

PRIORITY AGREEMENT (FORM-9)

The undersigned Feeder Association Member (the “Member”), the undersigned Lender (the “Lender”) and the undersigned Feeder Association (the “Association”) hereby represent, warrant and agree for value as follows: Representations and

1. Acknowledgements of the Feeder Association and the Member. †The Feeder Association and Member represent and acknowledge:

- (a) The Feeder Association is a feeder association which operates pursuant to the provisions of the *Feeder Associations Guarantee Act* (Alberta) (the “Act”) and the Regulations thereunder (the “Regulations”);
- (b) The Member is a member of the Feeder Association;
- (c) The Feeder Association and the Member will have entered into a Feeder Association Member Agreement (the “Member Agreement”) pursuant to the Act and the Regulations that provides, among other things, for cattle, sheep and other animals specified in the Regulations which have been purchased by the Feeder Association to be supplied to the Member, from time to time (the “Association Livestock”), and loans (“Equity Loans”) to be advanced by the Feeder Association to the Member, from time to time, on the terms and in consideration of the undertakings and agreements of the Member set forth in the Member Agreement;

The Member has granted, or will grant, to the Feeder Association, a perfected security interest to the Feeder Association and its assigns in the following collateral (the “Feeder Association Collateral”) as security for the performance of the obligations of the Member to the Feeder Association pursuant to the Member Agreement, and all related promissory notes and agreements between the Member and the Feeder Association:

- (i) Association Livestock: All present and after-acquired Association Livestock supplied by the Feeder Association to the Member, from time to time, including Association Livestock branded with the Feeder Association’s registered brand, being \_\_\_\_\_; and
- (ii) Proceeds and Security Deposits: All proceeds, including accounts receivable in whatever form, from any sale, use, transfer or other disposition of Association Livestock, and all deposits held by or on behalf of the Feeder Association as security for the performance of the obligations of the Member to the Feeder Association.

2. Acknowledgements and Representations of the Lender: The Lender and the Member represent and agree that the Lender is a chartered bank, a lending institution, or another secured creditor of the Member which holds a perfected security interest in, among other things, the livestock of the Member (the “Lender’s Collateral”).

3. Feeder Association Priority: The Lender agrees that the security interest granted by the Member to the Feeder Association in the Feeder Association Collateral shall have priority over any security interest that the Lender now or hereafter has in the Feeder Association Collateral.

4. Lender’s Priority : The Feeder Association agrees:

- (a) Notwithstanding paragraph 3 above, that if the Feeder Association purchases livestock from the Member which are Lender’s Collateral for the purpose of supplying the livestock to the Member as Association Livestock, the Lender’s security interest in such livestock shall have priority over the Feeder Association Collateral, unless the Lender has expressly waived its security interest therein in writing in favour of the Feeder Association in accordance with the Regulations\*; and
- (b) The Feeder Association only claims a security interest in Feeder Association Collateral, and does not claim a security interest in livestock which are not Feeder Association Collateral.

5. The Member’s Deposit Accounts with the Lender : The Feeder Association acknowledges (with respect to Lenders which are chartered banks or lending institutions) that the Member may operate a banking account (which may include a deposit account, a chequing account, a current account, a savings account or similar type of account maintained by the Member at any branch or office of the Lender from time to time) with the Lender. The Feeder Association agrees that it will not be entitled to claim any proceeds of Association Livestock (whether cash, instruments, accounts or any other form) that (contrary to the Member Agreement and the Regulations) are deposited into any banking account of the Member with the Lender:

- (a) Unless the Lender is specifically directed by the Member to credit the proceeds to a trust account for the benefit of the Feeder Association; or
- (b) Except with respect to proceeds received by the Lender, where the Lender has received notice within 15 business days after the deposit of the proceeds, that the proceeds are from Association Livestock and that the Feeder Association intends to enforce its security to recover the proceeds.

It is intended and agreed that any banking accounts of the Member held with the Lender may be operated in the ordinary course, free of any proceeds claimed by the Feeder Association, until the Lender receives a written notice from the Feeder Association in accordance with paragraph 5(b) above.

6. General Provisions :

- (a) The priorities established in this Agreement will apply in all circumstances regardless of the respective dates of execution, attachment, registration or perfection of the security or the security interests created thereby; the dates the supply of Association Livestock, advances of loans, extensions of credit made by the Member to the Feeder Association or the Lender; the date of default of the Member under the Member Agreement or any security granted by the Member to the Lender or the date of taking of any steps to realize under any security; or any priority granted by any principal of law or statute, including, without limitation, the *Personal Property Security Act* (Alberta);

- (b) This Agreement may be terminated by either the Feeder Association or the Lender anytime on thirty (30) days written notice. Such termination will not affect the rights, obligations, priorities or security interests of either of them prior to the effective date of termination, all of which shall survive the termination of this Agreement.
- (c) If either the Feeder Association or the Lender receive money to which the other is entitled pursuant to this Agreement, then such money will be held in trust by them for the other, and will pay it over to the other on demand;
- (d) So long as the Member has outstanding obligations to the Feeder Association and the Lender, the Member consents to the Feeder Association and the Lender advising each other of the particulars of such obligations, and to each exchanging any other financial information they deem relevant. Neither the Feeder Association nor the Lender will have or incur any liability to the Member for providing such information;
- (e) The Feeder Association and the Lender will do all things necessary from time to time to give full effect to this Agreement. No consent of the Member will be necessary to any amendment of the terms of this Agreement by the Feeder Association and the Lender;
- (f) Any notice required or permitted to be given pursuant to this Agreement will be in writing and will be mailed or delivered to the branch of the Lender, and the Feeder Association, at their business address on the date of the notice or by facsimile transmission to their facsimile number in effect at the date of the notice;
- (g) This Agreement shall enure to the benefit of and be binding upon the respective personal representatives, administrators, representatives and assigns of the parties hereto;
- (h) This Agreement will not take effect until it has been signed by all parties hereto, and until fully executed copies have been provided to both the Feeder Association and the Lender;
- (i) This Agreement may be signed in counterpart. Facsimile and electronically transmitted copies of signatures to this Agreement shall be deemed to be as valid as original signatures.

IN WITNESS WHEREOF the Association, the Member and the Lender have signed this Agreement effective the

\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ at \_\_\_\_\_, in the Province of Alberta.

[INSERT NAME OF FEEDER ASSOCIATION]

Per: \_\_\_\_\_  
Signature, printed name and title of  
authorized representative  
Address: \_\_\_\_\_  
  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
E-mail: \_\_\_\_\_

\_\_\_\_\_  
name of lender) (print  
  
Per: \_\_\_\_\_  
Signature, printed name and title of lender's  
authorized representative  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
E-mail: \_\_\_\_\_

MEMBER

\_\_\_\_\_  
Print complete corporate, partnership or joint venture name, if  
Member is a corporation, partnership or joint venturer

Per: \_\_\_\_\_  
Signature and printed name of Member or  
Member's authorized representative

Per: \_\_\_\_\_  
Signature and printed name of Member or  
Member's authorized representative

MEMBER

Address: \_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
E-mail: \_\_\_\_\_

[\*Note: Section 24 of the Feeder Associations Guarantee Regulations requires an additional waiver and release, in a form approved by the Minister, to be completed and signed with respect to every purchase of Livestock from a person, other than a person licensed as a livestock dealer or a livestock dealer's agent under the *Livestock Identification and Commerce Act* with respect to Livestock which are subject to a security interest under the *Personal Property Security Act* (Alberta) or the *Bank Act* (Canada)].