, and provided to IIS, up to January 27, 2025, is believed to be accurate, minus any sales since January 27, 2025, when the Ministerial Order came into effect.
- IIS advised that it is confident the cattle financed through PBFC under the Feeder Associations Loan Guarantee Program (FALGP) are present minus any sales since January 27, 2025.

This positive result was the critical first step for the Restructuring Officer to complete, in order to provide comfort to the Minister, PBFC's secured lenders and the Members that the expected inventory (cattle) exists.

INTERIM ADMINISTRATOR

On March 5, 2025, the Restructuring Officer engaged a reputable and experienced individual to act as an interim administrator for PBFC ("**Interim Administrator**") as a result of the resignation of PBFC's former administrator.

We welcome **Ms. Lynda Miller**, who currently is a director with the FAA and acts as an administrator for another feeder co-operative. We are pleased that Ms. Miller is assisting us and her teaming with the Restructuring Officer has been very much appreciated.

Ms. Miller, with the assistance of the Restructuring Officer and PBFC's other independent contractor from Avail LLP, Mr. Zach Keith, have been working diligently to update the accounting and banking records that have been outstanding for several weeks. Member deposits from sales have been collected and deposited into the PBFC bank accounts and are being applied against the loan balances outstanding. There has been a considerable amount of work completed to date, and we anticipate that the reconciliation of PBFC's books and records, banking and loan balance reconciliations to contract records should be updated this week.

Please note that the Restructuring Officer will be seeking a permanent (full-time) Administrator for PBFC and anticipates issuing a job posting for this key role within the next couple of weeks. We are keen to hire a qualified and outstanding team member to join PBFC as the Restructuring Officer focuses to having PBFC fully operational from a new lending perspective in short order.

Further updates will be provided to the Members on this opportunity; however, should any Member know of a qualified person that may be interested in joining PBFC team as an Administrator, we would welcome any recommendations.

IMMEDIATE NEXT STEPS

Release of Top-Up Equity Payments

Now that the inventory Audit has been completed and a positive result was achieved and it is anticipated that the books and records of PBFC (along with banking matters) should be completed this week, the Restructuring Officer is working with the Senior Lenders on the timing to release the top-up equity back to the Members on their loans. ***This is a top-priority for the Restructuring Officer*** and we are hopeful that we will in a position for the release of "top-ups" to Members before the end of this month or sooner.

Release of Security Deposits and Resumption of Loans

The second hurdle for PBFC to achieve seek:

- the lifting of the Ministerial Order to allow PBFC to resume issuing loans to its Members under the FALGP; and

- the confirmation from the Senior Lenders that the Restructuring Officer is permitted to release security deposits (within the required statutory time frame) back to the Members in normal course and within the required timeframes.

The Restructuring Officer has been working closely with the Ministry and Senior Lenders on the release of security deposits and the timing to resume full lending operations, over the past three weeks. With the engagement of the Interim Administrator, the positive Audit results from the IIS and the Restructuring Officer's attempts to engage a full-time Supervisor (more to follow), the Restructuring Officer is confident that PBFC should resume full operations, including being able to issue new guarantee loans by the ***first or second week of April 2025***.

We wish to reiterate that the Restructuring Officer, the Senior Lenders and the Minister's Office are all focused on PBFC becoming fully operational forthwith and all parties are working hard to achieve this goal.

TOWN-HALL MEETING

We are planning to host a townhall for PBFC Members on April 1, 2025, and we anticipate confirming this with the Members this week on time and location. The purpose of the townhall is primarily to act as a meet and greet of the Members, the Restructuring Officer, representatives of the Minister's Office, and the FAA. In addition, we hope to be in a position by then to share with you with additional positive news and to answer any questions you may have.

OTHER MATTERS

The Restructuring Officer is monitoring email communications sent to PBFC. Please continue to direct any business inquiries to office@pbfccattle.com and notifications of any cattle movement and/or sale to supervisor@pbfccattle.com. All publicly available information relating to the restructuring proceedings, can be found on the Restructuring's Officer website at: www.alvarezandmarsal.com/picturebutte.

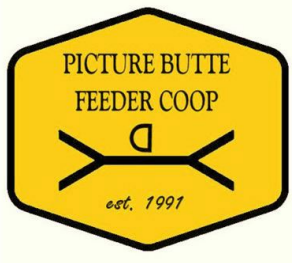
We thank you for your continued patience during this time, and although we understand there is some frustration being experienced by Members as a result of these Restructuring Proceedings, we are encouraged by the progress to date, and we are hopeful that PBFC will be able to resume its operations with a stronger governance policy in place in due course.

Yours truly,

**Alvarez & Marsal Canada Inc.,
acting in its capacity as the court-appointed
Restructuring Officer**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President



PBFC

P: (587) 787 1539
F: (587) 787 1852
office@pbfccattle.com
www.pbfccattle.com

#120
876 Heritage Blvd W
Lethbridge
T1K 8G1

April 28, 2025

VIA EMAIL

Dear Picture Butte Feeder Cooperative Members

Re: Member Update: Appointment of New Supervisor

Supervisor

We are pleased to announce that the Restructuring Officer has hired Mr. Cody McBride as the local Supervisor for PBFC with an effective start date of May 5, 2025. This decision marks a significant step forward in ensuring PBFC's operational stability and progress.



With over 25 years of expertise in the agriculture and financial sectors, Mr. McBride brings a wealth of experience and impressive resume to PBFC which includes:

- 7 yrs of direct experience running feeder finance companies;
- 5 yrs of indirect experience as a brand inspector; and
- 13 yrs of indirect experience working at ATB Financial in agriculture lending.

Specifically, McBride has acted as the local Supervisor at Alberta Choice Feeder Coop, where he played a pivotal role in establishing and managing operations for a newly formed cooperative with a substantial loan authorization. In addition, he has held various leadership positions at ATB Financial, including Director of Specialized Financing for the Beef Industry, where he supported feeder cooperatives across Alberta.

With Cody's hands-on experience in managing feeder finance programs, coupled with his deep understanding of the beef industry and acting as a local Supervisor, makes him an exceptionally well-qualified professional that will be instrumental in providing excellent service to PBFC's existing members.

Administrator

The deadline for the Administrator role at PBFC was April 9, 2025. The Restructuring Officer has identified several candidates for this role and is hopeful to select a successful candidate in the very near term. A&M will provide a further update on this hiring process in due course.

Next Critical Steps

The Restructuring Officer has been working closely with the Minister's office and the Lenders over the past several weeks to have the ministerial order lifted and negotiate updated credit term arrangements between PBFC and the Lenders, respectively. We anticipate providing a further update later this week on the timing of when PBFC will be back to "operations as normal" to allow PBFC being able to provide loans to its Member's without restrictions.

In the interim, the Restructuring Officer has been delivering overage payments to its Members (for January and February) and March overage payments are being sent to those members this week.

Reminder

The Restructuring Officer is monitoring email communications sent to PBFC. Please continue to direct any business inquiries to office@pbfccattle.com and notifications of any cattle movement and/or sale to supervisor@pbfccattle.com. All publicly available information relating to the restructuring proceedings, can be found on the Restructuring's Officer website at: www.alvarezandmarsal.com/picturebutte.

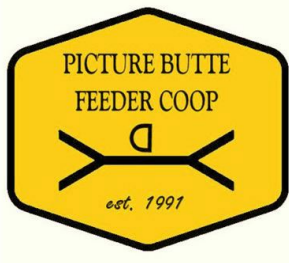
We appreciate your ongoing understanding and support throughout this period and, again, we look forward to sharing with you additional positive news this week

Yours truly,

**Alvarez & Marsal Canada Inc.,
acting in its capacity as the court-appointed
Restructuring Officer**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President



PBFC

P: (587) 787 1539
F: (587) 787 1852
office@pbfccattle.com
www.pbfccattle.com

#120
876 Heritage Blvd W
Lethbridge
T1K 8G1

May 22, 2025

VIA EMAIL

Dear Picture Butte Feeder Cooperative Members

Re: **Member Update: PBFC Resuming Full-Operations**

Since our last Member Update dated April 28, 2025, the Restructuring Officer has been working closely with Ministry, PBFC's lenders (the "**Lenders**") and PBFC's newly hired local Supervisor in continuing to reconcile the books and records, paying top-up payments owed to Member's efficiently and when they become due, and preparing PBFC to be resume full operations with a focus on transparency, member growth and enhancing PBFC's overall processes and governance.

Alvarez & Marsal Canada Inc. ("**A&M**" or the "**Restructuring Officer**"), acting as Restructuring Officer for PBFC, is very pleased to report the following:

Phase I - Completed

Minister's Prohibition Order Rescinded.

The Minister, Agriculture and Irrigation (Honourable RJ Sigurdson) officially informed the Restructuring Officer that based on the corrective actions taken by PBFC (by and through the Restructuring Officer), PBFC has brought its operations into compliance with the requirements of the *Feeder Associations Guarantee Act* ("**FAGA**") and the Feeder Associations Guarantee Regulation ("**FAGR**"). As a result, the Minister's Order dated January 27, 2025, prohibiting further advances under the provincial loan guarantee has now been rescinded. The rescinding of the Minister's Prohibition Order was a crucial first step and condition of the Lenders to allow PBFC to return to normal lending operations for its members ("**Members**").

Amended Credit Agreement

Effective, Monday, 26, 2025, PBFC will resume full operations in providing loans to eligible Members as discussed in greater detail below.

Over the past couple of months, A&M has been working closely with the Lenders to negotiate an amended credit agreement ("**Amended Credit Agreement**") that will allow PBFC full access to its credit facilities to advance new guaranteed loans for its eligible Member's effective

immediately. PBFC was required to enter into an Amended Credit Agreement before any new loans could be issued by PBFC to its members.

New Loans / Member Eligibility.

As part of PBFC's restructuring efforts and in conjunction with the Amended Credit Agreement with its lenders, the Restructuring Officer, in consultation with the local Supervisor, will be (re)evaluating the qualification of all PBFC's existing and new members respecting all guaranteed loans to the standards outlined for qualifications pursuant to FAGA and FAGR, and certain other requirements that may be deemed appropriate by the Restructuring Officer. Go-forward, new loans and member eligibility will be determined solely by the Restructuring Officer and/or the PBFC's board of directors (once elected and in place).

The Restructuring Officer does not believe this will place any undue hindrance or material delays in Members accessing new loans through PBFC, but these re-evaluation measures are an attempt to ensure proper adherence to FAGA and FAGR is achieved, which will be consistent with the corporate governance policies currently being developed by the Restructuring Officer on behalf of PBFC.

While the Restructuring Officer focuses to quickly have new eligible Member loans qualified, we kindly request your continued support and patience as we work through the various loan requests. We anticipate PBFC, the local Supervisor and the Restructuring Officer will be very busy in the coming weeks and months in issuing new Member loans and member eligibility.

Should an eligible PBFC member require a new loan, we ask that you reach out to the Restructuring Officer (Mr. Quinn Park of A&M) by email (office@pfbccattle.com) and include the local Supervisor, Mr. Cody McBride (supervisor@pbfccattle.com) on your request. We will work very quickly to attend to your request.

Supervisor

The new Supervisor, Cody McBride, has been in PBFC's office all week familiarizing himself with operations. We expect he will start contacting members and making site visits next week. He is available by phone at (403) 783-1466 and email at supervisor@pbfccattle.com should you have any questions or concerns.

Start of Phase II

Administrator

As previously reported, the Restructuring Officer initiated an employment search process that asked interested parties to deliver their resumes to the Restructuring Officer by April 9, 2025.

This process identified several candidates for this role and the Restructuring Officer has narrowed down its search to a couple of qualified candidates.

The Administrator role search was temporary placed on hold to allow the Restructuring Officer to complete its Phase I goals (noted above) and now that this has been achieved, we will be shifting our attention to filling this role with an exceptional candidate to join the PBFC team. In the interim, the Administrator role function is largely being conducted by the Restructuring Officer, with the assistance of our interim administrator, Ms. Lynda Miller and our contractors, Avail LLP (led by Zach Keith). A&M will provide a further update on this hiring process in due course.

Security Deposits

Since the granting of the Restructuring Officer Order, there have not been any security deposits released back to PBFC Members. We understand that there are various Members who are either seeking (or will be seeking) the return of their security deposits pursuant to FAGR, the Manual of Directives and the Member Agreement for various reasons. Certain Members may no longer wish to seek loans from PBFC or certain Members may not be eligible for such loans. As a result, various concerns have been raised by PBFC Members with respect to the allocation of costs from the Restructuring Proceedings and potential future litigation. Specifically, the concerns raised center around who is ultimately responsible to bear these costs and should there be a mechanism to hold back some portion of the Security Deposits from existing members or those members that do not qualify as Eligible Members.

Currently, the cost of the administration of the Restructuring Proceedings is being paid through the unrestricted equity earned by PBFC's members over the years. PBFC's current investment advisor has assisted growing PBFC's investments (using Member's Security Deposits) over the years, which is currently being utilized by the Restructuring Officer to fund the proceedings without the necessity of borrowing funds. To be clear, the Restructuring Officer has not used any of the security deposits held in PBFC's investment accounts pursuant to the FAGA and FAGR.

The Restructuring Officer shares the concerns raised by various Members and is currently determining what portion, ***if any***, should be held back from security deposits for those Members that wish to leave PBFC or are not considered eligible members. Any decision made by the Restructuring Officer will require court approval. The Restructuring Officer is setting time before the Court at the end of June 2025 to obtain direction from the Court on this matter. As a result, this will cause a further delay on the release of all deposits that will be coming due until the end of June 2025 (or until the courts have decided). This will not impact those Members that continue to qualify as Eligible Members who wish to continue to utilize PBFC to obtain future loans and continue to roll their security deposits with PBFC.

Governance Policies

As previously communicated to the PBFC Members, the Restructuring Officer's mandate is to make the necessary changes within PBFC to ensure that PBFC is best positioned for continued operational success going forward, which will address the following:

- the development of a comprehensive set of corporate governance policies and procedures (collectively, the "**Policies**");
- the implementation of the Policies, which PBFC anticipates will include running a fair and transparent election to appoint a new board of directors of PBFC at an appropriate time; and
- the transition of PBFC out of the control of the Restructuring Officer into the control of a newly elected board of directors, so that PBFC can resume its normal operations with the revised Policies in place.

In the next couple of months, and as part of the Restructuring Officer's Phase II strategy, A&M will be focusing its efforts on developing and implementing Policies as well as seeking new independent board of directors that will be elected by the PBFC Members. More information will be made available on this process. We would encourage all members to consider if they would be interested in becoming an independent director of PBFC going forward and when the time comes for election.

Further Updates and Reports

The Restructuring Officer will continue to provide its Members with written updates as it has done over the past couple of months, which the updates will also be included on our website. The Restructuring Officer also intends host a 2nd Town-Hall meeting within the next several weeks to provide an additional face to face update for PBFC's members only. Further communication will be delivered directly to the Members on this Town-Hall.

Lastly, as previously mentioned, the Restructuring Officer is planning to prepare a report to the Court with an update on the Restructuring Proceedings to date and seeking direction from the court on how to optimally, fairly and equitably determine an appropriate cost allocation to the Members of the PBFC.

Final Remarks & Reminders

A significant amount of work has taken place to get PBFC back to operational mode and ensure that both the Minister's Office and the Lenders are comfortable with the current state of affairs and path forward outlined by the Restructuring Officer.

The Restructuring Officer wishes to acknowledge and thank the following, but not limited too, individuals who have assisted A&M over the past 2.5 months in navigating through PBFC's challenges, which has allowed PBFC to get back into full operational mode:

- Mr. Bruce Hamblin (Executive Director - Animal Health and Assurance Branch) & Mr. Tom Pack (Provincial Supervisor);
- Mr. John Conrad, Assistant Deputy Minister – Primary Agricultural Division;
- Mr. Craig Guthrie (FAA Executive Director) & Mr. George L'Heureux (FAA Chairperson);
- The MAG which was established earlier in the Restructuring Proceeding, as outlined in the Members Update Letter dated February 27, 2025; and
- The PBFC's Lenders, led by the administrative agent BMO Bank of Montreal.

The Restructuring Officer continues to monitor email communications sent to PBFC. Please continue to direct any business inquiries to office@pbfccattle.com and notifications of any cattle movement and/or sale to supervisor@pbfccattle.com. All publicly available information relating to the restructuring proceedings, can be found on the Restructuring Officer's website at: www.alvarezandmarsal.com/picturebutte.

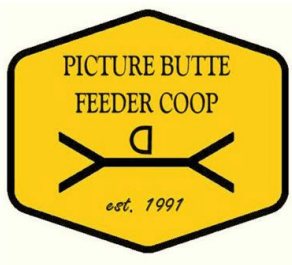
We appreciate your continued support and we look forward to the next couple of months as PBFC is now fully operational.

Yours truly,

**Alvarez & Marsal Canada Inc.,
acting in its capacity as the court-appointed
Restructuring Officer**

A handwritten signature in blue ink, appearing to read 'Orest Konowalchuk', with a stylized flourish at the end.

Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President



PBFC

P: (587) 787 1539
F: (587) 787 1852
office@pbfccattle.com
www.pbfccattle.com

#120
876 Heritage Blvd W
Lethbridge
T1K 8G1

June 12, 2025

VIA EMAIL

Dear Picture Butte Feeder Cooperative Members

Re: Member Update: Operational update, townhall and upcoming Court hearing

Since our last update of May 15, 2025, Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Restructuring Officer**”) wishes to provide PBFC Members a further update now that PBFC has fully resumed lending and applications for new loans are being received and funded after the required review by the Supervisor and the Restructuring Officer.

Operational Update

Since May 26, 2025, PBFC has been issuing new funding and member qualifications is well underway and the reception and requests for continued cattle and equity loans have been coming in fast and furious. The Restructuring Officer and the Supervisor have now established a streamlined process to evaluate and accept qualified loans and are available under our existing credit facilities with our Lenders – which is the benefit of being a member of PBFC. We welcome all new and existing members to please reach out to our Supervisor, Mr. Cody McBride, to set up time in arranging for new loans to be issued.

As part of the requalification of members/loans, we are making sure that all new loans and existing members/new members qualify in accordance with the FAGR and FAGA programs, including reviewing certain other information to strengthen PBFC’s records and overall governance.

During this process we have identified certain improvements to PBFC’s record keeping, which has caused us some delay in being able to fund these new loans, but we believe these matters have now been worked out. We continue to ask for all member’s patience as we work to ensure that all the record keeping within PBFC are up to date and compliant with the respective legislation and requirements of PBFC’s lenders.

Second Townhall (Lethbridge)

The Restructuring Officer will be hosting its second townhall on June 23, 2025. The purpose of this townhall is to provide the members an in-person update on PBFC operations, details surrounding the second phase of the Restructuring Officer's mandate and to ask any questions you may have for A&M or the new PBFC Supervisor, Cody McBride.

In attendance for this meeting will be representatives Minister's office, including Mr. Tom Pack (Provincial Supervisor), Mr. Bruce Hamblin (Executive Director – AHAB) and on video calling in virtually, Mr. John Conrad (Assistant Deputy Minister – Primary Agriculture Division). In addition, representatives from the FAA will also be present: Mr. Craig Guthrie (Executive Director) and Mr. George L'Heureux (Chairman).

Details of the townhall are as follows:

- **Date:** June 23, 2025
- **Time :** 9:30amMT – 11:30amMT (doors open at 8:30 AM)
- **Location:** Essie's Ballroom, Sandman Signature Lethbridge Lodge, 320 Scenic Drive South, Lethbridge, AB T1J 4B4 (access in the S.W. corner of the building)

As with our previous townhall, this meeting is only for existing PBFC Members and invited guests. We ask that members come earlier before the start of the meeting as there will be check in process before entry into the meeting room.

Administrator

The Restructuring Officer has completed a fulsome application process to identify and ultimately select PBFC's new Administrator. We are pleased to update the membership that a candidate has been selected and the Restructuring Officer, in coordination with the Supervisor, is going through the final stages securing this employment. It is our hope that PBFC's new Administrator will be in place by the end of June 2025. We will provide the Members a further update once this is finalized.

Overages

The Restructuring Officer, with the assistance of Mr. McBride, have now been able to get overages out to the PBFC members within 5-7 days of the request, which our desired goal is to bring this payout time lower. In the earlier months and prior weeks, there were some delays experienced in issuing overages to certain members, which was largely due to the Restructuring Officer having to update various internal PBFC records since its appointment. We acknowledge that this has not been ideal for certain Members, but we believe we have now rectified these timing issues.

As a result in some of these delays, and as a good-faith gesture, the Restructuring Officer believes it is appropriate to provide those Members affected with an interest payment for those overages that were outstanding longer than normal. We are currently calculating these amounts and will be in contact with those Members within the next 2 weeks on what PBFC will reimburse for this delay. We do not believe the amount will be overly material to PBFC, but it is important that we recognize that there was a financial impact to some Members as a result of these delays.

Governance and Selection of Board Members

The Restructuring Officer and its legal counsel are establishing a process in updating the by-laws and corporate governance for PBFC. In addition, we are in the process of establishing a protocol to seek interested Members to become new board members of PBFC. We hope to have a better timeline on this process at our Townhall, but look to advance this final phase expeditiously.

Reminder

The Restructuring Officer is monitoring email communications sent to PBFC. Please continue to direct any business inquiries to office@pbfccattle.com and notifications of any cattle movement and/or sale to supervisor@pbfccattle.com. All publicly available information relating to the restructuring proceedings, can be found on the Restructuring's Officer website at: www.alvarezandmarsal.com/picturebutte.

We appreciate your ongoing understanding and support throughout this period and, again, we look forward to sharing with you additional positive news this week.

Yours truly,

**Alvarez & Marsal Canada Inc.,
acting in its capacity as the court-appointed
Restructuring Officer**

A handwritten signature in blue ink, appearing to read 'Orest Konowalchuk', with a stylized flourish at the end.

Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX E



ALBERTA
AGRICULTURE AND IRRIGATION

*Office of the Minister
MLA, Highwood*

May 1, 2025

Charles Wilson
Regional Market Leader Prairies
National Accounts, Agriculture
Bank of Montreal
First Canadian Centre, 9th Floor
350 - 7 Avenue SW
Calgary, AB T2P 3N9

VIA COURIER

Dear Charles Wilson:

I am pleased to advise that following the corrective actions, and under the sound management of the court appointed receiver Alvarez & Marsal Canada Inc., Picture Butte Feeder Cooperative has brought its operations into compliance with the requirements of the *Feeder Associations Guarantee Act* and the Feeder Associations Guarantee Regulation.

Accordingly, effective May 1, 2025, the Minister's Order dated January 27, 2025, prohibiting further advances under the provincial loan guarantee is hereby rescinded.

Sincerely,

Honourable RJ Sigurdson
Minister, Agriculture and Irrigation

enclosure

cc: Honourable Nate Horner, President of Treasury Board and Minister of Finance
Jason Hale, Deputy Minister, Agriculture and Irrigation
Kate White, Deputy Minister, Treasury Board and Finance
John Conrad, Assistant Deputy Minister, Primary Agriculture Division
Bruce Hamblin, Executive Director, Animal Health and Assurance

APPENDIX F

Picture Butte Feeder Cooperative
Summary of Restructuring Officer Fees and
Disbursements February 13, 2025 to May 30, 2025

Invoices subject to Court Approval

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
Invoice # 1	February 13, 2025 - February 28, 2025	142,681.50	-	142,681.50	7,134.08	149,815.58
Invoice # 2	March 1, 2025 - March 28, 2025	264,923.00	14,291.65	279,214.65	13,960.73	293,175.38
Invoice # 3	March 29, 2025 - May 2, 2025	248,250.00	6,087.37	254,337.37	12,716.87	267,054.24
Invoice # 4	May 3, 2025 - May 30, 2025	218,796.50	1,675.81	220,472.31	11,023.62	231,495.93
Total		874,651.00	22,054.83	896,705.83	44,835.30	941,541.13
Grand Total		\$ 874,651.00	\$ 22,054.83	\$ 896,705.83	\$ 44,835.30	\$ 941,541.13

Picture Butte Feeder Cooperative
Summary of Restructuring Officer's Counsel's Fees and
Disbursements February 20, 2025 to June 12, 2025

Invoices subject to Court Approval

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
1669091	February 20, 2025 - February 28, 2025	64,592.50	-	64,592.50	3,229.63	67,822.13
1670615	February 29, 2025 - March 20, 2025	32,288.00	20.00	32,308.00	1,614.40	33,922.40
1671860	March 21, 2025 - April 2, 2025	39,468.50	15.00	39,483.50	1,974.18	41,457.68
1673280	April 3, 2025 - April 16, 2025	55,304.50	8,164.42	63,468.92	3,033.39	66,502.31
1674982	April 17, 2025 - April 30, 2025	27,978.00	72.25	28,050.25	1,401.51	29,451.76
1676379	May 1, 2025 - May 16, 2025	23,394.00	34.50	23,428.50	1,171.03	24,599.53
1678707	May 17, 2025 - June 12, 2025	24,693.00	731.65	25,424.65	1,236.03	26,660.68
Total		267,718.50	9,037.82	276,756.32	13,660.17	290,416.49
Grand Total		\$ 267,718.50	\$ 9,037.82	\$ 276,756.32	\$ 13,660.17	\$ 290,416.49

Picture Butte Feeder Cooperative
Summary of Company's Counsel's Fees and Disbursements
January 1, 2025 to May 30, 2025

Invoices subject to Court Approval

Inv. No.	Period	Fees	Disbursements	Total Fees & Disbursements	GST	Total
2270371	January 1, 2025 - January 31, 2025	1,091.40	-	1,091.40	54.57	1,145.97
2270370	January 23, 2025 - January 31, 2025	4,249.32	-	4,249.32	212.47	4,461.79
2270795	January 30, 2025 - February 19, 2025	262,729.56	43.00	262,772.56	13,138.13	275,910.69
2273784	February 1, 2025 - February 28, 2025	1,030.20	-	1,030.20	51.51	1,081.71
2275813	February 2, 2025 - March 26, 2025	107,434.05	566.41	108,000.46	5,381.67	113,382.13
2273781	February 5, 2025 - February 28, 2025	754.80	-	754.80	37.74	792.54
2273783	February 5, 2025 - February 28, 2025	1,793.16	-	1,793.16	89.66	1,882.82
2273782	February 7, 2025 - February 28, 2025	1,254.60	-	1,254.60	62.73	1,317.33
2278424	March 11, 2025 - March 31, 2025	210.63	-	210.63	10.53	221.16
2278423	March 14, 2025 - April 15, 2025	44,791.77	20.00	44,811.77	2,239.59	47,051.36
2281365	March 18, 2025 - April 30, 2025	814.47	-	814.47	40.72	855.19
2281374	April 16, 2025 - April 30, 2025	49,637.79	98.63	49,736.42	2,486.82	52,223.24
2285460	May 1, 2025 - May 30, 2025	47,189.28	-	47,189.28	2,359.46	49,548.74
Total		522,981.03	728.04	523,709.07	26,165.60	549,874.67
Grand Total		\$ 522,981.03	\$ 728.04	\$ 523,709.07	\$ 26,165.60	\$ 549,874.67