

# Community Newsletter

October 19, 2020



## PEERLESS TROUT FIRST NATIONS FOR IMMEDIATE RELEASE

A number of members have raised questions about PTEI's operations being shut down, equipment being moved from the community and the consultants who are working to coordinate these efforts on behalf of the Nation.

In this newsletter we will provide the most recent up to date information on the project, the consultants, as well as the financial numbers associated with the PTEI equipment and the very real risk to the Nation if it is not address.

### Project Update

- The extremely difficult decision to stop virtually all of PTEI's business lines was made six weeks ago when the company ran out of money and bankruptcy was on the verge of happening if operations were not stopped.
- Rather than wait for the PTEI bank account to be completely drained, the bankruptcy, and a Court appointed Receiver to show up as PTFN experienced in 2018/19 with PTFN Trucking & Triple K, the Council retained a few professionals with approximately 65 years of combined business experience to manage the PTEI Divestiture Plan.
- Council's decision to hire our own consultants at reasonable rates will save PTFN tens of thousands of dollars over the course of this project. By way of comparison, MNP was appointed by the Court to deal with the bankruptcy and divestiture plan for PTFN Trucking & Triple K (Debcurl Holdings Ltd).
- Below is a copy from the November 26, 2018 Court Report, showing MNP Consultant's Hourly Rate schedule.

2) The Receiver's detailed billing covering the period August 10, 2017 to October 31, 2018 is attached as Exhibit "A" to this Affidavit. With regards to the detailed billing:

a) In relation to fees, the rates and charges applied are the normal rates and charges of personnel employed by MNP Ltd. The rates and ranges for the period of engagement are as follows:

i)

CLASSIFICATION	HOURLY RATE (\$)
Administrative Staff	75 - 192
Analysts and Consultants	188 - 315
Managers	335 - 475
Partners	475 - 595

- As you can see MNP's staff get paid a lot every hour. MNP's bill for the two and a half months of work for the divestiture of PTFN Trucking & Triple K project was \$214,526.05. MNP was paid over a million dollars for their work on the trucking company bankruptcy and that was paid from assets PTFN's owned in Triple k and PTFN Trucking.
- All of the professional consultants that Council has hired to for the PTEI Advisory Team are paid less per hour than some of MNP's Administrative Staff who are charged out at up to \$192/hour.

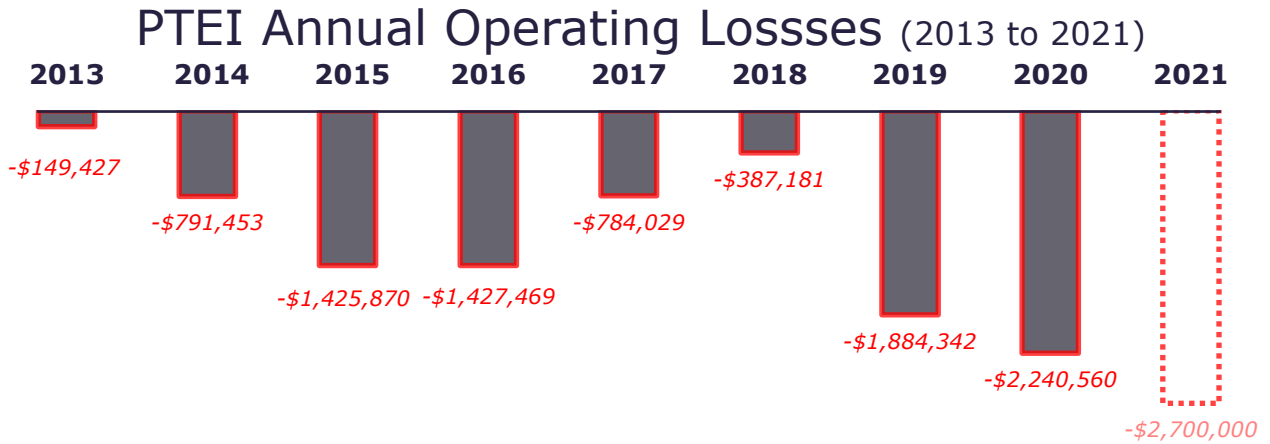
- The top priority for Council has been to limit the impact of PTEI's business failure on the members who worked for the company and also the local contractors who are owed money as part of PTEI's Accounts Payable for work they completed for PTEI.
- Council is very pleased to report that all the PTEI staff have been fully paid. No PTEI staff had their final payroll cheques bounce and all staff have been supported through the process to ensure that they have access to employment insurance (EI) and other support programs that are available.
- This accomplishment is impressive given the complications with PTEI's funds and bank account. This could have been much worse as the community knows from the recent Triple K's bankruptcy and the S11 Logging bankruptcy in the 1990's, when many local people and subcontractors didn't get paid and lost out on thousands of dollars of income.
- The PTEI Advisory Team continue to work diligently 7 days a week to address all the various aspects of the divestiture plan and manage the ongoing operations of PTEI while juggling revenues and expenses. Thankfully, some employment opportunities have remained in place for approximately 25 PTEI staff who are all local members.
- A significant amount of effort has been put into dealing with the 5 leasing companies that own the approximately 30 pieces of equipment that are leased by PTEI and PTFN. Obviously, when PTEI ran out of money and these companies stopped getting their lease payments they put a lot of pressure on the PTEI Advisory Team.
- The other big project over the last month has been gathering all of PTEI's assets. These assets are going to be a very important resource moving forward because PTEI owes a lot of money to a lot of people.
- The Advisory Team has ensured that the PTEI assets are protected, properly secured and insured. To say that the situation was very confused and muddled is an understatement, so getting these assets organized and insured was a huge undertaking.
- The PTEI Advisory Team sincerely thanks the PTEI and PTFN staff for all their support and dedication over the first 6 weeks of the project.
- The PTEI Advisory Team also thanks the Council for their ongoing support and dedication to this community project. Council's conviction to stick with the strategy and plan is extraordinary given the tremendous pressure that they have had to face personally from a small group of members who defame Council because they refuse to acknowledge that PTEI failed and fell victim to the tremendously difficult economic situation in Alberta. We all know it's a very difficult situation, but abusing people just makes matters far worse
- The PTEI Advisory Team are thoroughly reviewing the situation and what caused PTEI's failure. The Team can now say that over the 9 years of PTEI's operations the Nation and Council did everything they possibly could do to support PTEI and try to make the company successful.
- The details will be reported when the full analysis is complete but we already know that the Council and PTFN Trustees loaned millions to PTEI and the Nation gave PTEI millions of dollars in sole source contracts as part of the settlement construction projects.
- The Nation also paid for various pieces of heavy equipment as well as building the operations yard and shop at no charge to the company. It is hard to imagine what else could have possibly been done to support PTEI.

## Peerless Trout Enterprise Inc. (PTEI) Equipment & The Risk to the Nation

To ensure that the PTFN members have the background and details to address their questions the following details are provided:

- The vast majority of PTEI’s equipment is leased.
- The leases are with the Nation and not PTEI because PTEI’s financial situation was so bad that the company could not qualify to lease equipment.
- The previous Council agreed to take on the risk and liability for leasing equipment for PTEI.

### How bad was PTEI’s financial situation and why did PTEI not qualify to lease equipment?



- PTEI has never had a profitable year of operations.
- To date PTEI loses have added up to a total **(\$10.2) million** and would have grown to an estimate \$12 million if operations had continued.
- PTFN and PTEI has equipment leases with 5 companies and the amount owing on these leases is \$4.83 million.

<b><u>PTEI LEASES OWED</u></b>	
JD Financial	\$1,915,900
Wells Fargo	\$1,686,000
Meridian	\$133,561
WS Leasing	\$468,084
Cat Financial	\$636,400
<b>TOTAL</b>	<b>\$4,839,945</b>

- PTEI’s bank account is over drawn by (\$150,000).
  - PTFN does not have \$4.8 million to buy out these leases.
  - Councils over the last 9 years have loaned PTEI over \$6 million to keep its losing operations going.
  - PTEI has never made a payment to the Trust loan.
  - The funds PTFN gets from government for our programs for services like Health, Education and Social Service cannot be touched or the government will intervene and take over the Nation’s operations.
- The Trustees have already loaned, and sadly lost millions of your Trust money to support PTEI, but the company still failed, and it is now illegal for any Trustees to loan more money to PTEI.

*What PTFN assets would you recommend that PTFN sell to raise the \$4.8 million to pay off these leases?*

*Would you suggest the Nation sell its new buildings, the Fire Trucks and medical equipment which are valuable, or the homes the Nation owns where our members live?*

## Trust Loans to Peerless Trout Enterprise Inc. (PTEI)

- Prior Council signed lease agreements and trust loans to PTEI.
- Sadly, PTEI has never made a single Trust loan payment and the total loan will have to be written off with no trust program for the next year.
- All the assets are secure in the operations yard and options are being explored as to how PTFN can use these assets to help pay the following:
  - \$4.8 million owed to the 5 lease companies
  - \$6 million owed to your Trust account for PTEI Trust loans
  - \$4.4 million is owed to the Nation for loans and capital purchases.
  - \$130,000 is owed to the PT Camp Inc.
  - \$880,000 owed to PTEI's Accounts Payable to its vendors for supplies & materials
- As noted previously, the lease companies own their equipment and because PTEI and PTFN have stopped making the lease payments, these companies will be coming to take back their equipment. PTFN has no right to this equipment and any attempt to disrupt or block the lease companies from picking up their equipment is illegal.
- The assets that are in the PTEI yard may also be sold to help pay PTEI's debts. Remember the Nation is on the 'financial hook' for all of PTEI's debts and liabilities. PTFN is getting multiple quotes from auction companies and arranging the best sale options for these assets to get the best possible deals. The Council and staff are doing the best they can as quickly as we can because the interest owed on the debt grows every day.
- PTFN is facing a lot of risk and liability as a result of these leases. The lease companies are owed \$4.8 million and will not simply walk away from the outstanding debt even after they take back their equipment. The lease companies have legal lease contracts with PTFN and PTEI for full payment. There is a very real and strong possibility that they will come after the Nation to recover the money they are owed through a lawsuit. If successful in court, they will obtain a judgement against PTFN like the banks did when PTFN Trucking and Triple K went bankrupt and legally seize whatever they can to get paid.
- If creditors get a court judgement against the Nation, it is very likely that the government would put the Nation into co-management where most staff would be released, and band services would be administered by the government.
- Since PTFN's cash and bank accounts are very limited then these companies would try to go after your Trust money and if that didn't work their next step would likely be assets that are owned by the Nation.
- What PTFN assets would they take to settle a judgment? Assets that are liquid and easily resold are the likely choice so things like buildings that could be moved easily like the homes that are owned by the Nation, the community Fire Trucks or valuable medical equipment. We hope this explains just how serious the risk and liability situation is for our Nation.
- The Nation is assessing all options to address the situation with as little harm as possible. The Council may very well have to decide to sell some or all of the remaining PTEI assets to negotiate partial payment deals with these lease companies and the other PTEI debts. Something has to be done to limit PTFN liability and risk, so it is critical that the work continue
- Some members have said they will disrupt or blockade the PTEI yard to prevent PTFN from selling any assets. If someone does this, they need to know they're blocking their own Nation and members from trying to solve the massive problems that PTFN faces because of PTEI's debts and liabilities.
- Before anyone decides to set up a blockade ask yourself these 2 simple questions:

***Do you want to get out of trouble with the lease companies and various people and firms that are owed money from PTEI?***

***Do you want to risk a judgement against PTFN that could result in us losing our buildings, homes, firefighting equipment, Fire Trucks, or our medical equipment?***