



COMMUNITY NEWSLETTER

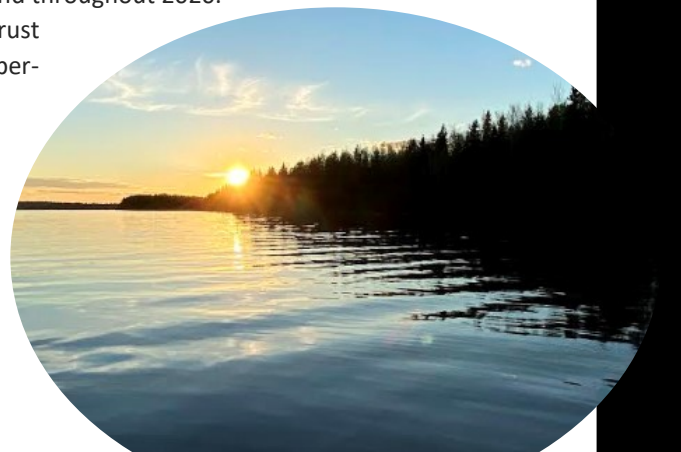
PTEI Divestiture Plan Project Summary

To start let's begin with the good news, the PTEI Divestiture process has been completed. This project has been finished in a very brief period of time given the amount of work and the complexities that were involved. The best news is that the results are much better than were originally anticipated. This article will provide a summary of the process from start to finish.

The PTEI Divestiture Plan began in August 2020, when the PTFN Council were forced to make the incredibly difficult decision to intervene in PTEI's operation due to a severe cash shortfall, increasing debts with no funds to make payments, lack of profits on jobs, and the loss of work with the economic downturn in Alberta plus the impacts of COVID –19. Simply put, PTEI was virtually broke by the end of August and the 6 equipment lease companies were about to repossess over 30 machines due to non-payment. The Council had to intervene to ensure PTEI's staff got paid and to initiate a Divestiture Plan process to hold off the equipment repossession process. There really was no other choice as equipment lease payments of \$216,000 per month were coming due. The breakdown of the equipment payments was \$90,000/ month for construction machines and \$126,000/month for logging. PTEI's credit options were maxed out as well and the Nation had already loaned over \$8 million to the company without ever receiving a single loan payment. This was without a doubt one of the most difficult discussion and decision for Council and we sincerely hope that the members, staff, and Council never have to face such a challenging and devastating situation ever again.

On August 25th 2020 the Council, who are also the Managing Directors for all of PTFN's companies, received an update and an analysis on PTEI's operations. The presentation included an options paper that built on previous briefings that had been regularly provided to Council in late 2019 and throughout 2020.

The Council had also been monitoring PTEI's situation because of Trust Loans that had been given to PTEI over the last six years to cover operational losses and also to prop up the business financially. The information presented was clear and sadly, it provided a very bad picture. This news was especially sad because of the number of members employed with PTEI and the implications for the \$8 million of Trust loans to PTEI. By the end of the summer in 2020 PTEI was not making enough money to pay staff/contractors, make loan payments back to the Band's Trust, pay equipment leases, pay other bank debt, or pay PTEI's supplier companies.



PTEI Divestiture Plan—Project Summary Continued

PTEI's severe cashflow problems created an urgent scenario that became a major liability for the Nation as the owner of the company. The situation could not have been worse as PTEI was within days of bankruptcy as there virtually no funds left in the company's bank accounts. As a result, the Council had to act before the bank or any of the six lease companies secured a court appointed Receiver to take over PTEI.

As the community may recall, a court appointed Receiver took over PTFN Trucking and the Triple K Operation. This process was a very costly and time consuming process where the Council and Band staff were not involved so there was no ability to influence the process for PTFN's benefit.

Instead of an external Receiver, the responsibility of managing the PTEI Divestiture Plan was controlled and managed

by the Nation with the support of Mr. Bob Van Hook, a highly qualified consultant that agreed to provide services at a very reasonable rate.

The KEY ISSUE and RISK for the Nation was that the equipment leases with John Deere and Wells Fargo had been guaranteed by the previous PTFN Council. This happened because PTEI's financial situation was so poor and weak that the company could not qualify for loans or lease. As a result of these guaranteed, PTFN was responsible to for approximately \$1.25 million in equipment leases.

The understanding of the PTEI debt situation in August 2020 is outlined in the table on the next page and the forecasted shortfall was \$1.8 million. Neither PTEI or PTFN do not have that amount of funds available to pay out the lease companies and other debts. So, it was critical that the Nation controlled the negotiation process regarding debt

Over the last 8 months a massive amount of work has been done to address all the various aspects of the PTEI Divestiture Plan. The Council are incredibly grateful to many people and the success of the project can best be demonstrated in five ways:

- 1. Every PTEI employee and every PTFN member contractor was paid 100%** of what they were owed for their work with PTEI. No one experienced a loss.
- 2. Throughout the eight month process PTFN members and contractors were hired,** wherever possible, to complete the work. Over \$175,000 was spent on local labor as part of the PTEI Divestiture Plan.
- 3. Hard and extensive negotiations were completed by Mr. Van Hook with all six of the equipment lease companies to settle PTEI's \$2.1 million of outstanding debt. Legal releases were obtained to protect PTFN. All of these liabilities had to be settled below cost given the limit amount of funds available within PTEI.**
- 4. Over 60 of PTEI's supply vendors were owed approximately \$750,000. A few of these supply vendors had already retained collection agencies or filed legal claims to pursue debts. Mr. Van Hook was tasked with negotiating partial payment settlements and secure releases to protect PTFN. To say this portion of the plan was difficult is an HUGE understatement, as these discussions often became angry or abusive.**
- 5. The best result is that approximately \$500,000 is left in the PTEI account.** This will allow PTEI to make a partial repayment on PTEI's \$8 million Trust Loan. The final amount to be repaid will be known later this year, but the Trustees are pleased to report that \$450,000 has already been paid back to the Nation's Trust.

| AUGUST 2020, WHERE WE STARTED & HOW IT LOOKED | |
|---|--------------------|
| Loss on Equipment Repossession | \$2,000,000 |
| Vendors owed / Accts Payable | \$750,000 |
| Total Out | \$2,750,000 |
| LESS: Auction Proceeds | \$750,000 |
| PTEI Accounts Receivable Collected | \$350,000 |
| Total In | \$1,100,000 |
| Shortfall Subtotal | \$1,650,000 |
| Add security costs, insurance & trucking | \$150,000 |
| Total Shortfall | \$1,800,000 |

settlements with all the lease & debt holders to avoid the risk of losing Band assets or funds. It was also important because if a Nation gets into severe financial trouble, the government will intervene in the management of the Band. The table below is a brief summary of the results of the PTEI Divestiture Plan process. This has been a critical piece of work because of the severe funding shortfall and the complexities of the situation. After PTEI's assets were liquidated and the funds consolidated the negotiations started with a projected shortfall in the millions and no hope of any payments on PTEI's \$8 million in Trust loans. There also was a risk that the lease companies would go after the Nation because of the guarantees on their lease. Thankfully, Mr. Van Hook is a highly skilled negotiator with extensive equipment sale and auctioneer experience which proved to be very beneficial for PTFN.

In the end, over \$1.6 million was saved by negotiating partial settlements with every lease holder and supplier. That is a 57% savings which is an extraordinary result for PTFN that means over a half a million dollars will go back to the PTFN Trust as a partial repayment of PTEI's Trust Loan.

May 2021, WHERE WE FINISHED & HOW THINGS WRAPPED UP

| LEASES & OTHER DEBTS | OWING | SETTLED | SAVINGS |
|-----------------------------|--------------------|--------------------|--------------------|
| 6 Equipment Lease Companies | \$2,106,000 | \$1,278,460 | \$1,027,540 |
| Other A/P Vendors | \$750,000 | \$162,000 | \$588,000 |
| Sub-Totals | \$2,856,000 | \$1,440,460 | \$1,615,540 |

As of May 2021, all the PTEI issues and tasks that we know about at this time have been completely resolved. A small contingency fund has been retained with our lawyer if new PTEI debts or liabilities arise. The Council truly appreciate and regret that winding down PTEI's operation created significant challenges for the company staff, their families and the community. The Council has been committed to transparency throughout this process in the hope that PTEI's staff and the Nation's members see why the Divestiture Plan was necessary given PTEI's impossible situation. Obviously, the goal from the start was for PTEI to be a successful and profitable company. Over the last seven years PTFN Councils have done everything within their power to achieve PTEI's goals and to support the company including loaning over \$8 million of the Nation's Trust funds to PTEI. Sadly, PTEI did not achieve it's goals and the financial losses became so great that it created significant risk and liability for the Nation.

Thankfully, the end result has far exceeded our expectations as PTEI's staff and contractors were well taken care of through the process, all of PTEI's debts and liabilities have been addressed in a fair and reasonable process that ensures that the Nation is free from risk and harm, and also allows for a small repayment of PTEI's Trust loans.

\$1.6 million was saved by negotiating partial settlements with every lease holder and supplier

Cost Comparison—Two Processes, Two Very Different Stories

Sadly, PTFN has gone through a bankruptcy type process with two of the Nations companies, PTFN Trucking that owned Triple K, and now Peerless Trout Enterprises Inc. (PTEI).

The first process took place from August 2017 to December 2018 for Triple K Trucking. The courts appointed a Receiver (*a entity placed in the custodial responsibility for the property of others in cases where a company cannot meet its financial obligations*) via a Court Order by two banks that Triple K Trucking had owed loans to. The externally appointed receiver was Meyers, Norris, & Penny (MNP). This turned out to be extremely costly to the Nation, however a lot of lessons were learned from the Triple K Trucking process which were implemented when PTEI faced bankruptcy last summer.

The second process took place when the PTFN Council made the difficult decision to intervene in PTEI's operation before a Receiver was appointed in August of 2020. By doing this PTFN could control the process and not be forced to pay costly external management fees, like MNP.

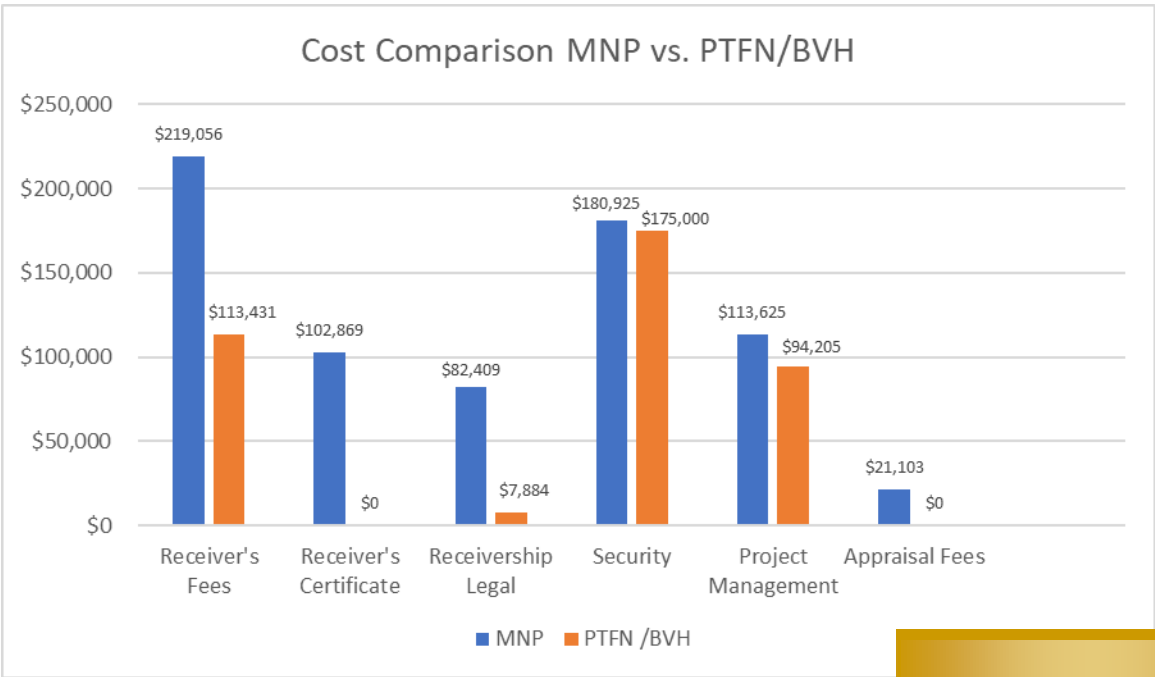
The table below breaks down the cost comparison between the MNP managed process vs. the Nation (and Bob Van Hook) managed process. This information also tells the story of how the Nation managed the PTEI process in a cost effective manner that allowed for a controlled wind down which ensured the PTEI staff, PTFN member contractors and the Nation were protected to the extent possible while providing some work and ongoing support to PTEI's staff.

| Divestiture Plan Cost Comparison MNP (Triple K Trucking) vs. Nation/BVH (PTEI) | | | | |
|---|------------------|-----------------------------|------------------|----------------------|
| Cost | MNP | Amount paid to PTFN members | PTFN w/ BVH | Paid to PTFN Members |
| Receiver's Fees | \$219,056 | 0% | \$113,431 | 0% |
| Receiver's Certificate | \$102,869 | 0% | \$0 | 0% |
| Receivership Legal | \$82,409 | 0% | \$7,884 | 0% |
| Security | \$180,925 | 0% | \$175,000 | 100% |
| Project Management | \$113,625 | 0% | \$94,205 | 49% |
| Appraisal Fees | \$21,103 | 0% | \$0 | 0% |
| TOTALS | \$719,987 | 0% | \$390,520 | 57% |

As the information shows, the PTFN managed process was substantially cheaper than MNP's, \$329,467 for PTEI vs. \$719,987 for Triple K which is 46% less overall. This savings means the Council achieved their goal of maximizing the amount left over from PTEI's assets that will be transferred back to the Nation's Trust to offset PTEI's Trust Loans.

Another benefit of managing the process was the ability to hire our own local members and contractors for work as part of the PTEI Divestiture Plan. As outlined in the table, during the MNP managed process, not a single dollar was paid to a PTFN person or company throughout the Triple K process. By contrast, as part of the Nation's process, Bob Van Hook, hired more than 25 members to provide security. The process also continued to employ a few of PTEI's staff to manage and provide administrative support. As indicated in the chart, \$221,000 or 57% of the cost of the PTEI Plan was paid to local members and contractors. The approach from the start was to hire local members wherever possible to keep the money in the community. This strategy was successful, and it provided significant benefit to local members.

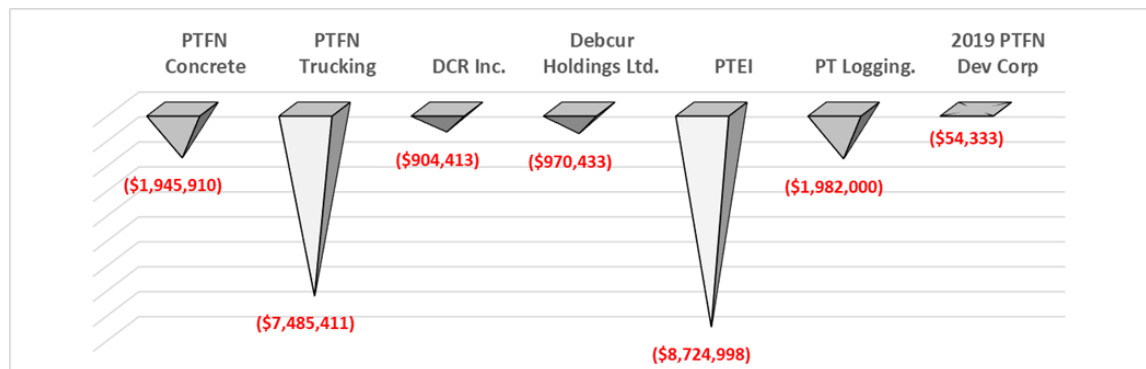
Two different processes that had very different outcomes for PTFN. The financial benefits to the Nation and members in the PTEI Divestiture Plan are substantial as outlined. Having the control of the process by managing the process 'in house' created opportunities and options that were not available with MNP with Triple K Trucking. The benefits to our members from an employment perspective for work that occurred put dozens of people to work and kept the funds in the community. Using PTEI or the Nation's staff allowed us reduce costs as well. Finally, retaining a very reasonably priced consultant with the required expertise, Mr. Van Hook, allowed the Nation to expedite the process. The result far exceeded our expectations while saving the Nation vast sums of money during the negotiations and in managing the process. In conclusion, PTFN saved hundreds of thousands of dollars that will be used to make a partial repayment of PTEI's Loan back to the PTFN Trust.



PTFN Trust—Lessons Learned

The Peerless Trout First Nation (PTFN) Trust was established to hold and manage the settlement money that PTFN received as part of the 2010 Treaty Land Entitlement Settlement Agreement between Bigstone Cree Nation and Canada. The purpose of the Trust is to act as a very long-term asset of PTFN that generates annual income and grows over time through strategic investments. When the Trust investments make money, 50% of the annual income from the Trust is kept in the fund to ensure the value of the asset grows & the other 50% is used to support community programs. These programs include the fire department, minor hockey, recreation, Elder’s support, funeral subsidies, education upgrading, and more. In recent years, there has been little or no income to the Trust because the Trust Loan Investments have had to be written off by the Auditor because the companies did not make their loan payments which means the annual Trust Programs had to be cancelled or scaled back due to a lack of income.

Since the creation of the PTFN Trust, \$21.7 million in loans have been made to different businesses as investments that were supposed to be repaid and produce income for the Trust from the loan interest charges. The recipient of the largest share of these loans was PTEI with over \$8 million in loans. PTEI was obligated to make payments, plus interest, to the Trust until the loan was paid back in full, but the company has never made any payments. Thankfully the PTEI Divestiture Plan has concluded and there are funds available to make a partial repayment on PTEI’s Trust Loans and the Trust will receive between \$500,000 and \$600,000. Unfortunately, this represents a significant loss for the Trust as approximately 95% of the PTEI Trust Loan investment has been written off / lost. To put this into perspective, if the \$8 million that PTFN loaned to PTEI had been left in the Trust to be invested by Scotia Wealth it would earn \$467,000 in just one year based on the 5.72% rate of return that is being achieved on our Trust investments since the fund was established. \$467,000 is a massive amount of income that could have been used to benefit the Nation in many ways through programs each year that the members approve and also to grow the Trust so that annual income levels just keep increasing. Instead, the Trust has loaned over \$21 million like the \$8 million to PTEI and these funds will never be returned. The following graphic shows the total Trust Loan losses, including interest, from the PTFN Trust for each company:



To prevent future financial losses such as this, the Council and the Trustees have decided that loans from the Trust will no longer be considered an “Authorized Investment” option, even if a company is owned by PTFN. The Trustees are taking an additional step to protect the PTFN Trust by ensuring it can not be used as collateral for any future loans. An amendment to the Trust is being prepared and will be brought to community members for a vote in October of this year.

Please watch for updates and notices relating to the PTFN Trust amendment and be sure to support these important amendments by casting your ballot in the upcoming vote.

Message from Chief and Council

On behalf of the Peerless Trout First Nation Chief and Council we would like to thank Mr. Van Hook and all others involved in making the PTEI Divestiture Plan a successful undertaking.

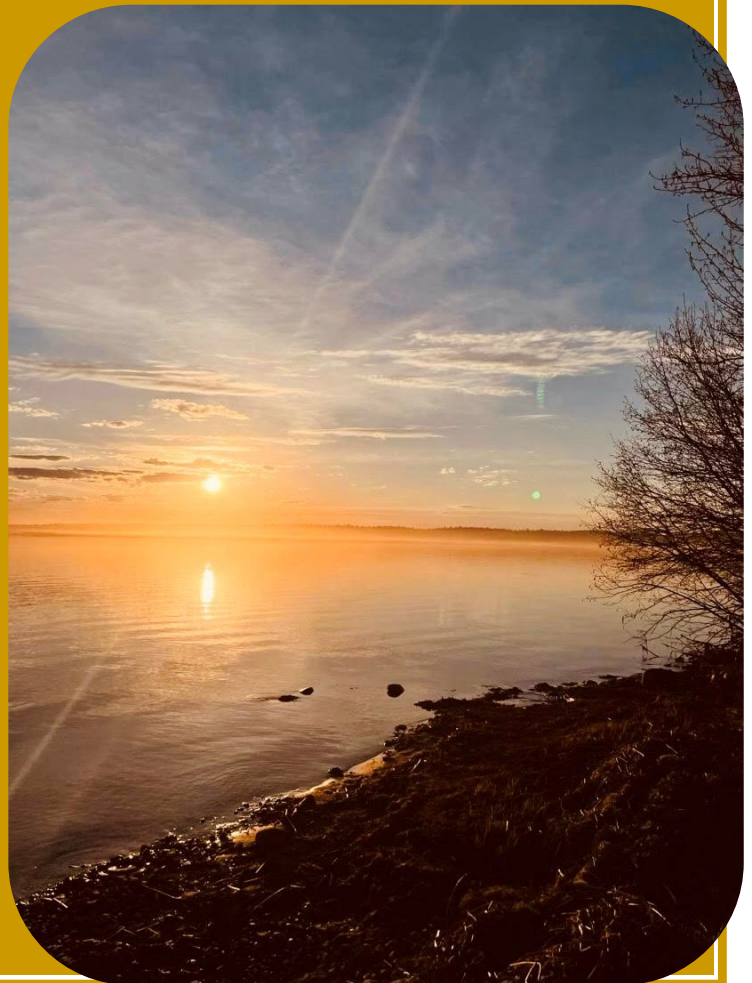
It is with great sadness that we were forced to intervene in PTEI's operation. However, if we had not, it would have cost our Nation many times more and the risk to the Band's assets was very real as PTEI was too far in debt, not generating profits to sustain the company and the equipment lease companies were soon going to take legal action. By controlling and closing this chapter for PTEI the Nation could recoup some monies to give back to our Trust, our people, and choose our own road out of this situation.

We gave Mr. Van Hook the responsibility to manage the Divestiture Plan and are very pleased with the outcome. He and his team successfully negotiated down \$1.6 million in debt, hired local community members or contractors for every possible opportunity, and were able to pay back over half a million dollars to the PTFN Trust fund. These are incredible results that far exceeded our expectations for which we are very grateful, and we sincerely appreciate the efforts of Mr. Van Hook and the team of PTEI and Nation representatives who provided support.

We are also thankful to have learned the hard lessons with Triple K Trucking by not allowing the courts to take over PTEI's situation – we, your elected leaders, were the decision makers who ensured our members were hired and who determined how the PTEI Divestiture Plan goals and objectives were achieved.

We now can set our sights forward on what can be achieved with purposeful planning and vision through the repurposed PTFN Development Corporation that is being managed by our own members, and we know the Nation will continue to come together to achieve success.

Hai hai



Thank yous to Bob Van Hook

I honestly didn't think when we started this, the outcome would have been this well done and I don't believe anyone else but you could have achieved the results
-Jason Wigton

Thank you for your work, especially on settling the PTEI vendors and lease company debts-you were definitely made for that kind of work - job well done and the herculean task of getting the equipment sold, that was a big help in settling the debts and ensuring the trust got some funds back after all of this
-Lee Day

Bob, This little project was executed in an outstanding manner. Although there are others who deal with insolvent companies, I do not believe there are many who could have accomplished what you did, with the results you achieved, in the time you did. I believe it was a little like putting your arm in a snake hole and pulling out the rabbit . . . alive.
-Ron Scrimshaw

Bob, Thank you for your acknowledgment of our small agile and mighty team. That being said it was your leadership that made everyone better. Upon reflection of where we started and what was accomplished in terms of benefit to the Nation are outstanding. I'm not just talking the dollars and cents of the payables & receivable, I am also talking about managing the risk of co-management, avoiding receivership, ensuring all band/local employees and contractors paid in full, negotiating a fair deal with creditors all contributing to the integrity of the Nation and enabling it to move forward in economic development with a clean slate. By comparison, with say common insolvency firms of MNP, E&Y, PwC or KPMG, PTEI would have entered bankruptcy, owed creditors (including band members) and faced claims against the trust all for professional fees that would have been at least 4X what you charged. So Bob- No THANK YOU for your RFN, dog-with-a-bone leadership that turned a bad situation into one that was better than what anyone expected.
-Steven Young

From the Desk of Bob Van Hook

Thank You to Those Involved on the Success of the Project

Chris Wilson

Thanks for having the faith in me to get the job done. Thanks for all of your advice and encouragement along the way. I needed you more than once and you always came through. Thank you!

Jason Wigton

Many thanks for all your help and advice. Mostly for telling me where all the minefields were. Invaluable help. Thank you!

Shane Metsikisus

Wow - is all I can say! Amazing job on your part. You knew where all the equipment was, rounded it up, brought it to the yard, got it loaded, hired staff, and worked day and night. You knew what needed repairs etc. etc. Thank you!

Lee Day and her staff

Absolutely above and beyond the call of duty. Anytime I needed something I usually got it within minutes. All of you are truly professionals. Could not have done it without you. Thank you!

My coworkers (Steve Young, Dr Scrimshaw, and Taryn (Irish) Johnson)

Best team ever. Each of you all played a huge part in the project. Mostly when I was Bitchy, you all settled me down, which of course is what I needed at that time. Great work everyone. Thank you!

Terry Antonello

Many thanks for your sage advice, and for putting the brakes on me when I was about to jump the gun Thank you!

Chief and Council

So many thanks for trusting in me. You never interfered with my work, which meant a lot to me. May I say, truly you are one of the best Chief and Council I have worked with. The Nation is in good hands MANY THANK YOUs

The Community

Perhaps the biggest Thank you should go to each and every one of you. You paid the biggest price of anyone. People and families lost jobs and incomes, yet you held your head high and carried this heavy load on your shoulders without complaint. This tells me the Nation has a great future - Good people make good things happen. Thank you!

BLESSINGS
Bob