

Feeder Associations in Alberta

**MANUAL OF
DIRECTIVES
AND
PROCEDURES**

Revised July 30, 2008

TABLE OF CONTENTS
Feeder Associations in Alberta

Definitions 1

Feeder Association Staff 3

- Board of Directors 4
- Local Supervisor 6
- Secretary-Treasurer 7
- Compensation – staff 8
- Goods and Services Tax (GST) 9
- Conflict of Interest 10

Risk Management 13

- Credit Worthiness 14
- Maximum Contract Limits 14
- Non-farmers 15
- Location 15
- Co-operation 15
- Livestock Purchases 15
- Due Diligence 15

Reports 16

- Feeder Agreements 17
- Monthly Statement of Purchases 19
- Monthly Bank Statements 20
- Mid Term and Year End Summary 20
- Overdue Accounts 20
- Supervisor’s Report/Log Book 21
- Annual Listing of Directors 22
- Financial Statements (Annual) 23
- List of Reports 25

Administration of Contracts 26

- Contract Administration 27
- Contract Extensions 28
- Contract Transaction Documentation 29
- Managing Multiple Family or Group Contract Situations 30
- Two Due Dates Per Member 32
- Security Deposits 33
- Investment Alternatives 34
- Selling Livestock 35
- Overdue Accounts 36
- Shortfall Procedures 37
- Income Tax – Members 38
- Taxation – Associations 39
- *Personal Property Security Act (PPSA)* 40
- *Livestock Identification and Commerce Act* 41

Supervision of Contracts.....	42
- Branding.....	43
- Branding Before Paying.....	43
- Branding at Auction Markets.....	43
- Brands – location versus numbers.....	43
- Manifests.....	44
- Brand Releases.....	44
- Selling Cattle Through a Licenced Alberta Dealer.....	44
- Letter of Authorization.....	45
- Protocol – Sales through Dealers Acting As Seller’s Agents.....	46
- Custom Feedlots.....	49
- <i>Animal Keepers Act</i>	49
- Cattle Feeding Risks.....	49
- Custom Feeding Agreement.....	50
- Cow Contracts.....	50
- Bred Heifers.....	50
- Financing Home Raised Cattle.....	51
- Private Treaty Purchases.....	52
Alberta Agriculture and Rural Development.....	53
- Government Involvement.....	54
- Association Staff Approvals.....	55
- New Guarantee Requests.....	56
- Increase in Existing Guarantee Requests.....	57
- Processing New Guarantees.....	58
- Processing Increases or Decreases.....	59
- Inspections.....	60
- Initial Step – Process/Protocol for RSD Inspector.....	61
- Inspection Report.....	62
- Critique of Inspection.....	63
Lender Security and Implementation of the Loan Guarantee.....	64
- Lenders Security.....	65
- Steps Required for Realizing on Security and Implementation of the Government Loan Guarantee Under the Feeder Association Program.....	67
Livestock Indemnity Trust.....	69
- Feeder Associations of Alberta.....	70
- Livestock Indemnity Plans.....	70
- Description of Livestock Indemnity Plans.....	71
- Declaration.....	79
Forms.....	80
- DF1 Directive/Procedure Proposal Form.....	81
- DF2 Directive & Procedure Acknowledgement Form.....	82
- Application for Membership.....	83
- PIPA Agreement.....	84
- Purchase Order.....	85
- Month End Summary of Family/Feedlot Account FA-01(09/07).....	86
- Custom Feeding Agreement.....	87
- LIS Form 47-B.....	88
- Supervisors Log Book.....	89

Definitions

Arms Length – unrelated person or entity; a transaction that has no conflict of interests of any kind

Bonding - see similar security

Clear Title – no liens or encumbrances, or, if so has this security interest been released

Common Due Date – 2 or more feeder association members that have the same due date and cattle are managed as a group

Contract – all feeder agreements that have the same due date and identification (for an individual member)

Director - means a member of the board of directors of a cooperative by whatever name the director or board is called;
- means the Director of Cooperatives appointed under this Act
- means the Director of Regulatory Services Division

Due Date - means, in respect of a feeder agreement, the date by which the livestock covered by that feeder agreement must, in accordance with the terms of the feeder agreement, be sold by the feeder on behalf of the feeder association

Family Contract – 2 or more feeder association members related by blood or marriage with the same identification and due date

Farmer - means an individual, as identified in the legislation, is one
(i) who is an Alberta resident,
(ii) who is at least 18 years old, and
(iii) who owns or leases a farm in Alberta or is a shareholder of a corporation that owns or leases a farm in Alberta

Feeder - means a farmer who is a feeder association member as identified in the legislation

Feeder Association - means an association incorporated under an Act of the Legislature and having for its object the assisting of its members to acquire livestock for growing and finishing

Feeder Agreement – means the feeder agreement set out in the Schedule

Group Accounts - group account (common identification, common due dates), all their security deposits should be applied to an overdue account of any one of them

Guarantee - means a guarantee given under this Act

Guaranteed Loan - means a loan to a feeder association in respect of which a guarantee is given

Lender - means a person who makes loans to a feeder association;

Livestock - means cattle and sheep

Local Board – elected representatives of the local feeder association

Local Supervisor – means a local supervisor appointed under section 2

Malfeasance – in law – doing what a person ought not to do; illegal deed

Management Group – local board or provincial board or Branch Head

Multi – contract – where more than one feeder association member's livestock are located in the same physical location

Provincial Supervisor – means an employee in Agriculture and Rural Development, who is designated by the Minister as the Feeder Associations Supervisor

Rolling a Contract – initiating a new contract with a new due date and including shortfalls or losses of a previous contract or removal of equity

Secretary-Treasurer – means a secretary-treasurer appointed under section 2

Similar Security – Ministerial approved funds that are available to cover malfeasance of specific acts by signing authorities-

Split Contract – where a member has two due dates with separately identifiable cattle

Feeder Association Staff

Feeder Association Staff

Board of Directors

The Board of Directors of a feeder association directs the activities of the co-op according to the *Feeder Associations Guarantee Act* and Regulation, and the *Cooperatives Act*.

Although the main functions of a Board of Directors are to set policy and advise management, the board is ultimately responsible for all decisions and actions of a co-operative.

Directors (minimum 5) are elected at annual meetings for a three-year term with one-third of the directors being elected each year.

The main responsibilities of directors are to:

- Set and run the annual meeting
- Elect a chairman, vice-chairman and appoint a secretary-treasurer and a supervisor
- Set policy related to:
 - membership approvals
 - loan limits
 - financial management and control
 - staff duties and remuneration
- Review all applications for membership. Directors must approve or reject members. **(This function must not be delegated to staff).**
- Meet a minimum of four times annually to conduct affairs of the association according to the *Cooperatives Act*, the *Feeder Associations Guarantee Act* and the association's own by-laws. For larger associations monthly meetings are recommended.
- Delegate responsibilities for
 - maintaining financial records
 - day-to-day business transactions
 - signing authorities
- Use authority only within a properly convened board meeting and not as individuals.
- Act in a position of trust, good faith, loyalty and in a reasonable manner.
- Not act on privileged information for personal gain.
- Reveal any conflict of interest relative to situations presented to the board.
- Make decisions as a board relative to staffing prior to starting a new fiscal year. Decisions should be reported to the membership at annual meetings; however, a vote on staffing should not be heard at annual meetings. Members can make motions of recommendations to boards relative to staff but they cannot hire or fire staff.
- Directors' positions are volunteer and, as such, payment of fees is not appropriate. However, an honorarium or payment of expenses related to meeting (e.g. mileage) may be provided.
- Communicate in a positive manner between chairman and secretary treasurer.

Checklist for Directors

1. Understand your responsibilities before agreeing to become a board member.
2. Be familiar with the *Feeder Associations Guarantee Act* and Regulation, and the *Cooperatives Act* and Regulation.
3. Be familiar with the organization's by-laws and ensure the by-laws are up to date and filed as per the *Cooperatives Act*.
4. Require that clear minutes be kept of all meetings. Minutes should be signed by the local chairman and copies circulated to each director following the meeting.
5. Although staff carries out most day-to-day activities, the board is ultimately responsible for all association activities.
6. Attend meetings regularly, exercise your right to express your opinion.
7. Declare any potential for conflict of interest relative to situations presented to the board.
8. Ensure that all staff are adequately trained and that there are clear job descriptions and that staff job contracts are reviewed and evaluated annually.
9. Ensure that there are correct procedures in place for disbursement or receipt of funds.
10. Ensure that regular evaluations of the association's activities take place. At each board meeting the staff must provide at least the following:
 - latest bank statement
 - a current financial statement
 - all purchases and sales since the last meeting
 - a list of upcoming or overdue accounts
 - a written report from the local supervisor detailing association activities since last meeting.
11. Association Loan Guarantee amount hinges on fiduciary responsibility being understood (as provided by governance training) and maintained by the Board.

Local Supervisor

The local supervisor is responsible directly to the Board of Directors and must fulfill requirements of the *Feeder Associations Guarantee Act*. Although local supervisors are appointed by boards, their appointment must be approved by the Provincial Supervisor and they must be bonded or have in place a similar security as approved by the Provincial Supervisor, if they have signing authority.

Major duties are:

- Administering contracts to members according to the Feeder Associations Guarantee Regulation and the directives/procedures in this manual.
- Administering association by-laws and directives/procedures.
- Verifying that all livestock are identified and facilities are adequate.
- Local supervisors should make more than one visit to feeder member or feeding location during the contract period and record details in the log book.
- Documenting this information in the local supervisor's report.
- Maintaining a written log book and submit written supervisor's reports at board meetings.
- Written reports to the board must include:
 - animals bought and sold
 - deads
 - inspections
 - problem areas.
- Verifying death losses in accordance with Livestock Indemnity if applicable.
- Participating in discussions with members relative to board directives/procedures.
- Investigating member concerns or problem situations.
- Recording daily activities in the log book to be available to the local board upon request.
- Communicating in a positive manner with the secretary/treasurer on all issues pertaining to the association.
- Reviewing and approving any sale or purchase by a feeder member that is not done in a common market price discovery mechanism.
- Attending board meetings and discuss directives and procedures as well as problem situations.
- Copy of log book should be on file at the contract end.

Secretary-Treasurer

The secretary-treasurer with a feeder association is appointed by and reports to the Board of Directors. The Provincial Supervisor must approve the appointment. A secretary-treasurer must have signing authority and therefore must be bonded or have in place a similar security as approved by the Provincial Supervisor.

Major duties are:

- Administering contracts to members according to the Feeder Associations Guarantee Regulation and the directives/procedures in this manual.
- Maintaining financial records and controlling bank accounts, member contracts, security deposits, payments and receipts.
- Administering association by-laws and directives/procedures.
- Preparing regular reports for the Provincial Supervisor and the local board (monthly purchases, bank statements, annual reports).
- Preparing other reports as required by the local board and Provincial Supervisor.
- Processing feeder agreements.
- Attending Director's meetings and keeping minutes, processing correspondence and other related duties.
- Maintaining computer records as required.
- Preparing reports as required by the *Cooperatives Act*.
- Assisting the auditor in preparing the Annual Financial Statement
- Communicating in a positive manner with the local supervisor on all issues pertaining to the association.
- Primary contact for association business.
- Maintaining and controlling association files.
- Other duties as prescribed by the board.

Compensation – Staff

A great deal of variation exists in the methods and amounts that boards compensate secretary-treasurers and local supervisors. Examples of compensation levels for cattle feeder associations follow: a number of cattle feeder associations have dollar per head charge, other boards have elected to pay a percentage of contract amount. This ranges from .79% to 1.75% with the average being 1%. In addition, some boards pay mileage and office expenses whereas some do not.

On average, boards of feeder associations pay their secretaries 0.5% of contracts or 50% of per head charges plus directly related office expenses (e.g. rent, telephone, supplies). This amount may be higher depending on the responsibilities assigned, the duties performed and the competency of the individual. For example, a professional who has a major responsibility in conducting the association affairs (invests security funds, negotiates bank rates, collects bad debts) may require a higher fee. This is justified because members' equities are more secure because of less conflict of interest, better records, lower audit costs and fewer problems.

On the other hand, fees may be lower for secretary-treasurers who facilitate transactions and maintain records but have a limited role in overall management.

Staff appointments and compensation are the responsibility of the Boards of Directors and not the general membership.

Goods and Services Tax (GST)

Employees of the association are not required (or eligible) to register for GST regardless of their tax earnings.

Sub-contractors or self-employed people, who work for the association, are required by law to register for GST when their gross earnings go over thirty thousand. They are required to collect 6% of their gross earnings and remit to Revenue Canada on a timely basis.

It is the responsibility of the sub-contractor or self-employed person to monitor their earnings and bill for GST (if registered). The association must have on file all GST numbers of people who collect GST from them.

Web site address for access to all information and forms required for GST registration www.ccr-aadrc.gc.ca. At this address go to forms and then to GST.

Conflict of Interest

Conflicts of interest can create problems for associations due to a reduction in control over financial transactions. This may occur when the secretary/treasurer or local supervisors are not operating at arms length either with themselves or members. The potential for fraudulent activity increases as controls are lessened. It is proper business practice to address and manage conflict of interest situations.

When staff changes are made, boards should attempt to avoid conflict of interest situations such as those outlined in the Conflict of Interest Guidelines. All appointments of the secretary-treasurer and supervisor are subject to the approval of the Provincial Supervisor.

Where conflicts of interest currently exist in an association, the situation can be managed by introducing appropriate procedures to ensure proper financial control. Board members who have a conflict of interest should leave the meeting and avoid participating in discussions and motions in areas where the conflict exists. If the chairman has a conflict, the board should elect a new chairman, however, the chairman who has a conflict can appropriately remain on the board as a director. **The important point is that the conflict of interest be identified and managed.**

Conflict of Interest Guidelines

The following recommendations should be considered in electing board members or hiring new staff. In addition, boards that have a conflict of interest situation should discuss whether some further procedures are required to manage the conflict.

In general:

- Individuals and their spouses whose livelihood depends in part upon the sale of goods and services to feeder association members should not hold staff or executive positions. Examples include livestock dealers, custom feeders and management staff.
- Board members and/or their spouses must not hold the position of secretary-treasurer or local supervisor in the same association.
- All appointments of staff are subject to prior approval of the Provincial Supervisor.
- An individual must not be both supervisor and secretary-treasurer.
- The local supervisor and secretary-treasurer must not be husband and wife, living common-law or cohabitating partners.
- Association offices should not be located at auction markets or share offices with other feeder financing operations.
- Board member contracts must be inspected and signed by both one staff and one arms' length board member.
- Should a secretary/treasurer or local supervisor have contracts with the association the staff's contract must be inspected and signed by the other staff member and one board member, who are at arm's length to each other. Two arm's length board members must supervise the contracts.
- All board contracts will be inspected by AF staff at least once per year.
- Board members cannot sign for direct family members and must alternatively be signed by an arm's length board member.
- Any sale or purchase by a feeder member that is not in a common market price discovery mechanism must be reviewed and approved by the local supervisor.
- All existing staffing situations can be grand-fathered recognizing there is risk and it must be managed. All new appointments will follow "New Guidelines".

- Board members must review and sign off on the financial statements.
- Chairman/president and executive must be supervised by the same rules as non-executive feeders.

Risk Management

Risk Management

The Associations are required to comply to the *Feeder Associations Guarantee Act* and Regulations and with the *Cooperatives Act* and Regulations plus local association bylaws. This directives and procedures manual is intended as a supporting guideline to ensure proper business practices. However boards may set more restrictive directives and procedures than outlined in this manual.

Credit Worthiness

Farmers who are having some financial difficulty may be acceptable as members provided the board is confident that the proposed member is responsible, he/she has sufficient management skills and facilities to properly care for the livestock and control finances.

The Board should ensure the member has a feed arrangement in place and facilities to handle the proposed number of animals. It is also important to be aware of what other financing the member has. This is relative to limits of the facility and to operating credit requirements; but most importantly to ensure that there are no competing financial interests in the livestock financed. Members must have proven management ability and should have demonstrated an ability to handle numbers of animals proposed.

- Use local credit references.
- Include an information release in the new membership application allowing the present Feeder Association to communicate with the previous Feeder Association on member standing as per FOIP requirements.
- A credit history might not be as important as a Board knowing current situation. Sometimes good credit history still leads to trouble. The board being aware of knowledge about each member is critical.

Maximum Contract Limits

The maximum contract amount for a new member is legislated in the *Feeder Association Guarantee Act*. Once a member has completed a contract as a feeder association member (minimum six months), that member is eligible for a maximum contract that is legislated. When contract limits are considered for members, it is important that the board assess the proposed program completely. The board may approve the increase in contract limit for each member as they become eligible.

At any time, the local Board of Directors may impose a lesser contract limit. Proper care, supervision and due diligence must be exercised in multiple account situations where family members have contracts.

Following are examples of questions the board should ask “Does the member have the financial strength to handle a loss on the livestock? Is there a marketing plan in place?”

Non-farmers

Boards should not accept as members people who have no experience or involvement with farming. The signing up of relatives, friends or investors by a feeder for the purpose of expanding the loan base should not be condoned or encouraged by boards and their staff. Farmers are defined within the regulations to own or lease farmland or be a shareholder of a corporation that owns or leases a farm in Alberta.

Employees of members are excluded unless they meet membership requirements and are not an extension of credit to their employer or as a benefit package.

Location

Although there are no formal boundaries for a feeder association, boards should take into consideration applications for membership to farmers who live out of the district or keep livestock too far away to supervise.

Co-operation

Membership in a local feeder association is a privilege, not a right. Boards can reject applicants without having to provide a reason. If the applicant appears uncooperative or has a reputation of being unreasonable to deal with, he or she may not be an asset to the rest of the members of the co-operative.

Livestock Purchases

- Boards should have a policy regarding the type of livestock that members may purchase.
- Boards should convey to their staff that questionable animals should not be contracted with the association.
- The Board should review price caps or formulas for animals on a regular basis if they are used.

Due Diligence

Boards and staff are expected to practice prudent business management practices.

Reports

Reports

Feeder Agreements

The Feeder Agreement is a legal document signed by the member feeder and the association to ensure appropriate repayment of association funds. As such, it is extremely important that it is filled out accurately and completely.

a) Eligible Individuals

- The regulations lay out the eligibility that specify that a member of a feeder association must be a farmer who is 18 years of age, an Alberta resident and owns or leases farmland or is a shareholder of a corporation, which owns or leases farmland.
- The acceptance or rejection of new members is a responsibility of the Board of Directors. This function must not be delegated to staff.
- The member must be responsible for contract losses and will also be the person who stands to profit by surpluses. Associations must not accept membership from individuals who attempt to sign up for the benefit of someone else where it is an extension of credit.
- Contracts may only be given to individuals who are members of the association (no business or farm names). Members may be shareholders of farms or corporations, but feeder agreements are made in the name of the individual only.

b) Land Location

The exact location of the livestock must be recorded with the Feeder Association.

- The member shall at all times notify the association of any changes.

c) Security Deposit

The security deposit cannot be financed as part of the feeder agreement.

d) Custom Feeders

If animals are located with a custom feeder, a custom feeding agreement between the member and the custom feeder must be on file prior to any livestock purchases being placed in the custom feedlot.

e) Signing Authority

The signing authority for feeder agreements must be the same individual as it is for cheques. This should be the secretary-treasurer and a director. The secretary and supervisor should not be the only ones signing feeder agreements. It is recommended to have one staff member with one of the several directors appointed with signing authority.

f) Co-signature

The board when applicable may request co-signatures.

g) Contracts

A feeding agreement needs to be prepared each time an association buys livestock for a member. All the member feeder agreements make up a member's contract. The contract (e.g. all feeder agreements) becomes due on or before the anniversary date of the first feeder agreement with the exception of when a member has the optional two dates.

h) Member Contract Limits

17(1)(a) of the Feeder Associations Guarantee Regulation states: in the case of a feeder who has been a member of the feeder association for less than 6 months, \$100,000, and (b) in the case of a feeder who has been a member of the feeder association for 6 months or more, \$300,000.

After one contract is paid out and six months, the member's eligibility maximum changes. The maximum contract length is up to one year and starts from the date the member signs his/her first feeder agreement. Any increase in a member's contract limits must be with the board's approval and passed by means of a motion at a board meeting.

Boards can set contract limits lower than allowed for in the regulations.

Boards may also limit the contract amount/livestock in any one location.

i) Indemnity

It is recommended that associations provide indemnity coverage for animal death loss to the member to decrease the risk to the association. See Livestock Indemnity Trust.

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Monthly Statement of Purchases

- By the 20th day of the following month the secretary/treasurer must submit to the following address a statement of purchase of livestock and copies of the feeder agreements.

Inspection Services
Inspection / Investigation Branch
204 - 4920 - 51 Street
Red Deer AB T4N 6K8

- This report must include accurate information on the number and kind of animals purchased. Cattle must be broken down by sex, brand location, purchased from, price and due date.
- If there are no purchases during the month a NIL report for the month must be submitted.
- AF may request additional information or documentation.

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Monthly Bank Statements

- The secretary-treasurer must submit or have the association's lender submit, by the 20th day of the following month, a bank statement that lists outstanding contracts, accrued interest and due dates of members.
- The monthly statement should be prepared by the bank and signed by their representative.
- Monthly statements are submitted to:

Inspection Services
Inspection / Investigation Branch
#204, 4920 51 St
Red Deer AB T4N 6K8

Mid Term and Year End Summary

- The secretary-treasurer must submit to the Provincial Supervisor a Mid Term Summary and Year End Summary and referred to as semi-annual deposit report in Section 4(1)(c) of the Feeder Associations Guarantee Regulation.

Overdue Accounts

- The secretary-treasurer must submit a monthly detailed list of overdue accounts to the Provincial Supervisor according to Section 4(1)(d) of the Feeder Associations Guarantee Regulation.
- Guidelines for handling overdue accounts can be found in the manual under "Administration of Contracts."

Supervisor's Report/Log Book

A report must be completed on each inspection that will contain the following:

- a) date
- b) member's name
- c) number of cattle
- d) brands
- e) brand location
- f) feed
- g) facility
- h) bedding
- i) health of animals
- j) deads

The section on facilities is optional provided the facilities have been inspected and received written approval within the past three years.

The Inspection Report is designed as a logbook page to be used on an ongoing basis throughout the term of the feeder contract.

Report to Board

A report to the board must be submitted in a:

- written format
- include concerns and problems

Motion through the Board

- This report must be moved and adopted at the board meeting.
- The report must then be filed with the minutes of the meeting.

Annual Listing of Directors

Each year the secretary/treasurer of associations are required to submit to Service Alberta an annual return (Form SA0085), and if there are changes to Directors, Form SA0088 must also be completed. Form SA0085 is automatically sent annually by Service Alberta directly to the feeder association.

These forms are available on the Service Alberta website at:

www.servicealberta.gov.ab.ca/consumer/business/lr_forms.cfm#Cooperatives

At the time the Annual Return is submitted to Service Alberta a copy should be submitted to:

Inspection Services
Inspection / Investigation Branch
204 , 4920- 51 Street
Red Deer AB T4N 6K8

For contact regarding filing of reports to Service Alberta and information re:
Cooperatives Act contact:

Service Alberta
Consumer Services Division
3rd Floor, Commerce Place
10155 – 102 Street
Edmonton, AB T5J 4L4

Phone: 310-0000 (toll free anywhere in Alberta) or (780) 427-5210
Fax: (780) 427-3033

Financial Statements (Annual)

The Directors of a feeder association are required by Section 228 of the *Cooperatives Act* to place a financial statement relating to the preceding fiscal year before their membership at every annual meeting. A copy of the annual financial statement should also be sent to:

Inspection Services
Inspection / Investigation Branch
204, 4920 - 51 Street
Red Deer AB T4N 6K8

The *Regulated Accounting Profession Act* requires that only members of the professional accounting organizations listed below are entitled to conduct audits or reviews for feeder associations.

The Institute of Chartered Accountants of Alberta
The Certified General Accountants Association of Alberta
The Society of Management Accountants of Alberta

An association is advised to have an auditor or chartered accountant complete a review engagement as a minimum standard. However, it is advisable for associations doing review engagements, to have a complete audit done on a regular basis. The association is advised to acquire a quote from an accounting firm prior to making a commitment.

Financial Statements (Annual)

Ensure the following requirements have been met.

1. An audit or review engagement occurs. If your association is using reviews, it is expected that an audit will occur on a regular basis. A “Notice of Reader” is not acceptable financial reporting.
2. The financial report should include the following:
 - a) Statement of net income or loss
 - b) Balance sheet
 - c) Cash flow statement
3. The Notes to readers should include:
 - a) Scope of statement
 - b) Nature of operation
 - c) Accounting policies
 - d) Security deposits
 - e) Property and equipment
 - f) Either contracts receivable: as written off as bad debt or a statement on overdue accounts as of year-end
 - g) The value of contracts by the association staff and Board of Directors and their related parties (as family or contracts they influence)
 - h) A statement on the status of (g) as in good standing or overdue status, reported in a percentage or value
 - i) Economic dependence percentage (the degree to which the operations of the associations are reliant on the Board of Directors and staff)
 - j) Accrued interest payable
 - k) Financial instruments
 - l) Cash-indemnity funds – if an association is maintaining their own “indemnity” fund, then a statement of that account should also be presented
 - m) Other matters

REPORTING SCHEDULE

Report	To	By	Refer to Manual
Statement of Purchase and copies of feeder agreements	Provincial Supervisor	the 20 th day of the following month	Page 19
Monthly Bank Statements	Provincial Supervisor	the 20 th day of the following month	Page 20
Monthly Detailed List of Overdue Accounts	Provincial Supervisor	Monthly	Page 20
Supervisor's Report/Log Book	Board	Board Meeting	Page 21
Annual Return	Service Alberta & Provincial Supervisor	Within 6 months of the end of the fiscal year	Page 22
Financial Statements (Annual)	Feeder Association Provincial Supervisor	Annual Meeting	Page 23
Mid Term Summary	Provincial Supervisor	As requested by the Provincial Supervisor	Page 20
Year End Summary	Provincial Supervisor	As requested by the Provincial Supervisor	Page 20

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Administration of Contracts

Administration of Contracts

Contract Administration

- The board approves purchase limit for each member.
- Approval shall not be given to purchase cattle where clear title is questionable. (see Clear Title Definition– page 1).
- Once approved, a member who decides to purchase livestock should be given a purchase order by the secretary-treasurer. Attached is a sample copy of the purchase order form available from Alberta Agriculture and Rural Development.
- The purchase order should be given in the full amount approved.
- The member then arranges for the livestock to be purchased and gives the seller or agent the purchase order.
- When a proper invoice is received, along with the purchase order, the secretary-treasurer completes the Feeder Agreement, and upon verification of animal identification, issues a cheque on their current account when the Feeder Agreement is given to the financial institution. Funds are drawn directly from the financial institution on account of the member. These funds (which may include association fees, insurance, and processing fees or costs associated to the purchase) are transferred to the association's current account.
- The purchase invoice received must be in the association's name in order to ensure documentation that the sale has been made to the association.
- Should a member only partially complete filling his approved purchase amount, the association should issue a new purchase order for the balance.
- When a cheque for the sale of livestock is received, the secretary-treasurer will deposit this cheque to the association's account. The monies are then applied against the member's loan with the financial institution on account of the member. Any surplus is kept in the current account and a cheque for same is issued directly to the member.
- Surplus monies must only be released to the contract holder unless written authorization to do otherwise is provided by the member.

Contract Extensions

- Feeder agreement due dates are legislated.
- Members have up to 1 year from the date they first purchased livestock to repay their contracts to the association.
- A member may request up to a 90-day extension from the board.
- The board must also notify the lender upon approving an extension.
- Extensions can be approved for extenuating circumstances such as: cattle not ready for market, etc.

Contract Transaction Documentation

Secretary-treasurers must maintain adequate documentation to verify details of all animal purchases and sales. In all inspections, the Inspector will check to see if proper documentation is maintained.

Prior to making payment for livestock, a copy of the original invoice from the seller must be acquired and maintained. The invoice must include the number and description of the animals. Animals must not be described as "mixed", specific sex and weight must be included. The invoice must be in the name of the association on account of the member. It is the member's responsibility to ensure the proper sales documents are provided to the association.

If the cattle have been purchased by a licensed livestock dealer they must provide the association with a copy of the invoice from the original point of purchase which will also provide the above information. The secretary-treasurer can then confirm that the cattle numbers and prices are accurate before completing the feeder agreement and paying for the cattle.

When livestock are sold the manifest must be made out in the name of the association on the account of the member.

When funds are received for the sale of livestock, a copy of the sales invoice as to the number of animals sold and identification associated is required to ensure funds are directed to the proper account. Any irregularities of transactions should be brought to the board's attention.

Revised 2008-05-23

Managing Multiple Family or Group Contract Situations

Within each association, there are situations where two or more members maintain livestock at the same feeding location. If these accounts are not managed properly, considerable potential for problems exist. The main abuse occurs when the accounts with individual members are established as if they were separate (e.g. separate animal identification and due dates) and then the animals are marketed as a unit without regard to the separate identification and members. This is not an acceptable practice for feeder association allocation.

Where multiple contracts exist the account should be administered either as **separate individual accounts** or as **separate group accounts**.

A. Separate Individual Accounts

Separate accounts require that each member's accounts be administered completely independent and in an arm's length manner. The following guidelines must be met:

1. Animals are purchased from a recognized source or market in the name of the association on account of the member signing the feeder agreements.
2. Animals are identified with the association brand and unique brand for that member, which is different from any other member at the feeding location or in the multi-contract situation.
3. Animals are manifested separately at time of marketing according to the contracts of individual members.
4. Animals are manifested and sold in the name of the association on account of the member.
5. Funds are applied to individual member's contract. Any surpluses are paid to individual members unless written authority to do otherwise is provided by the member.
6. A member cannot receive surpluses or start a new contract until his individual contract is paid in full (unless using a split contract).
7. Security deposits for individual members must be handled independently.

B. Separate Group Accounts

Group accounts are those where two or more members have contracts on animals that are administered or partially administered as a common group. Group accounts are usually in family situations and with custom feeder situations. Examples of a group account is:

- Animals from different members located in the same feeding location.

Group accounts are administered as follows:

1. All livestock must be assigned with the same brand and due date.
2. All proceeds from the sale of animals must be applied on a **pro-rata** basis to all member accounts in the group.
3. No surpluses are returned to any member in the group situation until all accounts are paid off.
4. No member in the group can start a new contract until all the accounts are paid off, with the exception of split contracts.
5. Once all the accounts are paid, surpluses should be returned to each member of the group on a pro-rata basis unless the member has provided written authority to have his or her surplus paid to someone else.

Associations have increased responsibility in terms of administering and supervising contracts in multi-contract situations. **We recommend the use of the following month-end form FA-01(09/07) to assist in keeping track of accounts where 3 or more feeders feed at the same feeding location.** This form should be maintained by the group administrator and be submitted to the supervisor at the end of each month. The supervisor should verify information through regular inspections. The identification and due dates will identify whether contracts are being handled as individual or group accounts.

- If husband and wife have feeder agreements with the same due date, then a group account can be considered. This means livestock will have the same identification and no surplus funds are returned until both contracts are paid out.

Two Due Dates Per Member

In the standard contract situation, if a member has one feeder agreement, the due date is the anniversary of the date that the livestock are first contracted, if subsequent feeder agreements are completed, the due date is the anniversary date of the first animals placed.

- As an option a member may, on request, be permitted, at the association's discretion, to have a maximum of two contracts (consisting of one or more feeder agreements per contract) at the same time with two (2) distinct due dates.
- The association board reserves the right to restrict the number of total contracts or split contracts per family or feeding location.
- The due date of any contract must not exceed one year from the date that the first applicable feeder agreement was signed.
- The member must advise the association which due date applies to purchased livestock before entering into a feeder agreement.
- When two due dates are used, feeder agreements are treated as if they were agreements with different feeders; however
- The total value of the two contracts cannot exceed the board's approval limit for that member.
- Security deposits are not split between the two contracts, rather one deposit, one total eligible contract limit per member.
- Each contract would have different identifiable cattle.
- The member must use a different branding location on the cattle specific to each due date, with the exception of heifer contracts and steer contracts which may be branded the same and cattle must not be substituted between contracts.
- On sale, the member **must** provide to the association a copy of the livestock manifest to aid the secretary treasurer in allocating sale proceeds to the proper account.
- A contract is to be zeroed before any payment of surplus on that contract.
- Staff should be aware of livestock inventories on either contract closeout prior to payment or any surplus.
- A new contract cannot start until the current contract is paid off unless they are split contracts.

Security Deposits

- Each member must have on deposit 5% of total contract value.
- The member's security deposit cannot be included in a member's contract for livestock.
- A member can withdraw the security deposit three months after his/her last contract is paid provided the association has no members with overdue accounts or any other potential shortfalls or problem accounts. That is, surpluses from one member's account cannot be rolled to another member's account prior to the end of the 90- day waiting period. After 90 days the member must give written authorization to move the security deposit monies.
- Security deposits must only be used to maintain an assurance account that can be drawn upon to repay overdue bank loans or problem situations and legal fees related to collection of problem accounts. Security deposits cannot, under any circumstances, be used to operate an association.
- If a problem situation is identified, the Provincial Supervisor may make a request to the association board that security deposits be frozen even though no overdue accounts presently exist.
- If a member's account is overdue, his/her security deposit is applied against the overdue account before a pro-rata levy is assigned to the security deposits of other members.
- If members operate as a group account (common identification, common due dates), all their security deposits should be applied to an overdue account of any one of them.
- For most associations, the interest from investing the assurance funds is the main source of income for paying general operating expenses.
- Assurance funds must remain in the financial institution that the association has a guaranteed loan with. The association has considerable flexibility as to the type of investment the deposits are placed in (see Investment Alternatives).
- The security deposits are a pooled assurance fund of the association and subject to previously discussed policies.

Investment Alternatives

Chequing Accounts

Regular chequing accounts return little or no interest. Associations should only maintain sufficient funds in a chequing account to cover salaries and overhead expenses.

Saving Accounts

Although money in savings accounts is available immediately, the interest paid on funds is low. Savings accounts should be used for money that is being kept a short time prior to investing in something else or prior to paying out.

Term Deposits

Term deposits can be obtained for 30 days up to 1 year. Once the association commits to a term deposit, they are guaranteed a certain rate of interest, however, they cannot withdraw the money for the designated period.

Treasury Bills

- T-Bills are sold to investors by the Federal Government as one method of financing debt.
- T-Bills are considered safe, flexible investments that offer attractive rates of return.
- T-Bills have a term of 30 days to 1 year and can be bought and sold at any time.
- As most banks do not trade in T-Bills, a third party (e.g. Broker) must be involved which creates extra charges. On small T-Bills, the service charges may outweigh any advantage in interest rate.
- Although T-Bills are assignable, most banks and Treasury Branches discourage the purchase of T-Bills. The lenders argue that they give attractive interest rates on loans in part because they expect to have Security Deposits to invest.
- The returns from GIC's, which the banks operate, are usually comparable to the T-Bills. However, whereas T-Bills can be sold for cash at any time, GIC's cannot be cashed in before their due date.

Guaranteed Investment Certificates (GIC's)

GIC's often provide the best rate of return, however, they are long-term (1 year to 5 years). Because GIC's cannot be withdrawn prior to maturity, an association should not have terms over 1 year. As well, if GIC's are used, terms should be staggered so some money is available at least every 3 months.

Selling Livestock

- Although members decide when and where to sell livestock, they are required to notify the association staff of their plans. This is so the staff is aware a payment is coming and it helps ensure that the animals are sold legally and properly.
- All proceeds from the sale of feeder association livestock must come to the association (in the name of the association on account with the member). Once a contract is paid, all surplus funds from the sale of livestock will be paid immediately to the member.
- No proceeds from the sale of animals can be paid to a member until their contract and/or all group contracts are paid out.
- A limited brand release may be provided to a member if a contract is paid out and some animals remain. It is important that a description and number of cattle be listed on the brand release.
- Neither an auction market nor a livestock dealer can withhold funds (other than selling charges) from the sale of feeder association cattle for which the member has an outstanding contract. This may be attempted if the member owes money to the auction market or the member buys some livestock the same day as he sells some of his feeder association animals. If this occurs, associations should contact both the Provincial Supervisor and Livestock Identification Services (LIS) for information on how to proceed.
- Members who have contracts and manifest feeder association animals in their own names will be suspended.

Overdue Accounts

- Boards will address overdue accounts as quickly as possible. The member's accounts should be inspected to ensure sufficient livestock and equity exists in the livestock and to determine the reason for the overdue account.
- If insufficient equity exists and/or if the account is overdue, the member is in default. The member must declare in writing his indebtedness to the association.
- The board must first use the member's security deposits against the outstanding balance. The member is responsible for repayment of shortfall and subject to suspension.
- Boards will have a system in place to identify potential overdue accounts prior to them becoming overdue.
- When a potential overdue account is identified boards will deal with each case on its personal and individual merits.
- Should a board wish to carry the overdue account the board will make a recommendation in writing to the Provincial Supervisor requesting authority to carry that overdue account. This should be done prior to the account becoming overdue.
- Attached to this recommendation will be a written plan from the member and approved by the board outlining how and when the overdue account will be paid.
- The Provincial Supervisor may authorize in writing the carrying of the overdue account based on the local board's recommendation.
- If a balance remains, the pooled security deposits must be used and the association must reduce each member's account on a pro-rata basis. Membership must be given written notice of any reduction in their security deposits.
- A record of reduction to individual members must be maintained so that those members can be refunded if the delinquent account is ever collected.
- New contracts cannot be issued to help pay off a previous shortfall, or removal of equity commonly referred to as 'rolling a contract'.

Shortfall Procedures

In the case where a member's account becomes overdue and all animals relating to the contract have been sold, it is imperative to take action immediately to prevent jeopardizing other feeder members' accounts.

- The Assurance Account will be frozen immediately. No withdrawals will be permitted until a member's overdue account is settled.
- The board must have the member sign an acknowledgment that he/she owes a debt to the Feeder Association. The board may wish to work with the member to determine if the member will be able to payout the debt on their own.
- If the member is unable to pay off the outstanding balance, the member's security deposit will be applied to the debt. If the member is part of a group account, the security deposit for the group account will also be debited.
- It is essential to determine which additional contracts and accounts will be affected (group accounts, additional family members, custom feeders).
- The association should undertake an inventory inspection.
- It may be necessary to pro-rate the pooled security deposits to cover the residual debt. If a board chooses to use other resources to minimize the debt owing on the contract, the board would then reduce the amount to be pro-rated from the security deposits- this is at the discretion of the board whether or not to do this. Membership must be given written notice of any reduction in their security deposits.
- The association will lift the freeze on the assurance fund and the bank will transfer sufficient funds to drop the overdue account balance to zero. The difference between the defaulting member's security deposit and the total is determined (X). This amount (X) is converted to a percentage of deposits (i.e. 15%). Every member with security deposits would then have 15% of their security deposit used to pay the debt.
- Members are required to 'top-up' their security deposits when they want to finance animals again. For example, if a member's \$10,000 deposit is reduced to \$8,500, the member must replenish the \$1,500 for a \$200,000 contract or borrow at the level that \$8,500 will cover.
- A record of reduction to individual members must be maintained so that those members can be refunded if the delinquent account is ever collected.

Future contracts of the defaulting member are at the discretion of the board, however the member may be suspended from the program for one year.

Income Tax - Members

For income tax purposes, individual members can either report revenue from, and purchases of feeder association livestock as they occur or the gross return (sales – purchases). In effect, the livestock transactions should be handled in a similar manner as if the money was borrowed from the bank. Although the feeder association retains legal ownership of the animals for security purposes (similar to a bank's chattel mortgage), the member is responsible for their purchase, care, sale and profit or loss.

Taxation - Associations

- Surplus funds earned by Feeder Associations are taxable, either through the association or the members, depending on how the funds are managed.
- Associations are advised to maintain some reserve funds. Reserves may be required for a year when a loss occurs or for extra expenses incurred for lawyers, etc. when trying to collect an overdue account or resolve a problem.
- A rebate on a portion of the interest earned on Security Deposits is one method used to return surplus funds to members. This system is simple and encourages members to leave their security deposits in place. The appropriate income tax form should be sent to members, as interest earned may be taxable.
- Patronage reserves and patronage dividends are the main methods of handling surplus funds in a Co-operative. The patronage reserve is money earned by the Co-op on behalf of each member. The association may hold the reserve, however, the member may still be taxed on the earnings. A patronage dividend is when surplus funds are actually paid to the members.

Feeder Associations and the *Personal Property Security Act (PPSA)*

The PPSA provides the legal mechanism for registrations and searches in the Personal Property Registry Information System (PERPIS). The PPSA regulates the relationship between secured parties and debtors when personal property is used as collateral to secure payment of a debt or performance of an obligation.

A feeder association may wish to register all their members in the PERPIS. All information that is stored in PERPIS is public. Forms, services and information about registrations and searches are available at registry agent offices throughout Alberta.

Most security interests are registered in PERPIS by completing a financing statement and submitting it to a registry agent. The registry agent will review the financing statement submitted. If the information is complete and acceptable for entry, it will be added to the PERPIS and a registration number will be generated.

The information on any forms submitted to a registry agent must be accurate. The description of collateral must be broad enough to cover all possible feeder livestock in possession of the feeder, without hampering feeders and other lenders by making the description too broad. The description “all livestock presently and hereafter consigned to the debtor” may be appropriate for use.

Once the security interest is registered in the PERPIS, the registry agent will provide a verification statement confirming the registration information. The verification statement should be checked carefully to make sure all the information has been recorded on the PERPIS accurately. Any errors should be corrected immediately on PERPIS. The verification statement can be used to renew or discharge the registration.

Changes to registrations on the PERPIS are done through a registry agent. Changes include discharge, renewal, and amendment by deleting and or adding information to a registration.

Livestock Identification and Commerce Act

The *Livestock Identification and Commerce Act* received Royal Assent on May 24, 2006. The act, which will come into force upon Proclamation, consolidates and revises provisions of the *Brand Act*, the *Livestock Identification and Brand Inspection Act*, and the *Livestock and Livestock Products Act*. The Act facilitates fair commerce, protects personal property, and promotes the integrity of marketing within the livestock industry. Regulations pursuant to the Act are being developed.

The *Livestock Identification and Commerce Act* includes a statutory bar to conversion. Section 18 states,

- (1) Notwithstanding any other enactment, the common law or any contract, but subject to subsection (2), a purchaser of livestock is not liable
 - (a) in an action for conversion, detinue or replevin, or
 - (b) in any other action arising out of or related to the sale transaction that is specified in the regulations.
- (2) Subsection (1) does not apply if
 - (a) the purchase was the result of collusion between the purchaser and the seller to defeat another person's security interest in the livestock,
 - (b) the purchaser failed to pay the sale proceeds in accordance with section (16(2)(b),
 - (c) the livestock were not inspected as required under this Act, or
 - (d) the purchaser and the seller are associated persons.
- (3) For the purpose of this section, a reference to purchaser or seller includes an agent acting for the purchaser or seller.

This statutory bar to conversion protects buyers of Alberta livestock from claims by previous owners or security interest holders.

A buyer who has actual knowledge of the seller's security interest in the livestock or who did not issue payment according to the security interest declaration on the manifest will not be eligible. Also, if the *Livestock Identification and Commerce Act* requires the livestock to be inspected, the inspection must occur in order to be eligible for the protection.

The security interest declaration on the manifest will be mandatory once the *Livestock Identification and Commerce Act* comes into force (i.e., upon proclamation). A seller will then be required to identify the lender holding a security interest in the livestock. As part of their due diligence, buyers are expected to pay according to the manifest, including making the cheque payable jointly to the owner of the registered brand and the lender holding the security interest when a lien or security interest is declared.

Supervision of Contracts

Supervision of Contracts

Branding

The intent of branding is to leave a permanent, easily identifiable brand. Hair brands and poor branding are not acceptable and animals should be re-branded.

Branding Before Paying

Associations must not pay for cattle until they are branded.

The reasons are:

1. the association does not have visible ownership of non-branded cattle and banks or other creditors may repossess unbranded cattle from a member
2. once cattle are paid for, there is no pressure for a member to brand cattle
3. there is no good reason not to brand newly purchased cattle immediately.

The branding before paying policy of most associations, results in many auction markets insisting on branding feeder association cattle before they leave the market.

Branding at Auction Markets

Boards may wish to have a policy whereby members who purchase small quantities of cattle over an extended period of time to have the cattle branded at the auction market. This will allow the auction market to be paid promptly while ensuring cattle are branded. It may also reduce the need for additional supervision costs associated with multiple inspections. An invoice from the auction listing branding still requires the supervisor to inspect the cattle.

The association should endeavor to have the cattle branded, inspected for brands and paid for as soon as possible after delivery. Auction markets and sellers should be paid within 2 working days.

Brands – location versus numbers

Each association has up to six locations to use their brand. The locations are left and right shoulders, ribs and hips. The brand in its location is a legal brand and will be identified as such by brand inspectors. For example, if a member sells cattle with two brand locations, the member must list both.

It is recommended that when cattle from more than one member are kept on the same feeding location or close proximity that each member have brands unique to them. Some associations use numbers and locations so that lost cattle can be returned to the proper owner.

Members should record the numbers of cattle with different brands on separate manifests.

Manifests

- When cattle are sold in Alberta they must be manifested in the name of the brand owner, or brand inspectors will put a hold on the funds and the seller may be fined.
- Feeder association cattle must be sold in the name of the feeder association on account of the member.
- Where multiple contracts exist, associations must insist that brands and brand holder manifest cattle and that separate manifests for each member be used. The association should not allow group selling of cattle with different brands. If groups are sold and separate cheques are not issued the proceeds must be pro-rated and the members treated as one contract.
- Members who attempt to sell cattle in their own name may be suspended.
- If branded and manifested, no creditor of a member can claim receipts from sales that are due the feeder association for those cattle.
- The member must supply a copy of the manifest along with all sales documentation to the secretary treasurer prior to any surpluses being paid.

Brand Releases

- Once a member has paid out their contract, they may want a brand release covering the balance of the livestock.
- An association may provide a limited brand release.
- The brand release must be limited to cover only the cattle in question so as to avoid the use of the release for future feeder association cattle. The number should be identified and instructions to brand inspectors should be included. In addition, the association should accurately describe the cattle and specify the dates for which the brand release is valid.
- Associations have no obligation to give a brand release.
- Brand releases must not be given if the member has a group contract.

Selling Cattle Through a Licenced Alberta Dealer

All cattle leaving the province require an export permit issued by a brand inspector from LIS.

When cattle leave the province, and especially the country, payment to the Alberta brand owner is not assured. As a result, brand inspectors have been directed that all cattle being exported with feeder association brands will require written brand release, bill of sale or a Letter of Authorization filed with LIS before an export permit can be issued.

It is the responsibility of feeder members to ensure that the brand release, bill of sale or a Letter of Authorization filed with LIS has been obtained prior to contacting a brand inspector. Associations will require that the member's account be paid in full before a brand release or bill of sale is provided.

Letter of Authorization

A Letter of Authorization (47- B available from LIS) must be filed with LIS if the services of a licenced Alberta dealer who markets cattle on behalf of a feeder association without making immediate payment is utilized.

A Letter of Authorization (47- B) allows a licenced Alberta dealer to receive payments on manifested cattle, branded with a described brand. This form must be on file with LIS. Once a 47- B has been filed all feeder association cattle sold on behalf of the association must be manifested in the name of the licenced dealer on account of the association. All sale proceeds from feeder association cattle must be deposited into a trust account in the name of the licenced Alberta dealer.

Protocol – Sales through Dealers Acting As Seller’s Agents

1. Policy Goal

To support a broad range of marketing options for members to increase the sale price of livestock while at the same time protecting the program against non-payment.

2. Description of Transaction

Feeder association cattle are sold through a licensed Alberta livestock dealer to a buyer. Title in the cattle does not pass to the licensed dealer at any time. Upon payment being made by the buyer, title passes to the buyer.

The buyer issues payment to the licensed dealer, however, the buyer’s cheque must refer to the feeder association and its member (or contract number) in the payee line.

The licensed dealer deposits the cheque into his dealer trust account. The licensed dealer then issues a cheque payable to the feeder association on account of the feeder member.

Since the dealer is acting as a sale’s agent for the association and its member, the dealer is obligated to disclose the details of the sale and pricing.

It is recognized that there may be cattle from multiple feeder association members or other sellers in a shipment organized by the dealer. In such cases, the dealer is responsible to ensure that the buyer properly issues separate payment or accounting to the dealer for each feeder association member who has livestock in the shipment.

3. Mandatory Requirements

In order to be a valid and permitted transaction under the feeder association program, the following must occur:

- 1) the feeder association and its member must sign a LIS Letter of Authorization Form 47 – B (attached);
- 2) the livestock dealer must hold a valid livestock dealers license issued by LIS;
- 3) the livestock dealer must sign the Letter Agreement (attached);
- 4) the cattle being sold must be shipped under an Alberta Manifest properly completed in the manner below;
- 5) the livestock dealer must have a trust account and deposit all monies received from the sale of feeder association cattle into the trust account;
- 6) the buyer must issue payment with the payee line clearly specifying the payment is being made payable to the dealer in trust for the association and its member;
- 7) the dealer is not authorized to agree to the buyer delaying payment and to extent credit to the buyer or the seller’s agent;
- 8) the dealer is required to remit payment within 2 business days of receiving payment from the buyer;

- 9) if there are cattle from multiple members or sellers in the shipment, the dealer is required to provide a separate accounting to the feeder association for each member with cattle in the sale;
- 10) the feeder association, member, and dealer, are required to follow the rules and requirements of the Feeder Association Guarantee Act and Livestock and Livestock Products Act;
- 11) the feeder association, its members, are responsible to ensure that the dealer is aware of, and complies with, this protocol; and
- 12) the feeder association, its members, and the dealer are responsible to ensure that the buyer is aware of, and complies with, this protocol.

4. Example and Sample Documents:

The High Level Feeder Association and its member, Jim Smith, want to sell cattle to XYZ Packers Ltd. through an Alberta licenced dealer, Alta Dealer Inc.

The Feeder Association and its member must sign an agreement with Alta. Dealer Inc. in the form attached setting out the terms of the agency relationship (Form 47-B).

The cattle will be shipped to XYZ Packers Ltd. on a manifest. The manifest will be completed as follows:

Sample Manifest

Livestock Identification Services Ltd.	
OFFICAL ALBERTA MANIFEST	
	K936959
Pen Number	Date
Pay to Owner	Phone Number
High Level Feeder Association o/a Jim Smith	
Owner's address	
33, 2nd Street, High Level, AB	
On Account of (consignor)	
Alta. Dealer Inc.	
Consignor's address	
Box 19, Red Deer, AB T2G 5K6	
Destination	
XYZ Packers Ltd.	
Destination Address	
XYZville, AB	

Sample Cheque from Buyer

XYZ Packers Ltd. will issue payment for the cattle on a cheque as follows:

XYZ Packers Ltd. Box 213 XYZville, AB T8S 3J1	Royal Bank of Canada	No. 0268
Pay To the Order of Alta. Dealer Inc. "In Trust" for High Level Feeder Association o/a Jim Smith		February 2, 2007
		\$ **142,000.00
One Hundred and Forty Two Thousand and 00/100 ***** DOLLARS		
Alta. Dealer Inc. Box 19 Red Deer, AB T2G 5K6	XYZ Packers Ltd.	
	PER _____	

Sample Letter Agreement by Dealer

[Feeder Association Letterhead]

Date:

TO: _____ [Licensed Livestock Dealer]

RE: Protocol for Dealers Selling Feeder Association Cattle as an Agent for the Association

Please review the attached protocol for the marketing of feeder association cattle (Protocol – Sales through Dealers Acting As Seller’s Agents).

By signing below, you are acknowledging your understanding the feeder association protocol for sale through dealers acting as seller’s agents. You are also agreeing to follow each of the steps described in the protocol.

Please sign and return this page by fax to our office. Please contact us if you have any questions. Thank you.

Yours truly,
Feeder Association Name

Attachment: Feeder Association Protocol

Revised 2008-05-23

Custom Feedlots

Members may feed cattle financed by a feeder association in a custom feedlot provided a “custom feeding agreement” signed by the member and the feedlot is approved by the local supervisor and is on file with the secretary.

The purpose of this procedure is to ensure that, if the feedlot operator has to invoke the *Animal Keepers Act*, the association has a reasonable chance of recovering the purchase price of the livestock financed.

Prior to approving the custom feeding of cattle, associations should consider:

Animal Keepers Act

Under the *Animal Keepers Act*, feedlots may sell livestock to recover overdue accounts.

There is a process that must be followed under the *Animal Keepers Act*.

Cattle Feeding Risks

Selling prices of cattle may not be sufficient to cover custom feeding charges plus the original cost of the cattle. Associations must ensure that members who plan to custom feed cattle have the resources to pay custom feeding charges as they occur. Controls must be in effect to ensure that feed bills are kept current. The situation is comparable to the majority of the members who receive contracts based on the fact they have sufficient feed on hand. The risk of loss to associations is low if only the purchase price of cattle is financed and the feed is either available at home or paid for in a custom lot. Having feedlots inform the association after the first feed bill is not paid will enable the association to help the custom feeder.

Custom Feeding Agreement

It is the responsibility of both the local supervisor and the secretary-treasurer to ensure that a Custom Feeding Agreement is approved and on file. A copy of the Custom Feeding Agreement can be found in the Forms Section.

Cow Contracts

The regulation allows members to feed cows under certain conditions:

- **Maximum loan is for 120 days with no extension**

The intent of the feeder cow program ensures that cows are purchased for feeding as opposed to calving or breeding and are destined for slaughter by 120 days. Experience has proven that attempts to limit the use of the program for breeding animals are worthwhile, as this is one of the main causes of bad accounts.

Members who wish cow contracts and calf contracts must use two due dates.

The purpose of this condition is to ensure calves are not sold to pay out the cow contract and the cows kept for calving and rebreeding.

Cows with calves at side must not be financed under feeder cow contracts.

Members who sell cows financed on feeder cow contracts, as bred cows may be suspended from receiving association loans for at least one year.

Bred Heifers

The feeder associations program is not intended for breeding animals. A firm policy has been developed because breeding heifers are still the major cause of problems associations have with overdue accounts.

In general, members will be suspended from receiving feeder association contracts for at least one year for using feeder association funds to finance breeding animals. Members cannot purchase bred heifers, bred cows, breeding bulls or cows with calves at any time. Obviously, the odd heifer may be pregnant at time of purchase. This is acceptable provided the percentage is small and the heifers are being finished.

Any heifer bred on pasture during the year must be sold prior to January 5th of the following year.

Providing bred heifers are sold prior to January 5th each year, members may advertise bred heifers for sale and sell in bred heifer sales. However, after January 5th, members will be suspended for retaining bred heifers under feeder association contracts. Should a member have heifers and steers on contract, as long as the bred heifers are sold by January 5th and the contract paid down, the member can continue with open heifers and any steers for the duration of the contract.

If a board is not convinced they have control over the bred heifers situation, contracts that include heifers should have a due date of January 5th.

Supervisors should not approve the financing of heifers that are being purchased by a member for a substantial premium over the feeder market price. The heifers are obviously intended for breeding and the market risk is increased.

Boards may wish to consider financing caps on purchase price of heifers each year to minimize market risk to other members in the association.

Financing Members' Home Raised Cattle and Private Treaty Purchases

Financing Home Raised Cattle

Due Diligence

It is essential that associations obtain clear title on any private treaty or self-purchases. The following due diligence needs to be done:

1. cattle are to be brand inspected by LIS
2. prior security interests have been released
 - lender may sign release
 - the seller has declared financial interest on manifest
 - cheques paid to seller when lender has released security or jointly when a security interest has been declared
3. the seller or vendor of the cattle is responsible for any fees charged by LIS

Procedure

On occasion, a feeder member may wish to purchase his/her own calves on a feeder association contract. This alternative allows a cash injection into the member's operation while still allowing that member to feed his own calves.

In such situations, the local supervisor estimates the value of livestock and the association will finance up to 100% of the value of the livestock.

The feeder association must obtain a bill of sale/vendors statement and a signed manifest from the feeder member and the calves must be branded prior to payment.

Private Treaty Purchases

Due Diligence

It is essential that associations obtain clear title on any private treaty or self-purchases. The following due diligence needs to be done:

1. cattle are to be brand inspected by LIS
2. prior security interests have been released
 - a. lender may sign release
 - b. the seller has declared financial interest on manifest
 - c. cheques paid to seller when lender has released security or jointly when a security interest has been declared
3. the seller or vendor of the cattle is responsible for any fees charged by LIS

Procedure

- A proper bill of sale and signed manifest with description of cattle must be provided.
- Transaction made at arms length manner.
- The value and purchase is approved by the local association board/supervisor.
- The livestock are branded in accordance with association guarantee regulation.

Alberta Agriculture and Rural Development

Alberta Agriculture and Rural Development

Government Involvement

The *Feeder Associations Guarantee Act* and Regulations are administered from within the Regulatory Services Division of the Department of Alberta Agriculture and Rural Development.

The Manager of Inspections is responsible along with designated inspectors.

The responsibility of the provincial office is to ensure that loans are properly administered, risks to members' deposits and the province's loan guarantee are mitigated with due diligence.

The activities of the provincial office include:

- Monitoring feeder agreements and monthly bank statements.
- Meeting with boards and their staff to discuss inspections.
- Conducting formal inspections of associations in conjunction with boards.
- Approving supervisors and secretary-treasurers as per the legislation.
- Facilitating approval of new associations.
- Facilitating revisions to loan guarantees of associations and the regulations in general.
- Disciplining associations or members who abuse the regulations.
- Provide governance training to AF staff that subsequently provides training to Feeder Association Boards.
- Provide in written form – feeder association member expectations and protocol requirements along with AF contact information and website address.

Association Staff Approvals

- The Feeder Associations Guarantee Regulation specifies that the Provincial Supervisor of Feeder Associations must approve the appointments of the local supervisor and secretary-treasurer for Alberta Agriculture and Rural Development.
- To help associations operate in a sound manner protecting the government's loan guarantees and the members' equity, it is essential that boards have reputable and competent staff.

New Guarantee Requests
Eligibility Criteria
Feeder Associations Guarantee Act

Eligibility Criteria to be answered.

1. Is the feeder association incorporated?
2. Is the object of the association appropriate?
3. Will the guarantee be used by the feeder association to finance the acquisition of livestock for growing or finishing by members?
4. Are there funds available within the allowable Government Loan Guarantee?
5. Is there a prescribed maximum for this particular feeder association?
6. Has a local supervisor and a secretary been appointed?
7. Are the original certified resolutions of the Board of Directors of the local association appointing these individuals available for review to confirm that they have been duly appointed?
8. Have the appointments been approved by the Provincial Supervisor?
9. Does the feeder association have a registered cattle brand with a split end bar?
10. Are the signing authorities bonded or have similar security?
11. Is the guarantee amount appropriate for the number of members?
12. Has a written request been received?
13. Is the lender specified in writing?
14. Is the lender "unregulated" (lenders that are not either chartered banks, regulated credit unions or regulated financial institutions)?
15. Is the amount of the loan specified in writing?
16. Are there extenuating circumstances that impact the request for a guarantee?
17. Does the provincial board recommend approval?

Increase in Existing Guarantee Requests
Feeder Associations Guarantee Act

Eligibility Criteria to be answered.

1. Are there funds available within the allowable Government Loan Guarantee?
2. Is the feeder association in compliance with the legislation?
3. Is the feeder association being operated in a sound manner?
4. Has a local supervisor and a secretary been appointed?
5. Are the signing authorities bonded or have similar security?
6. Is the guarantee amount appropriate for the number of members?
7. Is the amount on deposit appropriate (5% or greater)?
8. Is the amount on deposit held in an assurance account?
9. Has a written request been received and what is the requested guarantee amount?
10. Is the lender specified in writing?
11. Are there extenuating circumstances that impact the request for a guarantee?
12. Has a letter of support from the lender been received?
13. Does the Zone Director from Feeder Associations of Alberta Ltd support this request?

Processing New Guarantees

The new guarantee agreement is processed by RSD as follows:

1. Once a written request has been received, the responsible inspector will complete the eligibility criteria investigation, forwarding the results to the Provincial Supervisor. The inspector will make a recommendation to either approve or deny the request.
2. The Provincial Supervisor will seek the Director's approval and if approved by the Director a new guarantee agreement with the particulars about the association, guarantee amount and contact information (association and lender) is then prepared. The new guarantee agreement now needs to obtain three signatures: association, lender and Alberta Finance.
3. First, send the agreement to the association (1st signature required).
4. The association will take the agreement to its lender (2nd signature required).
5. The association then returns the signed agreement to the Provincial Supervisor.
6. The Provincial Supervisor sends the agreement to Alberta Finance (3rd and final signature).
7. Alberta Finance will return a copy of the signed-off agreement to the Provincial Supervisor.
8. The Provincial Supervisor keeps a copy and the association is sent two signed agreements. A request is made to deliver 1 (one) signed agreement to their lender and retrieve the existing agreement.
9. The previously existing agreement on file with the lender (now voided) is to be returned to the Provincial Supervisor when the lender receives the new agreement.
10. The Provincial Supervisor returns the voided agreement to Alberta Finance.

Processing Increases or Decreases to Amounts of Existing Guarantees

The increase or decrease to existing guarantees is processed by RSD as follows:

1. Once a written request has been received the responsible inspector will complete the eligibility criteria investigation and forward the results to the Provincial Supervisor. The inspector will make a recommendation to either approve or deny the request.
2. The Provincial Supervisor will complete the amending letter in three copies indicating the new guarantee amount.
3. The amending letter now requires three signatures.
4. First, send the amending letter to the association (first signature).
5. The association will take the amending letter to its lender (second signature) and then return the amending letter to the Provincial Supervisor.
6. The Provincial Supervisor will send the amending letter now to the Director. Third signature.
7. The Director will return all three copies of the amending letter to the Provincial Supervisor.
8. The Provincial Supervisor will keep one copy and send two copies to the association. The association will be requested to deliver one copy to their lender.
9. The Provincial Supervisor will send Alberta Finance a copy for their information.

Inspections

The Regulatory Services Division conducts formal inspections of associations. The main purpose of on-farm spot checks, and procedural audits of association offices is to monitor the activity of associations and to evaluate how effective supervisors and secretaries administer contracts to members.

Inspectors will adhere to the minimum internal bio-security policies developed by AF.

The inspector will contact the local association staff to arrange a time that is suitable. It is preferred that the supervisor accompany the inspector however, if that is not possible, the Chairman or another board member(s) may be asked to assist. As well, cooperation from the secretary-treasurer is expected, as the inspector will require current information on the contracts for those members visited and is required to review contract documentation. The inspection results will be reviewed with staff and board.

Following completion of the inspection, the inspector will provide a written report to the Chairman of the feeder association, secretary treasurer, Provincial Supervisor and zone director.

Initial Steps – Process/Protocol for RSD Inspector

1. The association to be inspected is identified based upon a risk analysis of previous inspection reports or twice per year.
2. Contact is made with the association to set up a date for the inspection.
 - a. Ensure the secretary-treasurer is available
 - b. Ensure the local supervisor is available. In his/her absence a board member(s) must be present.
3. AF Pre-Inspection
Review the following documents:
 - most recent bank statement
 - monthly purchases for the last year
 - previous inspection reports.
4. Feeder Association Office Inspection
 - a. Review files – pre-selected and randomly selected to a minimum of 10 % or 20 members whichever number is greater as well as all board members and staff, and a minimum of 10% of all high dollar contracts
 - I. Look for file completeness and thoroughness
 - b. file reviews will consist of:
 - I. feeder agreements
 - II. purchase documents that will prove clear title
 - III. brand inspection report
 - IV. manifests
 - V. custom feeding agreements
 - VI. supervisor's inspection report
 - VII. identifying those members that have a common feeding location
 - VIII. verify security deposit

Critique of Inspection

- Copy of report left with secretary-treasurer
Comments:

- Copy of inspection report left with local supervisor
Comments:

- A copy of the inspection report and related documents are presented in person to the feeder association board
Comments:

- Written inspection report and related documents to feeder association secretary-treasurer, chairman and zone director.
Comments:

- Written report to the feeder association lender
Comments:

- Monitor of critique action items by Manager of Inspections.
Comments:

Lender Security and Implementation of the Loan Guarantee

Lender Security and Implementation of the Loan Guarantee

1. Lenders Security

Following is an outline of the security available to lenders:

a) Identified Livestock

The line of credit provided by a lender to an association can only be used to purchase feeder cattle or feeder lambs. All cattle purchased by a feeder association must be branded with that association's individual split-bar brand.

All sheep must be suitably identified in accordance with the regulations.

A feeder association member must manifest and sell the livestock in the name of the feeder association (account of member). This is well controlled at markets in Alberta and neighboring provinces.

The Feeder Associations of Alberta Ltd. operates an indemnity program to protect members against death losses. Even with death losses and viable market conditions, the original purchase cost of the feeder livestock is generally retained.

b) Assignment of Book Debt

The association's loans with the lender are supported by individual feeder agreements with members. The individual feeder agreements are supported by a promissory note.

The feeder agreements include information on the location and type of livestock as well as management practices expected. As well, the feeder agreements allow a board to take control of livestock from a member in default of regulations.

c) Pooled Security Deposits

The security deposit must be in the association's account prior to the livestock being paid. Each member must provide the association with 5% of the money borrowed as a security deposit. These deposits are held in an assurance account and can only be used to repay association loans in default. The boards do an excellent job of deciding whom to accept as members and boards are very effective in administering overdue accounts.

The pooled security deposits amount to significant protection. An association with \$5 million in outstanding loans must have at least \$250,000 in security deposits. Because of this amount of security, associations can repay most loan shortfalls themselves.

d) Government Loan Guarantee

Efforts should be made, and time allowed, for associations to come to an agreement or payment schedule with individuals that have overdue accounts. However, there are rare occasions that all efforts to avoid a default do result in the government guarantee being drawn. After an association defaults on its loan, the lender - in conjunction with the representative of the association acting on their behalf - is expected to manage remaining contracts until all members have paid out the final contract and wind down the association. After taking all commercially reasonable steps to recover debt without commencing legal action, a lender may request a payout of the government guarantee. The maximum payout is equal to the amount listed in the Guarantee Agreement between the Province, the lender, and the association.

e) Other

There are a number of important areas that should be considered in appraising the security of loans. Each association has a paid supervisor and secretary to administer loans according to the Feeder Associations regulations. All signing authorities are bonded or have similar security to protect associations against fraudulent activities. Staff appointments must be approved by the Provincial Supervisor to avoid conflict of interest and other inappropriate situations. Regulatory Services Division is responsible for monitoring the lending activities and inspection of each association.

2. Steps required for realizing on security and implementation of the Government Loan Guarantee under the Feeder Association Program

If an individual loan becomes overdue, the association freezes the association's security deposits held by the lender. That is, monies can be withdrawn from the security deposits account for the payment of overdue accounts only. The association makes contact with the member to analyze the situation. If livestock are present, the board may force the sale of the animals to pay the overdue account. If no livestock are present, the association may attempt to recover the shortfall through negotiation with the member or by use of the promissory note. If the overdue account cannot be settled quickly the member's own security deposit is applied to the account. If this is not sufficient, the pooled security deposits of all members are used to pay out the overdue account.

If an association uses its entire pool of security deposits and still has indebtedness, it can appeal to the membership to pay off their indebtedness on a pro-rata basis. If this is not successful, the association becomes insolvent and it becomes necessary to close down the association. The association calls a general meeting to close down the affairs of the association by a resolution appointing the Director of Cooperatives or another person approved by the Director, a liquidator and empowering the liquidator to take all necessary action.

The liquidator allows for non-defaulting members to fulfill their contracts. The members who are not in default of their loans continue to feed and market their animals under the terms of their contracts. As the livestock are sold, the animals are manifested in the name of the association and the funds are returned to the liquidator. The funds are applied to the non-defaulting member's account and surpluses are returned to the non-defaulting member in the normal manner.

At this stage, the book debt, which is the individual feeder agreements and promissory notes, is assigned to the lender who formally or informally takes the role of a receiver.

For defaulting members, the lender will take all commercially reasonable steps to recover debt without commencing legal proceedings. Following this, the lender requests a payout under the terms of the guaranteed loan.

Following a payout under the guarantee, all associated security and documents become the property of the province.

In summary, the steps taken when an association defaults on loans are as follows:

- 1) The association attempts to pay indebtedness through voluntary contributions from the membership.
- 2) If this is unsuccessful, the association appoints a liquidator to work with the lenders in closing down the affairs of the association.
- 3) The liquidator and lender allow the non-defaulting members to fulfill their contracts in the normal manner. This includes the return of surpluses after loans are repaid.
- 4) The lender attempts to collect debt from defaulting members, however, the lender is not expected to initiate legal proceedings.
- 5) The lender requests a payout under the guarantee for the remaining indebtedness.
- 6) The lender has no further action with that association and all security documents go to the Crown Debt.

Livestock Indemnity Trust

Livestock Indemnity Trust

Feeder Associations of Alberta

The Feeder Associations of Alberta is the provincial organization representing the membership of individual feeder associations in the province. The Board of Directors are elected by individual associations on a zone basis (11 - 13 associations per zone.)

The activities of the provincial board may include:

- Maintaining a blanket self-administered compensation fund, bonding the signing officers of all member associations at \$75,000.
- Maintaining a blanket liability insurance policy covering all member associations for up to 1 million dollars per claim.
- Operation of Livestock Indemnity Trust Program.
- Liaison with AF relative to the administration and improvement of the Feeder Associations Guarantee Regulation and other issues of concern to member associations.
- Publish the magazine "Cattle Country" on an annual basis.
- Host an Annual Meeting on behalf of member associations.

The Livestock Indemnity Trust is currently covering cattle feeder associations and their indemnity.

The Livestock Indemnity Trust Program is administered at the provincial office by Garry and Sylvia Bielert. For more information on the provincial associations or the Indemnity Program, contact:

Feeder Associations of Alberta Ltd
c/o Garry or Sylvia Bielert
Box 4190
Barrhead, Alberta T7N 1A2

Telephone: (780) 674-5381
Fax: (780) 674-6969

Livestock Indemnity Plans

The purpose of the Indemnity Trust is to put in place a safety net that reduces the extreme financial hardship for an individual feeder or feeder associations that might result from animal deaths.

The money, less an administration charge, is placed into a trust account at the Provincial Associations' bank. The only withdrawals are to feeder associations to cover either claims submitted, or to rebate back any surplus. The only revenue is from premiums sent in by member feeder associations.

Following is a detailed description of the plans and conditions applicable.

Updated 2006

FEEDER ASSOCIATIONS OF ALBERTA LIMITED

CERTIFICATE OF LIVESTOCK INDEMNITY

THE ASSURED

THE ADDRESS OF THE ASSURED

This certificate contains clauses that may limit the amount payable.

The Directors of the Feeder Associations of Alberta Limited have established a "Livestock Indemnity Trust" for the purpose of providing death loss protection to Feeder Associations.

PLANS

Associations may participate in either Plans A and B or Plans C and/or D. That is Plans A and B cannot be used in conjunction with

Plans C and D.

PLAN QUALIFICATION

- Plan A Members will pay premiums based on the history of losses of their own Association. This Plan covers all calves born in the current year, purchased under the Feeder Association Program and may also include at the members option other cattle purchased under the Program.
- Plan B Members will pay premiums based on the history of losses of cattle in their Association on this Plan. This Plan covers all cattle, not born in the current year, at time of purchase under the Feeder Association Program. Supervisors must approve assignment of cattle to Plan B. Plan B is an option for Associations on Plan A.
- Plan C All cattle qualifying as Feeder animal purchases under Feeder Association regulations.
- Plan D All cattle qualifying as Feeder animal purchases under Feeder Association regulations.

TOTAL LIMITS OF LIABILITY

The limit of liability will be the aggregate amount of the "Livestock Indemnity Trust" pro-rated against all claims.

REPAYMENT OF LOSS

Indemnity from the "Livestock Indemnity Trust" will be paid:

- (a) at the average purchase price of any one animal within one month of receipt of claim.
- (b) a lesser amount if the "Indemnity Trust Account" has been exhausted.

PERIOD OF INDEMNITY

Coverage not to exceed 365 days from the authorization of purchase by the Association Supervisor, unless the Board of Directors of the member Feeder Association authorizes a three month extension to a feeder member, and the member Association submits a copy of the extension agreement with any claims within the extended period.

PREMIUM

Plan A Premium is the individual claims ratio plus a charge for administration. The individual claims ratio (%) is based on Associations claims received as a (%) of purchases made within this Plan over the past 5 years. To start, a claims ratio will be calculated from Plan C data. If no data is available, the starting claims ratio will be 1% and adjusted annually as new data is accumulated.

Plan B Premium is the individual claims ratio plus a charge for administration. The individual claims ratio (%) is based on associations claims received as a (%) of purchases made within this plan over the past 5 years. To start the claims ratio will be calculated from Plan C data and set at 50% of Plan A ratio plus a charge for administration. Plan B premiums to be calculated totally on Plan B performance after 5 years participation.

Plan C To be calculated at 1% of the full purchase price of the total animals insured hereunder.

Plan D To be calculated at 0.4% of the full purchase price of the total animals insured hereunder.

DEDUCTIBLE

Plan A & B

A one-time deductible of 2% of the purchase price to be taken off the initial claims of any group of cattle. Claims average price paid at 95%.

Plan C A one-time deductible of 2% of the purchase price to be taken off the initial claims of any group of cattle. Claims average price paid at 95%.

Plan D A one-time deductible of 5% of purchase price to be taken off the initial claims of any group of cattle.

RISK ADJUSTMENT

A continuous record of premiums and claims for the assured shall be kept, and from this, their risk ratio shall be calculated from a rolling average of the last (5) years of active participation.

Plan A and B: Premiums will be adjusted yearly based upon the ratio as calculated on 5 year rolling average basis. Associations that have a five-year deficit balance have the deductible increased from 2% to 3% and the average price of the animals reduced to 90% from 95% for the subsequent year.

Plan C & D

- a) those associations with a risk ratio of 1.1 or over shall have the deductibles under part I and part II increased by 1%.

- b) those associations with a risk ratio of 1.3 or over shall in addition to (a) above, have the value of the animal reduced from 100% of the purchase price to 80%.

ALLOCATION OF SURPLUS FUNDS IN THE "LIVESTOCK INDEMNITY TRUST"

At the end of each succeeding year, the surplus in the "Livestock Indemnity Trust" shall be credited to the participating Feeder Associations as deferred patronage dividend on the basis of the value of the premiums paid in that year.

Rebates of the deferred patronage dividend account shall be made as determined by the Directors.

In no case shall the deferred patronage dividend be retained for a period greater than five years.

ADMINISTRATION

The Feeder Associations of Alberta Limited shall deduct a charge of no more than .15% of loan principle to remain separate from the "Livestock Indemnity Trust" to cover administration.

AMENDMENTS

Amendments to the operation of the "Livestock Indemnity Trust" shall be made by a majority of the members at the annual meeting of the Feeder Associations of Alberta Limited.

ANIMALS INSURED

All feeder cattle purchased by the Assured in accordance with the *Feeder Association Guarantee Act* and approved by its Supervisor during the period of this Certificate.

EXCLUSIONS

1. This Certificate does not cover intentional slaughter, whether by or under the order of any government of public or local authority or any person or body having jurisdiction in the matter or otherwise; except that the Feeder Associations of Alberta Limited will not invoke this particular exclusion as a defense:
 - (a) where the Feeder Associations of Alberta Limited have expressly agreed to the destruction of the animal, or
 - (b) where a qualified Veterinary Surgeon appointed by the Feeder Associations of Alberta Limited shall have first given a certificate that the suffering of that animal is incurable and so excessive that immediate destruction is imperative for humane reasons, or
 - (c) where an insured animal suffers an injury and a qualified Veterinary Surgeon appointed by the Assured shall first have given a certificate that the suffering of that animal is incurable and so excessive that immediate destruction is imperative for humane reasons without waiting for the appointment of a Veterinary Surgeon by the Feeder Associations of Alberta Limited.

Provided that in all such cases (a), (b) and (c) the Feeder Associations of Alberta Limited shall be given the opportunity of having a post-mortem examination carried out by their Veterinary Surgeon should they so desire.

2. This Certificate does not cover death directly or indirectly caused by, happening through, or in consequence of
 - (a) any surgical operation except castration and dehorning unless conducted by a qualified Veterinary Surgeon and certified by him to have been necessitated solely by accident, disease, or illness and to have been carried out in an attempt to preserve the animal's life. Animals spayed by a qualified Veterinary Surgeon shall be accepted and covered by this policy.
 - (b) malicious or willful injury.
 - (c) nuclear fission, nuclear fusion, or radio-active contamination.
 - (d) war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution insurrection, military or usurped power, riots, or civil commotion.

CONDITIONS

Any breach of any of the following conditions shall render the Assureds claim null and void and release the Livestock Indemnity

Trust from all liability in connection therewith, whether the Assured has personal knowledge of such events or such knowledge is confined to the representatives of the Assured or other persons who have care, custody or the control of the animal(s).

1. It is warranted by the Assured that at the commencement of this coverage, so far as both the Association member and the Association Supervisor can ascertain, each animal hereby insured is in sound health and free from any illness, disease, lameness, injury or physical disability whatsoever.
2. It is further warranted by the Assured that at the commencement of this coverage, he is the sole owner of each animal hereby covered. This Certificate shall continue to cover an animal carrying the association's brand, up to 365 days regardless of the status of the feeding agreement between the Assured and its member, but shall cease to cover an animal immediately that the Assured sells it or issues a brand release, whether temporarily or permanently. The coverage can be reduced to a lesser period if the coverage is so specified in a given plan.
3. It is a condition precedent to any liability of the Livestock Indemnity Trust that the animals shall have remained within the limits of Alberta during the whole period of this Certificate.
4. It is a condition precedent to any liability of the Livestock Indemnity Trust that
 - (a) all rules and regulations of the *Feeder Association Guarantee Act* of the Province of Alberta currently applicable shall be complied with at all times, and
 - (b) the Association member shall at all times provide proper care and attention for each animal hereby insured, and
 - (c) the Association member shall isolate any unsound or diseased animals, whether insured hereunder or not, and
 - (d) in addition, in the event of any illness, disease, lameness, injury, accident, or physical disability whatsoever of or to an insured animal, the Association member shall immediately, at his own expense, employ a qualified Veterinary Surgeon and shall, if required by the Feeder Associations of Alberta Limited allow removal for treatment, and

- (e) in the event of death of an insured animal the Association member shall immediately notify the Association Supervisor, and
 - (f) in the event of death of an insured animal the Association member shall immediately, at his own expense, arrange for a post-mortem examination to be made by a qualified Veterinary Surgeon if such post-mortem examination is required by the Association Supervisor or the Feeder Associations of Alberta Limited
 - (g) in the event of death of any animal insured hereunder, the Association shall secure a Certificate of Death for such animal from the Association Supervisor and further that a feeder losing three or more animals in a 10 day period shall have his Certificate of Death supported by either a signed veterinarian's statement giving evidence of treatment prior to death of the claimed animal, or a signed veterinarian's post-mortem statement for the animal claimed.
5. The Assured shall file with the Feeder Associations of Alberta Limited a detailed sworn Proof of Loss within fifteen days after the end of each calendar month.
 6. If at the time of death of an animal the Assured has any other insurance in force in respect of the animal, whether or not such insurance is valid or collectible, the Livestock Indemnity Trust shall be released from all liability in connection with such animal unless the agreement of the Feeder Associations of Alberta Limited to such other insurance is endorsed on this Certificate.
 7. If the Livestock Indemnity Trust becomes liable for any payment under this Certificate in respect of an animal the Livestock Indemnity Trust shall be subrogated to the extent of such payment, to all rights and remedies of the Assured against any party in respect of such animal and shall be entitled at their expense to sue in the name of the Assured. The Assured shall give the Livestock Indemnity Trust all such assistance in his power as the Livestock Indemnity Trust may require to secure their rights and remedies and, at the Livestock Indemnity Trust's request, shall execute all documents necessary to enable the Livestock Indemnity Trust effectively to bring suit in the name of the Assured.
 8. This Certificate may be cancelled effective August 31st of any year at the written request of the Assured, without the return or tender of the unearned premium, with such written notice to be received at least 30 days prior to the effective cancellation date.

9. If the Assured or the Association member shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this Certificate shall become void and all claims hereunder shall be forfeited.

10. Salvage: The intent of the Livestock Indemnity Program is to reduce a financial loss that would result from animal deaths. Coverage under the plan occurs only with animals that die on farm, in transit, or by condemnation at slaughter.
 - (a) Coverage has been extended to cover animals severely injured in transit or on-farm. Animals with broken legs should be taken to local abattoir for salvage slaughter. Animals destroyed as a result of broken legs without going to an abattoir need a veterinarian's signature authorizing the destruction of the animal.

 - (b) Coverage of animals that are sold as chronic bloaters will require that the animal is sold for slaughter, and should be supported by veterinarian documentation.

 - (c) Animals that are resold back through the auction market or stockyard system are not covered by this program.

The Board of Directors of the Feeder Associations of Alberta Limited do hereby certify that they will administer the Livestock Indemnity Trust complying with the Certificate, and with respect to funds forwarded to the Livestock Indemnity Trust.

The Board of Directors further agrees that any changes in the Livestock Indemnity Trust will be made at the annual meeting of the Feeder Associations of Alberta Limited.

IN WITNESS WHEREOF, this document has been signed at _____

in the Province of Alberta, this _____ day of _____ 20__

by the following:

CHAIRMAN OF THE BOARD

FEEDER ASSOCIATIONS OF ALBERTA LTD

Declaration of participation in the
Feeder Associations of Alberta
Livestock Indemnity Trust Program.

We the undersigned directors of the _____
Feeder Association, have read the attached Certificate of Livestock
Indemnity, and as directors, agree that the _____
Association will abide by the terms of the Certificate for Plan (s) _____

Signed by

_____, Chairman of the Board

Date: _____

_____, Director

Date: _____

_____, Director

Date: _____

_____, Secretary-Treasurer.

Date: _____

Please retain one copy for your association files, and return one copy to:

Feeder Associations of Alberta Ltd
Box 4190
Barrhead, Alberta
T7N 1A2
Phone: 780-674-5381
Fax: 780-674-6969
E-Mail: feedassn@telusplanet.net

Forms

MANUAL OF DIRECTIVES AND PROCEDURES

TITLE: Directive/Procedure Proposal Form	DF - 1
USE: To propose a new or amend a “Directives/Procedures”.	PAGE: 1 OF 1
RELATED DIRECTIVE: D – 1 – Directive & Procedure Development	
<div style="text-align: center; margin-bottom: 10px;">Form D – 1 - Directive/Procedure Proposal</div> <p>Date: _____</p> <p>Name of Submitter: _____ Name of Association: _____</p> <p>Address: _____ Town: _____ PC: _____</p> <p>E-mail Address: _____ Phone: _(_____)_____</p> <p style="text-align: right;">Fax: _(_____)_____</p> <p style="text-align: right;">Cell: _(_____)_____</p> <p>Topic: _____</p> <p>This is a proposal for a new “Directive/Procedure” YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p>This is a proposal for revision of a “Directive/Procedure” YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p>Note: If this is a revision please give the subject title and number of the “Directive/Procedure” being revised.</p> <p>_____</p> <p>Why is a new or revised “Directive/Procedure” required?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>What wording do you recommend for this “Directive/Procedure”?</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>I am willing to take a lead role in further development. YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p>I am willing to assist with development of this proposal YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p>Send completed form to the Local Chairperson or Branch Head</p>	
<p>Approved by: _____ Approved Date: _____</p>	

MANUAL OF DIRECTIVES AND PROCEDURES

TITLE: Directive/Procedure Acknowledgement Form	DF - 2
USE: To document staff acknowledgement of new or amended “Directives/Procedures”.	PAGE: 1 OF 1
RELATED DIRECTIVE: D – 1 – Directive & Procedure Development	
<p>Form DF – 2 - Directive/Procedure Acknowledgement Form</p> <p>Date: _____</p> <p>I hereby certify that on this date _____ provided me with copies of the following “Directive(s)/Procedure(s)”.</p> <p>List “Directive(s)/Procedure(s)” by number.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>I further certify that I have reviewed these Directives/Procedures and that I understand them and will abide by them.</p> <p>_____</p> <p>Secretary/Treasurer _____ Date _____</p> <p>_____</p> <p>Local Supervisor _____ Date _____</p> <p>_____</p> <p>Staff Member _____ Date _____</p>	
<p>Approved by: _____ Approval Date: _____</p>	

FEEDER ASSOCIATION
Application for Membership

Feeder Association Name		
Applicant's Name		
Address		Telephone
Town/PC		Cell Phone
SIN		Birth date
Legal Land Description of Land Leased or Owned		E-mail Address
Other Business References (List two)	1. Name and Phone Number	2. Name and Phone Number
Credit Reference	Bank Name and Address	
Type of Livestock to be purchased		
Are you now or have you ever belonged to another feeder association in Alberta? <input type="checkbox"/> Yes <input type="checkbox"/> No		If so where? _____ Credit Limit \$ _____
<p>I <u> <Name of Applicant> </u> give my full consent to the <u> <Feeder Association Name> </u> to gather my personal information from the following feeder association for a period of one year.</p>		
_____ Name of Feeder Association		
_____ Signature of member		_____ Date

PIPA AGREEMENT

Name of Feeder Association

Address

Town, AB, PC

Phone:

Fax:

I, _____ give my full consent to the <Name of Feeder Association > to gather and release my personal information to and from the following people, organizations and businesses.

- Directors and staff of the <Name of Feeder Association>
- The <Name of Feeder Association> Auditor and his employees
- Auction Markets when a purchase order is required
- Brand Inspectors
- The Associations Insurance Company
- <Feeder Association Name> financial institution
- <Feeder Association Name> legal counsel
- Livestock trucking companies
- Where and when required by the Association's rule, regulations and by-laws and when required by law in general.

Add your list here (using full legal names);

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

MEMBER (pleas sign)

Date

RETURN THIS FORM TO THE <NAME OF FEEDER ASSOCIATION> OFFICE

Feeder Association Purchase Order

#000001

Feeder Association

Seller

Address

Brand and Location

The seller is authorized to invoice the feeder association for not more than

Terms and conditions (price, age, weight, sex, etc.)

\$

for this member:

To the seller:

When you send your invoice to the feeder association, you must enclose this purchase order and weight slips.

Member's Name

Address

This member is authorized to buy feeder cattle/calves.

Feeder Association Officer

Phone

Expiry Date

MONTH END SUMMARY OF FAMILY/FEEDLOT ACCOUNT

Month of _____

Feedlot Name _____

Family/Group Administrator _____

Feeder Member	Pen #	# Head	Brand Location	Description	Due Date
		Total Head			

Contracts Added This Month (Member Name)

Contracts Completed This Month (Member Name)

Signature of Administrator

Signature of Director(s)

Date: _____

Date: _____

CUSTOM FEEDING AGREEMENT

Date: _____

This is an agreement between _____ (feeder member) of
_____ and _____ (feedlot) of

1. The above parties agree that the cattle will be delivered to the feedlot for custom feeding and that **all** costs incurred associated with the feeding of the cattle described in this agreement are the responsibility of the feeder member only.
2. Cattle description:
Number _____
Approximate weight _____
Sex and description _____
Brand and location _____
Date delivered _____
3. The feedlot must provide the feeder association contact person any details (financial or otherwise) associated with this agreement upon request.
4. Death losses are the responsibility of the feeder but the feedlot must immediately contact the feeder association of any death losses. The feedlot will provide health practices to identify and treat sick animals so as to minimize death losses.
5. The feedlot will notify the association contact person immediately if the account with the feeder member becomes overdue (past 30 days). **If they fail to do so they waive their rights under the *Animal Keepers Act* in regard to the cattle described in this agreement.**
6. When any cattle are shipped from the feedlot all manifests are to be made out in the name of the association on account of the named member unless their contract is paid out and verified as such by the feeder association. If the feeder member's account with the feedlot becomes overdue the surplus from the sale of the cattle **may** be paid to the feedlot. If this situation occurs the feedlot must first provide the feeder association with all details relating to the overdue account prior to any funds being assigned.
7. Both parties agree and understand that the cattle described in this agreement are owned by the following feeder association _____.
8. This agreement shall extend to and be binding upon the parties, their heirs, assigns and legal representatives. This agreement may not be altered except as agreed to in writing by the parties hereto.
(feeder member) _____
(feedlot) _____
(witness) _____

On behalf of the _____ (feeder association) I approve of this custom feeding agreement. Signed: _____ (supervisor)



LIVESTOCK IDENTIFICATION SERVICES Ltd.

Letter Of Authorization 47 B -

Re: Feeder Association

Date Cancelled: _____

Dear Livestock Inspector:

Effective Date: _____

The _____ ("Feeder Association") hereby authorizes,

Livestock Dealer Name: _____ Lic. No.: _____

Company: _____

Address: _____

City/Town: _____ Province: _____

Postal Code: _____ Phone: _____

hereinafter referred to as the "Association Agent", to receive payments on cattle branded with the following Feeder Association brand(s):

<u>Brand Description</u>	<u>Loc</u>	<u>Province Registered</u>	<u>Comments:</u>
_____	<input type="checkbox"/>	<input type="checkbox"/>	
_____	<input type="checkbox"/>	<input type="checkbox"/>	
_____	<input type="checkbox"/>	<input type="checkbox"/>	

In consideration of acceptance of this letter of authorization by Livestock Identification Services Ltd. ("LIS"), the Feeder Association agrees that LIS is not liable for any loss the Feeder Association may suffer as a result of LIS allowing a sale by Association Agent to proceed, or as a result of LIS permitting sale proceeds to be paid to Association Agent. Further, the Feeder Association agrees to indemnify and hold harmless LIS for any loss, damages, claims or costs (including legal fees on a full solicitor-client indemnity basis) that LIS may be required to pay to anyone as a result of LIS acting in accordance with this letter of authorization.

The Feeder Association also agrees that LIS is entitled to rely on this letter of authorization unless the letter of authorization is revoked by notice in writing to the Chief Operating Officer of LIS, which notice shall not become effective until at least five working days after the notice is received by LIS.

This authorization is non-transferable and cannot be assigned.

Feeder Association:

I represent and warrant that I am an authorized signing officer for the Feeder Association:

Printed Name of Person Signing: _____

Signature: _____ Date: _____

Consented to by the Feeder Association Member:

Printed Name of Member: _____

Signature: _____ Date: _____

Rev. 2008-05-23

