



ALBERTA BREEDER FINANCE INC. PRIORITY AGREEMENT

The undersigned Livestock Producer (the "Producer"), the undersigned Lender (the "Lender"), and Alberta Breeder Finance Inc. ("Breeder Finance") hereby represent, warrant and agree for value as follows:

1. **Representations and Acknowledgements of Breeder Finance and the Producer:** Breeder Finance and the Producer represent and acknowledge:
 - a) The Producer has applied to participate in the Breeder Finance Program established by Breeder Finance;
 - b) Breeder Finance and the Producer have entered into a Breeder Finance Program Agreement (the "Breeder Finance Agreement") pursuant to which Breeder Finance may, from time to time, supply livestock (including cattle or sheep) to the Producer to be cared for and managed as breeding livestock, and pursuant to which, among other things, all such livestock and the offspring of all such livestock (whether born or unborn) will be owned by Breeder Finance;
 - c) The Producer has granted, or will grant, a perfected security interest to Breeder Finance and its assigns in the following collateral (the "Breeder Finance Collateral") as security for the performance of the obligations of the Producer to Breeder Finance pursuant to the Breeder Finance Agreement, and all related promissory notes and agreements between the Producer and Breeder Finance:
 - i. **Livestock:** All present and after-acquired Livestock supplied by Breeder Finance to the Producer, from time to time, including Livestock branded with Breeder Livestock's registered brand, being shelter over triangle at any location ("Livestock") and Livestock tagged with an ear tag approved by Alberta Breeder Finance Inc. (the "Livestock");
 - ii. **Offspring:** All present and after-acquired offspring of the Livestock, whether supplied with the Livestock, born or unborn, or otherwise, including all offspring branded with Breeder Finance's registered brand, being shelter over triangle at any location (the "Offspring") and Offspring tagged with an ear tag approved by Alberta Breeder Finance Inc. (the "Offspring"); and
 - iii. **Proceeds and Security Deposit:** All proceeds including accounts receivable in whatever form, from any sale, use, transfer or other disposition of the Livestock or Offspring ("Proceeds"), and all deposits held by or on behalf of Breeder Finance as security for the performance of the obligations of the Producer to Breeder Finance (the "Deposits").
 2. **Acknowledgements and Representations of the Lender:** The Lender and the Producer represent and agree that the Lender is a chartered bank, a lending institution, or another secured creditor of the Producer which holds a perfected security interest in, among other things, the livestock of the Producer (the "Lender's Collateral").
 3. **Breeder Finance Priority:** The Lender agrees that the security interest granted by the Producer to Breeder Finance in the Breeder Finance Collateral shall have priority over any security interest that the Lender now or hereafter has in the Breeder Finance Collateral.
 4. **Lender's Priority:** Breeder Finance agrees:
 - a. Notwithstanding paragraph 3 above, that if Breeder Finance purchases livestock from the Producer which are Lender's Collateral for the purpose of supplying livestock to the Producer, the Lender's security interest in such livestock shall have priority to the Breeder Finance Collateral, unless the Lender has expressly waived its security interest therein in writing in favour of Breeder Finance; and
 - b. Breeder Finance only claims a security interest in Breeder Finance Collateral, and does not claim a security interest in livestock or offspring which are not Breeder Finance Collateral.
 5. **The Producer's Deposit Accounts with the Lender:** Breeder Finance acknowledges (with respect to Lenders which are chartered banks or lending institutions) that the Producer 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 Producer at any branch or office of the Lender from time to time) with the Lender. Breeder Finance agrees that it will not be entitled to claim any Proceeds (whether cash, instruments, accounts or in any other form) that are deposited into any banking account of the Producer with the Lender:
 - a. Unless the Lender is specifically directed by the Producer to credit the proceeds to a trust account for the benefit of Breeder Finance; 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 Breeder Finance Collateral, and that Breeder Finance intends to enforce its security to recover the Proceeds.
- It is intended and agreed that any banking accounts of the Producer held with the Lender may be operated in the ordinary course, free of any Proceeds claimed by Breeder Finance, until the Lender receives a written notice from Breeder Finance 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 Livestock, advances of loans, extensions of credit made by the Producer to Breeder Finance or the Lender; the date of default of the Producer under the Breeder Finance Agreement or any security granted by the Producer 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 Breeder Finance 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 Breeder Finance 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 Producer has outstanding obligations to Breeder Finance and the Lender, the Producer consents to Breeder Finance and the Lender advising each other of the particulars of such obligations, and to each exchanging any other financial information they deem relevant. Neither Breeder Finance nor the Lender will have or incur any liability to the Producer for providing such information;
- e. Breeder Finance and the Lender will do all things necessary from time to time to give full effect to this Agreement. No consent of the Producer will be necessary to any amendment of the terms of this Agreement by Breeder Finance 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 Breeder Finance, 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 ensure 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 Breeder Finance 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 Breeder Finance, the Producer and the Lender have signed this Agreement
Effective the _____ day of _____, 20____ at, in the Province of Alberta.

ALBERTA BREEDER FINANCE INC.

Name of authorized representative (ABFI)

Signature of authorized representative (ABFI)

Address: _____

Telephone: _____

Fax: _____

E-Mail: _____

PRODUCER

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

Per: _____
Signature and printed name of Producer
or Producer's authorized representative

Per: _____
Signature and printed name of Producer
or Producer's authorized representative

Lender: _____

Name and Title of Authorized Officer of Lender

Signature of Authorized Officer of Lender

Address: _____

Telephone: _____

Fax: _____

E-Mail: _____

PRODUCER

Address: _____

Telephone: _____

Fax: _____

Email: _____