



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Minister's Prohibition Order Rescinded.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Minister's Order dated January 27, 2025, prohibiting further advances under the provincial loan guarantee has now been rescinded.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, May 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 be 'Orest Konowalchuk', with a stylized flourish at the end.

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