

Program Manual

Breeder Finance Program





PROGRAM MANUAL

INTRODUCTION

Section 1

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1 INTRODUCTION

1.1 HISTORY AND BENEFITS OF ALBERTA BREEDER FINANCE INC.

Alberta Breeder Finance Inc. (ABFI) was developed in response to a resolution passed at the 2013 AGM of Feeder Associations of Alberta Limited (FAA). Lenders to the Feeder Associations Loan Guarantee Program were subsequently approached to determine their interest in funding a breeder finance program for member associations without the involvement of the Government of Alberta guarantee. The FAA board appointed two directors and two contractors to undertake discussions with Alberta Treasury Branch staff with the intent of developing a non-guaranteed breeder finance program. A draft of the ABFI concept was presented to the 2013 FAA Zone Meetings. A final draft was presented to special meetings held in each Zone in September and October 2013. Training sessions for the ABFI were conducted in each Zone in December of 2013. ABFI was then launched, and the first loans were made on December 21, 2013.

Feeder Associations of Alberta Limited (FAA) created Alberta Breeder Finance Inc. (ABFI) as a wholly owned subsidiary to administer ABFI. FAA retained the legal services of Miller Thomson, with an experienced solicitor to develop required documents and agreements for ABFI. This same legal firm also developed the operational documents and agreements for the new Feeder Associations Guarantee Act and Regulation that was proclaimed in 2012. This provided consistency and familiarity in delivery of ABFI, even though it operates without GOA guarantee or regulations.

ABFI is offered only through Local Feeder Associations (LFA's) and Local Breeder Associations (LBA's) who are members in good standing with the Feeder Associations of Alberta Limited (FAA). ABFI is a business option for those LFAs that choose to participate. Members of LFAs and producers at large may apply for financing through one of the participating LFA's or a LBA's approved by ABFI. A list of participating LFAs or LBAs is available from ABFI located in the FAA office and on website www.feederassoc.com

ABFI provides financing for breeding stock (cattle and sheep) under highly competitive conditions:

- Term - maximum 5 years' dependent on age at purchase. Heifer calves - 6 years
- Interest Rate - Prime + 0.9%
- 10% Cash Security Deposit (20% for bulls)
- \$500,000 loan limit, loan limit more than \$500,000 and not more than \$1,000,000 is available, subject to prior approval and established criteria.
- ABFI Application Fee - 0.50% Plus GST of the total cost of the cattle (Minimum \$250) indicated on the Supply Form (total amount can be financed into the loan)
- ABFI Administration fee - \$5 per head per year Plus GST (total amount is financed with the loan)

- LFA or LBA administration fee Plus GST set by LFA (1st year amount is financed with the loan)

More detailed program information is found in Appendix 1.1 at the end of this chapter.

1.2 PURPOSE OF THE INSTRUCTION MANUAL

This manual was developed to assist LFA or LBA administrators, supervisors and ABFI staff in the joint administration of ABFI. It is designed to be used on a regular basis as all staff manage producer contracts. It provides standard operating procedures for the essential elements of ABFI.

1.3 HELP DESK SERVICES

In addition to the Instruction Manual, LFA or LBA staff are encouraged to contact ABFI staff for guidance and assistance when needed. The Program Support and Administration for ABFI operates out of the FAA office:

ABFI Leduc Office Tel: 587.635.5669

Fax: 587.635.5672

e-mail: abfi@feederassoc.com

Producers are encouraged to first contact the LFA or LBA Administrators with general questions regarding ABFI. If the LFA or LBA Administrator cannot answer the producer's questions, the LFA or LBA Administrator should contact ABFI. Producer's contacting ABFI with general questions will normally be referred to the LFA or LBA.

Producers with contracts may contact ABFI to find out information on their loan contract(s) such as balance owing, payments due, payouts, etc.

1.4 LFA'S OR LBA'S AGREEMENTS WITH ABFI

Local Feeder Associations (LFA's) or Local Breeder Associations (LBA's) wishing to participate in ABFI must have signed the Operating Agreement (Form 21) with ABFI. The Operating Agreement defines the obligations of the LFA or LBA (including those of the LFA's or LBA's Administrator and Supervisor) and of ABFI. It also places limits on the liability of the LFA or LBA and their staff. Staff of the LFA or LBA must sign Independent Contractor Agreements with ABFI. These outline their roles and responsibilities. The agreement for Administrators is Form 22 and for Supervisors is Form 23.

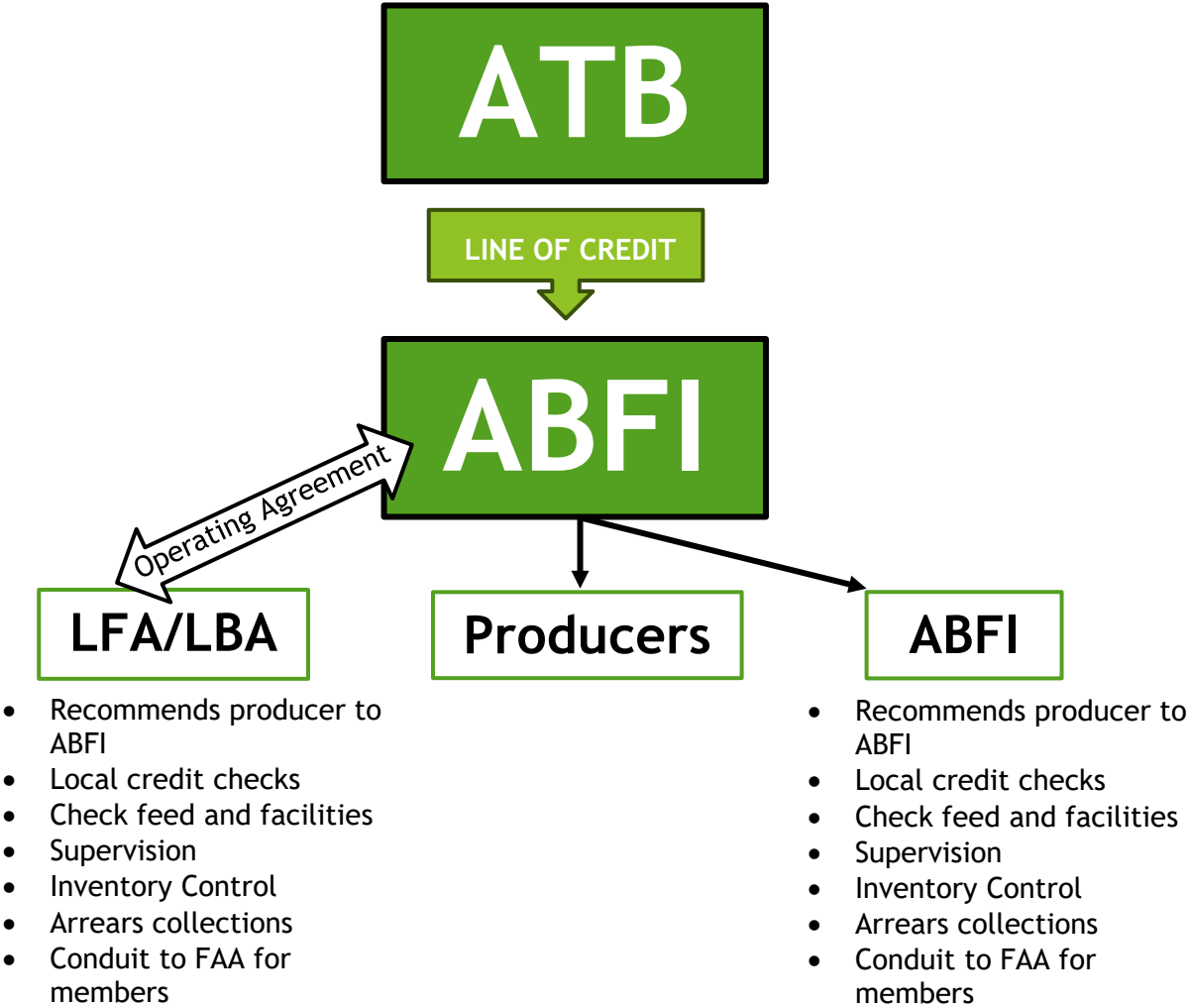
1.5 ACTIONS REQUIRED

Before the LFA or LBA can recommend any producers for participation in ABFI, the following must be completed:

1. The LFA or LBA Board of Directors has passed a motion to participate in the ABFI Breeder Finance Program. A copy of the meeting minutes showing passing of this resolution should be sent to the ABFI Administrator.
2. A member of the LFA or LBA Board of Directors with signing authority has signed the Operating Agreement (Form 21). The original copy must be sent to ABFI.
3. The LFA or LBA Administrator and Supervisor have signed agreements with ABFI (Forms 22 and 23 respectively) and original copies have been sent to ABFI
4. A representative of ABFI has signed Forms 21, 22 and 23 when they arrive in the ABFI office.
5. The LFA or LBA has informed ABFI of their administration fee structure. A copy of the meeting minutes showing passing of an admin fee resolution should be sent to ABFI; and,
6. Set maximum prices for Breeding Stock - if the LFA or LBA chooses a lower limit than the ABFI maximum, they need to inform ABFI of their limit and send a copy of the meeting minutes in which the resolution was passed.
7. A list of forms used for ABFI is provided in Appendix 1.2 at the end of this chapter.

Appendix 1.3 provides a summary of ABFI and LFA or LBA responsibilities related to these forms.

1.6 ATB/ABFI BREEDER FINANCE OPERATING PROGRAM MODEL



1.7 INFORMATION FOR PRODUCERS

1.7.1 Key Program Features

1. Program delivered by Local Feeder Associations or Local Breeder Associations- loan administration by Alberta Breeder Finance Inc.
2. Financing available for 100% of the cost of breeding stock and heifer calves only and other costs (e.g., branding, processing fees, clearing fees, chute fees, pregnancy testing, order buyer's fees and minimal vaccination charges) must be listed separately on invoice or bill of sale) Plus GST up to the maximum set purchase price of the LFA or LBA and/or ABFI, whichever is lesser.
3. Term - maximum 5 years' dependent on age at purchase. Heifer calves - 6 years
4. Interest Rate - ATB Prime + 0.9%
5. 10% Cash Security Deposit (20% for bulls) pooled, based on the total amount of the loan, separate Security Deposit Pool for Local Breeder Associations
6. Security Deposit can be used to make final payment on Loan
7. Security Deposit can be refunded in 14 days at the Producers Request provided their loans are paid in full
8. Loan limit - \$500,000, over \$500,000 and not more than \$1,000,000 as per established criteria
9. ABFI Administration Fee is 0.50% Plus GST of the total cost of the cattle (Minimum \$250 Plus GST) indicated on the Supply Form (total amount can be financed with the loan)
10. ABFI Administration fee - \$5 per head per year Plus GST (total amount is financed with the loan)
11. LFA or LBA Total Fees (e.g., administration fee, mileage fees plus GST) as set by LFA or LBA (1st year amount is financed with the loan)

1.8 PROGRAM DETAILS

1.8.1 Producer Eligibility

Each Producer recommended by and LFA or LBA must be:

1. Be a farmer or rancher as defined under the Feeder Association Guarantee Act and Regulation - includes individuals, partners, corporations, members of joint ventures and joint members (own or lease land);
2. Must be 18 years of age (Youth Program Exception - see section 2.3)
3. An Alberta resident (Alberta Health Care ID) will prove residency;
4. Recommended by the Local Feeder Association's or Local Breeder Association's board of directors

5. LFA's or LBA's may require that producers they recommend are members of their LFA or LBA, but this is not an ABFI requirement.

1.8.2 Loan Limits

Each Producer recommended by a LFA or LBA

1. The LFA or LBA will recommend each member's maximum loan limit, but it shall not be greater than \$500,000 per "farmer" (farmer as defined in the Feeder Associations Guarantee Act and Regulation). See below.
2. Where individual farmers (participants) conduct business as a single "operator", ABFI may not approve a loan of more than \$500,000 to that "operation". A family unit will be deemed to be a single operation (eligible for a single loan) unless the members of that family can determine to the satisfaction of the LFA or LBA and ABFI that they are operating as separate operations. Partners and corporate shareholders will be deemed to be single operation unless members or shareholders can demonstrate to the satisfaction of the LFA or LBA and ABFI that they are operating as separate operations. Requests over \$500,000 and less than \$1,000,000 as per established criteria.
3. Participants that are new to the industry and lack experience in the management of breeding stock (as determined by the LFA or LBA and ABFI) will have a first-year loan limit of \$100,000 per active participant and be subject to the single operation rule as well.
4. Loans of \$500,000 to \$1,000,000 to producers may be approved by ABFI subject to a special credit assessment process developed by ABFI and its lender.

1.8.3 Security Deposit Structure and Management

1. Each member security deposit (10% of original loan balance, 20% for bulls) will be aggregated in a security deposit account held by ABFI. A separate Pooled Security Deposit Fund is established for the Local Feeder Association (LFA) producers and the Local Breeder Association (LBA) producers. ABFI will hold security deposit fund and be the only party that has authority to access funds in the security deposit.
2. Producers can make new purchases without adding security deposits as long as the 10% rule is maintained. e.g., "reuse of deposits".
3. The producer's security deposit may be refunded 14 days after the producer's loan has been paid out and only if the LFA or BFA has no overdue/default accounts.
4. The producer must provide a written request to ABFI for the security deposit to be released.
5. The producer can request a partial refund of his deposit once older loans have been repaid.
6. Only the portion of deposit for the fully repaid loan(s) can be refunded.
7. Deposit for any subsequent loans must be maintained at their full 10% (20% for bulls) of original loan amount.

8. Has not been in default in the last 12 months.

1.8.4 Repayment of Loan Balance from Security Deposit

1. The producer may request to repay his loan balance from the security deposit:
2. The producer has reduced the loan balance to less than the security deposit balance a minimum of 14 days ago.
3. The loan can then be fully repaid from the deposit.
4. The Security Deposit balance can be refunded at the producer's request.

1.8.5 Use of the Security Deposit Accounts for Defaulting Producers

1. Should a default occur, and all avenues of collection have been exhausted, only producers with "Active Loans" will be affected. The term "Active Deposit" - Any producer who has a loan balance of \$0 will not be subject to security deposit prorate.
2. Any producer with a new loan for less than 3 months will not be subject to security deposit prorate.
3. Recovery of a default will be made as follows:
4. 50% from the LFA's portion of the "active deposit"
5. 50% from the Provincial pool of "active deposits"
6. At the time of Default, the LFA would have the option of:
7. Paying out their 50% at that time and not have their deposits frozen or;
8. Not paying their 50% and having their deposits frozen until resolution of collection efforts. Pursuit of those collection efforts will be made at the Provincial Boards discretion.
9. Even in the case of Default we would not freeze the Provincial Pool.
10. If we are successful in collecting from a Default account that has had deposits applied to its outstanding balance, we would direct funds in the following priority:
11. Pay collection costs/legal.
12. Repay funds contributed by ABFI.
13. Repay funds from provincial deposits and;
14. Then the LFA deposits would be refunded.
15. Should collection efforts fail, the Provincial Board at their sole discretion will revert to section 5(d) OR any distribution of loss they deem appropriate.
16. As an internal policy, ABFI will review their financial position at Fiscal Year End and the withdrawals from Provincial and or LFA deposit accounts over the past year and MAY potentially refund some portion from ABFI funds. ABFI will build an internally restricted fund over time to support this need.
17. The above policies may be adjusted at the discretion of the Provincial Board as necessary

to maintain the integrity of the program.

1.8.6 Eligible Livestock and Length of Term Financing

1. Heifer calves (under 15 months of age) - total 6-year term. Equity payout possible after pregnancy testing, and sale of culls followed by 5-year term contract for the bred heifers retained.
2. Bred heifers, Bred cows and Cow-calf pairs (under 5 years of age) - 5 years or less
3. Bulls, Bred Cows and Cow-calf pairs (over 5 years of age) - 2 years or less.
4. Ewe lambs weighing at least 110 pounds (no permanent teeth) and yearling ewes (one pair of permanent teeth or less) - 4 years or less
5. Dry Cows or Yearling heifers must be confirmed pregnant at time of financing.
6. Bulls must semen checked and guaranteed

1.8.7 Repayment Schedules

- Due dates will be either December 15 or June 15.
- The annual installments will be calculated as a % of the unpaid balance and will be:

Type of Stock	Year 1	Year 2	Year 3	Year 4	Year 5
Heifer Calves (Open Replacements)	100%	NA	NA	NA	NA
Bred Heifers and Bred Cows	20%	25%	33.33%	50%	100%
Cow/Calf Pairs Under 5 years of Age	25%	25%	33.33%	50%	100%
Bred Cows and Cow/Calf Pairs Over 5 years of age	50%	100%	NA	NA	NA
Ewe Lambs and Yearling Ewes	25%	33.33%	50%	100%	NA
Bulls	50%	100%	NA	NA	NA

1.8.8 Purchase Price & Conditions

1. Each LFA or LBA may set its own maximum purchase price for financing heifer calves and breeding livestock up to a maximum permitted by the ABFI Management Committee.
2. The maximum amount of financing (price paid by ABFI) for each class of breeding stock will be reviewed at least once per year or more often depending on market conditions and set by the ABFI Management Committee to manage risk and attract customers.
3. Producers who wish to pay more than the association limit have the option to do so but will need to cover the extra amount out of their own pocket.
4. Breeding stock can be purchased from any source if clear title is provided to ABFI.
5. Breeding stock currently financed by other LFA's or LBA's, associations or programs can be purchased, but must have clear title (e.g., Existing security documents will not be assumed but need to be replaced by our own security documents).
6. Condition and quality of any financed breeding stock must be acceptable to the LFA or LBA and/or ABFI.

1.8.9 Sale of Livestock

1. Producers will manifest and sell all ABFI livestock (all heifer calves, offspring of financed breeding stock and any culls) in the name of ABFI on account of the producer in order that ABFI receives all proceeds of sale.
2. ABFI will deduct annual payments and any additional fees due to either ABFI or the LFA or LBA and return any excess proceeds to the producer.

1.8.10 Replacement of Dead and Culled livestock

1. Culled - entire proceeds of sale will be applied to the outstanding balance of the loan.
2. If culls are sold prior to September 1 of the year, it is assumed that the cow did not have a calf in order to make its annual payment therefore cull sales will be used to reduce the annual payment for that year.
3. If culls are sold after September 1 of the year, it is assumed that the cow had calved, and the calf will be sold to make all or a portion of that year's payment. The culls will then be used to reduce the following years annual payment.
4. In the case where death losses of calves occur and cows of those calves continue to be retained within the herd, it is expected that the calves from the other cows on the contract or from own resources will be used to make the annual payment that is due.
5. Where an extraordinary number of culls or deaths occur (cows or calves), the annual payment for that year will be adjusted to reflect the sales or the deaths of the extraordinary circumstances. In any event this situation should be reported immediately to the LFA or LBA and ABFI.
6. ABFI financed cows can be culled and replaced with purchased or existing owned cows. Cost of the replacement is the producer's expense. Replacement is to be ABFI Branded. Cull sales proceeds are to be paid to producer if the original Cow is replaced. We will hold cull sales proceeds for a maximum of 3 weeks prior to applying to outstanding principal to allow time for replacements to be put in place. In the case of a Self Purchase to replace a Cull Cow, updated waivers and searches are required.

1.8.11 Identification (Branding)

1. Breeding Stock - all cattle financed by ABFI and used to fund security deposit must be branded with ABFI's brand at time of purchase, if purchased from an auction mart, those animals must be branded prior to being removed or transported from the Auction Mart. Sheep must be tagged with an approved RFID tag (right ear) and a tag bearing the ABFI name and number (left ear);
2. Calves - must be branded before 3 months of age or before being sent to summer pasture, whichever date is earlier;
3. Current year calves do not have to be branded if the current year loan payment due has been pre-paid or paid in full;
4. Lambs - must be tagged within 24 hours of birth.
5. If a producer does not brand or ear tag as prescribed, or next loan payment prepaid, the

- ABFI will assess a penalty or may suspend or expel the member and call the loan;
6. ABFI will register a brand for use by producer's participating in the ABFI program.

1.8.12 Bulls and Rams

1. Producers must run a fertile bull with the financed cattle for at least 90 days in each 12-month period;
2. Producers must expose ewes or ewe lambs to a ram for at least 45 days in each 12-month period.
3. Rams will not be financed under the program.

1.8.13 Custom Care Agreement

1. The producer may have breeding stock cared for at a location other than his farm provided he notifies ABFI in advance and uses a custom care agreement prescribed by ABFI.

1.9 BREEDER FINANCE FORMS

- 1) Application Forms
 - a) Individuals Joint Producers
 - b) Joint Ventures and Partnerships
 - c) Corporate Producers
- 2) Personal Information and Privacy Agreement (PIPA)
- 3) Breeder Finance Program Agreement
- 4) LFA or LBA Recommendation Letter
- 5) Producer Balance Sheet
 - a) Individual
 - b) Joint
 - c) Corporate
- 6) Guarantee (for individual shareholders of a corporation)
- 7) Power of Attorney (for partnerships, joint members and joint ventures)
 - a) Initial Sign Up
 - b) Subsequent Changes
- 8) Resolution of the Board of Directors (for corporations)
 - a) Initial Sign Up
 - b) Subsequent Changes
- 9) Financing Statement

- a) Cattle
- b) Sheep
- 10) Subordination Letter
- 11) Priority Agreement
- 12) Notice of Purchase-Money Security Interest in Inventory
- 13) Purchase Order
- 14) Livestock Supply Forms
 - a) Heifers - Dec 15
 - b) Heifers - June 15
 - c) Bred Heifers and Cows - Dec 15
 - d) Bred Heifers and Cows - June 15
 - e) Bred Cows over 5 years - Dec 15
 - f) Bred Cows over 5 years - June 15
 - g) Cow calf pairs under 5 years - Dec 15
 - h) Cow calf pairs under 5 years - June 15
 - i) Cow calf pairs over 5 years - Dec 15
 - j) Cow calf pairs over 5 years - June 15
 - k) Ewe Lambs & Ewes - Dec 15
 - l) Ewe Lambs & Ewes- June 15
 - m) Bulls - Dec 15
 - n) Bulls - June 15
 - o) Replacements - Dec 15
 - p) Replacements - Jun 15
- 15) Association Invoice
- 16)
 - a) Security Interest Waiver-for third party purchases
 - b) Letter to Private Sellers
- 17) Statement of Disclosure
- 18) Custom Care Agreement
- 19) LIS Bill of Sale
- 20) LIS Manifest
- 21) LFA or LBA Operating Agreement
- 22) Administrators Independent Contractor Agreement

- 23) Supervisors Independent Contractor Agreement
- 24) Partial Sales Worksheet
- 25) Producer Inspection Report
- 26) Field Auditor's Producer Inspection Report
- 27) Field Auditor's LFA or LBA Report
- 28) Annual Summary of Field Auditor Reports for ABFI
- 29) Template for Office Audit of Producer Files
 - a) Individuals
 - b) Joint
 - c) Corporations
- 30) Deadstock Reporting Form
- 31) ABFI Bill of Sale
 - a) Administrator's Checklist - Individual
 - b) Administrator's Checklist - Joint
 - c) 32C. Administrator's Checklist - Corporation
- 32) PPR Request
- 33) Lien Search Request
- 34) Field Auditor's Independent Contractor Agreement
- 35) Amending Agreement - Out of Province Livestock
- 36) Waiver of Distraint Agreement

1.10 SUMMARY LFA OR LBA AND ABFI RESPONSIBILITIES

1.10.1 LFA or LBA Responsibilities and Tasks

1. Sign up/recommend participants for the Breeder Finance Program (local accountability)
2. Normal credit checks with local businesses
3. Get signatures on various documents at the local office, (e.g., application form, security agreement, Security interest waivers, priority agreements, etc.)
4. Approve purchases through LFA or LBA Supervisor visits (to validate branding) and completion of the Breeding Stock Supply Form
5. Information conduit to ABFI for the participant (e.g., first contact for inquiries)
6. When payments are overdue, LFA or LBA will be notified to assist with collection process
7. Enforce all the rules and regulations for the breeder finance program to the satisfaction of all participants, ABFI and the lender

8. Ensure that all breeding stock are branded, counted and inspected before payment is made
9. Ensure an annual inspection is completed. Either: Spring - to certify that the calf crop has been branded (lambs have been tagged) with the ABFI brand or tag or Fall - after pregnancy testing to confirm inventory and winter feed supplies. Where the producer has pre-paid their annual calf or lamb payment a spring inspection won't be required, but a fall inspection is still to be completed
10. Sign an operating agreement with ABFI that governs delivery of the ABFI to participants.

1.10.2 ABFI Responsibilities and Tasks

1. Final approval of individual participants using the program
2. Borrows block funds from lender under Revolving Line of Credit arrangement or other facility
3. Provides loans directly to approved participants and manage loan accounts
4. Registers security agreement over collateral
5. Holds registered breeder brand - "shelter over triangle" with additional use of the specific LFA or LBA character over the shelter. Additional breeder brands may be purchased from other breeder co-ops who are transferring their accounts to ABFI
6. Cattle bought and sold in name of ABFI on account of producer
7. ABFI issues funds to producers for surplus amounts after loan payments made (Note: this can be done electronically or via direct deposit to provide reasonable time for payment)
8. ABFI holds Security Deposit on behalf of LFA's or LBA's and participants
9. Ensure that appropriate priority agreements are in place with any competing lenders to participants (e.g., any lenders that name livestock as their security for any type of financing)
10. To provide 3rd party inspection and audit service and system acceptable to the lender and the associations. This system will create a "checklist" for all Supervisors to use, thus providing consistency across all LFA's or LBA's;
11. Educate participants on the integrated financing options available to them such as the Advanced Payment Program (APP) and Feeder Associations Loan Guarantee Program (FALGP) as alternatives to branding and managing cash flow;
12. Provide LFA's or LBA's with reports on the participants they have recommended to ABFI.

DOCUMENT NAME	LFA/LBA RESPONSIBILITIES	ABFI RESPONSIBILITIES
1 Application for ABFI a. Individuals b. Joint members, Joint Ventures or Partnerships c. Corporations	<ul style="list-style-type: none"> • Get Producer’s information and signatures. • Provide copy to producer and ABFI • 1c - Obtain LFA or LBA Board recommendation and loan limit 	<ul style="list-style-type: none"> • Initiate Producer file when application is received
2 PIPA	<ul style="list-style-type: none"> • Get producer’s information & signature • Forward a copy to ABFI • Use local contacts to determine credit worthiness 	<ul style="list-style-type: none"> • Receive to Producer’s file
3 Breeder Finance Program Agreement	<ul style="list-style-type: none"> • Witness Producer’s signature • Check date is correct • Provide copy to Producer (all pages) and ABFI (initially pages 1, 14 & 15 only followed by complete original) 	<ul style="list-style-type: none"> • Check to ensure accuracy, date and appropriate signatures • Sign for ABFI
4 LFA or LBA Recommendation Letters	<ul style="list-style-type: none"> • □ 	<ul style="list-style-type: none"> • □
5 Producer Balance Sheet (for loans, greater than \$500,000 - when available)	<ul style="list-style-type: none"> • Obtain Form 5 and include in package sent to ABFI 	<ul style="list-style-type: none"> • Review and use in process for approving loans over \$500,000
6 Shareholder’s Guarantee (for corporations)	<ul style="list-style-type: none"> • All shareholders in the corporation must sign as “Guarantors” (Note: ABFI will do final check against Corporate Certificate to ensure all shareholders have signed) • Check that Acknowledgement of Guarantee Certificate is completed by a lawyer and signed by all shareholders 	<ul style="list-style-type: none"> • Check that all shareholders named on Corporate Certificate have signed as Guarantors. • Check that Acknowledgement of Guarantee Certificate is completed by a lawyer and signed by all shareholders
7 Power of Attorney (for members of a partnership or joint venture, and joint partners where a representative is to be appointed to handle the affairs of the “Producer”)	<ul style="list-style-type: none"> • Witness Producer(s) signature • Forward copy to ABFI 	<ul style="list-style-type: none"> • Place appointed person’s name and contact information on file checklist for future reference (e.g. signature on Breeder Livestock Supply Forms, etc.)
8 Resolution of the Board of Directors (to appoint one or more individuals to be the representative of the Corporation in business with LFA/LBA/FAA)	<ul style="list-style-type: none"> • Get all directors of the corporation to sign • Witness signatures • Forward copy to ABFI 	<ul style="list-style-type: none"> • Ensure that all directors named on Corporate Certificate have signed • Post named representative contact information to file checklist for future reference (e.g. for signature on Breeder Livestock Supply Forms, etc.)
9 Financing Statement a. Cattle b. Sheep	<ul style="list-style-type: none"> • No Action Required 	<ul style="list-style-type: none"> • Complete and file with PPR • Receive confirmation to Producer’s file
10 Subordination Letter (used when search of producer reveals competing security interest in “livestock” or an ALPAP is registered against the producer. Includes copy of Form 11 and Form 12)	<ul style="list-style-type: none"> • No Action Required unless requested by ABFI 	<ul style="list-style-type: none"> • Copy to Producer file • Registered letter # and tracking info noted on checklist • Conduct Security Interest search of the producer - result will indicate whether this document is required • If required - send (via Registered

DOCUMENT NAME	LFA/LBA RESPONSIBILITIES	ABFI RESPONSIBILITIES
		<p>Mail) to “competing creditors” along with Priority Agreement (11.)</p> <ul style="list-style-type: none"> • OPTION - get LFA or LBA and Producer to deliver Priority Agreement to competing lender(s) in person and obtain signatures •
<p>11 Priority Agreement Note: it is the Producer’s responsibility to get required Priority Agreements signed by their lender(s). ABFI will inform LFA or LBA Administrator when Form 11 is required.</p>	<ul style="list-style-type: none"> • No Action Required unless requested by ABFI • May assist Producer in filling out Form 11 and sending or taking to his lender(s) 	<ul style="list-style-type: none"> • FAX copy of Form 11 to member for signature • If Required - Send 2 copies of Form 11 to completing creditor with Subordination Letter (10.)
<p>12 PMSI Notice Will be included with Form 10 when it is if necessary, to send to lender(s) by registered mail.</p>	<ul style="list-style-type: none"> • No Action Required 	<ul style="list-style-type: none"> • Required if Lenders will not sign Priority Agreement then complete and send copy to competing creditors along with Subordination letter and Priority Agreement 10. and 11.)
<p>IMPORTANT All the above documents must be complete and in the ABFI file. When required documents must be completed before livestock can be purchased by ABFI for the Producer.</p>		
<p>13 Purchase Order (PO) Note: 2-part document, page 2 of PO outlines the terms and conditions of the PO and forms an important part of the document to the seller.</p>	<ul style="list-style-type: none"> • Send/give to Producer or Seller of livestock, after ABFI has approved the producer for purchase and must be completed prior to any invoice for any livestock purchases. • Include copy with invoice, Breeding Stock Supply Form sent to ABFI • Note: Livestock purchased from the Auction Markets must be branded or in the case of sheep tagged with RFID tag and a tag bearing ABFI name and number prior to leaving or transported from the Auction Mart. LFA or LBA Supervisor must complete inspection approving the breeding stock purchased. Private Treaty purchases or from a Livestock Dealer must not be paid for by ABFI until all cattle are branded or in the case of sheep tagged with RFID tag and a tag bearing ABFI name and number and the LFA or LBA Supervisor has inspected and approved the breeding stock purchased. 	<ul style="list-style-type: none"> • Receive copy to Producer’s file • Ensure PO is completed and accuracy
<p>14 Breeding Stock Supply Form (including Promissory Note) Note: Form 14 to be used for specific livestock type being purchased</p>	<ul style="list-style-type: none"> • Select appropriate Form 14 • Complete with description of livestock, value, costs and repayment dates • Witness Producer’s Signature • Complete Supervisor’s certification • Keep original copy in file and 	<ul style="list-style-type: none"> • Use set up Member’s loan account and Receive to put in Producer’s File • Check Promissory Note for completeness and accuracy of information including repayment schedule

Section 1 INTRODUCTION

DOCUMENT NAME	LFA/LBA RESPONSIBILITIES	ABFI RESPONSIBILITIES
	forward copy to ABFI	<ul style="list-style-type: none"> ABFI pays the invoice to Livestock Dealer or seller/vendor for livestock See Form 16 for 3rd party purchases (not Auction Marts or Dealers)
15 ABFI Invoice Used for sale of livestock from LFA or LBA to ABFI and other 3rd party purchases	<ul style="list-style-type: none"> PO (Form 13) must be dated and issued prior to being invoiced from seller/vendor Complete invoice and attach to Form 14, Invoice must match PO (Form 13) 	<ul style="list-style-type: none"> Verifies PO issued matches invoice Use to support Form 14 and in calculating payment to seller/vendor ABFI pays the invoice and issues payment to Auction Mart
16 Security Interest Waiver (for use with 3rd party purchases where a lien on the livestock has been detected by a search. This ensures the lien holder has been paid and the livestock come with clear title) (optional) - Letter of explanation to Producer and Vendor for reason of lien search.	<ul style="list-style-type: none"> If Requested by ABFI - obtain vendor's and producer's signatures (may be one and the same when this is a "self- purchase) Forward copy to ABFI Note - ABFI must not pay the vendor until ABFI has received a completed Form 16 (when required) 	<ul style="list-style-type: none"> Conduct lien search on livestock/vendor described If liens present - obtain lender's (lien holder's) signature(s) and information on payment request Note - Form 16 not required if LFA or LBA that is delivering the ABFI is also the lien holder Comply with payment request of lender (lien holder)
17 Statement of Disclosure (floating interest rate)	<ul style="list-style-type: none"> Complete and get Producer's signature Spreadsheet available from ABFI or website for calculations 	<ul style="list-style-type: none"> Receive copy to file Verify completeness and accuracy
18 Custom Care Agreement	<ul style="list-style-type: none"> Obtain signatures of Producer, Custom Operator and LFA or LBA representative Provide Producer and Custom Operator with copies Forward copy to ABFI 	<ul style="list-style-type: none"> Check and submit to Producer's file
19 LIS Bill of Sale Used as example of basic Bill of Sale	<ul style="list-style-type: none"> Provide to 3rd party vendors if required 	<ul style="list-style-type: none"> No action but ABFI will provide Form 31, a Bill of Sale when producer has completed payment for livestock
20 LIS Manifest	<ul style="list-style-type: none"> Used by Producer when consigning ABFI livestock for sale Forward copy to ABFI 	<ul style="list-style-type: none"> Copy to Producer's file for inventory purposes.
21 Operating Agreement	<ul style="list-style-type: none"> LFA or LBA must have signed with ABFI before delivering the program 	<ul style="list-style-type: none"> Sign when required before delivering the program
22 Independent Contractor's Agreement (Administrator)	<ul style="list-style-type: none"> LFA or LBA Administrator must sign before delivering the program Forward to ABFI 	<ul style="list-style-type: none"> Sign when required before delivering the program
23 Independent Contractor's Agreement (Supervisor)	<ul style="list-style-type: none"> LFA or LBA Supervisor must sign before delivering the program Forward to ABFI 	<ul style="list-style-type: none"> Sign when required before delivering the program
24 Partial Sales Worksheet	<ul style="list-style-type: none"> No action required 	<ul style="list-style-type: none"> Complete as per instructions when a sale of ABFI livestock occurs
25 Producer Inspection Report	<ul style="list-style-type: none"> To be completed by the LFA or LBA Supervisor and forward copy to ABFI 	<ul style="list-style-type: none"> Review report and determines appropriate action Copy to LFA's or LBA's file

Section 1 INTRODUCTION

DOCUMENT NAME	LFA/LBA RESPONSIBILITIES	ABFI RESPONSIBILITIES
26 Form 26. Field Auditors Producer Inspection Report	<ul style="list-style-type: none"> Cooperate with the ABFI Field Auditor 	<ul style="list-style-type: none"> Completed by ABFI Field Auditor Review report and determines appropriate action
27 Field Auditor's LFA or LBA Report	<ul style="list-style-type: none"> Cooperate with the ABFI Field Auditor 	<ul style="list-style-type: none"> Completed by ABFI Field Auditor Review report and determines appropriate action
28 Annual Summary of Field Auditor's Report	<ul style="list-style-type: none"> Cooperate with the ABFI Field Auditor 	<ul style="list-style-type: none"> Completed by the ABFI Administrator
29 Office Audit of Producer Files <ul style="list-style-type: none"> Individuals Joint Corporations 	<ul style="list-style-type: none"> No action 	<ul style="list-style-type: none"> Completed by the ABFI General Manager or Delegate Random selected producer files to be reviewed monthly, determine completion and accuracy of documentation
30 Deadstock Reporting Form	<ul style="list-style-type: none"> Complete and send copy to ABFI when producer reports a dead animal 	<ul style="list-style-type: none"> Adjust inventory of specified contract and & copy to Producer File
31 ABFI Bill of Sale	<ul style="list-style-type: none"> No action 	<ul style="list-style-type: none"> Complete and Supply to Producer when required
32 Administrator's Checklist <ul style="list-style-type: none"> Individual Joint Corporation 	<ul style="list-style-type: none"> No action 	<ul style="list-style-type: none"> ABFI uses to ensure completeness in producer files
33 PPR Request	<ul style="list-style-type: none"> No action 	<ul style="list-style-type: none"> Use when requesting registration of a security interest
34 Lien Search Request	<ul style="list-style-type: none"> No action 	<ul style="list-style-type: none"> Use to request search of PPR registry in application process (producer) or if 3rd party sellers are involved
35 ABFI Field Auditor Independent Contractor Agreement	<ul style="list-style-type: none"> No Action 	<ul style="list-style-type: none"> Sign with any appointed Field Auditors
36 Amending Agreement - Out of Province Grazing Note: livestock cannot be moved or transported out of province without ABFI approval	<ul style="list-style-type: none"> LFA or LBA obtains from producer written request for grazing out of province and forwards to ABFI for approval LFA or LBA obtains signatures from producer once approved by ABFI and supporting documentation as required 	<ul style="list-style-type: none"> ABFI reviews request based on merit and that producer is in good standing ABFI provide approval to LFA or LBA ABFI reviews to ensure completeness and accuracy and place in producer file ABFI registers required security to ensure valid charge in either BC or SK.
37 Waiver of Distraint Agreement - Out of Province Grazing	<ul style="list-style-type: none"> LFA or LBA to obtain details of owner information where livestock are to be grazed and obtain signatures from all parties and supporting documents and sends to ABFI 	<ul style="list-style-type: none"> ABFI reviews to ensure completeness and accuracy and files in producer file

1.10.3 Manual of Operations

ABFI has developed a Standard Operating Procedures Manual to be used by LFA's or LBA's and ABFI staff in the administration of the ABFI program. ABFI may amend the Standard Operating Procedures Manual from time to time, with advice to the lender of the amendments.

1.10.4 LFA/LBA/ABFI Operating Agreement

LFA or LBA and ABFI will sign an operating agreement that specifies duties and responsibilities of each party and the fee structure for services rendered by the LFA or LBA. LFA's or LBA's will set their own annual fees based on their cost of serving/supervising participants. ABFI will have an initial one-time document fee required when the loan account is set up that will be payable to ABFI and can be financed into the loan amount. ABFI will charge an annual loan administration fee. Annual fees charged by the LFA or LBA will be deducted from the loan proceeds and remitted to the LFA or LBA. In addition, ABFI will have "Independent Contractor Agreements" with both the Administrator and Supervisor in each LFA or LBA that holds an Operating Agreement with ABFI.

If the LFA or LBA wishes to also charge an application or program fee they will advise ABFI of the amount so that it can be included on the ABFI Supply Form thus presenting the member with only one fee at that time and included in the Statement of Disclosure. The LFA or LBA Annual fee will be added to the participants annual loan payment (to be deducted before any net proceeds of sale are provided to the participant). ABFI will then provide the LFA or LBA with the annual admin fee for each member. The year 1 admin fee will be added to the principle amount and financed for the term of the loan.

1.10.5 Definitions

BFP - Breeder Finance program offered to the member;

MC - the management committee responsible for BFP operations;

LFA - means the Local Feeder Association participating in the breeder finance program;

Producer - any person recommended by the LFA and accepted by ABFI into the program; ABFI - Alberta Breeder Finance Program Inc.

LBA - means the Local Breeder Association participating in the breeder finance program;

FALGP - Feeder Associations Loan Guarantee Program provided by the Government of Alberta and administered through the LFA's;

WLPPI - Cattle Price Insurance Program or Western Livestock Price Insurance Program (WLPPI) offered by AFSC.

AFSC - Agriculture Financial Services Corporation

1.11 BASIC SHEEP PRODUCTION INFORMATION FOR LFAs OR LBAs

With the advent of the ABFI Program, many LFAs or LBAs are considering financing sheep for the first time. However, many LFAs or LBAs lack the knowledge of basic sheep production to be comfortable with financing ewe lambs and yearling ewes. Here are the “Top Ten” things that LFAs or LBAs need to know about good sheep production methods, along with reference information on where to get more details.

1.11.1 Breeding Stock Terminology

A “replacement ewe lamb” is a female up to the age of about 13 to 15 months (think “heifer”). Under good management a ewe lamb should give birth to her first lamb at about 14 months of age. A “yearling ewe” is a female up to 2 years of age and should have lambed once by the age of 2 years (if exposed to a fertile ram). Few ewes remain productive beyond 9 or 10 years of age. A “ram” is a male breeding animal (bull) and a castrated male is called a “wether” (steer).

1.11.2 Aging Sheep

The approximate age of a sheep can be determined by examining their lower incisor teeth. At birth, lambs have eight baby (or milk) teeth or temporary incisors arranged on their lower jaw. They don't have any teeth on their top jaw, only a dental pad. At approximately one year of age, the central pair of baby teeth is replaced by a pair of permanent incisors. At age 2, the second pair is replaced by permanent incisors. At 3 and 4 years, the third and fourth pairs of baby teeth are replaced. At 4 years, a sheep has all its adult teeth - from then on teeth grow in length not number.

1.11.3 Sheep Are Ruminants

Sheep are ruminants, like beef cattle, and utilize similar feed resources. However, many sheep for their body size are more productive than beef cows. As a result, they require better quality rations, especially during late gestation and early lactation. Pregnant ewes simply don't have the body capacity to take in large quantities of poor, or even medium, quality forage like pregnant beef cows can. And in terms of quality, a lactating ewe for twins should be fed more like a mini dairy cow, than a mini beef cow. A rule of thumb for grain feeding pregnant ewes is that during the last 6 weeks of gestation a ewe should receive good quality forage free-choice plus 1 pound of whole grain, usually barley. For early lactation, a ewe should receive excellent quality forage free-choice plus 1 pound of whole grain for each nursing lamb. Ewes will eat about 2 to 4% of their body weight daily compared to 1.8 to 2.4% for a beef cow.

Note: whole grain is healthier and less costly for sheep - no need to grind or roll except in creep rations for baby lambs!

1.11.4 Health Program

Sheep get sick, just like cattle do. Good producers work with a veterinarian to manage flock health. They vaccinate for Clostridia diseases (Black leg, etc.) and other diseases they may have identified in their flock. They also feed balanced rations and work to minimize stress to prevent diseases. Good producers are prepared to treat diseases like mastitis in ewes, or pneumonia, scours or coccidiosis in lambs. They also have a plan in place to manage external and internal parasites on a regular basis. Internal parasites can be a problem in lambs on pasture. The normal body temperature of a healthy sheep is 39 deg C (102 to 103 deg F).

For more information on flock biosecurity go to: www.ablamb.ca

1.11.5 Shearing

Wool breeds, as opposed to the hair breeds, need to be shorn once per year as part of a good management plan. Shearing before lambing is a good practice if producers have good facilities to help the shorn sheep withstand winter temperatures or windy, rainy periods.

1.11.6 Facilities

Adult sheep in full fleece are well insulated from cold temperatures but suffer from exposure to wet and wind just as much as cattle do. Open front sheds and wind break fences are usually sufficient protection for growing lambs and adult sheep. Newborn lambs need to be protected from freezing temperatures until they are dried off and have a belly full of colostrum. In buildings, bred ewes require about 15 sq. ft. of space per ewe. At lambing time this should be increased to 20 to 25 sq. ft. Feeder lambs require about 8 sq. ft. per head on a bedding pack and about 4 sq. ft. when being fed on slatted floors. Good ventilation and a dry bedding pack are required in any sheep buildings as high humidity can foster proliferation of several diseases.

1.11.7 Lambing

The gestation period for sheep is 145 to 150 days. Producers lambing in the winter closely supervise their flock 24/7 and have a warm area where ewes with their new born lambs can be placed in “claiming pens” or “jugs” for 24 to 48 hours. Once lambs are dried off, mothered up and consuming lots of milk they can be put out into larger groups in cold sheds if protection from wind and snow/rain is available. Tail docking of young lambs is commonly practiced keeping bums clean and free from fly strike during fly season. Refer to the new Code of Practice (www.cansheep.ca) for docking / castrating methods.

1.11.8 Predation

Sheep are much more susceptible to predators than are cattle. Coyotes are the most common problem, but dogs can also be a concern. To minimize predation losses, good producers have

good fences, good guard dogs, and good carcass disposal plans. Many producers pasture only mature ewes, leaving the lambs to be fed out in confinement.

1.11.9 Body Condition

Good producers keep their ewes in appropriate body condition for the stage of production. Dry ewes can be maintained at a Body Condition Score (BCS) of 2 to 2.5. Breeding ewes should be in a BCS of 2.5 to 3. At lambing ewes should be in a BCS of 3 to 3.5. Thin ewes are too common in flocks managed by inexperienced owners.

1.11.10 The “Eye Of The Shepherd Fattens The Lambs....And Make The Payments”

The reputation and experience of the producer is the most important factor in successful sheep production and financing. LFAs or LBAs need to practice due diligence on any new producer to determine their credit worthiness and practical production experience. Ask the applicant to provide references for both credit worthiness and practical sheep production experience.

1.11.11 Internet Resources

www.ablamb.ca - a variety of business and production factsheets and resources produced in Alberta

www.sheep101.info - basic information for new and experienced shepherds

<http://www.ontariosheep.org/SHEEPPRODUCTIONINFO/Manuals/IntroductionToSheepProduction.aspx>

<https://www.novascotia.ca/agri/bde/news/pdfs/SheepCOPReport.pdf> - a good business factsheet

A more complete package of information on sheep production and financing is available from the ABFI office



PROGRAM MANUAL

PRODUCER APPLICATION PROCESS

Section 2

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2 PRODUCER APPLICATION PROCESS

2.1 GOALS AND OUTCOMES

Both existing LFA or LBA members and new producers need to complete the application process so that they can get financing through the Breeder Finance Program. The term “producer” will be used to describe existing LFA members, new LFA or LBA members, and producers that don’t wish to join the LFA or LBA. In this regard, producers are not required by ABFI to join a LFA or LBA, but the LFA or LBA may make membership a requirement for producers wanting access to the Breeder Finance Program through their LFA or LBA.

This application procedure must be completed initially and is valid for the duration of the producer’s relationship unless there are changes required in the way the producer wishes to do business with ABFI. ABFI allows for several different types of business structures to participate in.

Note: It is not the role of the LFA or LBA nor ABFI to advise on suitable business structures for producers - that is the role of their legal and financial advisors.

The goal of this section is to ensure proper use of the new documents and processes to allow producers to participate in ABFI.

2.1.1 The Outcomes Will Be:

1. Recording and using the producer’s complete and proper name in all subsequent processes
2. The producer is contractually bound in his or her business affairs with ABFI
3. ABFI and LFAs or LBAs are fully protected in their business affairs with corporations, partnerships, joint ventures and joint producers under ABFI.

The following table shows the forms required for a specific business structure and references the pages in Chapter 2 for the explanation of these documents and their use.

Section 2 PRODUCER APPLICATION PROCESS

Producer MEMBER SIGN UP				
FORMS	INDIVIDUALS	PARTNERSHIPS & JOINT VENTURES	JOINT MEMBERS	CORPORATIONS
Producer Application	2	6	11	16
PIPA	3	7	12	16
BFP Agreement	4	8	12	17
LFA or LBA Letter of Recommendation	5	9	13	18
Producer Balance Sheet	5	9	13	18
Power of Attorney	-	9	14	-
Guarantee	-	-	-	19
Resolution of Directors	-	-	-	19

2.2 INDIVIDUAL PRODUCERS

ABFI requires individual producers to be 18 years of age (see Youth Program exception Section 2.3) and to own or lease land in Alberta on which they directly carry on the business of farming for gain or reward. They must also be residents of Alberta. A person may also qualify for individual status if they are an active shareholder in a corporation or a member of a partnership or joint venture that carries on the business of farming for gain or reward.

All individual producers must complete the following forms during the sign-up process:
Application Form (Form 1A)

Personal Information and Privacy Agreement (Form 2) Breeder Finance Program Agreement (Form 3).

If the individual producer is applying for financing over \$500,000 and up to \$1,000,000, then the Individual Balance Sheet (Form 5A) is also required in addition to other supporting documentation or if requested by ABFI (Contact ABFI for confirmation).

2.2.1 The Application Form for Individuals (Form 1A)

Purpose: To get complete, legal name and contact information for producers to ensure proper and secure documentation for the requested financing. This will be done by the LFA or LBA Administrator.

1. Enter the name of the LFA or LBA on the line at the top, right side of the form.
2. Enter the complete and legal name of the producer. Do not use nicknames (“Bud”, “Butch”) or short versions (e.g., use “Allan” not “Al”). The LFA or LBA Administrator needs to see official government identification such as driver’s licence, birth certificate,

Section 2 PRODUCER APPLICATION PROCESS

firearms licence or passport. An Alberta health card will be evidence of Alberta residency.

- a) It is recommended that only the number on the identification source (e.g. Driver's License number) is recorded on the information form, and no photocopies are retained.
3. Complete remainder of the Application Form and get the producer to sign it.
4. LFA or LBA Administrator completes the section titled "For Office Use ONLY" being sure to specify the loan limit recommended by the LFA or LBA for this producer.
5. Attach the Letter of Recommendation from the LFA or LBA Board (Form 4) for this producer.
 - b) Not all LFAs are participating in ABFI and a producer may have to go to an LFA other than one he is a member of or an LBA to access the ABFI Program. It is important that the producer going to a different LFA, for access to the ABFI Program, does not sign a Feeder Agreement with the LFA providing access to the ABFI Program. They should only sign the Breeder Finance Program Agreement. This will ensure compliance with the Feeder Associations Guarantee Act.
6. Keep a copy of Form 1A and Form 4 in the member's file.
7. Place original copies of 1A and 4 in package being prepared for ABFI. This may be a fax copy if that is the method used to send producer information to

2.2.2 Personal Information and Privacy Agreement - "PIPA" (Form 2)

Purpose: To get the producer's permission to gather and release information required to conduct business with the producer and to ensure the producer is a sound business person. Complete local credit checks when required.

Note: LFAs or LBAs do not have to do local credit checks when recommending existing members to the new program. LFA or LBA Administrators should do local credit checks for new members or producers unknown to them. ABFI will request a credit score from Equifax.

1. enter the producer's name and the association's name at the top of the page of Form 2.
2. Enter the producer's main financial institution (bank) in blank number 1. If more than one financial institution is used for financing enter those in the following blanks. An example would be a breeder co-op or an auction market that finances the producer's cow herd.
3. Enter the other organizations the producer does business with on a routine basis. Many producers wish to list their accountant here so that you can provide their accountant with information at tax time.
4. Enter the producer's complete name, get the producer to sign and then witness the producer's signature, if the form was signed in front of you. Both joint producers must sign.

Section 2 PRODUCER APPLICATION PROCESS

5. A witness to a signature should have an “arm’s length” relationship with the person signing. For example, a wife, parent or son should not witness the producer’s signature.
6. Place a copy of Form 2 in the producer’s file and forward a copy to ABFI. You will likely need to provide copies of Form 2 to persons or businesses from which you are requesting information about the producer.
7. Place the original copy in the package being prepared for ABFI.

2.2.3 Breeder Finance Program Agreement (Form 3)

Purpose: To contractually bind the producer and ABFI in all business actions under the Breeder Finance Program, and to inform the producer, in one document, of all obligations and commitments to ABFI. This action will be done by the LFA or LBA Administrator.

1. Provide the producer with a copy and enough time to read and understand the full agreement. The Producer may take the agreement to have their legal counsel, accountant or any other trusted advisor(s) review it for a short time period.
2. Enter the date, the producer’s full and complete name on the first blanks at top of page 1. Enter the LFAs name on the next blank. Get the producer to specifically read “Section 7 - The Assurance Account” (P.14) and then sign with their initials in the left column.
3. In the first blank of page 17, enter the location (town, city). The individual producer’s name and signature go in the blank opposite the first witness’s name and signature. This will be the 3rd blank from the top on the right side of the page
4. If you are the person who saw the producer sign, enter your name and signature in the blank beside the producer’s name and signature as the witness
5. A witness to a signature should have an “arms length” relationship with the person signing. For example, a wife, parent or son should not witness the producer’s signature.
6. Place a copy of Form 3 in the producer’s file and provide the producer with a copy
7. Place a copy of Form 3 in the package being sent to ABFI.
 - a) Note: All schedules, attachments and copies to Form 3 must be included. A copy of page 1, page 14 (where Section 7 is initialed) and the signature page can initially be faxed to ABFI to expedite business transactions, but the LFA or LBA Administrator needs to retain the original complete copy of Form 3 in their office for the duration of the producers lending with ABFI.

2.2.4 LFA or LBA Letter of Recommendation (Form 4)

Purpose: to clearly indicate support of the LFA or LBA for the producer’s application to the ABFI.

The LFA or LBA Administrator should supply the application (Form 4) to the producer and assist completion if necessary.

2.2.5 Producer Balance Sheet (Form 5A)

Purpose: to provide with additional information on the producer's ability to repay larger loans, or, to support producers with lower credit ratings.

The LFA or LBA Administrator should supply Form 5A to the producer applicant only if necessary. In some cases, the Administrator may request this form be completed.

2.2.6 List of Forms to be completed for Individual Producers

1. Application Form (Form 1A)
2. Personal Information and Privacy Agreement (Form 2)
3. Producer Program Agreement (Form 3)
4. LFA or LBA Letter of Recommendation (Form 4)
5. Producer Balance Sheet (Form 5A) if applying for over \$500,000 and up to \$1,000,000

The LFA's or LBA's responsibilities for the producer application process for individuals are done once the LFA or LBA Administrator has sent the package of forms to ABFI. Any subsequent document requirements and credit issues will be managed by ABFI.

2.3 YOUTH PROGRAM

1. Available to youths 14-18 years old.
2. 20 Cow Cap on financing.
3. If they take advantage of the full 20 Cow purchase option, they are eligible for the Bull program
4. Full co signature from member or non member. Cosigner does not have to be a previous member, nor do they have to be related to the youth.
5. Approval based on existing policy that is applied to the consignor.
6. Existing program Individual and Yard Maximums will apply to the cosigner which is to include the Youth program financed amount.

2.4 PARTNERSHIPS AND JOINT VENTURES

The ABFI agreement allows a partnership or a joint venture to conduct business with ABFI if the persons involved own or lease land in Alberta on which one or more directly carry on the business of farming on behalf of and for the gain or reward of the partners or members.

Partners or joint venture producers must complete the following forms during the application process:

Section 2 PRODUCER APPLICATION PROCESS

Application Form (Form 1B)

Personal Information and Privacy Agreement (Form 2)

Breeder Finance Program Agreement (Form 3)

LFA or LBA Letter of Recommendation (Form 4)

If the partnership or joint venture producer is applying for financing of \$500,000 and up to \$1,000,000, then the Individual Balance Sheet (Form 5B) is also required, in addition to other supporting documentation. In some cases, the Administrator may request this form for some producers.

The partnership or joint venture may also designate one or more authorized representative(s) to carry out the day to day business with the association including signing documents and conveying decisions of the partnership or joint venture. The designation is made by completing the Power of Attorney (Form 7A). The designated Power of Attorney can be changed at any time by submitting a completed Form 7B.

2.4.1 The Producer Application Form (Form 1B)

Purpose: To get complete, legal name and contact information for producers in a partnership or joint venture and to ensure full disclosure of any other information important to ABFI in doing business with the producer.

1. Enter the name of the LFA or LBA in the first box at the top left corner of the application.
2. Enter the complete and legal name of the partnership or joint venture (if applicable) and the names of all partners or joint venture members in the designated spots. Do not use nicknames or short forms of names. Get a copy of an official partnership or joint venture agreement if it exists. The administrator needs to see official government identification such as driver's licence, birth certificate, firearms licence or passport for the individual partners or joint venture members to ensure proper identification. An Alberta health card will be considered evidence of Alberta residency.
3. It is recommended that only the number on the identification source is recorded on the application form and no photocopies are retained.
4. Complete the remainder of the application form. The GST number is not mandatory; the producer's Social Insurance Number or business number is more useful when conducting credit checks.
5. Add the date of the application, the partnership's or joint venture's name and get all individual partners and joint venture members to sign on page 2.
6. LFA or LBA Administrator completes the section titled "For Office Use ONLY" being sure to specify the loan limit recommended by the LFA or LBA for this producer.

Section 2 PRODUCER APPLICATION PROCESS

7. Attach the Letter of Recommendation from the LFA Board (Form 4) for this producer.
8. Keep a copy of Form 1B in the producer's file.
9. Place a copy of Forms 1B and 4 in the package being sent to ABFI.

2.4.2 Personal Information and Privacy Agreement (Form 2)

Purpose: To get the producer's (partnership or joint venture) permission to gather and release information required to do business with ABFI.

Note: Associations do not have to do local credit checks when signing up existing members to the BFP. Local credit checks are recommended when signing up joint ventures or partnerships whose participants have not recently been members of the association. ABFI will obtain credit score information from Equifax on all applicants.

1. Enter the partnership's or joint venture's name and the association's name in the first two blanks at the top of the page. If the partnership or joint venture is not registered as a legal entity on its own, get all partners or joint venture members to sign Form 2.
2. Enter the partnerships or joint ventures main financial institution (bank) in blank number 1. If more than one financial institution is used for financing, enter those in following blanks.
3. Enter other organizations the producer does business with on a routine basis. Many producers wish to list their accountant here so that you can provide their accountant with information at tax time. Producers may also want to list their spouse if they want the association to share information with them.
4. Enter the producer's representative's complete name, get the representative to sign and then witness the producer's signature, if the form was signed in front of you.
5. A witness to a signature should have an "arms length" relationship with the person signing. For example, a wife, parent or son should not witness the producer's signature.
6. Place a copy of Form 2 in the member's file and in the package that is sent to ABFI. You will likely need to provide copies of Form 2 to persons or businesses from which you are requesting information about the member.

2.4.3 Breeder Finance Program Agreement (Form 3)

Purpose: To contractually bind ABFI and the producer in all business actions under the BFP, and to inform the producer, in one document, of all their obligations and commitments.

1. Provide the producer with a copy and enough time to read and understand the full agreement. The Producer may take the agreement to have their legal counsel, accountant or any other trusted advisor(s) review it for a short time period.
2. Enter the date, the producer's full and complete names and the association's name on the top of page 1. Be sure to enter the full names of all persons involved in the joint

Section 2 PRODUCER APPLICATION PROCESS

- venture or partnership. Get the producer to specifically read “Section 7 - The Assurance Account” and then sign with their initials in the left column.
3. On page 17, enter the location (town, city). The name of the partnership is entered under “PRODUCER”. The individual members of the partnership or joint venture are then listed in the following blanks including their signatures.
 4. All members of a partnership or joint venture must sign the agreement, even if they have delegated a representative by Power of Attorney - Form 7.
 5. If you are the person who saw the producer sign, enter your name and signature in the blank beside the producer’s name and signature as the witness.
 - a) A witness to a signature should have an “arms length” relationship with the person signing. For example, a wife, parent or son should not witness the producer’s signature.
 6. Place a copy of Form 3 in the producer’s file and in the package that is sent to ABFI. Provide the producer with a copy.
 - a) All schedules, attachments and copies to Form 3 must be included. A copy of page 1, page 14 (where Section 7 is initialed) and the signature page can initially be faxed to ABFI to expedite business transactions, but the LFA or LBA Administrator needs to retain the original completed copy of Form 3 in their office for the duration of the producers lending with ABFI

2.1.2 Letter of Recommendation

Purpose: to clearly indicate support of the LFA or LBA for the producer’s application to the BRF.

The LFA or LBA Administrator should supply the application (Form 4) to the producer and assist completion if necessary.

2.1.3 Producer Balance Sheet

Purpose: to provide ABFI with additional information on the producer’s ability to repay larger loans, or, to support the producers with lower credit ratings.

The LFA or LBA Administrator should supply Form 5A to the producer applicant only if necessary. In some cases, the Administrator may request this form be completed.

2.1.4 Power of Attorney (Form 7A)

Purpose: To allow ABFI to deal with one partner or one joint venturer if the partnership or joint venture wishes to be represented by a single individual for all future transactions.

1. Enter the full name of the person or persons to be the authorized representative(s) in Part 2.

Section 2 PRODUCER APPLICATION PROCESS

2. Get all members of the partnership or joint venture to sign at the bottom as the “producer”
3. If you are the person who saw the member sign, enter your name and signature in the blank beside the member’s name and signature as the witness.
 - a) A witness to a signature should have an “arms length” relationship with the signer. For example, a wife, parent or son should not witness the producer’s signature.
 - b) Form 6A is to be signed at the same time as the Breeder Finance Program Agreement and therefore is effective on the same date. Form 6B is to be used if the partnership or joint venture wishes to change the authorized representative at a future date, and then it must be dated when it is signed. This allows the administrator to be kept informed of the current authorized representative. A copy must be sent to ABFI when completed.

2.1.5 List of Application Process Forms to be Completed

1. Producer Application Form (Form 1B)
2. Personal Information and Privacy Agreement (Form 2)
3. Breeder Finance Program Agreement (Form 3)
4. Power of Attorney (Form 7A and 7B) - optional
5. Producer Balance Sheet (Form 5B) if applying for over \$500,000 and up to \$1,000,000

The LFA’s or LBA’s responsibilities for the producer application process for the partnership or joint venture is complete once the package of forms has been sent to ABFI.

If the partnership is formally registered, ABFI will require the producer to submit a search from the Alberta Corporate Registry to ensure that the proper partnership name and partner names are used in the documents. ABFI will also deal with any additional document or credit issues that arise.

2.2 JOINT PRODUCERS

The ABFI agreement allows two or more individuals to jointly do business with us a single entity. This arrangement may have business or tax advantages such as survivorship rights of joint tenancy for the producers. It is important to recognize that a joint entity is a single entity and will be treated as such when applying the rules for maximum loan limits.

A joint producer must complete the following forms during the application up process:

1. Application Form (Form 1B)
2. Personal Information and Privacy Agreement (Form 2)
3. Breeder Finance Program Agreement (Form 3)

Section 2 PRODUCER APPLICATION PROCESS

4. LFA or LBA Letter of Recommendation (Form 4)

If the joint entity is applying for financing more than \$500,000, then the Individual Balance Sheet (Form 5B) is also required in addition to other supporting documentation. In some cases, the Administrator may request this form for some producers.

The joint venture business structure may also designate one or more authorized representative(s) to carry out the day to day business with ABFI including signing documents and conveying decisions of the joint structure. This designation is made by completing the Power of Attorney (Form 7A).

2.2.1 Application Form (Form 1B)

Purpose: To get complete, legal name and contract information for members and to ensure they disclose any other information important to doing business with ABFI.

1. Enter the name of the association on the first blank
2. Enter the complete and legal name of all persons that wish to be in the joint business structure in the area designated for Applicant #1 and Applicant #2. Do not use nicknames or short forms of names. The administrator needs to see official government identification such as driver's licence, birth certificate, firearms licence or passport for all persons in the joint business structure.
 - a) It is recommended that the numbers on the identification sources are recorded on the information form and no photo copies are retained.
3. Complete the balance of the application form
4. Add the date of the application, the producer's names and get the producer's signatures at the bottom of page 2 to complete Form 1
5. LFA or LBA Administrator completes the section titled "For Office Use ONLY" being sure to specify the loan limit recommended by the LFA or LBA for this producer.
6. Keep a copy of Form 1B in the producer's file and include a copy in the package you are sending to ABFI.

2.2.2 Personal Information and Privacy Agreement (Form 2)

Purpose: To get the producer's permission to gather and release information required to do business with the producer and to ensure the producer is a sound business person. This includes doing local credit checks when required.

Note: LFAs or LBAs do not have to do local credit checks when signing up existing members to the new program. Local credit checks are required when signing up individuals who have not recently been members of the LFA or LBA will obtain credit scores from Equifax for each applicant.

1. Enter the producer's names and the association's name at the top of the page.

Section 2 PRODUCER APPLICATION PROCESS

2. Enter the joint producer's main financial institution (bank) in blank number 1. If more than one financial institution is used for financing, enter those in following blanks.
3. Enter other organizations the joint producer does business with on a routine basis. Many producers wish to list their accountant here so that the association can provide their accountant with information at tax time. Producers may also wish to include their spouses on the list if they want the association to share information with them.
4. Enter the producer's complete names, get them to sign and then witness the signature, if the form was signed in front of you.
 - a) A witness to a signature should have an "arms length" relationship with the signer. For example, a wife, parent or son should not witness the producer's signature.
5. Place a copy of Form 2 in the member's file and with the package you are sending to ABFI. You will likely need to provide copies of Form 2 to persons or businesses from which you are requesting information about the producer.

2.2.3 Breeder Finance Program Agreement (Form 3)

Purpose: To contractually bind ABFI and the producer in all business actions under the ABFI, and to inform the producer, in one document, of all their obligations and commitments.

1. Provide the producer with a copy and enough time to read and understand the full agreement. The Producer may take the agreement to have their legal counsel, accountant or any other trusted advisor(s) review it for a short time period.
2. Enter the date, the producers full and complete names and the association's name on the top of page 1. Get the producer to specifically read "Section 7 - The Assurance Account" (P.14) and then sign with their initials in the left column.
3. On page 17, enter the location (town, city). All persons in the joint business structure must be listed on and sign the form. If a representative for the joint entity has been appointed, he or she must also sign where indicated.
4. If you are the person who saw the producer's sign, enter your name and signature in the blank beside their names and signatures as the witness.
 - a) A witness to a signature should have an "arms length" relationship with the signer. For example, a wife, parent or son should not witness the producer's signature.
5. Place a copy of Form 3 in the member's file and with the package you are sending to ABFI. Provide the member with a copy.
 - a) All schedules, attachments and copies to Form 3 must be included. A copy of page 1, page 14 (where Section 7 is initialed) and the signature page can initially be faxed to ABFI to expedite business but the LFA or LBA Administrator needs to retain the original completed copy of Form 3 in their office for the duration of the producers lending with ABFI

2.1.2 Letter of Recommendation

Purpose: to clearly indicate support of the LFA or LBA for the producer's application to the ABFI.

The LFA or LBA Administrator should supply the application (Form 4) to the producer and assist completion if necessary.

2.1.3 Producer Balance Sheet

Purpose: to provide ABFI with additional information on the producer's ability to repay larger loans, or, to support producers with lower credit ratings.

The LFA or LBA Administrator should supply Form 5A to the producer applicant only if necessary. In some cases, the Administrator may request this form be completed.

2.1.4 Power of Attorney (Form 7A)

Purpose: To allow ABFI to deal with one person if all persons in the joint business structure wish to be represented by a single individual for all future transactions.

1. Enter the full name of the person or persons to be the authorized representative(s)
2. Get all members of the joint business structure to sign at the bottom.
3. If you are the person who saw the producer's sign, enter your name and signature in the blank beside the producer's name and signature as the witness.
 - a) A witness to a signature should have an "arms length" relationship with the person signing. For example, a wife, parent or son should not witness the producer's signatures.
4. Form 7A is to be signed at the same time as the Breeder Finance Program Agreement and therefore is effective on the same date. Form 7B is to be used if the joint entity wishes to change the authorized representative at a future date, and then must be dated when it is signed. This allows the administrator to be kept informed of the current authorized representative. A copy must be sent to ABFI.

2.1.5 List of Sign up Forms to be completed for a Joint Member

1. Membership Information Form (Form 1B)
2. Personal Information and Privacy Agreement (Form 2)
3. Breeder Finance Program Agreement (Form 3)
4. Power of Attorney (Form 7A and 7B)LFA's or LBA's Letter of Recommendation
5. LFA or LBA Letter of Recommendation (Form 4)If the joint entity is applying for financing of over \$500,000 and up to \$1,000,000, then the Individual Balance Sheet (Form 5B) is also required in addition to other supporting documentation. In some cases, the Administrator may request this form for some producers.

The LFA's or LBA's responsibilities for the producer application process for the joint business structure is complete once the package of forms has been sent to ABFI. ABFI will manage the need for any additional documents or credit issues.

2.2 CORPORATIONS

The ABFI agreement allows a corporation to do business with ABFI if it is registered in Alberta and owns or leases land in Alberta on which one or more active shareholders of the corporation directly carry on the business of farming on behalf of and for the gain or reward of the corporation.

Corporation members must complete the following forms during the sign-up process:

- 1) Application Forms (Form 1C)
- 2) Personal Information and Privacy Agreement (Form 2)
- 3) Breeder Finance Program Agreement (Form 3)
- 4) Guarantee for Individuals in a Corporation (Form 6)
- 5) LFA or LBA Letter of Recommendation (Form 4)

If the corporation is applying for financing of over \$500,000 and up to \$1,000,000, then the Individual Balance Sheet (Form 5B) is also required in addition as well as other documentation. In some cases, the Administrator may request this form for some producers.

The corporation may also designate one or more authorized representative(s) to carry out the day to day business with including signing documents and conveying decisions of the corporation. The designation is made by completing the Resolution of the Board of Directors (Form 8A).

Corporate Information

Corporations should bring in a list of their directors and shareholders to the LFA or LBA Administrator for use in completion of the required forms. When the document package arrives at the ABFI office, the Administrator will do a corporate search to confirm the directors and shareholders and review the document package signature to ensure they are correct and valid.

A corporate search is conducted online through the Alberta Corporate Registry by ABFI staff. The essential information to gain from the search is:

- Correct name and address of the corporation
- Names of the Directors of the corporation
- Names of all the shareholders of the corporation
- Date of the most recent annual return of the corporation
- A copy of the annual return of the corporation should also be obtained each year and kept on file.

For More Information Go to www.servicealberta.ca/Corporate_Registires.cfm

2.2.1 Application Form (Form 1C)

Purpose: To get complete, legal name and contact information for the corporate producer and to ensure they fully disclose any other information important to doing business with ABFI, in dealing with corporate members.

1. Enter the name of the association in the first blank.
2. Enter the complete and legal name of the corporation and the names of all shareholders. Indicate which shareholders are directors of the corporation.
3. Complete the balance of the Application form.
4. Add the date of the application, the corporation's name and the name and signature of the corporation's representative at the bottom of page 2 to complete Form 1C.
5. The LFA or LBA Administrator completes the "For Office Use ONLY" section being sure to specify the "Credit Amount Approved" for the producer.

a) **Note:** The Resolution of the Board of Directors (Form 8A) must be completed before you can accept a representative's signature on the Application Form. If there is not a duly completed Form 8A on file, all directors of the corporation must sign. If the corporation will be appointing a representative, it is recommended this be done before or soon after the Application form is completed. Form 8B is to be used when the Directors wish to change their representative(s) at a future date.

At that time, Form 8B is to be dated and a copy forwarded to ABFI.

1. Keep a copy of Form 1C in the producer's file and place a copy in the package being sent to ABFI.

2.2.2 Personal Information and Privacy Agreement (Form 2)

Purpose: To get the corporate producer's permission to gather and release information required to do business with ABFI and to ensure the corporation is a good business risk. This includes credit checks when required.

Note: Associations do not have to do local credit checks when signing up existing members to the new program. Local credit checks are recommended when signing up corporations whose shareholders have not recently been members of the association. ABFI will check the formal credit ratings of the corporation.

1. Enter the corporate producer's name and the association's name at the top of the page.
2. Enter the corporation's main financial institution (bank) in blank number 1. If more than one financial institution is used for financing, enter those in the following blanks.
3. Enter other organizations the corporation does business with on a routine basis. Many producers wish to list their accountant here so that you can provide their accountant with information at tax time.

Section 2 PRODUCER APPLICATION PROCESS

4. Enter the corporation's complete name, get the corporation's representative to sign and then witness the signature, if the form was signed in front of you. If there is not a duly completed Form 8A on file, all directors of the corporation must sign.
 - a) A witness to a signature should have an "arms length" relationship with the signer. For example, a wife, parent or son should not witness the producer's signature.
5. Place a copy of Form 2 in the producer's file and forward a copy to ABFI. You will likely need to provide copies of Form 2 to persons or businesses from whom you are requesting information about the producer.

2.2.3 Breeder Finance Program Agreement (Form 3)

Purpose: To contractually bind ABFI and the corporation in all business actions under the ABFI, and to inform the producer, in one document, of all obligations and commitments to ABFI.

Note: The corporate producer may wish to complete the appointment of a representative using Form 8A before signing Form 3.

1. Provide the corporation with a copy and enough time to read and understand the full agreement. The Corporation may take the agreement to have their legal counsel, accountant or any other trusted advisor(s) review it for a short time period.
2. Enter the date, the corporate producer's full and complete name on the top of page 1 and the associations name in the first paragraph. Get the producer to specifically read "Section 7 - The Assurance Account" (P.14) and then sign with their initials in the left column.
3. On page 17, enter the location (town, city). The name of the person who is the authorized representative (as per Resolution of the Board of Directors, Form 8A) is entered in the next blank. The name of the corporation is entered under "PRODUCER".
 - a) All directors of a corporation must sign the Breeder Finance Program Agreement if a duly completed Form 8A is not on file.
4. If you are the person who saw the member sign, enter your name and signature in the blank beside the representatives or director's name and signature as the witness.
 - a) A witness to a signature should have an "arms length" relationship with the signer. For example, a wife, parent or son should not witness the producer's signature.
5. Place a copy of Form 3 in the producer's file and with the package you are sending to ABFI. Provide the producer with a copy.

Note: All schedules, attachments and copies to Form 3 must be included. A copy of page 1, page 14 (where Section 7 is initialed) and the signature page can initially be faxed to expedite business transactions, but the LFA or LBA Administrator needs to retain the original completed copy of Form 3 in their office for the duration of the producers lending with ABFI.

2.1.2 Letter of Recommendation

Purpose: to clearly indicate support of the LFA or LBA for the producer's application to the ABFI.

The LFA or LBA Administrator should supply the application (Form 4) to the producer and assist completion if necessary.

2.1.3 Producer Balance Sheet

Purpose: to provide ABFI with additional information on the producer's ability to repay larger loans, or, to support producers with lower credit ratings.

The LFA or LBA Administrator should supply Form 5A to the producer applicant only if necessary. In some cases, the Administrator may request this form be completed.

2.1.4 Guarantee for individuals in a corporation (Form 6)

Purpose: To ensure that all individual shareholders are responsible for the actions and liabilities of the corporation.

1. Enter the name of the corporation in the first blank on the first page.
2. The Guarantees Acknowledgement Certificate must be completed by each partner/shareholder of the partnership or corporation/cooperative residing in the Province of Alberta. The Guarantees Acknowledgement Act requires Certificates to be signed by a lawyer. It is no longer enough that the Guarantee is signed by a Notary Public who is not a lawyer. We will no longer be able to rely on the Notarial seal used by both lawyers and non-lawyers. It is the corporation's responsibility to ensure that every shareholder in the corporation completes and signs one of the guarantees and has the Guarantees Acknowledgement Certificate completed and signed by a lawyer. You may wish to provide sufficient number of copies to accomplish that.
 - a) Corporations will be familiar with this "personal guarantee" as it is the standard business practice of any lender to require this form. The corporation's legal counsel will be able to sign the Guarantees Acknowledgement and provide proper legal advice. ABFI will do a search of the corporate name to ensure that all shareholders have provided a duly executed Form 6.
3. Place a copy of each Shareholder's Guarantee in the producer's file and one in the package that you are sending to ABFI.

2.1.5 Resolution of the Board of Directors (Form 8A)

Purpose: To allow the corporation to appoint a representative who will act for the corporation in all business matters with ABFI. This is for the convenience of both the corporation and ABFI. If a current Form 8A is not on file with ABFI, all directors must sign all documents required.

Section 2 PRODUCER APPLICATION PROCESS

1. Insert the name of the corporation at the top of the page.
2. Instruct the corporation to insert the name of one or more authorized representatives in part 4 of the form.
 - a) Use of this document is providing “signing authority” to the designated representative(s). As such, the corporation may designate more than one person, and require that only one of the representatives is required to sign documents. This is for the convenience of the corporation, and ABFI needs to be sure to comply with the specific authority provided in the resolution.
3. Remind the corporation that all directors of the corporation must sign Form 8A.
 - b) The corporate board of directors may change representative(s) at any time by completing Form 8B. Form 8B must be dated so that ABFI is aware of the most current representative(s) of the corporation. A copy of Form 8B must be sent to ABFI when used.

2.1.6 List of Application Process Forms to be completed for a corporation

1. Application Form (Form 1C)
2. Personal Information and Privacy Agreement (Form 2)
3. Breeder Finance Program Agreement (Form 3)
4. Guarantee for individuals in a corporation (Form 6)
5. Resolution of the Board of Directors (Form 8A and 8B) - optional
6. LFA or LBA Letter of Recommendation (Form 4)
7. Producer Balance Sheet (Form 5C) if applying for over \$500,000 and up to \$1,000,000

The LFA’s or LBA’s responsibility for the producer application process for the corporation is complete once the package has been sent to ABFI. ABFI will manage the need for any additional documents and credit requirements. ABFI will also conduct a search of the Alberta Corporate Registry to ensure that the proper name of the company is used on all documents. They will also confirm the directors and shareholders of the company to approve the proper use of Form 6 (Guarantee) and Form 8 (Resolution of Directors).

2.2 RETURN PRODUCER PROCESS

2.2.1 Producers Request to Purchase

The producers contacts LFA or LBA and notifies the LFA or LBA of request to purchase additional cattle or extend loan limit.

2.2.2 Updates To Contact Info.

1. LFA or LBA updates Producers past application for current address and contact info.

Section 2 PRODUCER APPLICATION PROCESS

2. If yes, then LFA or LBA emails or faxes the application to ABFI with the intent to purchase additional cattle and a recommendation letter from LFA or LBA to support any increase to loan limit, as required.
3. If no, LFA or LBA adds current information and faxes or emails the application to ABFI with intent to purchase additional cattle and a recommendation letter from LFA or LBA to support any increase to loan limit, as required.

2.2.3 ABFI Receives Application With Producer's Current Information.

1. ABFI performs Equifax.
2. ABFI places new request and new Equifax in Producers file.
3. ABFI verifies and confirms if the Producer has any free security deposit to "rollover".
4. ABFI verifies and confirms how much limit the Producers has (i.e. the previous year the LFA or LBA recommended a loan limit of \$100,000.00, that year the Producer used

\$50,000.00 leaving him with a limit of \$50,000.00 available (if the LFA or LBA wishes they may increase the Producers limit within reason, supported with an LFA or LBA recommendation letter and subject to ABFI approval).

2.2.4 ABFI Approving Limits

ABFI responds by email to the LFA or LBA with the Producers approved limit, available security deposit and expiry of the approval.

2.2.5 LFA Or LBA Responds to The Producer

LFA or LBA responds to the producer with the approved limit and available security deposit and expiry of the Approval.

2.3 BULL PROGRAM

1. Producer will have to have at least 20 Cows on ABFI contract for each bull financed.
2. Maximum 2-year amortization.
3. 20% Deposit required.
4. Per head limit set and adjusted with market in mind.
5. Bulls are required to be branded and semen tested.
6. Full repayment not to exceed the 2-year maximum Amortization and no later than the final payment on the last remaining Cow contract.

2.4 EXPIRY OF APPROVAL

1. Producers with a beacon score of above 700 will have a 12-month approval.

2. Producers with a beacon score within the range of 699 to 650 will have a 6-month approval.
3. Producers with a beacon score below 649 will have a 3-month approval.
4. Once the Producers approval has expired the producer will have to meet with an LFA or LBA to ensure all contact information is current as the Producers beacon score and previous security agreements will have to searched and confirmed once again.

2.5 DETERMINATION OF LOAN LIMITS FOR THE PRODUCER

The LFA or LBA will make a recommendation for the producer's loan limit (Form 4) to ABFI, however ABFI has the sole responsibility for final approval.

The ABFI program agreement currently allows a producer a maximum loan limit of up to \$1,000,000 per operation, based on an established criterion. A husband and wife or a father and son can have separate loans, to the maximum of \$1,000,000, if they can show clearly that they have separate farming operations. Evidence of separate farming operations could be filing separate tax returns for their farming operations or having separate AgriStability accounts. The ABFI will have the final decision-making authority in determining "separate operations" for the ABFI Program.

Loan limits of over \$500,000 and up to \$1,000,000 per operation will be considered after the first year of operation of the Breeder Finance Program. Those applicants wanting a loan limit of greater than \$500,000 will be required to include a balance sheet, an income statement and other supporting documentation or information satisfactory to ABFI.

Note: Associations may recommend lower than the maximum limits for any or all their members.

2.6 SECOND AND FOLLOWING LOANS

Upon one-year expiration of the original loan application date, and if the producer requests an additional loan ("new money"), then that producer must reapply to the ABFI. This provides ABFI with the most recent credit worthiness information on the producer.

2.7 SUMMARY OF ACTIONS REQUIRED FOR THE PRODUCER APPLICATION PROCESS

The LFA or LBA is responsible for:

1. Providing Breeder Finance Program information to the producer;
2. Assisting with communication between the Producer and as required; and

3. Obtaining properly completed, signed and dated forms from the producer and forwarding copies to ABFI.

2.8 ABFI IS RESPONSIBLE FOR:

1. Review of all application process forms;
2. Searching Equifax, Personal Property Registry and Corporate Registry;
3. Securing a Priority Financial Interest (Chapter 3); and
4. Final approval and establishing of producer's loan limit (Chapter 3).

Note: photocopies and faxes are considered as legally valid as original documents. This permits time sensitive business transactions to be completed in a timely manner. However, LFA or LBA Administrators should note that ABFI does require completed and clean copies of all



PROGRAM MANUAL

FINAL APPROVAL PROCESS

Section 3

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3 FINAL APPROVAL PROCESS

3.1 GOAL AND OUTCOMES

Final approval of the producer and assignment of their loan limit is the responsibility of ABFI. The recommendation of the LFA and the information they provide will be considered in this process. Producer security deposits and the ABFI line of credit are at risk if ABFI has not secured a priority financial interest in the livestock they supply to producers under ABFI. Furthermore, disputes over financial interests often end up in court for determination, a process that requires considerable time and expense.

It is important to realize that the ABFI registered brand provides clear identification of ownership when properly used and paper trails are maintained. However, ownership is not the same as priority financial interest. Courts have ruled, in some cases, that first proceeds of the sale of owner branded cattle will not go to the owner, because a registered financial interest exists where the livestock were named as collateral.

3.1.1 The goal of this section is:

- To ensure that ABFI approves only credit worthy producers
- To ensure that ABFI holds a priority financial security interest in livestock supplied to producers under the ABFI.

3.1.2 The outcomes for this section will be a method to help ensure that:

- The number of arrears and defaulting producers is minimized
- First proceeds from sale of livestock is given to ABFI at time of sale;
- Fewer disputes over first proceeds of sale arise and go to court for decision;
- Disputes over first proceeds of sale are ruled in favor of ABFI.

3.2 DETERMINATION OF CREDIT WORTHINESS AND ABFI APPROVAL

3.2.1 LFA's Role

The LFA Administrator should, at a minimum, be considering the character and local business reputation of the producers they recommend to ABFI. They should also consider loan repayment capacity when they specify the recommended loan limit for the producer.

3.2.2 ABFI's Role

When the application package arrives at the ABFI office, the ABFI will gather additional information on the applicant through an Equifax search and a search of the Personal Property Registry (plus Bank Act Registry if necessary). The results of these searches will be used in the final approval process and setting the producer's loan limit. Tables 3.2.2.1 and 3.2.2.2

Section 3 FINAL APPROVAL PROCESS

summarize how the credit report information (from Equifax) and the PPR search information will be used to determine credit worthiness of the applicant.

Note: Farm Debt Mediation Service - offers financial counselling and mediation services to farmers who are having difficulties meeting their financial obligations. It is a program offered by Agriculture and Agri-Food Canada. If a producer is under Farm Debt Mediation proceedings, they must be considered a “high risk” by ABFI until their credit issues are resolved.

3.2.3 Determination of Credit Worthiness

Individuals, Joint Members, Joint Ventures and Partnerships

CLASS	BEACON SCORE	CREDIT INFO PROCESS REQUIRED	PERSON OR GROUP RESPONSIBLE FOR APPROVAL
1	700 and over	<ul style="list-style-type: none"> LFA recommendation and specified limit 	ABFI Administrator
2	620 to 699	<ul style="list-style-type: none"> LFA recommendation and specified limit PPR searches indicate 3 or fewer security registrations requiring Priority Agreements/ PMSI notices (not including LFA); if more then put into class 3 	ABFI Administrator and General Manager
3	619 and under	<ul style="list-style-type: none"> Consider amount of total portfolio in this category (less than 5% on a dollar basis is required by ATB covenant) Determine main cause of lower score (some late account payments of less concern than defaults or court actions) Inform LFA of score and discuss any concerns LFA may have regarding applicant and the credit limit, past feeder loan repayment history, management experience/ability etc. Seriously consider rejection Consider lower loan limit for 2 years Consider increase in Security Deposit to 15% Require Priority Agreements rather than PMSI notices Require applicant to submit balance sheet Require applicant to submit letter of reference from their bank Consider value of a co-signer ABFI declines/rejects application, producer may request an appeal 	ABFI Administrator with recommendation to General Manger for final decision

Section 3 FINAL APPROVAL PROCESS

4	No Score Available	<ul style="list-style-type: none"> • Ensure applicant is properly identified; may try alternate forms of name (e.g. “Bill” vs “William”) • Determine why no score (age, using own equity, other?) • Look for other info on Equifax result • Discuss applicant with LFA • Require letter of reference from applicant’s bank • Require balance sheet • Consider PPR Search results (if any) • Consider value of a co-signer 	ABFI Administrator with recommendation to General Manager for final decision
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3.2.4 Determination of Credit Worthiness Corporations

CLASS	Commercial Delinquency Score (CDS) Risk Class	CREDIT INFO PROCESS REQUIRED	PERSON OR GROUP RESPONSIBLE FOR APPROVAL
1	1 & 2 - Low or Very Low Risk of Delinquency	<ul style="list-style-type: none"> • LFA recommendation and specified limit 	ABFI Administrator
2	3 - Average Risk of Delinquency	<ul style="list-style-type: none"> • LFA recommendation and specified limit • PPR searches indicate 3 or fewer security registrations requiring Priority Agreements/ PMSI notices (not including LFA); if more then put into class 3 	ABFI Administrator and General Manager
4	4 - Above Average Risk of Delinquency	<ul style="list-style-type: none"> • Determine main cause of higher risk score (some late account payments of less concern than defaults or court actions) • Discuss derogatory records with applicant • Inform LFA of score and discuss any concerns LFA may have regarding applicant and the credit limit, past feeder loan repayment history, management experience/ability etc. <ul style="list-style-type: none"> • Consider lower loan limit for 2 years • Require Priority Agreements rather than PMSI notices • Require reference letter from applicant’s bank 	ABFI Administrator with recommendation to General Manager for final decision
5	Extremely High Risk of Delinquency	<ul style="list-style-type: none"> • Reject and allow applicant to appeal to ABFI Management Committee 	ABFI Administrator and General Manager
6	“0” or no score. Could mean a variety of things	<ul style="list-style-type: none"> • Ensure applicant is properly identified; may try alternate forms of corporate name • Determine why no score (using own equity, other?) • Look for other info on Equifax result • Discuss applicant with LFA • Require letter of reference from applicant’s bank • Require balance sheet • Consider PPR Search results (if any) • Consider value of a co-signer 	ABFI Administrator with recommendation to General Manager for final decision

Note: for second and subsequent loans (“new money”), ABFI staff will request a new credit report on the following basis:

- If the prior Beacon score was more than 700; 12 months has lapsed;
- If the prior Beacon score was between 699 - 650; 6 months has lapsed;
- If the prior Beacon score was less than 649 or No Score; 3 months has lapsed;

3.3 REGISTERING A FINANCIAL INTEREST

The Personal Property Registry is a data base established under the Personal Property Security Act of Alberta. This Act and Registry provide a method for orderly registration of financial security interests for lenders. The official term for a registered financial security interest is “PPSA Security Agreement”. Registrations of financial security interest in the registry are public information and are intended to protect lenders when they provide financing to a wide variety of individuals and businesses in Alberta. Collateral used for financial security interests can vary from livestock to farm equipment to consumer goods (vehicles, stereos, etc.).

3.3.1 Using the Financing Statement (Form 9)

Purpose: Use the Financing Statement (Form 9) to register a PPSA Security Agreement (a financial security interest) for livestock supplied by ABFI to the producer. ABFI is responsible for this action.

Note: The Financing Statement is a general-purpose form used by a variety of lenders and therefore only specific sections are applicable for use by ABFI.

Form 9A is used when cattle are the collateral; 9B is used when sheep are the collateral.

1. Access the APPRES via internet
2. Complete the information in the first box (PPSA Security Agreement). Indicate the number of years you want this registration to endure. Ten years is recommended as it is expected that many producers will use the ABFI on an ongoing basis. In any event the registration should be for at least one year longer than the term of the loan.
3. Enter the full and correct name of the producer in the part of the form entitled “Debtor #1”. The birth date and address should also be entered as this will ensure that the registration is being placed on the right party. All this information should be available from the Application (Form 1) completed during the sign-up process. If the producer is a registered partnership or corporation, use the legal name that was verified by a search of the corporate registry (see Section 2.3 & 2.5). If the producer is an unregistered partnership, joint venture or joint business structure, enter all persons involved as Debtor #2, etc.
4. Enter ABFI’s information as the “Secured Party”. The service provider (ABFI or other) signs in the area titled “Authorized Signature”.
5. On page 2, enter the ABFI brand that has been assigned to the sponsoring LFA in the blank provided in the “Collateral” section. The brand must be written out, not sketched. You should follow the description of the brand with the words “all locations” if applicable. You do not enter any specific identifiers the LFA may be using for the specific producer, just the LFA’s character. Do not change the wording of the collateral in any way. See the sample of Form 9A and 9B following this section.
6. Submit the form to complete the request
7. The PPR office will return, on-line, a copy of the registration of the financial security

interest that has been completed. Place a copy of the registration in the member's file.

8. It is important that the registration be renewed before it expires, if the producer has an outstanding loan balance. Establish a reminder system that will alert the ABFI administrator to registrations that will be expiring in the coming month.

With completion of Step 8, ABFI has obtained a PPSA Security Agreement (a financial security interest) for livestock branded with the ABFI's registered brand and supplied to the producer. The security interest is effective the date the registration is made. Priority of registered financial interests is based on chronological order of the filing. In other words, "first come-first served". Other registrations citing livestock as collateral, and filed before ABFI's registration, may have priority if there is a dispute over proceeds of sale of any livestock on the farm. Obtaining a priority for ABFI's registration is therefore an important step and is discussed in Section 3.4.

3.4 OBTAINING PRIORITY OVER COMPETING FINANCIAL INTERESTS

Registering a PPSA Security Agreement for ABFI branded cattle still leaves the door open to potential disputes over proceeds of sale, especially when another lender has provided a line of credit that has paid for feed and other inputs that contributed to the increase in value of ABFI owned livestock. The lender in this case has likely registered a General Security Agreement (GSA) that names "all present and after-acquired personal property" as collateral. There may also be a registered financial interest in other livestock on the farm, which may complicate the settlement of sales proceeds. The best way to avoid or win disputes over the sales proceeds from ABFI owned and financed livestock is to get to the top of the priority list for ABFI branded cattle. This can be accomplished with the following steps that are the responsibility of the ABFI:

1. Conduct a search for any competing security agreements for livestock that may be registered on the producer. A search of the Alberta Personal Property Registry will indicate whether a security agreement has been registered on the producer in Alberta. A search of the Bank Act Registry is also recommended where corporations or partnerships are involved or if the producer indicates they have given security under the Bank Act.
2. Carefully review the search result report to determine whether livestock have been named as collateral for any security agreements. Livestock may be specifically described as collateral for the agreement but would also be included in the statement "all present and after acquired personal property". Banks, credit unions or Alberta Treasury Branch (ATB) often show up if they have provided line of credit financing for the producer (3.4.1). Breeder co-ops often show up on the search result report if they have financed the producer's cow herd (3.4.2). There should be a registered security interest by the producer's feeder association if they are a member.

Results for a Search of the Personal Property Registry

Line of Credit

Personal Property Registry		Page 1 of 1	
View Registration			
Registration Number: 012345678		Registration Type: SECURITY AGREEMENT	
Registration Date: 2007-Dec-18		Registration Status: Current	
		Expiry Date: 2013-Dec 18 23:59:59	
<u>Debtor(s)</u>			
<u>Block</u>		<u>Status</u>	
1	John Joseph Doe Box 333 Anywhere, AB, T0E 1D0	Current	
		Birth Date:	1965-Feb -28
<u>Secured Party/Parties</u>			
<u>Block</u>		<u>Status</u>	
1	Bank of Alberta 348 Main Street Somewhere, AB, T0H 1D2	Current	
<u>Collateral: General</u>			
<u>Block</u>	<u>Description</u>	<u>Status</u>	
1	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY	Current	
End of View			

Results for a Search of the Personal Property Registry

Livestock

Personal Property Registry		
View Registration		
Page 1 of 1		
Registration Number: 012345678	Registration Type: SECURITY AGREEMENT	
Registration Date: 2007-Dec-18	Registration Status: Current	
	Expiry Date: 2013-Dec 18 23:59:59	
<u>Debtor(s)</u>		
<u>Block</u>		Status
1	John Joseph Doe Box 333 Anywhere, AB, T0E 1D0	Current
		Birth Date: 1965-Feb -28
<u>Secured Party/Parties</u>		
<u>Block</u>		Status
1	Big Cow Breeder Co-op 348 Main Street Somewhere, AB, T0H 1D2	Current
<u>Collateral: General</u>		
<u>Block</u>	<u>Description</u>	Status
		<u>Current</u>
1	All cattle branded BC over bar located on the right rib or right hip and any unbranded cattle financed by the Big Cow Breeder Co-op as well as any offspring, branded or unbranded, of whatever age or state of growth. Proceeds: All present and after-acquired personal property.	
End of View		

Section 3 FINAL APPROVAL PROCESS

3. If there are no security agreements naming livestock as collateral or “proceeds”, or the statement “Proceeds: All present and after acquired personal property”, the ABFI registered security agreement, obtained in Section 3.2 (using Form 9), will have priority. If ABFI doesn’t release the registration, or let it lapse, it will have priority over any registrations that occur after theirs. Nothing else is required at this time.
4. If security agreements naming livestock as collateral (or “proceeds”) or do have the statement “Proceeds: All present and after acquired personal property”, then each lender holding a current security agreement must be contacted and asked to sign an Priority Agreement (Form 11). The lender’s address will be on the search result as per the Secured Party. Form 11 only asks the lender to give priority to ABFI for ABFI branded cattle and related sale proceeds and deposits [see 1. c) of the Priority Agreement. The producer can obtain a copy of Form 11 from the LFA Administrator and take it to his lender and request signature. This is the quickest and easiest way to accomplish priority over ABFI livestock supplied to the member. Alternatively, ABFI (or LFA) may go directly to step 5.
 - Once all identified holders of a security interest (lenders), the producer and ABFI have signed a Form 11, ABFI will have a priority security agreement for all ABFI branded cattle supplied to the producer. Nothing else is required now. If the lender will not sign Form 11, proceed to Step 5.
5. If the lender will not sign Form 11, a priority security position for the registered security agreement can be obtained by sending the lender the “Subordination Package” (by registered mail). The Subordination Package consists of the Subordination Letter (Form10), the ABFI Priority Agreement (Form 11) and the Notice of Purchase-Money Security Interest in Inventory (Form 12). Upon reading the “Subordination Package”, the lender may have a change of mind and return a signed Priority Agreement (Form 11). If not, as the Subordination Letter (Form 10) describes, the lender will have been served Notice of Purchase-Money Security Interest in Inventory (Form 12). Either way, nothing else is required now.

Form 12, the Notice of Purchase-Money Security Interest in Inventory, is inferior to a signed Priority Agreement (Form 11) when trying to obtain a priority security interest in livestock supplied to the producer and their offspring but will still be useful in dispute settlement. The key is to send it by registered mail and to keep a record of the mail registration in the producer’s file. A copy of a properly completed registered mail receipt is provided at the end of this chapter. ABFI must communicate the importance of this document to the Post Office. ABFI also needs to keep copy of the complete package (Forms 10, 11 & 12) in the producer’s file. ABFI also needs to show a clear paper trail from the purchase of the livestock through to placement with the producer and subsequent sale of the livestock. The process used by ABFI meets this requirement. However, reasonable time must be granted and ABFI will not issue a purchase order nor pay for livestock until 7 days after the package has been sent to the security interest holder.

It is the responsibility of the producer to obtain the required priority agreement(s) from his secured lender(s). ABFI and the LFA or LBA will provide the required documents to the producer or send them to his lender(s) if need be. However, the producer needs to know that

ABFI will not pay for livestock until they have a priority financial interest secured on livestock through the process described.

3.5 FINAL APPROVAL FROM ABFI

Prior to final approval, ABFI will review and certify the accuracy and the presence of the following documents in the producers file:

1. Application Form
2. Personal Information and Privacy Agreement (PIPA)
3. Breeder Finance Program Agreement
4. LFA or LBA Recommendation Letter (with recommended loan limit)
5. Producer Balance Sheet (if required)
6. Guarantee (for individual shareholders of a corporation)
7. Power of Attorney (for partnerships, joint business structures and joint ventures)
8. Resolution of the Board of Directors (for corporations)
9. Credit Report from Equifax
10. Reference to outcome from approval process (Tables 3.1 and 3.2)
11. Financing Statement (Registered with Personal Property Registry)
12. Priority Agreement (if required)
13. Subordination Letter and Registered Mail Receipt (if no Priority Agreement obtained)

Once the file is certified to be “in order” the ABFI will inform the producer and the LFA or LBA of the producer’s approval and approved loan limit. The approval will be time limited as follows:

Credit Risk	Term for Approval
Beacon Score over 700 Commercial Delinquency Score Class 1 or 2	1 year
Beacon Score between 650 - 699 Commercial Delinquency Score Class 3	6 months
All others approved	3 months

3.6 SAMPLE COPIES

Samples of the following forms are attached to the end of this chapter

- 1) Form 9A & B
- 2) Registered Mail Receipt



PROGRAM MANUAL

SUPPLYING LIVESTOCK

Section 4

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4 FINAL APPROVAL PROCESS

4.1 GOALS AND OUTCOMES

The process of buying and supplying livestock to the producer is like the process used in the Feeder Associations Loan Guarantee Program (FALGP). The key is to obtain livestock that has a clear title as this is the primary collateral for the ABFI loan and for the producer.

The goal of this process is:

To supply the producer with quality breeding livestock free of any encumbrances (clear title)

The outcome will be:

Security for producers and ABFI through obtaining clear title to ABFI owned livestock

4.2 SECURITY ASSURANCE ACCOUNT

Once the Livestock Supply Form has been signed by the producer the producer must provide a deposit equal to 10% of his total cost of purchase on the livestock supply form, the producer may wish to submit a single cheque for the total amount of livestock that he/she intends to purchase or he/she may submit payment equal to 10% of the total cost of each purchase at the time of signing each livestock supply form. To expedite payment for livestock, ABFI must receive from the LFA or LBA Administrator a photocopy of the producer's security deposit cheque confirming that the security deposit has been received from the producer and the assurance that the cheque is en route to ABFI from the LFA or LBA. In any case, should the cheque not arrive within 5 business days, or if a cheque does not clear the producer's bank account, ABFI may demand full repayment of the loan plus interest immediately and any costs in doing so are for the account of the producer.

4.2.1 Special Financing Arrangements For The Security Deposit

In some cases, the producer may not have the cash to provide for the 10% security deposit. If the producer has equity in livestock and wishes to sell to ABFI for financing (i.e. a "self-purchase"), the producer may use this equity to pay the admin fees and create the 10% cash security deposit. Here is an example of how this would work:

The producer has 30 bred heifers and wishes to finance as a "self-purchase" at a value of \$1500 per head for a total of \$45,000. The producer has clear title to these heifers meaning there are no liens on them. (Also see Section 4.5 for requirements for a Purchase from Producers and Third Parties)

1. All the bred heifers are branded with the ABFI brand
2. The LFA Supervisor has inspected and verified that they are branded and has agreed to the value placed on the bred heifers
3. The LFA Administrator completes and signs the Livestock Supply Form (Form 14 C or D) and the producer signs it as well. Form 14 is sent to ABFI
4. ABFI calculates the fees and security deposit required as follows:

Livestock purchases	30 x \$1500 plus allowable charges	\$45,000.00
ABFI 0.5% Admin Fee (including GST) of the total cost of cattle		\$236.25
ABFI admin fee (+GST)	of \$25.25/head = 30 X \$26.25	\$787.50
LFA admin fee	\$8.00/hd = 30 X \$8.00	\$240.00
Total Cost of Livestock purchases on Supply form		\$46,263.75
Amount of Security Deposit	\$46,263.75 X 10%	\$ 4,626.38
Net to producer	\$45,000.000 - \$4,626.38	\$41,637.37

5. ABFI transfers the deductions to the respective bank accounts and issues a cheque to the producer.

Here is a summary of the total transaction

Number of Head	Total Livestock Value	ABFI 0.5% Appl Fee (incl GST)	ABFI Admin Fee per hd per year (incl GST)	LFA Fees (incl. mileage or GST as applicable)	Total Security Deposit Required	Net \$ to Producer	Total Loan Amount
30	\$45,000.00	\$236.25	\$787.50	\$240.00	\$4,626.38	\$41,637.37	\$46,263.75

This method allows the producer to avoid selling any livestock to raise cash to meet the 10% security deposit requirement.

4.2.2 Security Deposit Structure and Management

- Each producer’s security deposit will be aggregated in a security deposit account held by ABFI. ABFI will hold the security deposit account fund and is the only party that has authority to access funds in the security deposit account.
- Each participant in ABFI will provide ABFI with a cash security deposit in an amount equal to at least 10% of the amount financed prior to the livestock being financed (Note: the ABFI or LFA can require a higher amount of security deposit).
- The producer’s security deposit may be refunded, at his request, after the producer’s loan has been paid out subject to the following conditions:

- ABFI has no overdue accounts at the local LFA level;
- ABFI had less than 2.5% of principal outstanding on all accounts in “arrears”;
- Refunds are issued a minimum of 14 days after the producer’s loan has been paid out in full; requests must be received in writing from the producer.
 - The producer can request a partial refund of his deposit once older loans have been repaid. Only the portion of deposit for the fully repaid loan(s) can be refunded.
 - Deposit for any subsequent loans must be maintained at their full 10% of original loan amount.
 - Has not been in default in the last 12 months.
- If a producer’s security deposit has been used to pay down on a default of another producer, their security deposit must be replenished to the 10% level with proceeds from their next sale of calves or culls. However, producer’s may be required to make a cash contribution at any time to bring their security deposit back to 10% if the producers security deposit is less than 10% of the total loan outstanding with ABFI.

4.2.3 Use of the Security Deposit Accounts for Defaulting Producers

- ABFI will use the following procedure when necessary to satisfy a defaulting producer’s unpaid loan balance:
- A producer in default will be subject to seizure and sale of the breeding stock financed and the sale proceeds will be applied to the producer’s loan balance. Any surplus proceeds after the loan and any outstanding fees has been paid, will be paid to the producer.
- If the sale of the livestock fails to retire the defaulting producer’s loan balance in full (plus appropriate penalties), the producer’s own security deposit will be utilized and applied to the loan balance owing.
- ABFI has the right to apply any security deposit amounts to any of the producer’s defaulting loan balances.
- Should a shortfall still exist, and all avenues of collection have been exhausted, only producers with “Active Loans” will be affected.
- The term “Active Deposit” - Any producer who has a loan balance of \$0 will not be subject to security deposit prorate.
- Any producer with a new loan for less than 3 months will not be subject to security deposit prorate.
- Recovery of a default at this point will be made as follows:
 - 50% from the LFA’s portion of the “active deposit”
 - 50% from the Provincial pool of “active deposits”
- At the time of Default, the LFA would have the option of:
 - Paying out their 50% at that time and not have their deposits frozen or;
 - Not paying their 50% and having their deposits frozen until resolution of collection efforts. Pursuit of those collection efforts will be made at the Provincial Boards discretion.
- Even in the case of Default we would not freeze the Provincial Pool.
- If we are successful in collecting from a Default account that has had deposits applied to its outstanding balance, we would direct funds in the following priority:
 - Pay collection costs/legal.

- Repay funds contributed by ABFI.
- Repay funds from provincial deposits and;
- Then the LFA deposits would be refunded. Should collection efforts fail, the Provincial Board at their sole discretion will revert to 50% LFA and 50% Provincial Pool OR any distribution of loss they deem appropriate.
- As an internal policy, ABFI will review their financial position at Fiscal Year End and the withdrawals from Provincial and or LFA deposit accounts over the past year and MAY potentially refund some portion from ABFI funds. ABFI will build an internally restricted fund over time to support this need.

The above policies may be adjusted at the discretion of the Provincial Board as necessary to maintain the integrity of the program.

4.3 LIVESTOCK SUPPLY PROCESS

Supplying livestock to the producer must be a controlled process so that the producer's loan(s) are properly accounted for and secured.

The LFA or LBA administrator and/or supervisor must be aware of the producer's approved loan limit, the producer's outstanding loans and the producer's security deposit balance before proceeding to supply livestock to the producer. The producer's full and complete name should be used on all supply process documents.

1. ABFI informs the LFA or LBA that the producer is approved and the LFA or LBA advises the producer they can purchase livestock.
2. LFA or LBA must issue a Purchase Order (Form 13) to indicate that the producer is approved and in good standing with the LFA or LBA and ABFI, and that the association is willing to purchase livestock for the producer to feed and manage. Use of purchase orders is mandatory for all ABFI purchases. Purchase orders start the paper trail that shows ABFI's ownership of the livestock and its obligations to the producer. It also allows the association and ABFI to specify the type and quality of breeding livestock it will accept and terms and conditions of the purchase. Each time a purchase order is issued to a producer it must also be faxed or emailed to the ABFI office to confirm the details of any purchases to take place. In this manner ABFI can facilitate payment according to the approved Purchase Order to comply with Livestock Identification and Commerce Act (LICA).
3. The supplier of the livestock (vendor) then must provide a bill of sale or invoice for the livestock obtained referencing the Purchase Order number and faxed to the LFA and to ABFI office as per the Purchase Order.
4. Attach the bill of sale or invoice to the Livestock Supply Form (Form 14). The LFA Administrator is responsible for using the correct ABFI Livestock Supply Form. Selection of the correct Form 14 is based on the type of breeding stock and the due date requested by the producer. The Form 14 needs to be fully completed and appropriately signed, including the promissory note as it is the document on which the producer accepts his or

her legal obligations for the livestock supplied. The LFA's or LBA's first year admin fee, ABFI admin fees, application fees and other charges (i.e. branding, processing fees, clearing fees, chutes fees, pregnancy testing, order buyer fees and minimal vaccinations charges) can be financed with the purchase of the livestock. Add these fees to Form 14 in the spaces provided to arrive at the "Total Cost or Amount Financed". The "Total Cost or Amount" is then entered on the Promissory Note as the total loan amount.

- a) The repayment schedule can be shortened at the producer's request by entering the desired installment dates and striking out (with initials) the information that does not apply.
 - b) The maximum cost of breeding stock is set from time to time by ABFI.
 - c) A completed example of several types of Livestock Supply Forms is provided in the Appendices at the end of this chapter.
5. The LFA supervisor must verify the information on the bill of sale or invoice and Form 14. The supervisor must verify that cattle have been branded with the ABFI brand assigned to the LFA. Bulls must be semen tested and guaranteed. Sheep must have the RFID tag applied and the ABFI tag applied to the left ear including a record of the tag numbers entered on Form 14. The supervisor's and administrator's certificate on the back of the last page must be completed and signed. Once completed, Form 14, and the related invoice/bill of sale, can be faxed or scanned and e-mailed to the ABFI office. This will expedite payment to the vendor as per industry standards. Copies of Form 14 should be provided to the producer and the original is retained in the association's files. ABFI requires a complete and readable copy of Form 14 for their files.
 6. Once Form 14, including the related invoice/bill of sale is received by ABFI, ABFI may pay the vendor for the livestock. The ABFI checklist (Form 32) will be used to review the entire file to ensure that all documentation and security procedures are in place for a complete file.

If the livestock were purchased by the association from a licensed livestock dealer or auction market, the process of supplying livestock to the producer is now complete and the loan account is established.

4.4 PURCHASES FROM LICENSED LIVESTOCK DEALERS AND AUCTION MARKETS

Livestock purchased by an association must come with "clear title" or free from any financial security interests or liens. Purchasing livestock from licensed livestock dealers and auction markets is the surest way for an association to obtain clear title for purchases. More often, licensed dealers and auction markets are requiring associations to use purchase orders. The LFA administrator must ensure that dealers and auction markets provide a detailed bill of sale or invoice for all livestock sold to ABFI. Note: the invoice or bill of sale must be made out to ABFI o/a _____, not the LFA.

4.5 PURCHASES FROM PRIVATE TREATY OR SELF-PURCHASES

It is permissible to purchase livestock directly from producers, including the members them self. These are referred to variously as “private treaty”, “self-purchases” or “third party purchases”. Ensuring that livestock purchased from these sources have clear title requires the following steps:

1. Member requests that the association purchases livestock from a private treaty or the member them self (hereafter called the “seller”). The “Seller” is required to provide a LIS brand identification clearance by a LIS Inspector on livestock being sold, either branded or unbranded (Livestock Manifest) prior to payment being made.
2. ABFI conducts a search of the Personal Property Registry and the Bank Act registry on the seller to determine if there are any financial security interests registered against the livestock being obtained from the seller. This will require the seller’s full name, address and birth date to be accurate.
3. Form 16b is a letter to seller that explains why ABFI needs to conduct a lien search and proceed with obtaining a Security Interest Waiver from the seller if any security interests are detected. LFAs should routinely provide this to all 3rd party private sellers. See a sample of Form 1B at the end of this chapter.
4. If the search results indicate there are no registered financial security interests (i.e. liens or security agreements) covering the seller’s livestock, then livestock can be supplied to the member as per 4.3

Note: A security agreement can cover the seller’s livestock being purchased if the collateral statement specifies livestock or uses the phrase “all after-acquired personal property”. See Figures 1 and 2 in Chapter 3 for examples of security agreements.

Security agreements may be detected that are unrelated to livestock. An example would be a security agreement for farm or personal vehicles and equipment. These are not of interest to ABFI and can be ignored.

1. If the search results indicate that one or more registered security agreements do exist over the seller’s livestock, then each secured party (holder of a security interest) must be provided with the ABFI Security Interest Waiver (Form 16). ABFI will complete Form 16 with the name of the seller and the date of the sale. Form 16 will then be sent to the lender. The secured party (lender) completes the parts indicated, signs and returns Form 16 to ABFI. The seller then signs Form 16. See example of completed Form 16 in Section 4.8. Both parties [seller and seller’s lender(s)] must sign Form 16 before ABFI will pay for the livestock
2. Once the association has obtained a completed and signed Form 16 from each secured party, the livestock supply process can be completed as per 4.3 with payment of funds as directed on Form 16. If any secured creditor refuses to sign Form 16, the association cannot purchase the livestock as it will not have clear title.

Note 1: Form 16 informs the secured party that the association wishes to purchase livestock identified in the bill of sale attached to it. By signing Form 16 where indicated, the secured

creditor waives, releases and discharges all security interests in the livestock being purchased by ABFI. In return the secured creditor can indicate how the cheque for the purchase price is to be written and the address for delivery. The secured creditor is not waiving, releasing or discharging security interest in the receivables or proceeds of sale related to the livestock.

Note 2: producers sometimes purchase livestock and then wish to finance them by re-selling them at a later date to ABFI. ABFI will consider this to be a self-purchase and must follow the same procedures for conducting a lien search and obtaining the Security Interest Waiver (Form 16) from any secured creditors. When re-selling to ABFI, the producer may be acting as a “dealer” under the Livestock Industry and Commerce Act/Regulations (depending upon the time interval from the producer’s purchase to financing by ABFI), but it is not the role of ABFI to enforce this legislation.

4.6 MANAGING MULTIPLE LOANS (CONTRACTS)

The ABFI agreement allows each producer to have multiple loans representing different types of breeding stock, different due dates and multiple years. A loan or contract is normally established by the due date that is specified on the Livestock Supply Form (Form 14). Multiple Livestock Supply Forms with the same due date can constitute a single loan contract.

Producers have the option of assigning livestock to a specific loan or contract at the time of purchase. This may be done by brand locations or ear tags. The LFA must agree to this procedure. The advantage of doing this is that it allows the producer to apply sales proceeds to specific loan contracts.

If livestock are not assigned and identified to specific contracts, then all the livestock will be considered one group. Any sales of breeding stock and offspring will be credited to the loan as per communication between ABFI and the producer.

4.7 CONSUMER PROTECTION ACT REQUIREMENTS

Statement of Disclosure (Form 15)

The Consumer Protection Act of Alberta was enacted to protect consumers from unfair financing practices. Anyone lending to individuals, partnerships, joint ventures or joint business structures must inform the borrower of the full cost of credit including the amount of interest, administration fees and other costs over the period of the loan. Loans to corporations are not subject to the Fair-Trading Act.

ABFI will comply with the Consumer Protection Act by providing a Statement of Disclosure (Form 17) each time a promissory note is signed by the member. It is only necessary to complete Form 17 at the start of the loan. A new Form 17 is not required each time there is a

change in a floating interest rate. Copy of a completed Form 17 is included in Section 4.8 and provide a current XLS spreadsheet as back up for the payment amortization.

Since Form 17 must be presented to the producer at the time he signs the Livestock Supply Form/Promissory Note, it is best done by the LFA Administrator. A current XLS spreadsheet is available from the ABFI office or on the website for use in calculating the values required for Form 17.

4.8 CUSTOM FEEDING ARRANGEMENTS

Producers can utilize the service of custom care providers for feeding and caring for the livestock supplied to them if they:

- Inform the association of their desire to do so;
- Ensure that the Custom Care Agreement (Form 18) is completed and signed before the livestock are placed or paid for.

Form 18 provides a balance of protection for both ABFI and the custom care provider. The Custom Care provider retains its rights under the Animal Keepers Act provided it invoices the producer at least once a month for feed and related costs and informs ABFI if the invoice is not paid within 7 days of invoicing.

A document that fully describes the livestock must be attached to Form 18 (See completion instructions at bottom of page 2) or Part 1 must be completed. The producer, the care provider and ABFI must sign Form 18 before it is valid. Fax copies of Form 18 with appropriate signatures are acceptable.

4.9 EXAMPLES OF COMPLETED FORMS USED IN SUPPLYING LIVESTOCK

Purchase Order Form 13
Livestock Supply Form 14
Security Interest Waiver Form 16
Letter to Private Sellers Form 16B
Statement of Disclosure Form 17
Custom Care Agreement Form 18



PROGRAM MANUAL

SELLING LIVESTOCK

Section 5

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5 SELLING LIVESTOCK

5.1 HISTORY AND BENEFITS OF ALBERTA BREEDER FINANCE INC.

The process of selling of ABFI owned livestock is like selling livestock under the Feeder Association Loan Guarantee program.

Basic procedures that apply to all sales of livestock include:

The producer must notify the LFA who notifies ABFI when, where and to whom the producer intends to sell livestock;

The livestock must be manifested in the name of the Alberta Breeder Finance Inc. (on account of the producer);

All proceeds of sale must be directed to the ABFI (on account of the producer).

5.1.1 Goal

To ensure proper receipt and distribution of sales proceeds resulting from the sale of ABFI livestock.

5.1.2 Outcomes

Sale proceeds must be directed to ABFI

Net sales proceeds properly calculated by ABFI and paid to producers.

5.2 SALES TO PRODUCERS

If not in default, producers have the right to purchase ABFI's interest in the livestock supplied to them by ABFI (Program Agreement Section 4) and their offspring, under the following terms:

- The purchase price shall be the amount of the producer's obligations for the specified loan (contract);
- The payment shall be by means acceptable to ABFI;
- ABFI shall provide the producer with a bill of sale (Form 31) transferring the livestock free and clear of ABFI's and lender's security interest if all their ABFI contracts are paid out.
- If the producer still retains animal on contract with ABFI and they pay out a certain number of head, the LFA Supervisor will be required to complete an inspection to determine that the number of head on contract remain at the

producers' location, if they do the producer may request a bill of sale be sent to the auction market at the time the animals they own are sold.

If the producer wishes to purchase just some of the livestock on a loan contract, the following steps need to be taken:

- 1) Producer notifies LFA or ABFI that he or she wishes to purchase a specific number and type of livestock from the total contract.
- 2) ABFI contacts the LFA to establish a value for the selected livestock. This requires an inspection of the livestock by the LFA Supervisor.
- 3) The producer, the LFA and ABFI agree on a method of identifying the livestock to be purchased by the producer so that the future respective financial interests in both groups can be honored. If producer's personal brand is used, the LFA Supervisor must ensure that only the number head purchased by the producer are branded and that the remaining inventory owned by ABFI is present and accounted for and that they represent adequate value to cover the remaining loan balance. If the producer brands more livestock than covered by the sale agreement and should ABFI demand full payment, all animals branded will be impacted.
- 4) The producer tenders the agreed upon amount of funds to cover the purchase.
- 5) ABFI provides a bill of sale (Form 31) to the producer and applies the funds to pay down the producer's loan contract.

5.3 SALES TO OTHERS

Producers can consign the livestock (breeding stock or offspring) on a loan contract for sale through a licensed auction market or livestock dealer (Form 20) after giving proper notice to the LFA who notifies ABFI. They may also sell the livestock to a private party with prior approval of ABFI (Breeder Finance Agreement Section 4.5 & 4.6). Form 19 or similar can be used to provide the private party with a bill of sale. In all cases, the livestock must be consigned or sold in the name of Alberta Breeder Finance Inc. on account of the producer.

Should the producer consign ABFI livestock or offspring in any other name, ABFI may demand payment on all outstanding loans of that producer. All sale proceeds must go to ABFI.

5.4 USE OF SALE PROCEEDS FROM SALE OF BREEDING STOCK

Breeding stock are the main collateral for the loan. As such, any sales proceeds must generally be used to pay down or pay off the outstanding loan balance for the specific loan that was used to originally purchase the breeding stock. It is not the intent of Breeder Finance Program to finance speculation in the breeding stock market. However, ABFI may consider special circumstances when producer's request a portion of the sales proceeds when some of breeding stock are sold.

5.1.3 Sales of Cull Animals

Sale of cull animals usually constitute a small portion of the total animals financed. In most cases the full amount of sales proceeds from cull animals will be applied to the outstanding balance of the loan. Proceeds from Cull sales will be made available to the producer provided that the balance outstanding is under 40% of the originally contracted loan amount on active contracts.

Release of funds is subject to the approval of the Supervisor and inventory numbers are to be verified by inspection that is no older than 6 months.

5.1.4 Sale of a Portion of Sound Breed Breeding Stock

It may be the producer's wish to sell off a significant portion of the financed breeding stock before the final installments are due. Providing the producer with a portion of the sale proceeds may be considered by ABFI. The following conditions must be met before any portion of sales proceeds from breeding stock would be provided to the producer:

- All the producer's loan contracts must be in good standing i.e. no installment payments are overdue, in arrears or in default;
- For the loan contract in consideration:
 - The amount of outstanding loan balance per head of breeding stock (plus interest) is calculated. This amount times the number of head sold is first applied to pay down the loan;
 - If the annual installment payment is due within 6 months, the amount of that payment is applied to the loan balance;
 - If offspring are sold with their dams at anytime, the amount of the next annual installment plus interest is applied to the loan balance;
 - Any remaining amount of sales proceeds can be provided to the producer.

5.1.5 Replacements

ABFI financed cows can be culled and replaced with purchased or existing owned cows. Cost of the replacement is the producer's expense. Replacement is to be ABFI Branded. Cull sales proceeds are to be paid to producer if the original Cow is replaced. We will hold cull sales proceeds for a maximum of 3 weeks prior to applying to outstanding principal to allow time for replacements to be put in place. In the case of a Self Purchase to replace a Cull Cow, updated waivers and searches are required.

5.1.6 Use of Sale Proceeds from Sale of Offspring

The sale of offspring normally provides the cash flow to make the producer's annual installment payments. ABFI will provide an invoice for upcoming installment payments (plus interest) at least 30 days before the due date or upon request of the producer. Whenever the sale of offspring does occur, the purchaser must provide the full amount of the sales proceeds to ABFI. ABFI will then deduct the amount of annual installment plus interest and apply that

amount to the producer's loan balance. The remaining amount will be provided to the producer.

5.5 PARTIAL SALES PROCEEDS FROM SALE OF OFFSPRING

A situation may arise where a producer sells only a portion of the offspring from financed breeding stock at a time and wishes to have some of the equity realized in that sale.

Managing this process requires the following steps:

1. Producer informs the LFA who then informs ABFI that he will be selling a portion of the livestock under a specific loan contract (provides the due date for the specific contract) and requests payment of net proceeds for the partial sale.
2. ABFI receives the total sale proceeds for the livestock sold. The due date for the loan is more than 30 days away. The producer must declare that enough of the remaining offspring will be sold by the due date to cover any unpaid balance on the annual installment.
3. ABFI calculates the average amount of the annual installment payment (plus interest) for that loan on a per head of breeding stock basis.
4. The average amount per head times the number of head sold is deducted from the sale proceeds and applied to the outstanding loan balance.
5. The LFA supervisor confirms that enough of the remaining offspring will be sold to provide sufficient funds to cover the remaining unpaid balance of the annual installment by the due date.
6. ABFI can then provide the producer with up to 80% of the remaining proceeds of the partial sale. The remainder (20%) is used to pay down the remaining balance for that loan.

Note: ABFI may elect to provide something less than 80% of net proceeds of a partial sale for any reason.

See Appendix 5.6 Partial Sales Worksheet (Form 24)

5.6 APPENDIX

Partial Sales Worksheet (Form 24)

Producer Name: ____ William Cowman _____. If producer has more than one loan contract, identify which loan pertains to these offspring:

Next Due date for loan: December 15, 2016.

Total number of breeding stock originally financed on this contract: 100.

Total number offspring from these breeding stock available for sale before due date: 82

Total amount of annual payment (plus interest) due on next due date: \$ 31, 050.00

Average amount of annual payment per head of offspring available: \$378.66

[total annual payment due (Line 5) divided by # of offspring available (Line 4)]

Date of Partial Sale: October 25, 2016; and name of purchaser or dealer: _XYZ Auction Mart

Number of head sold: 40.

Gross Proceeds of Partial Sale \$: 38,554.25.

Amount of annual payment due for number of livestock sold: \$15,146.40.

(Line 6 X Line 8)

Net Proceeds of Partial Sale: \$ 23,407.85 (Line 9 - Line 10) Amount to be paid to member: \$ 18,726.28_(Line 11 X 80%)

Amount retained by ABFI \$ 19,827.97 (Line 11-Line 12 + Line 10)

Check Line 13 + Line 12 = \$ 38,554.25 ____ (equal to Line 9)?

Yes ____

Supervisor's Certification: I have inspected and confirm that _42 head _of offspring allocated to this contract remain in possession of the producer named above.

Supervisor: ____ Date: _

Producer's Certification: I acknowledge receipt of the amount specified on line 12 and agree to pay the remaining outstanding balance of the annual installment on this loan by the due date.

Producer: ____ Date: _____



PROGRAM MANUAL

PRODUCER RESPONSIBILITIES

Section 6

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6 PRODUCER RESPONSIBILITIES

6.1 GOALS AND OUTCOMES

The goal of this chapter is to summarize the producer's responsibilities for care and management.

The outcome will be minimal corrective actions required following LFA Supervisor inspection.

6.2 LEGAL RESPONSIBILITIES AND OBLIGATIONS

Producers should consult the Breeder Finance Program Agreement (Form 3) if they have any questions about their legal responsibilities and obligations. Questions not answered there should be directed to their LFA Administrator.

6.3 PRODUCER MANAGEMENT REQUIREMENTS

6.1.1 Care and Management

Producers are responsible for all aspects of care and management of the livestock supplied to them under a loan agreement with ABFI. This includes the following:

- General Animal Care and Welfare - Alberta Farm Animal Care (www.afac.ab.ca) has many resources related to humane care, handling and treatment of cattle and sheep including the National Farm Animal Canadian Code of Practice.
- Veterinary Care and Attention - Producers should consult their local veterinarian for vaccination and treatment protocols for the locally important cattle and sheep diseases.
- Sound Nutrition and Feeding - The Ag Info Centre (toll free at "310-farm") has livestock production specialists available to answer questions on feeding and nutrition. Body condition scores for breeding stock are a good indication of the quality of the feeding program and should range between 2.5 and 3.5 on an annual basis. Information on Body Condition Scoring can be found in the following publications from Alberta Agriculture and Rural Development (www.agric.gov.ab.ca).
 - What's The Score: Beef Cow
 - Body Condition Scoring Your Cow Herd
 - Body Condition Scoring: Implications for Managing Beef Cows

6.1.2 Identification

1. Breeding Stock - must be branded with ABFI's brand at time of purchase. Funds will not be advanced until supervisor confirms branding and the number of head;

2. Calves - represent part of the security agreement collateral and must be branded before 3 months of age or before being sent to summer pasture, whichever date is earlier;
3. Calves do not have to be branded if the next loan payment due has been paid in full. Producers should consider the Advance Payments Program (1-844-feeders) offered by WeCAP as a method of obtaining the cash to make the annual payments in the spring;
4. Sheep must be tagged with an approved RFID tag (right ear) and a tag bearing the ABFI logo and number (left ear);
5. Lambs - of financed ewes must be tagged within 24 hours of birth with the approved RFID (right ear) and the ABFI tag (left ear);
6. If a producer does not brand or ear tag as prescribed, or pre-pay the next loan payment, the ABFI may apply an interest rate penalty or demand full and immediate payment on all loans.

6.1.3 Breeding Season

It is the responsibility of the producer to provide good quality sires for the ABFI livestock financed by the ABFI loan agreement. Producers financing cattle must run a fertile bull with the financed breeding stock for at least 60 days in each 12-month period. Producers financing sheep must expose the ewes to a fertile ram for at least 45 days in each 12-month period.

6.1.4 Notification Of Movement For Management Purposes

Most producers will keep financed livestock on their own farm and provide daily care and management. The location of the producer's farm where ABFI livestock are kept is specified on the Livestock Supply Form (Form 14). If the producer is moving the livestock from the specified location, they are required to notify the LFA Supervisor. This includes summer pastures owned by the producer and community pasture.

6.1.5 Out of Province Grazing

1. Producers must provide a written request to ABFI indicating the request to graze ABFI cattle out of province and the request must include the location(s) that the financed cattle will be grazing or kept, including details of the landlord (name, mailing address, telephone, etc..).
2. Upon receipt of this information, ABFI will verify that the producer is in good standing (in compliance with the terms and conditions of current finance agreement).
3. An ABFI Amending Agreement (attached in blank) must be signed prior to ABFI approval and subject to ABFI receiving executed documentation by all parties and security registration in applicable province.
4. Cattle must be inspected prior to leaving Alberta, producer provides a copy of the manifest or permit indicating that the cattle are owned by Alberta Breeder Finance Inc. as prescribed (protocol) by Livestock Identification and Commerce Act for movement of cattle, the financed cattle to be pastured or fed at a third-party location must have either a Waiver of Distraint Agreement or Custom Care Agreement (attached in blank)

signed.

5. Cattle are then inspected prior to being transported back to Alberta, (a copy of manifest must be provided to ABFI in any case or anytime cattle are moved).
6. Should any cattle be sold for whatever reason outside of Alberta at anytime, the cattle must be manifested in ABFI name so that sale proceeds are directed to ABFI directly and,
7. Costs related to Out of Province Grazing (i.e. inspection, etc.) is for the account of the producer.

The following forms are for Out of Province Grazing.

- Form 38 - Amending Agreement - Out of Province Livestock
- Form 39 - Alberta Breeder Finance Inc. Waiver of Distraint Agreement
- Form 40- Alberta Breeder Finance Inc. Custom Care Agreement

6.1.6 Custom Care

Some producers may wish to have a third party provide the care and management for financed livestock and their offspring. This is acceptable provided that the Custom Care Agreement (Form 18) has been signed by the producer, the care provider and ABFI before the livestock are placed with the care provider. However, it is ultimately the producer's responsibility to ensure that the livestock are well cared for.

6.1.7 Notification of Intent to Sell

The producer may only sell ABFI livestock or offspring after they have notified the LFA Supervisor of their proposed arrangements and have received approval to proceed. For transport and sale, the livestock must be manifested in the name of Alberta Breeder Finance Inc. on account of the producer. All proceeds of sale must be directed to ABFI who will deduct the outstanding loan installments due and any other producer obligations to ABFI. Only after ABFI has determined there is any residual proceeds will those remaining proceeds be paid to the producer.

6.4 ANNUAL PAYMENTS

The producer is responsible for making annual installment payments by the due date on each livestock supply form/promissory note (Form 14) signed with the supply of livestock.

Livestock supply forms/promissory notes with the same due date will be considered a single loan or contract and the total annual payment will be aggregated in the ABFI statement. The ABFI statement for annual payments will be mailed to producers at least 30 days in advance of the due date.

Section 6 PRODUCER RESPONSIBILITIES

Failure to make an installment payment by the due date puts the producer in arrears and his outstanding balance is subject to a penalty in the amount of 1.5% per month. Furthermore, producers in arrears risk having all their loans placed under a demand for immediate and full payment. If the producer has any concerns about being able to make the annual installment payment by the due date, that producer should contact ABFI as soon as possible to discuss their situation. The LFA will provide any information to ABFI that the producer has provided regarding repayment. Only ABFI has the authority to authorize any exception or extension.



PROGRAM MANUAL

GENERAL LOAN ADMINISTRATION

Section 7

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7 GENERAL LOAN ADMINISTRATION

7.1 GOALS AND OUTCOMES

Complete legal obligations and responsibilities of ABFI are found in the:

- ATB/ABFI agreement.
- Breeder Finance Program Agreement (Form 3).
- LFA Operating Agreement (Form 21).
- Administrators Independent Contractor agreement; and
- Supervisor’s Independent Operating Agreement

This goal for this chapter is to summarize and describe the most important and regular tasks that ABFI staff must complete.

The outcome will be efficient, timely and accurate loan program administration.

7.2 TRACKING AND REPORTING THE LOAN PORTFOLIO

The Program Coordinator and the CFO are responsible for monthly reporting to the Executive Director and the ATB contact. The following reports are required for both groups:

7.1.1 Monthly Program Reporting Requirements

Month/Date	Item	\$ Amount	% of Total	Number of Cattle	Number of Sheep	Number of Individual Producers Financed
Loans Made	In Total Portfolio	Yes		Yes	yes	yes
	Segregated By Term (1, 2, 4, 5)	Yes	Yes	Yes	yes	yes
	Segregated By Beacon or CDS Score	Yes	Yes	Yes	yes	yes
	Loans Overdue	Yes	Yes	Yes	yes	yes
Loans Approved but Not Yet Processed	In Total	Yes		Yes	yes	yes
	Segregated By Beacon or CDS Score	Yes	Yes			
Loans Awaiting Approval	Segregated By Beacon or CDS Score	Yes	Yes			
Security Deposit Account	In Total by Producer By LFA (Separate Capital and Interest Amounts)					
Normal Abfi Financial Statements	Executive Or Board Only					
Monthly Bank Statements						

Though formal reporting is normally required monthly, the CFO should be prepared to provide essential data within 2 business days of a request from the Executive Director. This is particularly important as the total loan portfolio approaches the maximum approved amount on the Line of Credit. As a rule, anytime the total outstanding loan is within 10% of the maximum approved Credit Facility, the CFO should keep the Executive Director informed of the loan balance on a bi-weekly basis.

Negotiations for additional credit should be initiated with ATB when the loan account balance rises to within 10% of the approved Credit Facility. It is the responsibility of the CFO to inform the Executive Director when this occurs.

7.3 ARREARS AND DEFAULT MANAGEMENT

7.1.2 Annual Payment

1. Once a member fails to make the annual payment by the due date, the producer loan is in arrears and a penalty (1.5% per month of the balance outstanding) may be applied to the outstanding loan balance as additional charges.
2. ABFI will inform the LFA and the producer as soon as the account is in arrears. The ABFI will contact any producer in arrears on the first business day following the due date. ABFI will verbally inform the producer they are in arrears and advise them of the penalty that will be assessed and will be added to their outstanding loan balance. They will ask for an explanation of the situation and record that information in the producer file.
3. The LFA Supervisor will be requested to visit the member within 15 days after the payment due date as per instructions from ABFI to ensure that the inventory (cows, calves, Ewes, lambs, etc.) are present and being well cared for. ABFI will also deliver a late payment notice of the payment that is overdue and the nature of the penalty that will be assessed. The LFA Supervisor is to ensure that the producer can winter the livestock and offspring until negotiated sale date. The Supervisor reports to the LFA Board who may grant a 45-day extension contingent upon the producer's commitment to a marketing plan.
4. If livestock or offspring is not present or not in satisfactory condition, the loan is in default and is immediately due and payable. The LFA Supervisor will advise ABFI immediately of the default and ABFI will initiate legal action. (seizure of livestock, etc.) to recover the full loan balance.
5. 45 days Past Due. If the payment has not been made (but inventory is present), the ABFI sends a registered letter to the producer demanding payment.
6. 90 days past due. If the payment has not been made but inventory is present, ABFI initiates legal action (seizure of livestock and offspring if necessary, etc.)

7.4 MANAGEMENT OF THE SECURITY DEPOSIT ACCOUNT

Security deposits will be placed in a bank account used only for that purpose. Distribution of any funds from the security deposit account will only be allowed for the following purposes:

Purpose	Requirements	Approval Required By
Refunds to Producers	14 days after last installment payment on a loan No overdue or defaulting accounts in the producer's LFA	CFO or Executive Director
Settlement of a Default	Only after all attempts to collect from the defaulting producer have been fully pursued. Defaulting producer's deposit fully utilized first. Deposits of Defaulting producer's LFA sponsored active producers used for 50% of remaining default balance. Deposits of all active producers utilized for remaining 50% of default	CFO or Executive Director

7.5 ANNUAL PAYMENT NOTICES FOR PRODUCERS

Producers should receive a statement for their annual installments at least 30 days in advance of the due dates on their loans.

Statements should clearly show:

- Loan Number
- Loan Type
- Current Head Count
- Origination Date
- Original Term of the loan
- Payment Due Date
- Loan balance outstanding as of statement date
- Amount of annual LFA fees to be deducted (based on current number of breeding stock securing the loan and fee information provided by the LFA)
- Accrued interest since last payment date to the specified payment date and/or to next payment due date. Interest on the principal is compounded monthly.

Section 7 GENERAL LOAN ADMINISTRATION

- Any other outstanding fees or assessments as may be necessary.
- Total amount of annual installment payment to be paid.
- Payment Statement Notices to be issued semi-annually (March 31 and September 30) to indicate their upcoming annual payment.
Prepayment is to allow producers the option so as not to brand their calves or tag their lambs. If prepayment is not made by the due date all calves must be branded or lambs must be tagged. For December 15 Annual Payment prepayment date is June 15 and for June 15 Annual Payment prepayment is December 15.
- Interest must be paid at least annually or within 365 days of their last payment date.
- If a producer has made a prepayment in the previous year and does not plan on prepaying annual payment the following year, the producer will be required to make an interest only payment by the normal prepayment date. (For a December 15 Annual Payment date by June 15 and June 15 Annual Payment date by December 15).

The amount of annual principal payment due for all promissory notes will be calculated as follows:

Type of Breeding Stock	Year 1	Year 2	Year 3	Year 4	Year 5
Bred Heifers & Bred Cows (under 5 years of age)	20 %	25 %	33.33 %	50 %	100 %
Cow -calf Pairs (under 5 years of age)	25%	25%	33.33%	50.00%	100.00%
Bred Cows & Cow-calf pairs (over 5 years of age)	50 %	100 %			
Bulls	50%	100%			
Ewes and Ewe Lambs	25 %	33.33 %	50 %	100 %	

If any portion of the prior years' payment is outstanding, it will be deemed to be in arrears/delinquent and will not re-amortized through the remaining years percentage. The amount due will be invoiced to the producer and due upon receipt for control, record and monitoring purposes. Any producer accounts in arrears or delinquent are deemed to be due in full.

Separate loans for a producer may need to be itemized on the statement for clarity. ABFI should be prepared to provide a statement on request as well, producers may wish to pay their loan in advance of the due date. It is reasonable to respond to a request for a statement within 2 business days.

7.6 PAYMENTS/ PROCEEDS OF SALE

All ABFI livestock need to be sold and manifested in the name of ABFI with the entire proceeds of sale being sent to ABFI. ABFI needs to receive funds from purchasers of offspring or cull livestock and apply those funds to the specific loan contract(s) held by the producer. The following procedures are in place:

1. Check statement from buyer to ensure no deductions for other than transportation or reasonable sales related expenses have been made. Follow up with purchaser if necessary.
2. Determine offspring or cull payment.
3. If the producer has multiple loans, determine which loan the proceeds apply to. Communicate with producer if necessary. See Section 4.6. For details on management of multiple contracts.
4. Deduct annual instalment payment (principal and interest), annual LFA fees and any other outstanding producer obligations that may be present if offspring payment.
5. Cull payments are applied to appropriate loan determined in #3 and applied to the outstanding loan balance with an inventory reduction.
6. If a surplus is determined the net funds will be issued payable to the producer upon Financial Controllers approval.
7. Refer to Chapter 5-Selling Livestock for additional details.

7.7 BANKING

The following bank accounts are to be used:

- General operating for ABFI expenses and income
- Trust Account for ABFI deferred revenue
- Security Deposit Account
- Line of Credit Loan Account for all loans. To established limit amount per agreement.
- Deposit clearing account for loan repayment and internal transfer account.

7.8 FIELD AUDIT PROCEDURES

7.8.1 Background

The inspection and audit (I/A) function of any livestock finance program is essential to its long-term security and viability and is a key risk management tool. One of the pillars of a co-operative finance program is that risk is shared among participating members as well as the lending agency. Thus,

participants, the LFA, ABFI and the lender all have a vested interest in a structured and effective I/A protocol that is delivered within the context of continuous learning and improvement.

The following I/A protocol is adapted for the Breeder Finance Program (ABFI) from the Government of Alberta's I/A protocol for the Feeder Associations Loan Guarantee Program.

7.8.2 Principles

- 1) Education and training are an essential part of the I/A protocol.
- 2) Feedback from and to all partners is required for continuous improvement in program delivery.
- 3) Reporting I/A results must be transparent and inclusive. ABFI, all LFAs and the lender must receive all I/A reports and be aware of any required corrective procedures.

7.8.3 Inspection and Audit of LFA operations and records by ABFI

Since all loan administrative details and records will be contained in the ABFI office, the Inspection and Audit (IA) of LFA operations will focus mainly on the activities and reports of the LFA Supervisor and be termed a "field audit".

1. Engagement of Field Auditors (FA). ABFI will contract with qualified individuals who will be the Field Auditors. Field Auditors will be assigned to specific LFAs in which they have no personal or financial interests, i.e., the FA must be clearly at "arm's length" from the LFA they are auditing.
2. Field Audit Frequency. Field audits will be done at least one time per year for each LFA that participates in the ABFI. ABFI has the obligation to conduct more frequent Field Audits if required to maintain the integrity of the ABFI program.
3. Local Supervision. The LFA Supervisor must document all inspection activities in a "Producer Inspection Report". Each producer must be inspected two times per year by the LFA Supervisor. Spring to certify that the calf crop has been branded (lambs have been tagged) with association ABFI brand or tag. Fall - after pregnancy testing to confirm inventory and winter feed supplies are available. In the case where producer has pre-paid payments calf or lamb crop do not require to be inspected. A copy of the report will be filed with ABFI when it is completed. A sample of the Producer Inspection Report is available in Appendix 1.
4. ABFI Office Pre-inspection Preparation. The ABFI Administrator will coordinate the Field Audits. Prior to a Field Audit, the ABFI Administrator will ensure that all financed producers have up to date Producer Inspection Reports on file with ABFI. ABFI will provide a copy of all Producer Inspection Reports for the LFA to the Field Auditor.

5. Field Audit Procedures.
 - The FA reviews all Producer Inspection Reports prior to arranging for field inspections. The FA will be looking for completeness and timeliness in the reports. Any items out of normal will be cause for a visit to the producer with the LFA Supervisor.
 - The FA and the LFA Supervisor will arrange a suitable time for the Field Audit. It is preferred that the LFA Supervisor accompany the FA on any farm visits. If this is not possible then a board member of the LFA may attend.
 - The Field Auditor and LFA Supervisor will adhere to practical bio-security policies and procedures.
 - The FA will select a minimum of 10% of the financed producers for on farm inspection/audit of livestock inventory, feed, and facilities (see FA's Producer Inspection Report - Appendix 2).
 - All financed producers who are or who have a relationship with staff members and directors of the LFA or ABFI/FAA will receive on farm inspections.
 - Fifty (50) percent of Producer's with more than \$500,000 outstanding loan balance (all contracts) will receive a farm inspection.
 - Inventory verification and brand inspection is a key component of the farm inspection.
6. Reporting on the Field Audit.
 - Immediately following the Field Audit the FA will review and discuss the results with the LFA Supervisor. A coaching and mentoring approach will be taken when discussing deficiencies and corrective actions.
 - Within 7 days of the Field Audit, the FA will provide a written report (Field Auditors Report) to the Chairman, the Supervisor, and the Administrator of the LFA, and to ABFI, Chairman and Zone Director (Appendix 3).
 - The FA will track and summarize common deficiencies and corrective actions for developing appropriate training programs.
7. Disclosure of Field Audit Reports.
 - ABFI will provide an annual summary report on Field Audit activities and result to the lender and all LFAs participating in the ABFI.

- Both the lender and individual LFAs may request copies of the audit report for any individual LFA participating in ABFI.

7.9 ABFI OFFICE AUDIT PROCEDURES

7.9.1 Application/Approval/Lending Process

Individual producer file reviews will consist of checking to ensure:

- Clear and readable copies of all documents
- Proper execution of signatures and dates
- Sequencing of all required forms (i.e., approval process clear and followed prior to release of any funds).

The following documents should be in the producer's file for review:

- 1) Application Form
- 2) Personal Information and Privacy Agreement (PIPA)
- 3) Breeder Finance Program Agreement
- 4) LFA Recommendation Letter
- 5) Producer Balance Sheet (if required)
- 6) Guarantee (for individual shareholders of a corporation)
- 7) Power of Attorney (for partnerships, joint members and joint ventures)
- 8) Resolution of the Board of Directors (for corporations)
- 9) Financing Statement - registered
- 10) Results of PPR Search
- 11) Priority Agreement(s) as required. Cross check with PPR Search Results
- 12) Notice of Purchase-Money Security Interest in Inventory
 - In lieu of Priority Agreements if necessary
 - Copy of Subordination Letter and registered mail record.
- 13) Purchase Order
- 14) Livestock Supply Forms
 - Supplier invoice/bill of sale to be attached.
 - Check that right version was used, installments filled out and PN completed.
 - Check for Supervisor's Certificate
- 15) ABFI Association Invoice (if needed)
- 16) Security Interest Waiver (for third party purchases)
 - Ensure lien search of PPR was completed on vendor.
- 17) Statement of Disclosure
- 18) Custom Care Agreement (if necessary)
- 19) Amending Agreement - Out of Province Grazing (if necessary)
- 20) Waiver of Distraint Agreement - Out of Province Grazing (if necessary)

- 21) Check List present and used appropriately.
- 22) Sign off from ABFI Administrator and ABFI Accounting

7.9.2 Calculation of Annual Installment Payments

In a sample of selected producer files, the calculation process will be inspected for accuracy and completeness.

7.9.3 Calculation of Net Proceeds and Credit to Loan Balances

In a sample of selected producer files, the calculation process will be inspected for accuracy and completeness.

7.9.4 Banking Documents

Monthly bank statements will be checked against the portfolio reports. Expenditures and income items in the Operating Account will be reconciled and a sample of invoices/receipts will be validated. Attention will be paid to Security Deposit Account.

Note: The Executive Director or delegate will conduct an internal inspection/audit on a random selected producer files on at least a monthly basis. ATB will conduct an inspection/audit of a random selected producer files at least annual