

THIS AGREEMENT made this ____ day of _____, 20__.

BETWEEN:

ALBERTA BREEDER FINANCE INC.
(herein called "**Breeder Finance**")

OF THE FIRST PART

- and -

of _____
(herein called the "**Producer**")

OF THE SECOND PART

BREEDER FINANCE PROGRAM AGREEMENT

WHEREAS _____ Association (the "**Association**"), is a society, incorporated pursuant to the provisions of the *Societies Act*;

AND WHEREAS the Producer is a livestock producer and is either a member of the Association, or a livestock producer who has applied to participate in the Breeder Finance Program described below through the Association (the Producer and all other Producers participating in the Program through the Association being collectively referred to as "Association Producers");

AND WHEREAS Breeder Finance has established a Breeder Finance Program (the "Program") whereby Breeder Finance may, from time to time, supply livestock (including cattle and sheep) to Association Producers, which livestock are to be cared for and managed as breeding livestock pursuant to the Program;

AND WHEREAS Livestock supplied pursuant to the Program, and the Offspring of these Livestock, will be owned by Breeder Finance, subject to the Producer's Contingent Interest therein (as herein defined) and the Producer's right to either purchase the Livestock and Offspring thereof, or to sell the Livestock and Offspring on behalf of Breeder Finance as provided in this Agreement;

AND WHEREAS the Association has agreed to assist Breeder Finance to administer the Program;

AND WHEREAS the Association has reviewed the Producer's application for participation in the Program, and has recommended the Producer to Breeder Finance as a candidate for participation in the Program;

NOW THEREFORE Breeder Finance and the Producer, in consideration of the mutual covenants and agreements set forth herein, covenant and agree as follows:

1. MASTER AGREEMENT, DEFINITIONS AND LIVESTOCK SUPPLY FORM:

- 1.1 **Master Agreement:** The terms, representations, warranties, conditions, covenants and undertakings set forth in this Agreement shall apply to all Livestock supplied by the Breeder Finance to the Producer from time to time, before or after the date of this Agreement (the "Livestock"), and all Offspring of the Livestock whether supplied with the Livestock, born or unborn, or born from the Livestock at any time thereafter (the "Offspring").
- 1.2 **Livestock Supply Form and Promissory Note:** The Producer shall sign a Livestock Supply Form and a Promissory Note:

- (a) in a form similar to Schedule "A" hereto with respect to Mature Breeding Livestock;
- (b) in a form similar to Schedule "B" hereto with respect to Heifers;

or such other form as may be stipulated by Breeder Finance from time to time, with respect to each group of Livestock to be cared for and managed by the Producer pursuant to this Agreement and their Offspring. The terms and conditions of each Livestock Supply Form and Promissory Note shall form part of this Agreement.

1.3 **Definitions:** In this Agreement:

- (a) **"Agreement"** means this Agreement;
- (b) **"Annual Administration Costs"** means the Annual Administration Costs described and defined in clause 2.9 of this Agreement;
- (c) **"Association Producers"** means all members of the Association, and all other livestock producers, who apply from time to time to participate in the Program through the Association, and who sign a Program Agreement;
- (d) **"Assurance Account"** means the Assurance Account described and defined in clauses 7.1 and 7.2 of the Agreement;
- (e) **"Breeder Finance"** means Alberta Breeder Finance Inc.;
- (f) **"Breeder Finance Brand"** shall mean any registered Breeder Finance brand including Shelter over Triangle at any location;
- (g) **"Breeder Finance Loan"** means the Breeder Finance Loan described and defined in clause 2.8(a) of this Agreement;
- (h) **"Collateral"** means the collateral described and defined in clause 3.1 of this Agreement;
- (i) **"Default Liability"** means the Default Liability described and defined in clause 7.1 of this Agreement;
- (j) **"Deposit"** and **"Deposits"** means the Deposit and the Deposits described and defined in clause 7.1 of this Agreement;
- (k) **"Event of Default"** means one of the Events of Default described and defined in clause 6.1 of this Agreement;
- (l) **"Association"** means the Association defined in the preamble to this Agreement;
- (m) **"Association Operating Agreement"** means the agreement between the Association and Breeder Finance pursuant to which the Association has, among other things, agreed to assist Breeder Finance to administer the Program;
- (n) **"Heifers"** means the Heifers referred to and described in clause 2.5 of this Agreement and in a Livestock Supply Form similar to Schedule "B" hereto.
- (o) **"Heifer Equity"** means the Producer's equity in Heifers purchased by Breeder Finance as described and defined in clause 2.5(c) of this Agreement and a Livestock Supply Form similar to Schedule "B" hereto;
- (p) **"Instalment"** means any instalment which is payable pursuant to a Promissory Note;

- (q) **"Instalment Due Date"** means the date that any Instalment is due for payment;
- (r) **"Livestock"** means all livestock supplied from time to time by Breeder Finance to the Producer pursuant to this Agreement.
- (s) **"Livestock Supply Form"** means any livestock supply form and Promissory Note used by Breeder Finance in connection with the supply of Livestock to the Producer, from time to time, including forms similar to Schedule "A" and Schedule "B" hereto;
- (t) **"Lot"** means all of the Livestock described in each Livestock Supply Form;
- (u) **"Mature Breeding Livestock"** means all Livestock described in a Livestock Supply Form in the form similar to Schedule "A" hereto;
- (v) **"Offspring"** means all offspring of the Livestock, whether they are supplied with the Livestock, are born or unborn, or are born from the Livestock at any time thereafter;
- (w) **"Offspring Sale Proceeds"** means the proceeds from the sale of Offspring described and defined in clause 4.6 of this Agreement;
- (x) **"PPSA"** means the *Personal Property Security Act* (Alberta) as amended from time to time;
- (y) **"Payable Instalments"** means all outstanding unpaid Instalments on all Promissory Notes, and the first Instalment which becomes due after Offspring are born. For the purposes of this definition, "Offspring" shall be deemed to include all calves supplied by Breeder Finance to the Producer with Cow Calf Pairs;
- (z) **"Permitted Location"** means the permitted location described in each Livestock Supply Form where all Livestock described in each Livestock Supply Form must be kept in accordance with the terms of this Agreement;
- (aa) **"Proceeds"** means the Proceeds described and defined in clause 3.1(d) of this Agreement;
- (bb) **"Producer's Contingent Interest"** means the Producer's Contingent Interest described and defined in clause 3.2 of this Agreement;
- (cc) **"Producer's Obligations"** means the Producer's Obligations defined in clause 2.10 of this Agreement;
- (dd) **"Program"** means the Breeder Finance Program described in the preamble to this Agreement and this Agreement;
- (ee) **"Program Agreement"** means any agreement between Breeder Finance and either Association Producers or Other Producers, which is in the same form, or substantially the same form, as this Agreement;
- (ff) **"Promissory Note"** and **"Promissory Notes"** means the promissory note(s) signed by the Producer with respect to the Producer's obligation to indemnify Breeder Finance for, and to pay, the Breeder Finance Loan and Supply Costs with respect to each Lot of Livestock, as provided in this Agreement and Promissory Notes similar to the Promissory Notes set out in Schedules "A" and "B" hereto; and

(gg) **"Supply Costs"** means the supply costs described and defined in clause 2.8 (b) of this Agreement.

1.4 **Authority of the Association:** The Producer acknowledges and agrees that neither the Association, nor the Association's Board, local supervisor, or administrator have any authority to bind Breeder Finance to supply Livestock to a Producer, or to make any other agreement on behalf of Breeder Finance; that the Association's authority is limited to making recommendations to Breeder Finance; and that, without restricting the generality of the foregoing, no Livestock will be purchased, paid for or supplied without the express written approval of Breeder Finance

1.5 **Termination of Association Operating Agreement:** In the event that the Association Operating Agreement is terminated:

- (a) This Agreement shall not terminate, but shall remain in full force and effect subject to the provisions of this clause;
- (b) The Producer may, within fourteen days following the date of notice from Breeder Finance of the termination of the Association Operating Agreement, notify Breeder Finance of the name of another association which participates in the Program to replace the Association for all purposes related to this Agreement. If the Producer provides this notice, the designated association shall be deemed to be the Association for all purposes related to this Agreement. If the Producer does not designate a replacement association, Breeder Finance may designate a replacement which shall be deemed to be the Association for all purposes related to this Agreement; and
- (c) The effective date of the transition from the Association to the replacement association shall be deemed to be the date of the termination of the Association Operating Agreement, and all necessary adjustments with respect to the allocation of the Producer's Deposit, and the Deposits of other Association Producers and the Deposits of Other Producers who are affected by the termination, shall be made as of this date.

2. **SUPPLY OF LIVESTOCK:**

2.1 **Purchase by Breeder Finance:** The Livestock supplied by the Breeder Finance will be purchased by Breeder Finance, and may be obtained from auction markets, licensed livestock dealers, other third party vendors, or the Producer.

2.2 **No Obligation to Supply:** Breeder Finance shall have no obligation to supply any Livestock to the Producer. Whether Breeder Finance does so shall be in the sole discretion of Breeder Finance. Breeder Finance shall have no obligation to pay for Livestock which the Producer has requested Breeder Finance to purchase for supply to the Producer unless (a) Breeder Finance receives a valid invoice or bill of sale with respect to the Livestock, (b) the Livestock have all been delivered to the Producer, (c) the Livestock are branded with a Breeder Finance Brand and brand inspected as required by this Agreement, (d) the Producer is not in default in respect of any obligation under this Agreement, and (e) any other documents and assurances requested by Breeder Finance with respect to the Livestock have been provided.

2.3 **Maximum Value of Supplied Livestock:** The Breeder Finance Loan and Supply Costs with respect to Livestock, shall not exceed amounts approved by Breeder Finance from time to time.

2.4 **Selection of Livestock:** The Producer may specify the age, breed, size and other characteristics of the Livestock the Producer wants Breeder Finance to supply, provided that the Producer may only request Livestock which are suitable to be used for breeding purposes and Livestock that are otherwise acceptable to Breeder Finance.

2.5 **Supply of Heifers:** With respect to the supply of Heifers, the following additional provisions shall apply, and shall be incorporated into each Livestock Supply Form and Promissory Note with respect to the supply of Heifers in addition to the other terms and conditions set forth in this Agreement:

- (a) The Livestock subject to a Livestock Supply Form for Heifers shall be purchased by Breeder Finance and supplied to the Producer as heifer calves, between approximately 6 to 12 months of age. Part A of the Livestock Supply Form shall be completed and signed at this time;
- (b) Within approximately 8 to 12 months following the date these Heifer calves have been supplied, when they should be bred yearling Heifers, the Producer may cull from these Heifers, any Heifers which the Producer does not wish to retain for breeding stock. These culls may either be sold to the Producer, or sold by the Producer on behalf of Breeder Finance, subject to the terms of this Agreement. The sale proceeds shall be applied as set out in Part B of the Livestock Supply Form;
- (c) After the culls have been sold, Breeder Finance may purchase from the Producer the Producer's Contingent Interest in the Producer's equity in the remaining Heifers, being the difference between the price paid for the Heifer calves, and the market value at the time of the equity purchase, the market value being established by the Association's local supervisor and agreed to by Breeder Finance ("Heifer Equity") as set forth in Part B of the Livestock Supply Form;
- (d) After the culls have been sold pursuant to subclause (b) and before the equity purchase referred to in subclause (c) is paid, the Producer and Breeder Finance shall agree to and complete Part B of the Livestock Supply Form and the Second Promissory Note therein. If Part B of the Livestock Supply Form is not completed and signed, or if the Producer fails or refuses to sign the Second Promissory Note, the First Promissory Note shall immediately become due and payable in full.

2.6 **Purchase Documents:** With respect to the Livestock which the Producer requests Breeder Finance to supply:

- (a) Breeder Finance may require a Purchase Order signed by an authorized representative of Breeder Finance with respect to Livestock to be purchased by Breeder Finance from an auction market or other licensed livestock dealer for supply to the Producer. The Producer shall ensure that invoices or bills of sale are provided to Breeder Finance which show Breeder Finance as the purchaser, and which shall otherwise be in such form as may be required by Breeder Finance;
- (b) No Livestock may be purchased from other sellers (including the Producer), for supply to the Producer without the express prior approval of Breeder Finance. All such purchases shall be documented by an acceptable bill of sale and such declarations, releases, waivers and subordination agreements with respect to liens and security interests as may be required by Breeder Finance. All purchases shall be subject to the condition that the seller shall be the sole owner of the Livestock, and that the Livestock shall be free from all charges, liens, security agreements and encumbrances; and
- (c) The Producer shall be responsible for all transportation and other expenses, and all risks of every kind, with respect to the Livestock and the supply of Livestock, other than the purchase price and other expenses expressly accepted by Breeder Finance.

2.7 **Delivery and Waiver of Liability:** All arrangements for delivery of the Livestock to the Permitted Location shall be made by the Producer at the Producer's expense. The Producer acknowledges and agrees that it shall be the Producer's responsibility to ensure that the Livestock are counted and inspected by the Producer, that all Livestock have been delivered and that any Livestock which are not acceptable to the Producer are rejected and returned to the seller before Breeder

Finance pays for the Livestock. All Livestock paid for by Breeder Finance shall be deemed to have been accepted by the Producer. All such Livestock are supplied by Breeder Finance to the Producer on an "as is, where is" basis with no condition, warranty, representation or other terms, express, implied or statutory, whether as to the condition or health of the Livestock or otherwise. The Producer acknowledges that any inspection of the Livestock or advice provided with respect to the Livestock, by any officer, director or employee of the Association or Breeder Finance is made or provided for the sole benefit of the Breeder Finance, and that none of Breeder Finance, or the Association, the Association's local supervisor or administrator, or any other officer, director or employee of Breeder Finance or the Association owes any duty or shall be liable to the Producer with respect to any such inspection, advice or any other cause, matter or thing whatsoever related to the Livestock or the Offspring. For greater certainty, the Producer acknowledges and agrees that the "Supervisor's and Administrator's Certificate" and the "Supervisor's Certificate" at the end of any Livestock Supply Form do not form part of this Agreement and is for the use and benefit of Breeder Finance only.

2.8 **Breeder Finance's Loan:** The Producer acknowledges that Breeder Finance will be obtaining loans to purchase each Lot of Livestock (including, for greater certainty, the loans obtained to purchase Heifer Equity) and that Breeder Finance will incur:

- (a) Liability for the principal amount of each such loan and interest thereon (the "**Breeder Finance Loan**"); and
- (b) Livestock insurance, administrative and other costs levied or incurred with respect to each Lot of Livestock supplied to the Producer, including all costs set forth in each Livestock Supply Form (the "**Supply Costs**").

2.9 **Annual Administration Costs:** The Producer acknowledges that Breeder Finance will incur additional ongoing administration costs (including Livestock and Offspring inspection costs) following the supply of the Livestock in addition to the Supply Costs. The Producer agrees to reimburse Breeder Finance for these Annual Administration Costs in such amount as may be set annually by Breeder Finance (the "**Annual Administration Costs**").

2.10 **Producer's Liability and Indemnity:** The Producer acknowledges and agrees that in consideration for the supply of the Livestock:

- (a) The Producer shall, and hereby agrees to indemnify and save harmless Breeder Finance from and to pay to the Breeder Finance:
 - (i) All claims of every kind which may be made against Breeder Finance with respect to the Livestock; and
 - (ii) All claims, expenses, loss and damages incurred or arising from a breach of this Agreement or any failure to perform this Agreement by the Producer, including claims made against Breeder Finance by Breeder Finance's lender for legal and other costs with respect to Breeder Finance's failure or inability to pay the Breeder Finance Loan on a solicitor and his own client, fully indemnity basis; and
 - (iii) Breeder Finance's expenses with respect to the Livestock and the Offspring, including Breeder Finance's annual administration costs, and all legal costs incurred by Breeder Finance on a solicitor and its own client full indemnity basis in connection with the protection and enforcement of Breeder Finance's rights, interests and security under this Agreement and the Promissory Notes, and
- (b) Without restricting the generality of the foregoing, the Producer shall, and hereby also agrees to indemnify and save harmless from and to pay to Breeder Finance the full amount of all Breeder Finance Loans and Supply Costs, and agrees to provide Promissory Notes as security for this indemnity and agreement as set forth in this Agreement,

all of which are herein referred to as the "**Producer's Obligations**". The Producer agrees to pay the Producer's Obligations on the occurrence of an Event of Default or on demand, whichever first occurs.

2.11 Producer's Obligation to Make Payments to Breeder Finance under Promissory Notes: Without restricting the generality of the indemnity set forth in clause 2.10 above, the Producer shall:

- (a) pay all Instalments in each Promissory Note in the amount, and on or before the date, each Instalment is due as set forth therein, and
- (b) in any event, pay the full balance of all principal and all accrued interest on each Promissory Note on demand. The Producer acknowledges that Breeder Finance may demand payment whether or not an Event of Default has occurred.

2.12 Promissory Note: In consideration of Breeder Finance supplying Livestock to the Producer pursuant to this Agreement, to better secure Breeder Finance for the Breeder Finance Loan and Supply Costs, and without limiting the indemnification referred to in clause 2.10 above, the Producer agrees to provide Breeder Finance, for each Lot of Livestock, a completed and signed Promissory Note in a principal amount equivalent to the total of the Breeder Finance Loan and the Supply Costs, with interest thereon at a rate set by Breeder Finance, which may exceed the rate charged to Breeder Finance by its lender.

2.13 Completion of Livestock Supply Form and Promissory Note: With respect to the completion and execution of each Livestock Supply Form and the Promissory Note:

- (a) The Producer authorizes the Association to insert the applicable date of execution, Instalment amounts, Instalment Due Dates, principal amount and interest rate in any Promissory Note the Producer signs in blank or partially completes;
- (b) The Producer also authorizes the Association to complete on behalf of the Producer any Livestock Supply Forms which have been signed in blank, or which have been signed and partially completed, by the Producer;
- (c) The Producer acknowledges and agrees that in completing Livestock Supply Forms and Promissory Notes which have been partially completed or signed in blank, the Association may rely on any invoices, bills of sale, manifests, transportation permits or similar documents with respect to Livestock which have been or which are proposed to be delivered to the Producer, and that if these documents have been signed by the Producer or the Producer's representative they shall be deemed to accurately and conclusively confirm the description and number of the Livestock, the purchase price for the Livestock and the delivery of the Livestock to the Producer, as set forth therein;
- (d) The Producer acknowledges and agrees that the Producer shall have no interest whatsoever in any Livestock requested by the Producer, and no right to recover any costs or expenses incurred by the Producer with respect to such Livestock, if the Producer has failed or refused to sign a Livestock Supply Form or Promissory Note with respect to such Livestock. The Producer shall indemnify the Association and Breeder Finance for all costs, losses, claims and expenses incurred by the Association and Breeder Finance with respect to such Livestock. The Association and Breeder Finance shall be entitled to remove such Livestock from the Producer's possession at the Producer's expense without notice;
- (e) The authority granted to the Association and Breeder Finance under this clause may be exercised by the Association's local supervisor or administrator; and
- (f) Notwithstanding the date of execution set forth in Promissory Notes, the calculation of interest due on Promissory Notes shall be adjusted so that it is calculated from the date

that the Breeder Finance Loan for the principal amount referred to therein was advanced to Breeder Finance.

3. **BREEDER FINANCE'S TITLE AND SECURITY INTEREST, PRODUCER'S INTEREST, BRAND:**

3.1 **Breeder Finance's Title and Security Interest:** All ownership, property, right, title and interest in the Livestock and the Offspring shall remain in Breeder Finance, and the Producer shall have no property, right, title or interest in the Livestock, the Offspring or the sale proceeds thereof (other than the Producer's Contingent Interest defined and referred to in clause 3.2 below) until the Producer's Obligations are paid in full, or the Producer has purchased and paid for Livestock or Offspring as provided in this Agreement. Further, the Producer hereby grants, transfers, mortgages and assigns to Breeder Finance, as security for the Producer's Obligations, a continuing security interest in:

- (a) All present and after-acquired Livestock supplied by Breeder Finance to the Producer;
- (b) All present and after-acquired livestock received or provided to the Producer in substitution for the Livestock, which shall be also deemed to be "Livestock" as defined herein;
- (c) All present and after-acquired Offspring of Livestock including Offspring supplied with the Livestock and Offspring born of the Livestock thereafter;
- (d) All proceeds, including accounts receivable, from any sale, use, transfer or other disposition of the Livestock and Offspring and insurance payments and other payments arising from the loss or damage to the Livestock and their Offspring or the proceeds (collectively "**Proceeds**");
- (e) The Producer's Deposit and the Producer's interest in the Assurance Account, referred to in clauses 7.1 and 7.2 below, and all subsidies and support payments with respect to the Livestock and the Offspring,

all of which are collectively referred to herein as the "**Collateral**". It is acknowledged and agreed that to the extent that Breeder Finance has purchased the Livestock (including Heifer Equity) and the Offspring, the security interest of Breeder Finance therein, and in any Proceeds therefrom, shall be a purchase money security interest.

3.2 **Producer's Contingent Interest:** Breeder Finance acknowledges that the Producer has a contingent interest in the Livestock, the Offspring and the Proceeds thereof (by virtue of, among other things, any increase in the market value of the Livestock or Offspring, the Producer's right to purchase the Livestock as provided herein and the Producer's right to surplus Offspring Sale Proceeds as provided herein) in the amount of the difference between the Producer's Obligations and the potential sale value for all of the Livestock supplied by Breeder Finance and their Offspring (the "**Producer's Contingent Interest**").

3.3 **Brand:** The Producer agrees that:

- (a) All Livestock shall be branded with the Breeder Finance Brand by the date that the Livestock are supplied to the Producer. In the event the Livestock are not branded with the Breeder Finance Brand when they are supplied to the Producer, it shall be the Producer's obligation to promptly brand all such Livestock with the Breeder Finance Brand at the Producer's expense;
- (b) The Producer shall brand all Offspring of the Livestock with the Breeder Finance Brand on or before the date that the Offspring attain the age of 3 months, unless this obligation is waived in writing by Breeder Finance;

- (c) The Breeder Finance Brand shall be applied at such location and with such identification marks as may be directed by the Association or Breeder Finance;
- (d) Sub-clauses (a) to (c) above do not apply to sheep. Sheep and their Offspring, and all other Livestock and Offspring, shall be identified in such further or other manner as may be required by Breeder Finance to distinguish them from other livestock.

4. SALE OF LIVESTOCK:

4.1 Sale of All Livestock and Offspring to the Producer: The Producer, if not in default under this Agreement, shall have the right to purchase Breeder Finance's interest in all of the Livestock and Offspring on the following terms:

- (a) The purchase price payable by the Producer for the Livestock shall be the total amount of the Producer's Obligations, plus Goods and Service Tax (if applicable);
- (b) The purchase may be made by tendering payment of the purchase price to Breeder Finance. Payment may be made by bank draft, certified cheque or by such other means as may be acceptable to Breeder Finance;
- (c) Following receipt of payment, Breeder Finance shall provide the Producer with a bill of sale with respect to the Livestock and Offspring purchased, transferring the Livestock to the Producer free and clear of Breeder Finance's security and the security of Breeder Finance's lender; and
- (d) The payment of this purchase price shall satisfy the Producer's Obligations.

4.2 Sale of Some Livestock or Offspring to the Producer: The Producer, if not in default under this Agreement, shall have the right to purchase Breeder Finance's interest in some of the Livestock and Offspring from time to time, on the following terms:

- (a) The Producer shall identify to the Association's local supervisor the Livestock or Offspring the Producer wishes to purchase. The purchase price payable by the Producer for these Livestock or Offspring shall be the value of the Livestock or Offspring, as established by the Association's local supervisor and approved by Breeder Finance, plus Goods and Services Tax (if applicable);
- (b) Breeder Finance may refuse any sale if Breeder Finance, in its discretion, believes that the sale will prejudice Breeder Finance's ability to recover the total amount of the Producer's Obligations;
- (c) If Breeder Finance approves the sale, the Producer may purchase the Livestock or Offspring in question by tendering payment of the purchase price to Breeder Finance. Payment may be made by bank draft, certified cheque, or by such other means as may be acceptable to Breeder Finance;
- (d) Following receipt of payment, Breeder Finance shall provide the Producer with a bill of sale with respect to the Livestock or Offspring purchased, transferring the Livestock or Offspring to the Producer, free and clear of Breeder Finance's security and the security of Breeder Finance's lender; and
- (e) The purchase price for Livestock shall be applied firstly to the principal amount of the Promissory Notes in the discretion of Breeder Finance and secondly to other Producer's Obligations in the discretion of Breeder Finance. The purchase price for the Offspring shall be applied firstly to Payable Instalments and secondly to other Producer's Obligations in the discretion of Breeder Finance.

4.3 **Sale of All Offspring to the Producer:** The Producer, if not in default under this Agreement, shall have the right, from time to time, to purchase Breeder Finance's interest in all Offspring of the Livestock on the following terms:

- (a) The purchase price payable by the Producer for the Offspring shall be the total amount of all Payable Instalments, plus Goods and Services Tax (if applicable);
- (b) Breeder Finance may refuse any sale if Breeder Finance, in its discretion, believes that the sale will prejudice Breeder Finance's ability to recover the total amount of the Producer's Obligations;
- (c) If Breeder Finance's Board approves the sale, the Producer may purchase the Offspring in question by tendering payment of the purchase price to Breeder Finance. Payment may be made by bank draft, certified cheque, or by such other means as may be acceptable to Breeder Finance;
- (d) The payment of this purchase price shall satisfy the Producer's Obligations to Breeder Finance with respect to the Payable Instalments.

4.4 **No Warranty:** All Livestock and Offspring purchased by the Producer from Breeder Finance are purchased on an "as is where is" basis with no condition, warranty, representation or other terms, express, implied or statutory, whether as to the condition or health of the Livestock or Offspring, or otherwise.

4.5 **Sale of Livestock by the Producer on Behalf of Breeder Finance:** The Producer may only sell Livestock if the Producer notifies the Association's local supervisor of the Producer's proposed arrangements for the sale of the Livestock, and if these arrangements are approved by Breeder Finance before the sale. All Proceeds from the sale of the Livestock shall be applied firstly to the principal balance due under the Promissory Notes in the discretion of Breeder Finance and secondly to the Producer's Obligations in the discretion of Breeder Finance.

4.6 **Sale of the Offspring by the Producer on Behalf of Breeder Finance:** So long as the Producer has Payable Instalments, the Producer shall, before each Instalment Due Date following the birth of Offspring, notify the Association's local supervisor of the Producer's proposed arrangement for the sale of the Offspring, and then sell the Offspring by:

- (a) consigning the Offspring to be sold on behalf of and in the name of Breeder Finance by a duly licensed public livestock auction market in Alberta, provided that the Producer shall give the Association's local supervisor reasonable notice of the Producer's intent to do so; or
- (b) arranging to sell the Offspring on behalf of and in the name of Breeder Finance by such other means and on such other terms and price as may be agreed to by Breeder Finance prior to the sale;

provided that all manifests with respect to the Offspring shall be completed as required by Breeder Finance, and that the full amount of the proceeds of sale with respect to the Offspring, after deduction of transportation and reasonable sale expenses only, shall be paid solely to Breeder Finance (the "**Offspring Sale Proceeds**").

4.7 **Breeder Finance's Duty to Account for Offspring Sale Proceeds:** With respect to Sale Proceeds received by Breeder Finance from the sale of Offspring sold by the Producer on behalf of Breeder Finance pursuant to clause 4.6 of this Agreement, so long as the Producer is not in default, Breeder Finance shall be entitled to apply these Offspring Sale Proceeds to pay all Payable Instalments, and any other unpaid Producer's Obligations. The balance shall be paid by Breeder Finance to the Producer.

- 4.8 **Partial Sales of Livestock and Offspring:** Notwithstanding the foregoing, Breeder Finance may, in its sole discretion allow the Producer to sell some of the Livestock or Offspring on behalf of Breeder Finance, and to pay a portion of the Sale Proceeds from the Offspring or the Livestock which have been sold to the Producer, if Breeder Finance is satisfied that the value of the remaining Livestock and Offspring is more than adequate to pay the Producer's Obligations.
- 4.9 **Calves Supplied with Cow Calf Pairs:** For the purpose of the allocation of Proceeds under clauses 4.1 to 4.8 of this Agreement, calves supplied by Breeder Finance to the Producer with Cow Calf Pairs shall be deemed to be Offspring.
- 4.10 **Producer's Liability for Deficiency:** For greater certainty, the Producer acknowledges and agrees that seizure of the Livestock or Offspring, or the sale of the Livestock or Offspring, whether to the Producer, by the Producer on behalf of Breeder Finance or by Breeder Finance, does not release or extinguish the Producer's Obligations, and that Breeder Finance shall remain entitled to recover the balance of the Producer's Obligations from the Producer, until the Producer's Obligations have been paid in full.

5. ADDITIONAL COVENANTS OF THE PRODUCER:

- 5.1 **Additional Covenants of the Producer:** In addition to the covenants and agreements set forth above, the Producer covenants and agrees:
- (a) To keep the Livestock and Offspring free and clear of all taxes, mortgages, charges, claims, liens (including Animal Keeper's Liens), encumbrances and security interests whatsoever, except the security interest in favour of Breeder Finance and the security interest of Breeder Finance's lender, unless otherwise expressly agreed by Breeder Finance in writing;
 - (b) To keep the Livestock and Offspring at a Permitted Location in Alberta, and at no other location without the express written permission of Breeder Finance;
 - (c) To properly care for and feed the Livestock and Offspring in accordance with generally accepted livestock breeding, feeding, care and maintenance practices;
 - (d) To only place the Livestock and Offspring in the care of a third party with the express written approval of Breeder Finance, and subject to a Custom Care Agreement in a form approved and signed by the third party, Breeder Finance and the Producer. The Producer shall also ensure that the third party or feedlot caring for the Livestock and Offspring does so in accordance with good livestock feeding, care and maintenance practices;
 - (e) To allow and ensure that the authorized representatives of the Association, Breeder Finance, and Breeder Finance's lender have access to all premises at which the Livestock and Offspring are located or are believed to be located, access to all records pertaining to the Livestock and Offspring and the right to inspect both the Livestock and Offspring and the records, on request, between 8:00 in the forenoon and 5:00 in the afternoon;
 - (f) To be responsible for all feed, care, veterinary and other costs and expenses of every nature and kind with respect to the Livestock and Offspring. The Producer assumes all risk of loss or damage to the Livestock and Offspring, whether occasioned by theft, government action, loss, death or any other cause whatsoever. No loss, injury, damage or destruction of Livestock and Offspring shall release the Producer from the Producer's Obligations or duties under this Agreement;
 - (g) To insure the Livestock and Offspring and keep the Livestock and Offspring insured if required by Breeder Finance and in such amount and for such risks as Breeder Finance may stipulate, and to apply for such payments, subsidies, stabilization payments or other

reimbursements with respect to the Livestock and Offspring as Breeder Finance may stipulate, and to remit all amounts received on the account of such insurance and payments to Breeder Finance to be applied to the Producer's Obligations and other amounts payable to Breeder Finance under this Agreement;

- (h) To deliver to Breeder Finance such information concerning the Livestock and Offspring as Breeder Finance may request from time to time, including information with respect to the whereabouts and health of the Livestock and Offspring; and
- (i) To do, make, execute and deliver such further and other documents as may be required by Breeder Finance to establish in favour of Breeder Finance the security intended to be created by this Agreement.

6. DEFAULT/REMEDIES OF THE BREEDER FINANCE:

6.1 **Event of Default:** The Producer shall be in default under this Agreement upon the occurrence of any one or more of the following events (an "**Event of Default**");

- (a) The Producer breaches or fails to perform any of the Producer's Obligations under this or any other agreement with Breeder Finance or under any Promissory Note;
- (b) The Producer becomes insolvent or bankrupt or makes a proposal under the *Bankruptcy and Insolvency Act* (Canada), a petition in bankruptcy is filed against the Producer, the Producer makes an assignment for the benefit of creditors, or a trustee or receiver or manager is appointed in respect of the Producer or any of the Producer's assets;
- (c) The Producer ceases or threatens to cease carrying on business;
- (d) An execution or any similar process of any Court becomes enforceable against the Producer, or a distress or similar process is levied upon the property of the Producer; or
- (e) Any claim or encumbrance respecting the property secured herein becomes enforceable or Breeder Finance, acting reasonably, considers the security created herein to be in jeopardy.

6.2 **Penalty for Late Payment:** Interest at the rate of 1.5% per month (18% per annum) shall be paid by the Producer to Breeder Finance on each Instalment which is not paid by the Instalment Due Date, in addition to any interest payable thereon under a Promissory Note.

6.3 **Instalment Statements:** The Producer acknowledges that Breeder Finance may provide the Producer with annual statements of the amount due with respect to any Instalment and any Annual Administration Costs. The Producer agrees that in the event of a dispute between the Producer and Breeder Finance with respect to the amount of any Instalment or any Annual Administration Costs, the statement provided by Breeder Finance shall be deemed to be final and conclusive.

6.4 **Acceleration on Default:** On Demand or the occurrence of an Event of Default, the Producer's Obligations (including all principal and interest under the Promissory Note) shall immediately become due and payable in full without notice to the Producer.

6.5 **Remedies on Default:** On the occurrence of an Event of Default, the security interest of Breeder Finance shall immediately become enforceable, and Breeder Finance shall have the following remedies in addition to any other remedies available under the *Personal Property Security Act* (Alberta), at law, equity or any other statute (including the *Judicature Act* (Alberta), the *Bankruptcy and Insolvency Act* (Canada) and the *Business Corporations Act* (Alberta)) or under any other agreement between the Producer and Breeder Finance, all of which remedies shall be independent and cumulative:

- (a) Entry onto the lands or premises where the Collateral may be located;
- (b) Seizure and possession of the Collateral by any method permitted by law;
- (c) Sale of the Collateral;
- (d) The collection and realization of any Proceeds and other proceeds and subsidies; and
- (e) The appointment by instrument in writing or by proceedings in any Court of competent jurisdiction, of a receiver or a receiver and manager of either the Producer, or all or any part of the Collateral, or both. Insofar as responsibility for the acts of such receiver or receiver and manager so appointed are concerned, it shall be deemed to be the agent of the Producer and not Breeder Finance.

6.6 **Standards of Sale:** Breeder Finance may dispose of the Collateral in any manner which is commercially reasonable. The Producer acknowledges that a disposition of the Collateral by Breeder Finance which takes place substantially in accordance with the following provisions shall be deemed to be commercially reasonable:

- (a) Sale of the Collateral in whole or in part;
- (b) Sale of the Collateral by public auction, video sale or computer-assisted sale at any auction market as Breeder Finance may direct, with or without advertising;
- (c) Private sale, with or without bids;
- (d) Sale to any other Association Producers or Other Producers; or
- (e) Sale for cash or credit, or part cash and part credit.

6.7 **Failure of Breeder Finance to Exercise Remedies/Waiver of Default:** Breeder Finance shall not be liable for any delay or failure to enforce any remedies available to it or to institute any proceedings for such purposes. Breeder Finance may waive any Event of Default, provided that no such waiver shall affect its rights in connection with any other Event of Default.

6.8 **Maintenance of Seized Livestock and Offspring:** In the event Breeder Finance seizes or takes possession of Livestock or Offspring, but does not remove the Livestock and Offspring from the place of seizure, Breeder Finance may maintain the Livestock and Offspring at the place of seizure and for such purpose shall be entitled to free use and enjoyment of all necessary land, buildings and premises of the Producer, and the Producer covenants and agrees to provide the same without cost or expense to Breeder Finance. Breeder Finance shall be entitled to use the Producer's grain, hay and fodder necessary for the proper feeding of the Livestock and Offspring, and the Producer covenants and agrees to provide the same without cost or expense to Breeder Finance, until such time as Breeder Finance shall determine, at its sole discretion, to remove, sell or otherwise dispose of the Livestock and Offspring.

7. THE ASSURANCE ACCOUNT:

7.1 **Deposit:** The Producer shall pay and maintain a deposit with Breeder Finance of 10% of the principal amount of all Promissory Notes or such greater amount as may be stipulated by the Association or Breeder Finance (the "**Deposit**") on or before the date Breeder Finance has supplied Livestock to the Producer or has paid for Heifer Equity. Breeder Finance shall place the Deposit, and all similar deposits paid by other Association Producers (the "**Deposits**") into an assurance account with Breeder Finance's lender (the "**Assurance Account**"). The Producer acknowledges and agrees that these Deposits are required to be held by Breeder Finance's lender to secure all loans obtained by Breeder Finance for livestock purchased by Breeder Finance in connection with the Program, and that the Deposits will be subject to the security of the Breeder Finance's lender, and to retention or seizure by Breeder Finance's lender in the

event that loans made to purchase livestock in connection with the Program are in default. The Producer agrees that the Deposits may be applied in the sole discretion of Breeder Finance to reimburse Breeder Finance for the debts or liabilities of the Producer, and other Association Producers who are in default under Producer Agreements or Promissory Notes signed by them, subject only to the following conditions:

- (a) If the Producer is in default, the Deposit of the Producer shall be applied to pay the Producer's Obligations to Breeder Finance before the rest of the Assurance Account or other Breeder Finance funds are used. If an Association Producer is in default under their Program Agreement, their Deposits shall be used to pay their Producer Obligations before the Assurance Account or other Breeder Finance funds are used. The amount payable by the Producer, an Association Producer is referred to herein as (the "**Default Liability**").
- (b) After the Deposits referred to in subclause (a) have been used, the remaining balance of the Assurance Account shall be used to pay the remaining Default Liability (if any), and the Deposit of the Producer (if not in default) and the Deposits of the other Association Producers not in default shall be reduced, pro rata, by the amount paid;
- (c) Breeder Finance shall use the Assurance Account, before other Breeder Finance assets are used, to pay the Default Liability;
- (d) The Assurance Account will be maintained as a separate account and shall only be used for the purposes set forth in this clause;
- (e) No portion of the Assurance Account shall be returned to the Producer or any Association Producers while a Default Liability of the Producer or any Association Producer is due or overdue;
- (f) Subject to subclause (e) above, and if Breeder Finance is satisfied that by so doing, Breeder Finance will not prejudice its ability to pay the loans Breeder Finance has obtained from its lender pursuant to this Agreement or any other Program Agreement, Breeder Finance may return the Deposit (or the Producer's remaining pro rata portion of the Deposit if it has been used to pay a Default Liability) to the Producer, on request, after a period of 45 days have lapsed from the date that the Producer's Obligations were satisfied or paid in full;
- (g) For greater certainty:
 - (i) in the event the Deposit has been used to pay a Default Liability, no further Livestock shall be supplied to the Producer until the Deposit the Producer is required to maintain pursuant to this Agreement has been fully restored,
 - (ii) Offspring Sale Proceeds and other Proceeds may be applied by Breeder Finance to maintain Deposits at the level required by this Agreement.

7.2 **Management of Assurance Account:** The Producer acknowledges that Breeder Finance has an obligation to manage the Assurance Account for the mutual benefit of Association Producers in addition to the Producer. The Producer agrees that neither Breeder Finance, nor its directors, officers, contractors or employees shall be liable to the Producer for any act or omission in their management of the Assurance Account, the use of the Deposits, or the payment of any funds out of the Assurance Account, whether or not the acts or omissions are negligent, so long as the acts or omissions are in good faith and do not constitute a breach of this Agreement. Without restricting the generality of the foregoing, neither Breeder Finance, nor its directors, officers, contractors or employees shall be liable for any losses or damages sustained as a result of any seizure of the Assurance Account, or any portion thereof, by Breeder Finance's lender.

8. GENERAL PROVISIONS

- 8.1 **No Amendment:** This Agreement shall be amended if, and only if, the amendments are agreed to by Breeder Finance in writing.
- 8.2 **Entire Agreement:** This Agreement, the Livestock Supply Forms and the Promissory Notes made pursuant to this Agreement, and other agreements between the Producer and Breeder Finance requested or required by Breeder Finance with respect to the Program, constitute the entire agreement between the Producer and Breeder Finance relating to the subject matter of this Agreement, and supersede all prior or contemporaneous agreements, understandings, negotiations and discussions, whether oral or written.
- 8.3 **Time:** Time is of the essence of this Agreement.
- 8.4 **Plural and Gender/Joint and Several Liability:** Where the singular or masculine is used in this Agreement, the same shall be construed as including the plural or feminine or body corporate, as the context may require, and where this Agreement is signed by joint Producers, or by a partnership or joint venture, the obligations of each joint Producer, partner and joint venturer shall be joint and several.
- 8.5 **No Assignment/No Set-Off by Producer:** The Producer may not assign this Agreement or the Producer's rights hereunder. The Producer will not have or claim any right of set-off or any counterclaim with respect to any monies or claims made by Breeder Finance against the Producer arising from this Agreement.
- 8.6 **Effective Date and Termination:** This Agreement shall not take effect until it has been signed by both the Producer and an authorized representative of Breeder Finance. This Agreement may be terminated by notice in writing from Breeder Finance to the Producer provided that the termination of this Agreement shall not affect any rights, obligations or security interests of any party which exist or have accrued up to the date of termination, all of which shall survive the termination of this Agreement.
- 8.7 **Severability:** If any provision of this Agreement is determined by a Court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.
- 8.8 **Waiver of Receipt of Copies/PPSA:** The Producer hereby expressly waives the right to receive a copy of any financing statements, and statements confirming the registration of financing statements, that may be registered under the PPSA in connection with any security interest created under this Agreement. All words and phrases which are defined in the PPSA and not otherwise defined in the Security Agreement shall have the meaning set forth in the PPSA unless the context requires otherwise.
- 8.9 **Governing Law/Attornment:** This Agreement shall be interpreted in accordance with the laws of the Province of Alberta. The Producer hereby irrevocably submits and attorns to the jurisdiction of the Courts of the Province of Alberta.
- 8.10 **Execution in Counterpart/Facsimile and E-mail Signatures:** This Agreement and any other document referred to herein may be signed in counterpart. Facsimile and electronically transmitted copies of signatures to this Agreement and every document referred to herein, including Livestock Supply Forms, Promissory Notes, invoices, bills of sale, manifests, transportation permits and similar documents shall be deemed to be as valid as original signatures.

- 8.11 **Captions:** The captions in this Agreement have been inserted for reference and as a matter of convenience only and in no way define, limit or enlarge the scope or meaning of this Agreement.
- 8.12 **Enurement:** This Agreement shall enure to the benefit of and be binding upon the personal representatives, administrators and successors of the Producer and the administrators, successors and assigns of Breeder Finance.
- 8.13 **Receipt of Copy of Agreement:** The Producer acknowledges receipt of a copy of this Agreement before the delivery of any Livestock.

Notice to the Producer: Please read this Agreement carefully before you sign it. You have the right to obtain independent legal and accounting advice before you do so.

IN WITNESS WHEREOF Alberta Breeder Finance Inc. and the Producer have signed this Agreement effective the date and year first above written at _____, in the Province of Alberta.

ALBERTA BREEDER FINANCE INC.

Per: _____

Signature, printed name and title of
authorized representative

PRODUCER

Print complete corporate, partnership or joint
venture name, if Producer is a corporation,
partnership or joint venturer

Per: _____

Signature and printed name of Witness

Signature and printed name of Producer or
Producer's authorized representative

Per: _____

Signature and printed name of Witness

Signature and printed name of Producer or
Producer's authorized representative

Per: _____

Signature and printed name of Witness

Signature and printed name of Producer or
Producer's authorized representative

*If there are joint Producers or if the Producer is carrying on business as a partnership or a joint venture, all Producers, partners and joint venturers must sign this Agreement and the attached Power of Attorney must be completed and signed by them. If the Producer is a corporation, the person(s) authorized in the attached Resolution must sign.