



POLICIES & PROCEDURES MANUAL

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SECTION 1: INTRODUCTION

Section 1.1 PROGRAM PURPOSE & BENEFITS

Section 1.1.1 PROGRAM PURPOSE

SK Livestock Finance Co-operative Ltd. (SKLF) was established in March 2019 with the purpose of providing innovative, affordable and competitive financing option for Saskatchewan livestock producers. SKLF was initially developed by a group of provincial producers and is largely modeled off the historic Saskatchewan Ministry of Agriculture Livestock Loan Guarantee Program.

Section 1.1.2 BENEFITS TO THE PRODUCER

Key benefits to the producer include:

- provides an alternate source of credit at competitive interest rates
- assurance fund provides the basis for SKLF to finance up to 100% of the purchase price of the livestock
- minimal assurance fund deposit allows members to purchase during times of limited cash flow
- improves cash flow management through retained ownership options by producer
- offered for producers, by producers

Section 1.2 OVERVIEW OF SKLF FINANCING PROGRAMS

SK Livestock Finance Co-operative offers financing programs for cattle and bison. The current program offering is as follows:

1. **SKLF Cattle Feeder Program:** SKLF Cattle Feeder schedules are based on a one-year repayment term. Members are required to put 5% Assurance Funds deposit at the onset of the schedule, which will be held in an SKLF Assurance Fund until the member advances are repaid in full.
2. **SKLF Cattle Breeder Program:** SKLF Cattle Breeder schedules are based on a five-year repayment term. Members are required to put a 10% Assurance Funds deposit at the onset of the schedule, which will be held in an SKLF Assurance Fund until the member advances are repaid in full.
3. **SKLF Bison Feeder Program:** SKLF Bison Feeder schedules are based on an 18-month repayment term. Members are required to put 5% Assurance Funds deposit at the onset of the schedule, which will be held in an SKLF Assurance Fund until the member advances are repaid in full.
4. **SKLF Bison Breeder Program:** SKLF Bison Breeder schedules are based on a six-year repayment term. Members are required to put 10% Assurance Funds deposit down at the onset of the schedule, which is held in an SKLF Assurance Fund until the member advances are repaid in full.

The following is a brief outline of the operations of the SKLF financing programs:

1. All animals and offspring are owned by SKLF, not the individual members. As such, all animals purchased by SKLF, and any offspring, must be branded (cattle) and/or tagged (bison) with the appropriate SKLF registered brand.
2. When SKLF animals are sold, the sale proceeds are applied first to the advance(s) plus interest accrued taken by SKLF to purchase animals on the member's behalf. Any funds remaining after the feeder advance payment is made or the breeder annual payment is made may be returned to the member.
3. If, after all animals have been sold and the returns applied to the member's account with SKLF, there is a shortfall, SKLF attempts to collect the shortfall from the member. If the shortfall is not repaid, the member is in default and SKLF's assurance fund will be debited for the amount required to pay out the advance(s).
4. If the assurance fund is depleted, SKLF will collect any additional losses from the member.

SECTION 2: POLICIES & PROCEDURES

Section 2.1 SKLF GOVERNANCE & MANAGEMENT

Section 2.1.1 BOARD OF DIRECTORS

SK Livestock Finance Co-operative is a registered co-operative in the province of Saskatchewan. It is overseen by an elected Board of Directors of five to 13 individuals broken down as follows on a best efforts' basis:

- Two (2) members representing the North East
- Two (2) members representing the North West
- Two (2) members representing the West Central
- Two (2) members representing the South East
- Two (2) members representing the South West
- Three (3) members-at-large

The Board of Directors works under an enhanced governance structure that outlines fiduciary responsibility, code of conduct, acknowledgement of conflict of interest, etc. Board members will hold three-year terms with a maximum of two consecutive terms, and a third of the Directors will expire each year. For more governance information please refer to SKLF's bylaws.

Section 2.1.2 MANAGEMENT AND STAFF

The CEO is accountable to the Board of Directors for hiring competent staff and providing oversight to ensure the policies and procedures, mandate and obligations of the co-operative are met. All employees including provincial staff, Regional Secretaries and Livestock Supervisors are accountable to the CEO.

Section 2.2 MEMBERSHIP & ADMINISTRATION

Section 2.2.1 MEMBERSHIP ELIGIBILITY

INDIVIDUAL MEMBERSHIP REQUIREMENTS

Residents of Saskatchewan who are at least 18 years of age can participate in SKLF's Programs, subject to SKLF's approval.

PARTNER MEMBERSHIP REQUIREMENTS

- Partnerships registered to carry on business in Saskatchewan are eligible to join SKLF.
- All partners must be residents of Saskatchewan and at least 18 years of age.
- Executed partnership agreement, if available
- Each individual partner is responsible and liable for all actions and obligations of the Partnership
- Each partner to execute the standard required documentation
- Partners will not be eligible for individual or corporate membership.
- Partners in more than one Partnership will only be eligible to borrow through one Partnership.
- Partners' existing individual member program eligibility (that is, the individual member's program history and current maximum limit) will qualify to be transferred to the Partnership account subject to the maximum Partnership eligibility.
- To transfer partners existing individual member advance to their Partnership account, new schedules/assumptions must be completed.

CORPORATION MEMBERSHIP REQUIREMENTS

- Corporations registered to carry on business in Saskatchewan are eligible to join SKLF.
- Shareholders, directors and officers of a corporation must be residents of Saskatchewan and at least 18 years of age.
- Shareholders, directors and officers will be required to provide SKLF with a limited personal guarantee when a shareholder controls more than 8%, (or at the discretion of the lender), of the share capital of the Corporation.
- Shareholders, directors and officers of a corporate member of SKLF will not be eligible for individual membership.
- Shareholders, directors and officers owning shares in more than one Corporation will only be eligible to borrow through one Corporation.
- Shareholders' existing individual member eligibility (that is, the individual member's history and current maximum limit) will qualify to be transferred to the Corporation account subject to the maximum Corporation eligibility.
- To transfer shareholders existing individual member advance to their corporate account, new schedules/assumptions must be completed.

UNDISCHARGED BANKRUPTS

Applicants who are undischarged bankrupts (that is, the applicant is still in bankruptcy) are not eligible to join SKLF. Once the bankrupt has been discharged by the bankruptcy trustee, an application for membership may be considered. The member should provide formal documentation to prove discharge before an application for membership is considered. A discharged bankrupt may face restrictions to borrowing for several years.

APPLICANTS UNDER FINANCIAL REVIEW

Producers who are before the Farm Debt Mediation Services or the Farm Land Security Board are not eligible to join SKLF. Once the process with either or both review agencies has been completed, an application for membership may be considered, provided the member provides formal documentation to verify the process has

been completed. A producer involved in a review may face restrictions to borrowing for the next several years.

Section 2.2.2 MEMBER LIMITS

i) GENERAL POLICIES AND PROCEDURES

1. Members may participate in both the feeder and the breeder option of SKLF and are eligible for up to the maximum member limit offered for each option.
2. The maximum amount SKLF can borrow on behalf of a member under both options is \$750,000 for individuals and \$2,500,000 for Corporations & Partnerships. The maximum family connection where sharing facilities is \$2,500,000.
3. Member limits are determined separately for each option and are based on the member's history of activity in each option.
 - For example, a member who has been active at the \$100,000 feeder limit for four years is eligible to apply for an increase directly to the maximum \$750,000 limit. The member is not required to proceed sequentially through each of the three levels.
4. Member limits are subject to SKLF approval:
 - The CEO, in consultation with the Regional Coordinators, is responsible for setting the maximum amount that can be borrowed by SKLF on a member's behalf. For example, a member may be eligible for a \$100,000 limit according to the regulations, but SKLF may agree to limit the member to a lesser amount, such as \$50,000.
5. When determining the length of time that a member has been active, the first year begins on the date of SKLF's first schedule on behalf of the member and ends 12 months later.
6. When dealing with a farm operation that involves more than one SKLF member, the CEO must consider the ability of the operation to repay SKLF in the event of a shortfall.
7. The Regional Coordinator must work to ensure that schedules taken out by SKLF on behalf of its members do not exceed the limits allowed by the regulations for the option concerned, or the limits approved by the CEO.

MEMBER LIMITS | FEEDER OPTION

SKLF’s maximum limit on behalf of each member is based on the member’s history of activity in the feeder option, as outlined in the table below:

History of Activity in the Feeder Option	Maximum Limit for Individual	Maximum Limit for Corporations & Partnerships
1 st year	\$150,000	\$500,000
2 nd year	\$300,000	\$1,000,000
3 rd year	\$500,000	\$1,500,000
4 th year	\$750,000	\$2,500,000

The maximum amount SKLF can borrow on behalf of a member under both options is \$750,000 for individual and \$2,500,000 for corporations & partnerships. Maximum family connection where sharing facilities is \$2,500,000.

MEMBER LIMITS | BREEDER OPTION

SKLF’s maximum limit on behalf of each member is based on the member’s history of activity in the breeder option, as outlined in the table below:

History of Activity in the Breeder Option	Maximum Limit for Individual	Maximum Limit for Corporations & Partnerships
1 st year	\$150,000	\$500,000
2 nd year	\$300,000	\$1,000,000
3 rd year	\$500,000	\$1,500,000
4 th year	\$750,000	\$2,500,000

The maximum amount SKLF can borrow on behalf of a member under both options is \$750,000 for individual and \$2,500,000 for corporations & partnerships. Maximum family connection where sharing facilities is \$2,500,000.

RETENTION OF LIMITS WHILE INACTIVE

When a member has had no outstanding advances for an extended period, SKLF's ability to resume borrowing on behalf of the member up to the previously approved limits is subject to CEO approval.

Active means having an outstanding feeder or breeder account with SKLF at any time during the fiscal year of SKLF. A member's activity is considered separately for each option. The member limits provided are maximum limits. SKLF may restrict a member to less than the maximum limit.

Section 2.2.3 MEMBER APPLICATIONS FOR THE CATTLE FEEDER PROGRAM

Members in the feeder option may apply to have SKLF purchase feeder cows on their behalf, within their existing limits in the feeder option. Policies and procedures relating to member participation in the Cattle Feeder Program include:

1. The applicant must complete and submit a *Membership Application Form* (see forms *D-01.1* and *D-01.2*) requesting to participate in the Cattle Feeder Program. This application must be approved by SKLF.
2. Once approved, SKLF may begin to purchase feeder cows on behalf of the member within that member's existing limit for the feeder option (that is, the purchase of feeder cows on behalf of a member offsets the feeder limits available to SKLF for the purchase of feeder heifers and steers).

Section 2.2.4 MEMBERSHIP APPLICATIONS

PURPOSE

A *Membership Application Form* (see forms *D-01.1* and *D-01.2*) is to be completed when:

- a prospective member/corporation wants to join SKLF;
- an existing member/corporation in one feeder option or breeder option wants to apply for membership in another feeder or breeder option;
- an existing member/corporation wants to apply for a limit increase; or
- an existing member/corporation in the feeder option wants to be approved for the purchase of feeder cows.

All *Membership Applications* must be submitted along with a completed *Consent for Release of Information & Authorization to Collect and Disclose Information Form* (see form *D-01.4*). The *Membership Application* must be approved by SKLF prior to any schedule(s) being advanced to SKLF on the applicant's behalf.

COMPLETING AND APPROVING AN INDIVIDUAL MEMBERSHIP APPLICATION

SKLF reviews the application using the *Application Review Checklist* (see form *D-06.1*) as a guide. The process for approving an *Individual Membership Application* is as follows:

1. The Regional Coordinator provides the prospective member with an *Individual Membership Application Form* (see form *D-01.1*), *Consent for Release of Information & Authorization to Collect and Disclose Information Form* and any other documents required by SKLF.
 - Along with the *Individual Membership Application*, the Regional Coordinator will provide and

have the applicant sign and return a copy of the *Basic Rules for Members* (see form D-06.0).

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2. The prospective member completes the application, signs and dates the application and submits it to the Regional Coordinator for approval along with their application fee. The Regional Coordinator is responsible for:
 - verifying the applicant's Saskatchewan residency and age;
 - verifying the applicant's past membership with any historical LLG Association(s); and
 - any other requirements as outlined by the CEO.

If not completed on the Membership Application, SKLF should contact the prospective member to confirm any past involvement with any historical LLG association(s). For further confirmation of a member's past involvement in the LLG Program, including prospective member standing and lending history, SKLF may contact the Government of Saskatchewan LLG Department.

3. On satisfying the initial assessment, the Regional Coordinator will contact the Livestock Supervisor will complete an inspection on the prospective member, at the prospective member's expense.
4. Pending a successful inspection, the Regional Coordinator will send the recommended application with the Livestock Supervisor's report to the CEO for review and to receive any additional background information available from the Ministry of Agriculture (if applicable).
5. If the prospective member passes the above-mentioned checks, SKLF will complete the relevant financial credit checks on the prospective member and assess the following:
 - confirm that SKLF has a sufficient authorized limit to handle any schedules taken on behalf of the prospective member; and
 - consider the ability of a farm operation to repay SKLF in the event of a shortfall where more than one member of a farm operation is a member of SKLF.

For example, although a member may be entitled to a \$100,000 limit according to the program regulations, SKLF may agree to limit purchases made on behalf of the member to a lesser amount such as \$50,000.

6. If the prospective member passes the financial checks, the application will be sent to the CEO for review (additional information may be requested at this stage).
 - If approved, the CEO will sign and date the application and indicate any special limitations applying to the member.
 - If rejected, SKLF will advise the applicant of the decision.
7. Once the *Membership Application* has been approved, the new member will fill out and sign a *Master Agreement* (see form D-01.0) and return it to the Regional Coordinator at their earliest convenience. No funds will be transferred until this agreement has been signed.
8. The Livestock Supervisor and Regional Coordinator must work together on an ongoing basis to ensure that schedules taken out on behalf of SKLF members do not exceed the limits set out in the program regulations or those authorized by the board of directors.

COMPLETING AND APPROVING A CORPORATE & PARTNERSHIP MEMBERSHIP APPLICATION

SKLF reviews the application using the *Application Review Checklist* (see form D-06.1) as a guide. The process for approving a *Corporate Membership Application* and *Partnership Membership Application* is as follows:

1. The Regional Coordinator provides the prospective corporate member with a *Corporate Membership Application Form* (see form D-01.2), or provides the prospective partnership member with a *Partnership Membership Application* (see form D-1.3) and any other documents required by SKLF.
 - Along with the *Membership Application*, the Regional Coordinator will provide and have the applicant sign and return a copy of the *Basic Rules for Members* (see form D-06.0).
2. The prospective corporate or partnership member completes the application, signs and dates the application and submits it to the Regional Coordinator for approval along with their application fee. The Regional Coordinator is responsible for:
 - verifying the applicant's Saskatchewan residency and age;
 - verifying the applicant's past membership with any historical LLG Association(s); and
 - any other requirements as outlined by the CEO (e.g. incorporation documents, corporate search, review of financial and net worth statements, income taxes, etc.).

If not completed on the Membership Application, SKLF should contact the prospective corporate or partnership member to confirm any past involvement with any historical LLG association(s). For further confirmation of a prospective corporate or partnership member's past involvement in the LLG Program, including member standing and lending history, SKLF may contact the Government of Saskatchewan LLG Department.

3. On satisfying the initial assessment, the Regional Coordinator will contact the Livestock Supervisor will complete an inspection on the prospective corporate member, at the prospective corporate member's expense.
4. Pending a successful inspection, the Regional Coordinator will send the recommended application with the Livestock Supervisor's report to the CEO for review and to receive any additional background information available from the Ministry of Agriculture (if applicable).
5. If the prospective corporate or partnership member passes the above-mentioned checks, SKLF will complete the relevant financial credit checks on the prospective corporate member. The CEO will assess the following:
 - confirm that SKLF has a sufficient authorized limit to handle any schedules taken on behalf of the prospective corporate member; and
 - consider the ability of a farm operation to repay SKLF in the event of a shortfall where more than one member of a farm operation is a member of SKLF.

For example, although a member may be entitled to a \$100,000 limit according to the program regulations, SKLF may agree to limit purchases made on behalf of the member to a lesser amount such as \$50,000.

6. If the prospective member passes the financial checks, the application will be sent to the CEO for review (additional information may be requested at this stage).
 - If approved, the CEO will sign and date the application and indicate any special limitations applying to the member.
 - If rejected, SKLF will advise the applicant of the decision.
7. Once the *Membership Application* has been approved, the new corporate or partnership member will fill out and sign a *Master Agreement* (see form *D-01.0*), as well as a *Personal Guarantee and Acknowledgement of Guarantee* (see forms *D-01.3.1* and *D-01.3.2*) for corporate member and return it to the Regional Coordinator at their earliest convenience. No funds will be transferred until this agreement has been signed.
8. The Livestock Supervisor and Regional Coordinator must work together on an ongoing basis to ensure that schedules taken out on behalf of SKLF members do not exceed the limits set out in the program regulations.

Section 2.2.5 LIMIT INCREASE APPLICATIONS

ELIGIBILITY REQUIREMENTS

Members who want to increase their limit may apply to SKLF for an increase. Undischarged Bankrupts and Members under Review are not eligible; please refer to the Membership Eligibility section for more information.

APPLYING FOR A LIMIT INCREASE

SKLF reviews the application using the *Application Review Checklist* as a guide (see form *D-06.1*). The process for approving a *Limit Increase Application* is as follows:

1. The Regional Coordinator provides the prospective member with a *Limit Increase Application Form* (see forms *D-02.0*, *D-02.1* and *D-2.2*) and any other documents required by SKLF.
2. The prospective member completes the application, signs and dates the application and submits it to the Regional Coordinator.
3. The Regional Coordinator sends the application with the Livestock Supervisor's report to the CEO for review.
4. SKLF does the relevant financial credit checks on the prospective member and then the CEO will complete the following:
 - confirm that SKLF has sufficient authorized limit to handle any schedules taken on behalf of the new member;
 - consider the ability of the applicant to repay in the event of a shortfall;
 - consider the ability of a farm operation to repay SKLF in the event of a shortfall where more than one member of a farm operation is a member of SKLF; and
 - determine a member's eligibility and set the maximum amount that can be borrowed by SKLF on the member's behalf.

Although a member may be entitled to a \$100,000 limit according to the program regulations, SKLF may agree to limit purchases made on behalf of the member to a lesser amount such as \$50,000.

5. If the prospective member passes the financial checks, the application will be sent to the CEO for review (additional information may be requested at this stage).
 - If approved, the CEO will sign and date the application and indicate any special limitations applying to the member.
 - If rejected, SKLF advises the applicant of the decision.
6. The Livestock Supervisor and Regional Coordinator must work together on an ongoing basis to ensure that schedules taken out on behalf of SKLF members do not exceed the limits set out in the program regulations or those authorized by the board of directors.

Section 2.2.6 PURPOSE

Schedules from SKLF are for the purchase of livestock on behalf of individual members. In addition to the purchase price of the animals, other eligible costs, subject to SKLF approval, may include:

- SKLF fees;
- buying commissions and cost of security checks;
- inspection fees;
- vet fees (e.g. vaccines, etc.);
- branding costs (if the animals are branded at the market);
- ear tagging costs (if the bison are tagged at the market);
- any yardage incurred after the purchase (i.e. any costs to cover the care and feeding of livestock at the auction market for a reasonable period);
- trucking costs to the feeding location;
- the Goods and Services Tax (GST); and
- Western Livestock Price Insurance premiums.

Members are responsible for all other feeding and care expenses, such as the purchase of feed outside the normal yardage feed, custom feeding charges, or the construction or maintenance of facilities.

Section 2.2.7 ELIGIBLE LIVESTOCK

FEEDER OPTION

Livestock purchased under the feeder option are subject to the following policies and procedures:

1. Livestock that are eligible for purchase under the feeder option include: Cattle
 - feeder heifers
 - feeder steers
 - feeder cows (see note below)Bison
 - feeder heifers under two years of age
 - feeder bulls under two years of age
2. Livestock that are not eligible for purchase under the feeder option include:
 - bulls (cattle), recreation and rodeo stock

- pregnant heifers
 - pregnant cows
 - unweaned calves
3. Bull calves must be castrated prior to purchasing (cattle only).
 4. Heifers are not permitted to calve while in the feeder option.
 5. Feeder heifers that are bred while in the feeder option must be transferred to the breeder option or sold prior to calving.
 6. Livestock owned by SKLF on behalf of one member cannot be refinanced in the same option on behalf of that member, the member's company, or any other member who shares the same farm operation.

The member must be approved to participate in the feeder cow option before SKLF can purchase feeder cows on the member's behalf (see Membership Application Form, D-01.1 and D-01.2).

BREEDER OPTION

Livestock purchased under the breeder option are subject to the following policies and procedures:

1. Livestock that are eligible for purchase under the breeder option

include: Cattle

- Pregnant females under five years of age (must be confirmed pregnant)
- Pregnant or non-pregnant females under five years of age with a calf at foot
- A member's own pregnant heifers (at fair market value)
- Replacement heifers
- Dairy cows;
 - If dairy cows are financed, both the cows and their offspring must be branded with SKLF's registered brand.
 - If a member would prefer not to brand heifer calves, the member has the option to make the annual payment for the cow.
 - All proceeds from the sale of the offspring are to be applied to the schedule.

Bison

- Pregnant females under eight years of age (must be declared exposed to a bull).
- Pregnant or non-pregnant females under eight years of age with a calf at foot.
- A member's own pregnant heifers (at fair market value).

2. Livestock that are not eligible for purchase under the breeder option include:
 - Cows or cow-calf pairs that have been owned for more than 30 days by the member, the member's company, or any person who shares the same farm operation; and
 - Feeder cows (branded with shelter over C).
3. Livestock owned by SKLF on behalf of one member cannot be refinanced in the same option on behalf of that member, that member's company, or any person who shares the same farm operation.

Section 2.2.8 SCHEDULETERMS AND CONDITIONS OF REPAYMENT

CATTLE FEEDER OPTION

FEEDER HEIFERS AND STEERS

Advances taken under the feeder option for the purchase of feeder heifers and steers have the following repayment options:

1. Under the zero-balance option, each member's entire feeder steer and heifer account must be zero-balanced at least once every 12 months. Under this option, feeder heifer and steer advances must be repaid within one year from the date of purchase; or on the anniversary date of the earliest advance taken since the member's account was last zero-balanced; or when the animals are sold; whichever comes first; or
2. Under the continuous feeding option, each advance must be repaid on or before its own anniversary date.

FEEDER COWS

Advances taken under the feeder option for the purchase of feeder cows are subject to the following terms and conditions of repayment:

1. Feeder cow advances must be repaid within 180 days from the date of purchase; or when the animals are sold; or on the anniversary date of the earliest advance taken since the member's account was last zero- balanced; whichever comes first.
2. The zero-balance date for a member's feeder cow account is not required to coincide with the member's zero-balance date for feeder heifers and steers, (if chosen), so close monitoring of schedule repayment dates by the Regional Coordinator and Livestock Supervisor is essential.
3. Feeder cow can be any age but in obvious good health
4. Feeder cows must have a confirmed weight recorded on the invoice
5. Pricing is market rates for slaughter cows with the weight confirmed
6. Branded with the "C" under shelter brand
7. Any resulting calves will be branded 8. The Regional Coordinator is responsible to ensure the repayments occurs on time.
8. The Regional Coordinator is responsible to ensure the repayments occurs on time.

The member must be approved to participate in the feeder cow option before SKLF can purchase feeder cows on the member's behalf (see Membership Application Form, D-01.1 and D-01.2).

Any exceptions will be clearly documented including the rationale for the deviation by the Regional Coordinator and subject to the approval by the CEO.

BISON FEEDER OPTION

FEEDER HEIFERS AND BULLS

Advances taken under the feeder option for the purchase of feeder heifers and bulls have the following repayment options:

1. Each advance must be repaid within eighteen months from the date of purchase or when the feeders are sold, whichever comes first.
2. An *Inventory Confirmation Report* (see forms *D-05.0* and *D-05.1*) must be completed at least once a year.

Members are responsible for repayment of advances taken by SKLF to purchase animals on their behalf, regardless of the returns from the sale of the animals.

BREEDER OPTION

Advances taken under the breeder option for the purchase of pregnant heifers, pregnant cows or cow-calf pairs are subject to the following terms and conditions of repayment:

1. Advances must be repaid within five years from the date of purchase for cattle and within six years for bison.
2. Payments are to be made annually, with the first annual payment due one year from the date of purchase, or upon sale of the calf(s), whichever comes first.
3. Annual payments are to include 20% for cattle and 16.7% for bison of the original advance amount plus interest to that date.
4. With SKLF approval, payment dates for breeder advances may be consolidated so that all advances are due on the same date using *Breeder Payment Date Change Form* (see form *D-04.0*), which will be approved by the CEO.
 - Common payment dates for breeder advances are set to April 15 and December 15.
5. Dairy cow advances require monthly repayment based on $\frac{1}{60}$ of the original schedule amount plus interest.

Members are responsible for repayment of advances taken by SKLF to purchase animals on their behalf, regardless of the returns from the sale of the animals.

Section 2.2.9 SCHEDULE EXTENSIONS

FEEDER OPTION

Schedule extensions under the feeder option are subject to the following terms and conditions:

1. Schedule repayment dates for feeders may be extended for up to six months for cattle based on two 90-day extensions and 3 months for bison, upon approval from SKLF (see form *Feeder Schedule Extension Application D-03.0*).
2. Schedule extensions will not be approved for heifers to calf in the feeder option.
3. Under the zero-balance option, when a feeder advance to SKLF on behalf of a member is

extended, no further feeder advances may be taken on behalf of the member until the extended advance has been repaid in full.

4. Under the zero-balance option, where SKLF has more than one outstanding feeder advance on behalf of a member, the feeder schedule extension, if approved, extends the zero-balance date for all the outstanding feeder advances for that member.
5. Under the continuous feeding option, where SKLF has more than one outstanding feeder advance on behalf of a member, the feeder schedule extension, if approved, extends the date for each advance the member applies for.
6. If no payment has been made at the end of the extension, the account will be in DEFAULT, unless SKLF agrees on alternate arrangements.
7. Feeder cow schedule repayment dates are not extendable.

BREEDER OPTION

Schedule extensions under the breeder option are subject to the following terms and conditions:

1. Schedule repayment dates for the breeder option may be extended for up to six months, upon approval from SKLF (see form *Breeder Schedule Extension Application D-03.1*).
2. A breeder schedule extension does not change the due date for future annual payments.

APPLYING FOR A SCHEDULE EXTENSION

SKLF reviews the application using the *Application Review Checklist* as a guide (see form *D-06.1*). The process for approving a Schedule Extension Application is as follows:

1. The Regional Coordinator provides the member with a *Schedule Extension Application Form* (see forms *D-03.0* and *D-03.1*) and any other document(s) required by SKLF.
2. The member will complete, sign and date the application and then submit it to the Regional Coordinator.
3. The Regional Coordinator will provide a full explanation as to the reason for the extension including input from the Livestock Supervisor and a specified plan to ensure the payment is made.
4. All necessary credit reviews and checks obtained
5. Regional Coordinator will provide their recommendation with the extension including their rationale
6. The application with the Regional Coordinator's recommendation is forwarded to the CEO for review and decisioning.
 - If approved, the CEO signs and dates the application, indicates any special limitation applying to the member and notifies the member of approval.
 - If rejected, the CEO will ensure the applicant is advised.
7. The Livestock Supervisor or LSS physically inspects and counts all SKLF animals held by the member in the option being extended (feeder or breeder), records the results of the inspection on the application and signs and dates the application to certify the results of the inspection. If the inspection was completed within the last three months, those results may be used for this application for extension. This inspection is done at the member's expense.

8. Upon receipt of the approved application, SKLF may extend the scheduled repayment date to the approved date. The Livestock Supervisor and Regional Coordinator must work together to ensure that the appropriate payment is made on or before the approved repayment date.

Any exceptions will be clearly documented including the rationale for the deviation and recommended by the Regional Coordinator and subject to the approval by the CEO.

Section 2.3 ASSURANCE FUND ACCOUNTS

Section 2.3.1 MANAGING ASSURANCE FUNDS

One of the central components of the SKLF is the development of program-specific assurance funds consisting of deposits from members. The assurance fund is part of the security held by SKLF. Please refer to the SKLF Assurance Fund Bylaw for additional information.

General policies and procedures relating to managing the assurance funds include:

1. In the feeder option, members must maintain an assurance fund deposit equal to at least 5% of the original amount of the outstanding advances taken by SKLF on their behalf, except where new advances have been taken where excess assurance funds were used, as outlined in the Reusing Excess Assurance Funds section.
2. In the breeder option, members must maintain an assurance fund deposit equal to at least 10% of the original amount of the outstanding advances taken by SKLF on their behalf, except where new advances have been taken where excess assurance funds were used, as outlined in the Reusing Excess Assurance Funds section.
3. Assurance funds will be kept separate from all other funds and accounts, and SKLF will maintain separate assurance fund accounts for the feeder and breeder options for both cattle and bison.
4. The assurance fund is used solely to pay off SKLF schedules for the purchase of livestock which are past due and whereby no extension has been approved and cannot otherwise be repaid to SKLF.
5. If a member's assurance fund contribution is not sufficient to extinguish the past due payment, the associated program's assurance fund will be used to cover the deficiency. (E.g. If the member defaults on a cattle-feeder schedule, the whole cattle-feeder assurance fund account may be used to cover the loss.) If the balance of the associated program's assurance fund account is not sufficient to eliminate the deficit, the non-related programs' assurance funds would be then used to eliminate any shortfall.
6. Where SKLF transfers pregnant heifers from the feeder option to the breeder option on behalf of a member:
 - The member must have the required 10% breeder assurance fund on deposit to cover the transfer; and
 - The member's 5% deposit in the feeder assurance fund must remain in place for at least 90 days before it may be refunded to the member and may be refunded only if all accounts for all members in the feeder option are up to date.
7. Where SKLF transfers calves from the breeder option to the feeder option on behalf of a member:
 - The member must have the required 5% feeder assurance fund on deposit to cover the transfer; and
 - The member's 10% deposit in the breeder assurance fund must remain in place for at least 90 days after the breeder agreement(s) has been repaid in full, provided any accounts for any other member(s) in the breeder option are up to date.
8. Where a member has repaid all their feeder or breeder advances in full and chooses not to withdraw

their assurance fund deposits after 90 days, and there are no defaults during these 90 days, these deposits are not at risk of being utilized for future losses.

COLLECTING ASSURANCE FUNDS

SKLF will collect assurance funds based on each individual advance.

For example, if SKLF has approved a member to borrow \$25,000 in the breeder option, but at this time is purchasing only \$10,000 worth of cattle, the member would be required to deposit \$1,000 ($\$10,000 \times 10\%$) into SKLF's breeder assurance fund at the time the Livestock Scheduled Agreement (see form F11.0) is completed.

REUSING EXCESS ASSURANCE FUND DEPOSITS

As an advance is repaid, any amount standing to the credit of the member in SKLF's assurance fund in excess of 5% of the outstanding feeder advances or 10% of the outstanding breeder advances on behalf of the member, may be applied to the assurance fund deposit required for a new purchase.

If a member in the feeder option has \$500 on deposit in the feeder assurance fund, yet the outstanding advances on behalf of the member total only \$4,000 [requiring an assurance fund deposit of \$200 ($\$4,000 \times 5\%$)], the member is deemed to have an excess assurance fund deposit of \$300. This excess may be applied towards the assurance fund deposit required for a new purchase.

REFUNDING ASSURANCE FUND DEPOSITS

The following policies and procedures relate to the refund of assurance fund deposits.

1. Provided SKLF is not overdue or in default with respect to the account of any member:
 - Under the breeder and feeder programs where a member does not zero-out all advances annually, and where a member has paid out an advance in full, SKLF may refund the member's assurance fund deposit related to that advance at any time following the expiration of a 90 day waiting period from the date the advance was paid out, less any excess that has been re-used for any new advances.
 - Under the feeder option, where a member zeros out all advances annually, and where a member has paid out all advances in full, SKLF may refund the member's assurance fund deposit at any time following the expiration of a 90 day waiting period from the date the advance(s) was paid out.
 - Where a member has paid out all advances and subsequently resigns from SKLF, SKLF must refund the member's assurance fund deposit within 15 days of resignation, but no sooner than 90 days from the date the member paid out all advances in full.
2. If SKLF is overdue or in default with respect to the account of any member, SKLF must not refund any portion of the assurance fund to any member until the overdue payment has been made or the default has been resolved.
3. If SKLF is in default on any schedule terms with the Lender, SKLF will not refund any assurance fund deposits until the default has been resolved.

APPLYING AND REPLENISHING ASSURANCE FUNDS

Policies and procedures relating to the application of assurance funds include:

1. The assurance fund must not be used to repay any advance(s) taken by SKLF on behalf of a member unless the advance(s) is in default. The rationale for this requirement is as follows:
 - The Regulations require SKLF to retain a member's assurance fund deposit for at least 90 days

after the member has paid out an advance so these funds cannot be used to repay advances before the 90 days has expired.

- The assurance fund is a common fund for the protection of all members. Should more than one- member fall into default, it should not be seen or treated as a source of last payment by individual members.
2. In the event of a default, SKLF will not apply the assurance fund until all SKLF animals held by the defaulting member have been sold and the proceeds have been applied to the outstanding advance(s) for the animals.
 3. If the assurance fund is used to repay an advance that is in default, no further advances may be made to SKLF until the feeder assurance fund is replenished to the required 5% and/or the breeder assurance fund is replenished to the required 10% of current balances of all outstanding advances for all members.

REPORTING MEMBER ASSURANCE FUNDS THAT ARE NOT AT RISK

1. A member who has repaid all advance(s) under either the feeder or breeder option and elects to keep their assurance fund deposit in SKLF after the 90-day waiting period must be identified. Provided there are no overdue accounts or defaults by any other member during the 90 days, these funds are protected from being used for any future losses of other members.
 - SKLF is to identify, on the Livestock Supervisor report, those members whose assurance fund deposits are not at risk under column "Assurance Funds 90 days clear."
2. If a member who has an assurance fund deposit that is not at risk and who subsequently secures advances on their feeder or breeder option, the required assurance fund deposit in that option is subject to claims for future losses of other members.

Section 2.4 PURCHASING LIVESTOCK

Section 2.4.1 PROCEDURES FOR PURCHASING

When SKLF purchases livestock on behalf of its members, the following procedures are followed:

1. No further advances may be taken by SKLF on behalf of any member when an outstanding advance on behalf of that member, or any member who shares the same farm operation, is overdue or in default.
2. The continuous feeding option allows a member to purchase feeders without having to zero balance their feeder option account. Each schedule will have its own repayment date, not to exceed 12 months for cattle or 18 months for bison from the date of purchase.
3. The Regional Coordinator ensures that a *Release of Security Interest* (see form F-10.4) has been obtained by SKLF where necessary for all new purchases that do not originate at a public auction.
 - SKLF requires all animals being purchased outside a dealer be inspected by the Livestock Supervisor and if there are any concerns be inspected by Brand Inspection Services at the member's expense.

Any exceptions will be clearly documented including the rationale for the deviation and recommended by the Regional Coordinator and subject to approval by the CEO.

4. The Livestock Supervisor verifies that all animals purchased by SKLF are branded and all bison are tagged with SKLF's registered brand prior to completing a *Livestock Scheduled Agreement* (see forms F-11.0/ F-11.1).
 - The member's own brand may also be applied, if desired.
 - Refer to the branding/tagging requirements section for more information, including procedures to follow when two or more members feed SKLF livestock at the same location.
5. The Livestock Supervisor obtains a purchase invoice for all animal purchases, because SKLF, not the member, pays for the animals.
 - The invoice must be made out to SKLF on behalf of the member and must clearly describe the livestock and itemize any costs and other charges.
6. The Livestock Supervisor obtains a certificate of pregnancy for the purchase of any breeding cattle or a signed declaration of exposure for bison.
7. The Livestock Supervisor completes a *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1), depending on if feeder or breeder animals are being purchased, and has it signed by the member.
 - Agreement must be completed as described in the Completing Feeder/Breeder Agreements and Signing Feeder/Breeder Agreements sections of this manual.
 - The Livestock Supervisor must explain to the member that the *Master Agreement* (see form D-01.0) and *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) is a personal covenant

whereby the member promises to repay SKLF the advance amount and any interest that accrues, regardless of the returns from the sale of the animals and agrees to abide by all program policies and procedures and the bylaws of SKLF.

- Feeder cows may not be combined on the same *Livestock Scheduled Agreement* (see forms *F-11.0/F-11.1*) as feeder heifers or steers.
 - A *Bison Tag # Attachment Form* (see form *F-11.2*) must be completed and submitted along with the *Livestock Scheduled Agreement* (see forms *F-11.0/F-11.1*).
8. The Livestock Supervisor collects the 5% feeder deposit, or 10% breeder deposit required for SKLF's assurance fund and arranges to have the funds deposited by the Regional Coordinator.
 - The Livestock Supervisor must verify that the member's required assurance fund deposit is in place before signing the *Livestock Schedule Agreement* (see forms *F-11.0/F-11.1*).
 - As an advance is repaid, any amount standing to the credit of the member in SKLF's assurance fund in excess of 5% of the outstanding feeder advances or 10% of the outstanding breeder advances on behalf of the member, including interest, may be applied to the assurance fund deposit required for a new purchase.
 9. The Livestock Supervisor submits all copies of the completed *Livestock Scheduled Agreement* (see forms *F-11.0/F-11.1*) to the Regional Coordinator, along with any supporting documentation. If corrections are made on an agreement or the purchase invoice, the Livestock Supervisor and the member must initial each change.
 10. The Regional Coordinator reviews the *Livestock Scheduled Agreement* (see forms *F-11.0/F-11.1*) and forwards it to the CEO along with any supporting documentation for approval.
 11. Once approved, the Regional Coordinator writes a cheque to pay for the livestock.
 - SKLF must pay for the livestock within one week from the date of purchase. However, some auction markets may apply late payment fees for payments not received within three business days.
 - The member must pay all costs associated with the purchase other than those described in the Schedule Purpose section.
 12. When the advance has been approved, the Regional Coordinator distributes the member and Livestock Supervisor copies of the *Livestock Scheduled Agreement* (see forms *F-11.0/F-11.1*) to the appropriate party, and files SKLF's copy of the agreement.

Section 2.4.2 COMPLETING SECURITY SEARCHES

Regional Secretaries will do a Personal Property Registry search and a Bank of Canada Registry search. If searches reveal registration on animals, a *Release of Security Interest* (see form *F-10.4*) must be obtained from all secured parties. It is the member's responsibility to obtain this release.

Section 2.4.3 COMPLETING LIVESTOCK SCHEDULED AGREEMENTS

Before completing a Livestock Scheduled Agreement, the Livestock Supervisor must ensure that the member has completed a *Master Agreement* (see form *D-01.0*). The Livestock Supervisor is responsible for ensuring that all *Livestock Scheduled Agreements* (see forms *F-11.0/F-11.1*) are correctly completed,

including the:

1. date the form is completed;
2. full legal name of the member (first, middle and last);
3. number and kind of animals:
 - Feeder cows may not be combined on the same *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) as feeder heifers or steers.
4. weights for feeder steers and feeder heifers and bison feeder bulls;
5. SKLF's brand and brand location(s);
6. name of seller, invoice date, and number of head if purchased from a private individual;
7. name of licensed dealer or auction, invoice date, and number of head purchased from the licensed dealer or auction;
8. cost of the animals;
9. for Bison – tag # attachment form with all tag numbers recorded;
 - Schedules to SKLF are for the purchase of livestock on behalf of individual members. In addition to the purchase price of the animals, other eligible costs, subject to SKLF approval, may include:
 - SKLF fees;
 - buying commissions and cost of security checks;
 - inspection fees;
 - vet fees (e.g. vaccines, etc.);
 - branding costs (if the animals are branded at the market);
 - ear tagging costs (if the bison are tagged at the market);
 - any yardage incurred after the purchase (i.e. any costs to cover the care and feeding of livestock at the auction market for a reasonable period);
 - trucking costs to the feeding location;
 - the Goods and Services Tax (GST); and
 - Western Livestock Price Insurance premiums.

Members are responsible for all other feeding and care expenses, such as the purchase of feed outside the normal yardage feed, custom feeding charges, or the construction or maintenance of facilities.

- The Livestock Supervisor should review the price paid for the animals to ensure that animals are purchased at fair market value (based on information provided by CanFax or a similar report).
 - When evaluating purchase prices, SKLF should consider the member's ability to repay SKLF for schedules taken on the member's behalf.
 - If SKLF does not agree with the purchase price, *Livestock Scheduled Agreement* (see

forms F- 11.0/F-11.1) should not be approved.

10. check box for preg-check (cattle) or exposed to bull (bison);
11. location of the livestock, whether they are being fed at home, at a custom feedlot, or at a community pasture;
 - The land location of the member's residence or home quarter should not be entered unless that is where the livestock will be located.
12. source of the livestock;
 - The purpose of this portion of the *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) is to identify the source of the animals being purchased by SKLF. This information is necessary to ensure that purchases are being made within program regulations.
 - When completing this portion, the Livestock Supervisor must select one of the following options:

THE FEEDER/BREEDER HEREBY CERTIFIES THE FOLLOWING WERE PURCHASED FROM:

- a. #_____head from the member, the member's company, or a person who shares the same farm operation. (searches/releases required)
 - Option a) states that SKLF is purchasing non-SKLF feeder heifers, feeder steers, feeder bulls, feeder cows or pregnant heifers that were owned by the member, the member's company, or any person who shares the same farm operation. This option can be selected using a checkmark or by indicating the number of head being purchased by SKLF from the member.
- b. #_____head from SKLF and the member (transfer from Feeder/Breeder option).
 - Option b) states that SKLF is transferring animals owned by SKLF on behalf of a member in one option to the account of the same member in the other option. This option can be selected using a checkmark or by indicating the number of animals transferred between options.
- c. #_____head from SKLF and _____(an SKLF member other than the above member). Selection of this option requires the name of the member from whom the animals are being purchased.
 - Option c) states that SKLF is transferring animals owned by SKLF on behalf of one member to the account of a second SKLF member
 - *Transfers Between Different Options* – Pregnant heifers being transferred from the feeder option to the breeder option or calves being transferred from the breeder option to the feeder option can be transferred for 100% of the fair market value of the animals.
 - *Transfers Within the Same Option* – Animals cannot be transferred within the same option between members who share the same farm operation.
- d. #_____head from a public auction located at _____(city, town, or RM).
 - Option d) states that SKLF is purchasing livestock from a public auction. Selection of this option requires the location of the public auction.

- e. #_____head privately (not from auction) from _____(previous owner). (searches/releases required)
 - Option e) states that SKLF is purchasing livestock from a producer who is not a member of SKLF. Selection of this option requires the name of the contributor (that is, the producer who previously owned the animals).
 - f. #_____purchased through Licensed dealer (name of dealer). (no search required)
13. signatures of the feeder/breeder member (or an enduring power of attorney), the Livestock Supervisor and an SKLF signing officer.
- Policies and procedures concerning the proper signing of *Livestock Scheduled Agreements* (see forms F-11.0/F-11.1) are detailed in the following section.

Section 2.4.4 SIGNING LIVESTOCK SCHEDULED AGREEMENTS

Procedures relating to the signing of *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) include:

1. The Livestock Supervisor must ensure that the member has completed a *Master Agreement* (see form D-01.0) and that all information on the *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) is complete and correct before anyone signs the document.
 2. *Livestock Scheduled Agreements* (see forms F-11.0/F-11.1) must not be pre-signed since the practice of pre-signing documents can place SKLF at risk of potential liability.
 3. Four signatures are normally required on all *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1), although SKLF may require three signatures (see point 4 on the following page). The required signatures include:
 - signature of the feeder or breeder member:
 - The member, whose name appears at the top of the *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1), or an Enduring Power of Attorney (see form F-10.0), must personally sign the document.
 - If an enduring power of attorney is used, a copy of the *Enduring Power of Attorney Form* (see form F-10.0) along with a copy of the *Legal Advice and Witness Certificate Form* (see form F-10.2) or a copy of the *Non-Lawyer Witness Certificate Form* (see form F-10.3) must be supplied to SKLF.
- To cancel an existing Enduring Power of Attorney, please refer to form F-10.1.*
- signature of the Livestock Supervisor:
 - The Livestock Supervisor must sign the *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) at the time the member signs.
 - In signing a *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1), the Livestock Supervisor certifies that all information on the document is complete and, to the best of the Livestock Supervisor's knowledge, correct.
 - Livestock Supervisors must not sign a *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1)

11.1) relating to the purchase of animals by SKLF on their own behalf, or on behalf of their immediate family. In these cases, another Livestock Supervisor or the CEO must perform the duties of the Livestock Supervisor and sign the agreement accordingly.

- The CEO must not sign a *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) on behalf of SKLF relating to the purchase of livestock by SKLF on their own behalf, or on behalf of their immediate family.
 - signature of an SKLF signing officer
 - The CEO may choose to review the actual transaction documents, such as feeder and breeder agreements, purchase invoices and cheques, or may instruct the Regional Coordinator to provide additional information.
4. When SKLF purchases animals on behalf of the Livestock Supervisor, a Regional Coordinator, or on behalf of their family members, the CEO or designate will carry out the duties of the Livestock Supervisor and sign the *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) accordingly.

Guidelines:

- *The same signature should never appear on a Livestock Scheduled Agreement more than once.*
- *The preferred designate would be another Livestock Supervisor in more circumstances.*
- *Signing blank documents, such as Livestock Scheduled Agreement, Membership Applications or cheques, is strictly forbidden.*

Any exceptions will be clearly documented including the rationale for the deviation and recommended by the Regional Coordinator and subject to the approval by the CEO.

Section 2.4.5 PURCHASING A MEMBER'S OWN LIVESTOCK

SKLF may purchase non-SKLF animals from a member, a member's company or any person who shares the same farm operation that have been owned by that person or company, provided the following conditions are met:

1. Eligible livestock include non-SKLF feeder heifers, replacement heifers, feeder steers, feeder bison bulls, feeder cows and pregnant heifers only. Pregnant cows and cow-calf pairs are eligible.
2. Ensure that searches are completed on Personal Property Registry and Bank of Canada Registry and that *Release of Security Interest(s)* (see form F-10.4) have been obtained as required.
3. The purchase price must not exceed 100% of the fair market value of the animals.
4. The Livestock Supervisor must inspect and ensure that SKLF's invoice includes the name of the previous owner (contributor), a description of the animals being purchased and the purchase price.

Section 2.4.6 TRANSFERRING PREGNANT HEIFERS FROM THE FEEDER OPTION TO THE BREEDER OPTION

SKLF may transfer pregnant heifers owned on behalf of a member in the feeder option to the account of the same member or another member in the breeder option, provided that the following conditions are met:

1. Livestock Supervisor must inspect and ensure brands on cattle are still readable and tags on bison are still in place.

2. The heifers may be transferred for 100% of their fair market value.
3. The heifers must be confirmed pregnant or must be declared to have been exposed to a bull (bison) prior to being transferred to the breeder option.
4. The heifers must be transferred to the breeder option prior to calving.
5. The Livestock Supervisor and Regional Coordinator must ensure that the member has the required 10% breeder assurance fund on deposit with SKLF before the transaction can proceed.

Section 2.4.7 TRANSFERRING CALVES FROM THE BREEDER PROGRAM TO THE FEEDER OPTION

SKLF may transfer calves owned on behalf of a member in the breeder program to the account of the same member or another member in the feeder option, provided that the following conditions are met:

1. Livestock Supervisor must inspect and ensure brands on cattle are still readable and tags on bison are still in place.
2. Calves may be transferred to the feeder option for 100% of their fair market value.
3. Calves must be weaned prior to being transferred to the feeder option.
4. The Livestock Supervisor and/or the Regional Coordinator must ensure that the member has the required 5% feeder assurance fund on deposit with SKLF before the transfer can proceed.
5. The Livestock Supervisor must ensure that the calves being transferred are currently on the *Livestock Supervisor's Monthly Report* for the breeder option (see forms F-14.1 and F14.3).

For example, if SKLF owns 30 calves in the breeder program on behalf of a member, as confirmed by the Livestock Supervisor's Monthly Report, SKLF may transfer only those 30 calves to the feeder option on behalf of that member for 100% of the fair market value of the cattle.

Section 2.4.8 REPLACEMENT OF LIVESTOCK

In the event that SKLF-owned stock is culled or die and the member wishes to replace the culled or dead animals with other animals of equal value in order to continue making requirement payments, a *Replacement of Livestock Form* (refer to form F-13.0) must be filled out.

1. Where stock purchased by SKLF on behalf of the member is culled or dies, SKLF requires the member to either:
 - Replace the stock with one of equivalent value and continue making payments as arranged (requires completion of a *Replacement of Livestock Form* (refer to form F-13.0); or
 - Pay out the prorated amount of the schedule for the stock that has been culled or died on the due date of the schedule unless SKLF requires payment to be made earlier.
2. To ensure the replacement animal(s) is free and clear of encumbrances, the member must provide the name and phone numbers of anyone who could have a security interest in the animal(s). SKLF

may use this listing as confirmation of no encumbrances in addition to other searches (e.g. PPSA, Bank Act, etc.) as required.

3. Prior to signing and dating the form, the Livestock Supervisor must inspect the cattle or bison being transferred to SKLF to verify that the replacement animal(s) have been branded with SKLF's brand.

Section 2.4.9 SALE OF LIVESTOCK BETWEEN MEMBERS

SKLF may purchase livestock owned on behalf of a member in the feeder or breeder option to the account of a second member in the same option provided the following conditions are met:

1. The livestock must meet all eligibility requirements.
 - Breeder cattle must be under five years of age to be eligible for a new schedule, and breeder bison must be under eight years of age.
2. The livestock may be transferred for 100% of their fair market value.
3. The two members involved in the transaction must have separate farm operations, as transactions between members of the same operation within the same option are not allowed.
4. The Livestock Supervisor inspects and establishes the value of the animals and provides an invoice, in conjunction with the members involved in the transaction.
5. The Livestock Supervisor completes a new *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1).
6. The Regional Coordinator pays out the advance taken on behalf of the original purchaser.
7. The Regional Coordinator writes a cheque for any equity in the livestock sold.

Section 2.4.10 CUSTOM FEEDING

Members may arrange for SKLF animals purchased on their behalf to be custom fed at a custom feedlot or custom pasture, provided the following policies and procedures are followed:

1. The Livestock Supervisor, with the CEO's written approval, must provide prior authorization for the member to have SKLF animals custom fed at a custom feedlot or pasture through completion of either a monthly or long-term custom feeding agreement.
 - A *Custom Feeding Receipt & Waiver (Monthly)* (see form F-12.0) allows SKLF to verify on a month-by-month basis that the member's custom feeding bills are being paid to ensure no hidden debts are accumulating, which could result in SKLF animals being held or seized by the custom feeder until the bills are paid.
 - As an option to paying custom feeding charges on a monthly basis, a *Custom Feeding Agreement (Long-Term)* (see form F-12.1) is used where the custom feeder agrees to carry the costs of custom feeding SKLF animals on behalf of a member for a pre-determined time period longer than a month.
2. Custom feeding agreements, whether monthly or long-term, must be signed by an

authorized representative of the custom feedlot or pasture.

3. A custom feeding agreement is not required for livestock to be pastured in a community pasture.
4. On completion of either a *Custom Feeding Receipt and Waiver (Monthly)* (see form F-12.0) or a *Custom Feeding Agreement (Long-Term)* (see form F-12.1), the custom feeder waives his or her rights, under Section 15.1 of *The Animal Products Act*, to place a lien on the animals being custom fed as a result of unpaid bills by the SKLF member.
5. A custom feeder does not have any lien rights with respect to the animals being custom fed unless, before beginning custom feeding, the custom feeder provides SKLF with a copy of a statement of intent to custom feed signed by the custom feeder and the member on whose behalf SKLF animals are to be fed.
6. The Livestock Supervisor must report the custom feeding location on the *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) and on the *Livestock Supervisor's Monthly Report* (see forms F-14.0, F-14.1, F- 14.2 and F-14.3).

Section 2.4.11 ASSIGNMENT OF LIABILITY

The *Assignment of Liability Form* (see form F-10.5) is to be used when a member will be assigning schedules to another member. This is most common with the case of a divorce or the death of a member. Forms must be filled out to transfer any outstanding schedules. The members receiving the schedules (Assignee) must be a member of SKLF before the transfer can be completed.

Section 2.5 CATTLE BRANDING & BISON TAGGING

Section 2.5.1 BRANDING REQUIREMENTS | CATTLE

All cattle purchased by SKLF must be branded with the appropriate SKLF registered brand. Brands provide the first proof of ownership should a dispute over the ownership of SKLF livestock occur. The brand helps to ensure that proceeds from the sale of SKLF livestock are directed to SKLF, especially where animals are brand inspected prior to sale.

Upon written approval from the CEO and confirmation from the Livestock Supervisor of inventory of cows and calves, members may tag the offspring with radio frequency identification (RFID Tags) and for 2021 dangle tags imprinted with the SKLF brand with "SKLF" under the shelter. See *Branding Exemption Application for Breeder Calves* (see form G-20.0) and *Member Declaration for Branding Exemption* (see form G-20.1).

General branding requirements include:

1. The Livestock Supervisor must inspect all feeder and breeder animals purchased by SKLF, prior to completing the *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1), to ensure proper branding has been completed before SKLF pays for the livestock.
2. All offspring of breeding stock must be branded with SKLF's brand before reaching three months of age, or before going to pasture, whichever comes first.
3. In some cases, members have the option of not branding SKLF calves, provided the member prepays the annual payment for the breeder schedule. For more information, refer to *Breeder Inventory Confirmation Report* (see form D-05.0).

Any exceptions will be clearly documented including the rationale for the deviation and subject to the approval of the CEO.

Section 2.5.2 EAR TAGGING REQUIREMENTS | BISON

All bison purchased by SKLF must be tagged with an RFID/CCIA tag, and dangle tags (colour green preferred) with the SKLF shelter and "SKLF" under the shelter with numbers (except the numbers zero and one). In addition, metal tags may be used. These tags provide the first proof of ownership should a dispute over the ownership of SKLF bison occur. The ear tags help to ensure that proceeds from the sale of SKLF bison are directed to SKLF.

General ear tagging requirements include:

1. The Livestock Supervisor must inspect all feeder and breeder bison purchased by SKLF, prior to completing the *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1), to ensure proper ear tagging has been completed before SKLF pays for the bison.

2. All offspring of breeding stock must be ear tagged with SKLF's required tags before March 31st of the following year to which the calf was born.
 - In some cases, members have the option of not tagging SKLF calves, provided the member prepays the annual payment for the breeder schedule.

Any exceptions will be clearly documented including the rationale for the deviation and recommended by the Regional Coordinator and subject to approval by the CEO.

Section 2.5.3 CATTLE BRAND REGISTRATION AND LOCATION

All brands used by SKLF must be registered as follows:

The brand for all feeder steers, feeder heifers and breeding stock must consist of a shelter with numbers (except the numerals zero and one) and/or letters above it.

1. The brand for all feeder cows must consist of a shelter over C with numbers (except the numerals zero and one) and/or letters above the shelter.
2. SKLF will have four to six brand locations available for registration on an animal. (In some situations, grandfathered brands may be allowed from the previous Livestock Loan Guarantee Program at the discretion of SKLF's CEO.)

Section 2.5.4 CATTLE BRANDING IN MULTI-MEMBER HERDS

1. Where more than one member's herd is being fed at the same location, it is important for SKLF to be able to clearly identify which animals are owned on behalf of each member. This can be achieved by:
 - assigning a different brand location to each member;
 - assigning a number to each member to be branded underneath the shelter brand; or
 - purchasing only steers on behalf of one member and only heifers on behalf of the other, in the case of two members.
2. Where animals owned by SKLF on behalf of more than one member are being fed at the same location and are not uniquely identified, the livestock are to be treated as one herd, as outlined in the *Application of Sale Proceeds/Release of Equity* section of this manual.

Section 2.5.5 BISON TAG REGISTRATION

All tags used by SKLF must be registered as follows:

1. SKLF tag (colour green preferred) for all feeder bulls, feeder heifers and breeding stock must consist of a shelter with "SKLF" under the shelter and numbers (except the numerals zero and one) and/or letters above it.
2. Numbers may also be applied beneath the shelter on the tag to identify bison owned by SKLF on behalf of different members who share the same farm operation, or to identify different purchases by SKLF on behalf of the same member.

Section 2.5.6 BISON TAGGING IN MULTI-MEMBER HERDS

1. Where more than one member's herd is being fed at the same location, it is important for SKLF to be able to clearly identify which bison are owned on behalf of each member. This can be achieved by:
 - assigning a number to each member to be placed underneath the shelter on SKLF tag;
 - purchasing only bulls on behalf of one member and only heifers on behalf of the other, in the case of two members; or
 - assigning different colours of tags for each member.

Section 2.6 SELLING LIVESTOCK

Section 2.6.1 SELLING POLICIES AND PROCEDURES

Members are required to sell all SKLF livestock in the name of SKLF on their behalf. This requirement provides security of ownership by SKLF and reduces risk to the members' assurance fund.

When selling SKLF livestock, the following policies and procedures apply:

1. When planning to sell SKLF livestock, members must notify the Livestock Supervisor and/or Regional Coordinator about when and where the livestock will be sold.
2. All animals are to be sold in the name of SKLF on behalf of the member using a *Livestock Manifest* (see form *H-31.0*).
 - When completing a *Livestock Manifest* (see form *H-31.0*), members must:
 - ensure SKLF is listed as the payee of the livestock and the member is listed as the contributor—this will ensure that funds are directed to SKLF for distribution;
 - ensure that all SKLF brands/tags are listed on the manifest; and
 - ensure Premise Identification (PID) number is on manifest.
3. If SKLF and privately-owned livestock are sold together, the member must either:
 - complete two separate *Livestock Manifests* (see form *H-31.0*), one for SKLF animals and one for the privately-owned animals; or
 - complete a single *Livestock Manifest* (see form *H31.0*), with all livestock sold in the name of SKLF on behalf of the member.

FAILURE TO COMPLY

Members who fail to comply with the selling procedures outlined above will be sent a letter from SKLF to identify the error or offense and outline the importance and method of completing the *Livestock Manifest* (see form *H-31.0*) correctly. Repeat offences by a member may result in the suspension of borrowing privileges for future purchases.

RECORD OF MOVEMENT | BISON

Where a member moves bison that were purchased by SKLF for that member, the member must provide copies of all record of movement forms, as provided by the Canadian Bison Association, to SKLF within one week after the move.

Section 2.6.2 APPLICATION OF SALE PROCEEDS & RELEASE OF EQUITY

The following policies and procedures relate to the application of sale proceeds and the release of equity to an SKLF member(s) upon repayment of a feeder advance(s) or upon annual payment for a breeder advance(s):

INDIVIDUAL MEMBERS

1. In the case of a breeder advance, the annual payment must be made prior to any equity arising from the feeder/breeder agreement associated with that feeder or breeder advance being released to the member.
2. If there is more than one advance outstanding on behalf of a member, and one of the advances is paid out (in the case of the feeder option) or the annual payment for one of the advances is paid (in the case of the breeder option), the CEO must be satisfied that the member possesses the correct number of animals required to fulfill any remaining feeder or breeder advances. In some situations, it may be necessary for the Livestock Supervisor to conduct a physical inventory count to verify the number of animals.
3. If the CEO determines that the market value of any livestock remaining after an advance has been repaid is insufficient to secure the outstanding advances for those animals, SKLF should not release any equity to the member.

MULTI-MEMBER HERDS

1. Where SKLF animals owned on behalf of more than one member are being fed at the same location and are uniquely identified, SKLF may release equity to a member if that member's feeder advance has been repaid in full (for the feeder option) or if the member's annual breeder payment has been made (for the breeder option).
 - SKLF livestock owned on behalf of more than one member at the same location can be uniquely identified by using an assigned brand/tag location or brand/tag number for each member.
 - Where there are only two members feeding animals at the same location, SKLF can also use the sex of the animal to determine ownership by purchasing only steer calves/bison bulls on behalf of one member and only heifers on behalf of the other.
2. Where feeder or breeder livestock owned by SKLF on behalf of more than one member are being kept at the same location and are not uniquely identified, SKLF may release equity to a member only if:
 - the Livestock Supervisor conducts a complete physical inventory count to verify that the number of animals remaining matches the number required to fulfill any remaining feeder or breeder advances for all members feeding at that location (only if necessary);
 - the balance of the feeder advances or the annual breeder payments for all other members feeding at that location have already been paid; or
 - the returns from the sale of any SKLF animals at that location are prorated to all the advances for the members feeding livestock at that location.

Section 2.6.3 TRANSFER OF OWNERSHIP

A *Transfer of Ownership* form (see forms H-30.0 and H-31.1) is used to transfer ownership of livestock from SKLF to a member upon repayment of a schedule taken out by SKLF on the member's behalf. This is usually done when a member wants to:

- sell the animals with the cheque coming directly to the member; or
- resign from SKLF once all schedules have been paid.

POLICIES AND PROCEDURES

Policies and procedures relating to transfer of ownership of SKLF livestock include:

1. Brand inspectors have been advised that livestock with the SKLF brand are to be sold in the name of SKLF on behalf of the member, unless the member has an approved *Transfer of Ownership* form (see forms *H-30.0* and *H-31.1*) or bill of sale.
2. A *Transfer of Ownership* form (see forms *H-30.0* and *H-31.1*) is not to be completed until a member's schedule has been paid in full and the receipts received by SKLF.
3. A *Transfer of Ownership* form (see forms *H-30.0* and *H-31.1*) must not be provided to a member until, when required, a confirmation of inventory has been completed for any advances still outstanding on behalf of that member. The board should also be satisfied that the value of the inventory related to the remaining advances is enough to cover the outstanding schedules.
4. Where a member has livestock at a sale and requires a *Transfer of Ownership* form (see forms *H-30.0* and *H-31.1*), the completed form may be faxed directly to the brand inspector, provided that the form is dated to expire that day.
5. Transfer should not be given to member when the schedule is paid out. Member needs to advise the Regional Coordinator of date animals will be sold and the Regional Coordinator notify the Brand Inspector the day before sale (or morning of sale) and provide any additional information as required (e.g. PPSA amendment or release, etc.).
6. Release PPSA security interest after ten days has elapsed, and full payment is received satisfactorily.

Section 2.7 MEMBERS WITH OVERDUE ACCOUNTS

Definition: Overdue Account

An account is considered overdue when a payment is due and no payment has been made by the deadline, but the account is not yet in default, as defined below.

Section 2.7.1 GUIDELINES FOR DEALING WITH MEMBERS WITH OVERDUE ACCOUNTS

1. Regional Secretaries are responsible for monitoring due dates and are expected to deal with the member and advise the CEO in the event payment will not be made on the due date.
 - The Regional Secretaries should send a reminder notice one month in advance to members to remind them that a payment is coming due.
 - If a payment is expected to be more than a few days late, it is advised that the member should apply for an extension.
2. SKLF should not allow any further advances to the member or any other member of the same farm operation, while the account remains overdue.
3. Assurance fund deposits for any member in the option concerned must not be refunded if any member in that option has an overdue account.
4. If the Regional Coordinator is not satisfied the member can resolve the overdue account, they shall advise the member the account is in DEFAULT and notify the CEO.

MEMBERS IN DEFAULT

An SKLF member is in default when:

- there are unresolved arrears of greater than 15 business days;
- part or all the inventory is missing, and no payment is made; or
- inventory is sold and there will be a shortfall in payment.

Section 2.7.2 GUIDELINES FOR DEALING WITH MEMBERS IN DEFAULT

When an SKLF member (hereafter referred to as “the member”) is identified to be in default, the following guidelines should be followed:

VERIFYING THE DEFAULT

1. SKLF should not allow any further advances to the member or any other members of the same farm operation.
2. Assurance fund deposits for any member in the option concerned must not be refunded if any member in that option is deemed to be in default.

3. SKLF should immediately complete an inventory of all SKLF animals in possession of the member and any other members within the same farm operation.
 - Section 54 of The *Farm Financial Stability Act* and the *Livestock Scheduled Agreement* (see forms *F-11.0/F-11.1*) require the member to permit the Livestock Supervisor and/or CEO of SKLF to inspect and count the livestock, and to remove the livestock from the member's possession if deemed necessary.

NOTIFYING STAKEHOLDERS

1. SKLF should immediately notify the lender of any default, the results of the *Inventory Confirmation Report* (see forms *D-05.0* and *D-05.1*) and SKLF's proposed course of action to resolve the situation.
2. Where SKLF is concerned that the member might sell SKLF animals in their own name, SKLF should notify the Livestock Services of Saskatchewan, Livestock Inspection Services of Alberta Agriculture and Rural Development, and local livestock dealers to:
 - advise of a question of ownership of animals being offered for sale by the member(s); and
 - where applicable, request withholds on proceeds from the sale of livestock by the member which may be branded with SKLF's brand and/or the member's brand or may carry no visible brands.

RESOLVING THE DEFAULT

1. SKLF should immediately advise the member in writing of the reason he or she is deemed to be in default and discuss options for resolution.
2. SKLF should take reasonable steps to resolve the default. Further action might include making arrangements with the member for repayment, branding the livestock, mediation, taking possession of and selling all SKLF livestock in the member's possession, taking legal action against the member or other action.
3. SKLF should seek legal advice prior to the removal and/or sale of any SKLF livestock held by the member, including whether SKLF should serve notice to the member under Farm Debt Mediation Services.
4. If it appears that SKLF may require the assistance to gain access to the member's premises to count, inspect and/or remove the animals, SKLF should contact the RCMP
5. Where more than one SKLF member is feeding at the same location and SKLF livestock held by the member in default are not uniquely identified from the non-defaulting member(s), SKLF should consider selling all the livestock and applying the sale returns to the schedules on a pro-rata basis using the total number of animals for each member as a proportion of all livestock at that location.

REQUESTING SECOND GUARANTEE FOR RESOLVING DEFAULTS

1. Where the member has a reasonable chance to repay the schedule SKLF can request an additional guarantee be provided on the defaulted member's advances. Conditions of this guarantee are:
 - No further advances for member until defaulted schedules are resolved.
 - Remaining members would be allowed to resume purchases.
 - No eligible assurance funds to be refunded until account is no longer in default.
 - Second guarantee up to the total advances in default.
 -

APPLYING AND REPLENISHING THE ASSURANCE FUND

1. If the sale of all SKLF livestock (in all breeder and feeder options) held by the member fails to end the default, and the member has refused to make up the shortfall, SKLF should debit the member's assurance fund (both breeder and feeder) to pay the shortfall.
2. If the debit of the assurance fund held by the member fails to end the default, SKLF should debit the other members in the relevant option on a percentage basis to pay the shortfall.
3. Where the amount debited from the assurance fund exceeds the individual assurance fund for the member in default, no further advances may be taken by SKLF on behalf of any member until the assurance fund is brought back up to the required 5% (feeder) or 10% (breeder) level of the current outstanding schedule amounts for all members of SKLF.

Section 2.8 MEMBERS IN BANKRUPTCY

Section 2.8.1 DEALING WITH MEMBERS IN BANKRUPTCY

In the event a member declares bankruptcy, the following procedures apply:

1. Immediately upon learning that a member is in bankruptcy, SKLF should notify the bankruptcy trustee that any livestock acquired by the member under the feeder or breeder option, and for which SKLF remains indebted to the lender, are owned by SKLF.
 - SKLF should provide the trustee with copies of any outstanding *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) and complete any forms required by the trustee, relative to SKLF's claim to property in the possession of the bankrupt member.
2. Notify the lender of the bankruptcy.
3. Members are not eligible for new advances or increases to borrowing limits for the purchase of livestock while the member is an undischarged bankrupt, or for any member who has livestock held in common facilities or pasture with the bankrupt member.
4. Complete an inventory of all SKLF animals in the possession of the bankrupt member.
 - Section 54 of *The Farm Financial Stability Act* and the *Livestock Scheduled Agreement* (see forms F- 11.0/F-11.1) require the member to permit the Livestock Supervisor or a designated person(s) of SKLF to inspect and count the animals, and to remove the animals if deemed necessary.
 - If the member refuses to permit access to his premises for this purpose, SKLF should contact the RCMP.
5. Details of the inventory of SKLF livestock and all schedules related to the bankrupt member should be immediately reported to the lender, along with SKLF's proposed course of action given the situation.
6. SKLF should determine, in consultation with the lender, whether SKLF livestock should be removed from or left in the possession of the bankrupt member.
 - If the member agrees to continue with the care and feeding of SKLF livestock, and SKLF is confident in the intentions of the member to retain the livestock, the animals may be left in the care of the bankrupt member.
7. If SKLF animals are left with the member, the sale of the livestock and disposition of any sale proceeds may be dealt with according to standard procedures. However, it is prudent to increase the level of inspection of the animals.
8. If there is any indication that the bankrupt member or the trustee is disputing any aspect of SKLF's position on ownership of the livestock, refund of the member's assurance fund deposit, or ability to confirm inventory, SKLF should seek legal advice and have its solicitor pursue the appropriate remedies on behalf of SKLF.
9. SKLF should not sign any proof of claim, which may be sent out by the bankruptcy trustee. Instead, SKLF should request and complete a statement or claim of ownership. This is a formal document

available from the trustee.

- If the trustee disputes the claim of ownership, SKLF should present the trustee with a copy of the *Master Agreement* (see form *D-01.0*) and the related *Livestock Scheduled Agreement* (see forms *F- 11.0/F-11.1*) and other documentation, as necessary.
- The supervisor of trustees can also be consulted for information, if necessary.

10. Where a member is a principal in a corporation that declares bankruptcy, SKLF should follow steps 1, 2, and 3 above, and continue to monitor the situation.

In all bankruptcy cases, it is important to keep the CEO advised of the situation.

Section 2.8.2 DEALING WITH FAMILY AND BUSINESS PARTNERS OF A BANKRUPT MEMBER

SKLF should consider the following in dealing with other members connected with a bankrupt member by either family or business ties.

- In most cases, SKLF should suspend further advances for any member who has livestock held in common facilities or pasture with a bankrupt member, until the matter has been resolved.
- In situations where there is no firm business or management connection between a bankrupt member and another SKLF member(s) of the same family, such as father and daughter with separate facilities and resources, there is no requirement to suspend further advances for the non-bankrupt member(s).

Section 2.8.3 DEALING WITH A DISCHARGED BANKRUPT MEMBER

The member should provide formal documentation to prove discharge before being eligible for a schedule increase or new advances. Following a member's discharge from bankruptcy, if the member still has SKLF livestock in their possession or has outstanding advances with respect to pre-bankruptcy *Livestock Scheduled Agreement* (see forms *F-11.0/F-11.1*), SKLF should require the member to enter into new agreements for the remaining term with respect to those animals, in order to avoid any possible argument that the member's discharge has had the effect of terminating his or her obligations under the pre-bankruptcy agreements.

CREDIT RESTRICTIONS

A discharged bankrupt faces restricted credit for an extended period. This means that the member's credit reports may list the bankruptcy for that period. However, the member may apply to resume activity in SKLF immediately upon discharge from bankruptcy. It is then the responsibility of SKLF to decide whether the member can be active in SKLF.

Questions that SKLF should consider include:

- Has the member's financial situation stabilized?
- Has the member retained sufficient assets to successfully assume the care and feeding of SKLF livestock?
- Were there any indications that the member acted in an illegal or fraudulent manner during the bankruptcy period?
- Were any restrictions placed on the member by the trustee and, if so, were the conditions met?
- Has a full disclosure and farm plan been provided to the lender as part of the member's application?

Section 2.9 MEMBERS UNDER REVIEW

Section 2.9.1 DEALING WITH MEMBERS UNDER REVIEW

In the event a member is under review by the Farm Debt Mediation Service or the Farm Land Security Board, the following procedures apply:

1. Immediately upon learning that a member is under review, SKLF should notify the reviewing agency that any cattle acquired by the member under the feeder or breeder option, for which SKLF remains indebted to the lender, are owned by SKLF.
 - SKLF should provide the reviewing agency with copies of any outstanding *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) and complete any forms required by the agency, relative to SKLF's claim to property in the possession of the member.
 - SKLF should also notify the lender of the review process.
 2. No new advances or increases in schedules for the purchase of livestock should be taken by SKLF on behalf of the member while they are under review.
 3. SKLF should complete an inventory of all SKLF animals in the possession of the member under review.
 - Section 54 of *The Farm Financial Stability Act* and *Livestock Scheduled Agreement* (see forms F-11.0/F-11.1) require the member to permit the Livestock Supervisor or appointed person(s) of SKLF to inspect and count the animals, and to remove the animals if deemed necessary.
 - If the member refuses to permit access to his premises for this purpose, SKLF should contact the RCMP.
 4. Details of the inventory of SKLF animals and all schedules related to the member under review should be immediately reported to the lender, along with SKLF's proposed course of action given the situation.
 5. SKLF should determine whether SKLF animals should be removed from or left in the possession of the member under review.
 - If the member agrees to continue with the care and feeding of SKLF animals, and SKLF is confident in the intentions of the member to retain the livestock, the animals may be left in the care of the member.
 - If the member has obtained a stay under the *Farm Debt Mediation Act*, SKLF consults with legal counsel before seizing the animals.
- If there are concerns about the member's intentions to retain the livestock, there is a provision in the Farm Debt Mediation Act for appointment of an independent guardian of the producer's assets.*
6. If SKLF animals are left with the member, their sale and the disposition of any sale proceeds may be dealt with according to standard procedures. However, it is prudent to increase the level of inspection of the animals.
 7. If there is any indication that the member or the reviewing agency is disputing any aspect of SKLF's position on ownership of the livestock, refund of the member's assurance fund deposit, or the ability to

confirm inventory, SKLF should seek legal advice and have its solicitor pursue the appropriate remedies on behalf of SKLF.

In all review cases, it is important to keep the CEO advised of the situation.

Section 2.9.2 DEALING WITH FAMILY AND BUSINESS PARTNERS OF A MEMBER UNDER REVIEW

SKLF should consider the following in dealing with other members connected with a member under review by either family or business ties.

- In most cases, SKLF should suspend the borrowing privileges for any member who has livestock held in common facilities or pasturage with a member under review, until the matter has been resolved.
- In situations where there is no firm business or management connection between a member under review and another association member(s) of the same family, such as father and daughter with separate facilities and resources, there is no requirement for restriction to borrowing for the member(s) not under review.

Section 2.9.3 DEALING WITH MEMBERS UPON COMPLETION OF THE REVIEW

The member should provide formal documentation to verify completion of the review process before an application for resuming activities is considered. A member may apply to resume activity in SKLF immediately upon completion of the review process. It is then the responsibility of SKLF to decide whether the member can be active in SKLF.

Questions that SKLF should consider include:

1. Has the member's financial situation stabilized?
2. Has the member retained sufficient assets to successfully assume the care and feeding of SKLF livestock?
3. Were there any indications that the member acted in an illegal or fraudulent manner during the review period?
4. Were any restrictions placed on the member by other creditors and, if so, were the condition met?
5. Has a full disclosure and farm plan been provided to the lender as part of the member's application?

Section 2.10 AUDITED FINANCIAL STATEMENTS

Section 2.10.1 APPOINTMENT OF AN AUDITOR

Every year the Board of Directors will appoint an auditor to conduct the annual financial audit.

Section 2.10.2 FINANCIAL STATEMENTS

Every year the Board of Directors approves the audited financial statements. These statements are then presented to the members at the annual general meeting.

Audited financial statements are distributed to members in accordance with the bylaws.

Section 2.11 ANNUAL BREEDER PROGRAM INVENTORY

An annual inventory and inspection of all animals in the Breeder Program is required. It confirms the number of cows and calves held by each member, and confirms that beef calves have been properly branded and bison calves have been properly tagged (with the approved SKLF brand logo).

Results of the inventory inspections are documented on the Breeder Inventory Confirmation Report and submitted by June 30th (cattle) and March 31st (bison) of each year.

Policies and procedures relating to the Breeder Inventory Confirmation Report include:

1. The annual breeder inventory is normally conducted by the corresponding Livestock Supervisor. Where this is not possible, an alternate Livestock Supervisor must complete the inventory.
2. All cows in the breeder option must be inventoried regardless of whether the calves are branded/bison calves tagged or the annual payment(s) for the corresponding breeder schedules are prepaid.
3. A member may choose to prepay the annual payment for one or more Breeder Schedules and brand calves or tag bison calves related to the remaining agreement(s).
4. Branding/tagging of calves or prepayment of the annual breeder payment must occur by June 30th of each year (cattle) and bison by March 31st (prior calf year recorded). Post-dated cheques are not acceptable.
5. The Livestock Supervisor must be satisfied with the quality of the brand and must require that poorly branded animals be re-branded.
6. Livestock owned by SKLF on account of the Livestock Supervisor or the Livestock Supervisor's immediate family must be inventoried by an approved alternate.
7. When the inventory and/or branding/tagging is not completed by June 30th or bison by March 31st, because calving was not completed, or due to other extenuating circumstances, the Livestock Supervisor must provide an explanation in the comments section of the Breeder Inventory Confirmation Report.
 - a) The CEO will provide subsequent direction on the extent of follow-up required in these cases.
8. All sections of the report are to be completed for each member, with the comments section used to indicate late calves, brand quality, discrepancies in the member's inventory, or other details resulting from the inspection.
9. Each member must sign the Breeder Inventory Confirmation Report once the inspection has been completed.
 - a) If a member wishes to have another person sign on his or her behalf, such as a spouse or business partner, an Enduring Power of Attorney must be completed.
 - b) The Livestock Supervisor must provide a copy of the completed Breeder Inventory Confirmation Report to their Regional Coordinator by June 30th or bison March 31st of each year.
10. As part of the ongoing audit process, SKLF may request another Livestock Supervisor or other assigned individuals to perform and/or accompany the assigned Livestock Supervisor and/or Livestock Services on one or more inspection.
11. Where a member does not brand/tag or prepay the annual payment for calves in the breeder option, or does not co-operate in completing the annual Breeder Inventory Confirmation Report, the following policies and procedures apply:
 - a) The Livestock Supervisor must immediately advise the Regional Coordinator and document any details in the comments section of the Breeder Inventory Confirmation Report.

As this is a default under the terms of the Master Agreement, the CEO may take such action as deemed prudent. This includes demanding, suspending, freezing or deferring the inventory inspection where calving occurs after June 30th.