

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

BETWEEN:

[Picture Butte Feeder Co-operative Association]
[Box 280, Picture Butte Alberta T0K 1V0]
(herein called the "Association")

OF THE FIRST PART

- and -

of _____
(herein called the "Member")

OF THE SECOND PART

FEEDER ASSOCIATION MEMBER AGREEMENT

WHEREAS the Association is a cooperative, incorporated pursuant to the provisions of the *Cooperatives Act*, S.A. 2002, c. C-28.1, as amended, and a feeder association within the meaning of the *Feeder Associations Guarantee Act*, S.A. 2009, c. F-11.1, as amended (the "Act") and the regulations thereunder (the "Regulations");

AND WHEREAS the Member is a member of the Association;

AND WHEREAS the Association and the Member have entered into this Agreement with the intention that the Association will, from time to time, supply livestock (being cattle, sheep and other animals specified by the Regulations) to the Member, to grow and/or finish pursuant to this Agreement, the Act and the Regulations;

NOW THEREFORE the Association and the Member, in consideration of the mutual covenants and agreements set forth herein, covenant and agree as follows:

1. MASTER AGREEMENT, MEMBERSHIP, DEFINITIONS AND LIVESTOCK SUPPLY FORM:

1.1 **Master Agreement:** The terms, representations, warranties, conditions, covenants and undertakings set forth in this Agreement (the "Agreement") shall apply to all livestock supplied by the Association to the Member from time to time, after the date of this Agreement (the "Livestock"), and all "Equity Loans" (as herein defined) advanced by the Association to the Member from time to time, after the date of this Agreement.

1.2 **Livestock Supply Form and Promissory Note:** The Association and the Member shall complete and sign a Livestock Supply Form (the "Livestock Supply Form") and a Promissory Note in the form set out in Schedule "A" hereto or such similar form as may be stipulated by the Association from time to time, with respect to each group of Livestock to be grown or finished by the Member pursuant to this Agreement. The terms and conditions of each Livestock Supply Form shall form part of this Agreement.

1.3 **Equity Loan Promissory Note:** The Association and the Member shall complete and sign an Equity Loan Promissory Note in the form set out in Schedule "B" hereto or in such similar form as may be stipulated by the Association from time to time, with respect to each Equity Loan (as defined herein) advanced by the Association to the Member pursuant to this Agreement.

1.4 **Definitions:** The definitions in this Agreement will apply to this entire Agreement. These definitions include the following:

- (a) **"Due Date"** means the Due Date referred to in each Livestock Supply Form, Promissory Note and Equity Loan Promissory Note, by which the Member's Obligations (as herein defined), with respect to the Livestock described in each Livestock Supply Form, must be paid in accordance with the terms of this Agreement;
- (b) **"Equity Loan Promissory Note"** and **"Equity Loan Promissory Notes"** means the promissory note(s) in the form set out in Schedule "B" hereto with respect to the Member's obligation to repay Equity Loans (as herein defined) paid by the Association to the Member;
- (c) **"Equity Loan"** and **"Equity Loans"** means the Equity Loans referred to and defined in clause 4.1 of this Agreement.
- (d) **"Feeder Cows"** means female cattle over the age of 2 years;
- (e) **"Lot"** means all of the Livestock described in each Livestock Supply Form;
- (f) **"Permitted Location"** means the permitted location described in each Livestock Supply Agreement where all Livestock described in each Livestock Supply Form must be kept in accordance with the terms of this Agreement;
- (g) **"Promissory Note"** and **"Promissory Notes"** means the promissory note(s) in the form set out in Schedule "A" hereto with respect to the Member's obligation to indemnify the Association for, and to pay the Association's Purchase Costs (as herein defined) with respect to each Lot of Livestock;

1.5 **Membership:** The Member and the Association confirm and agree that the Member has applied for and has been granted membership in the Association. The Member agrees that the Member:

- (a) Has been provided with, or has been given a full opportunity to review, the Association's Articles of Incorporation and Bylaws;
- (b) Will be bound by the Association's Articles of Incorporation and Bylaws as amended from time to time, all promissory notes, and all other agreements with the Association;
- (c) Will pay all fees or levies assessed by the Association's Board, from time to time;
- (d) Will provide any additional information as may be required by the Association's Board from time to time in connection with matters referred to in this Agreement, and membership in the Association;
- (e) Will provide the Association with the information set forth in the Membership Information Form annexed as Schedule "C" hereto. The Member represents and certifies that the information set forth therein is accurate and correct.

2. **SUPPLY OF LIVESTOCK:**

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

- 2.2 **No Obligation to Supply:** The Association shall have no obligation to supply any Livestock to the Member. Whether the Association does so shall be in the sole discretion of the Association. The Association shall have no obligation to pay for Livestock which the Member has requested the Association to purchase for supply to the Member unless (a) the Association receives a valid invoice or bill of sale with respect to the Livestock, (b) the Livestock have all been delivered to the Member, (c) the Livestock are branded and brand inspected as required by this Agreement and the Regulations, (d) the Member is not in default in respect of any obligation under this Agreement and is not in contravention of the Act or the Regulations, and (e) any other documents and assurances requested by the Association with respect to the Livestock have been provided, and
- 2.3 **Maximum Value of Supplied Livestock:** The Association's Purchase Costs (as herein defined) with respect to Livestock, shall not exceed:
- (a) The amount set forth in the Regulations from time to time; or
 - (b) The amount approved by the Association from time to time,
- whichever is less (the "Maximum Value").
- 2.4 **Selection of Livestock:** The Member may specify the age, breed, size and other characteristics of the Livestock the Member wants the Association to supply, provided that the Member may only request Livestock which are to be grown and/or finished for market, and not Livestock to be used for breeding purposes or Livestock that are otherwise not acceptable to the Association.
- 2.5 **Purchase Documents:** With respect to the Livestock which the Member requests the Association to supply:
- (a) The Association may require a Purchase Order signed by an authorized representative of the Association with respect to Livestock to be purchased by the Association from an auction market or other licensed livestock dealer for supply to the Member. The Member shall ensure that invoices or bills of sale are provided to the Association which show the Association as the purchaser, and which shall otherwise be in such form as may be required by the Association;
 - (b) No Livestock may be purchased from other sellers (including the Member), for supply to the Member without the express prior approval of an authorized representative of the Association. 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 the Association and under the Regulations. 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. The Member agrees that all purchases of Livestock by the Association from the Member shall be subject to these conditions; and
 - (c) The Member 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 the Association.
- 2.6 **Delivery and Waiver of Liability:** All arrangements for delivery of the Livestock to the Permitted Location shall be made by the Member at the Member's expense. The Member acknowledges and agrees that it shall be the Member's responsibility to ensure that the Livestock are counted and inspected by the Member, that all Livestock have been delivered and that any

Livestock which are not acceptable to the Member are rejected and returned to the seller before the Association pays for the Livestock. All Livestock paid for by the Association shall be deemed to have been accepted by the Member. All such Livestock are supplied by the Association to the Member 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 Member acknowledges that any inspection of the Livestock or advice provided with respect to the Livestock, by any officer, director or employee of the Association is made or provided for the sole benefit of the Association, and that none of the Association, its local supervisor, or any other officer, director or employee of the Association owes any duty or shall be liable to the Member with respect to any such inspection, advice or any other cause, matter or thing whatsoever related to the Livestock. For greater certainty and notwithstanding clause 1.3 of this Agreement, the Member acknowledges and agrees that the "Supervisor's and Administrator's Certificate" at the end of Schedule "A" hereto does not form part of this Agreement and is for the use and benefit of the Association only.

2.7 **The Association's Loan:** The Member acknowledges that the Association will be obtaining loans from its lender (the "Association's Lender") which are guaranteed by the Government of Alberta (the "Alberta Government") pursuant to the Act, to purchase each Lot of Livestock and that the Association will incur:

- (a) Liability for the principal amount of each such loan and interest thereon (the "Lender Loan"); and
- (b) Livestock insurance, and administrative costs levied or incurred (which may include fees assessed by the Association's Lender), with respect to each Lot of Livestock to the Member (the "Association's Supply Costs").

The Association's Supply Costs and the Lender Loan are herein collectively referred to as the "Association's Purchase Costs".

2.8 **Member's Liability and Indemnity:** The Member acknowledges and agrees that in consideration for the supply of the Livestock and the advance of Equity Loans:

- (a) The Member shall, and hereby agrees to indemnify and save harmless the Association from and to pay to the Association:
 - (i) All claims of every kind which may be made against the Association with respect to the Livestock and Equity Loans; and
 - (ii) All claims, expenses, loss and damages incurred with respect to a breach of this Agreement or any failure to perform this Agreement by the Member, including claims made against the Association by the Association's Lender for legal and other costs with respect to the Association's failure or inability to pay the Lender Loan, and claims made or losses incurred by the Association arising from a breach of the Act or the Regulations caused by an act or omission of the Member; and
 - (iii) The Association's expenses (including the Association's legal costs on a solicitor and its own client basis) with respect to the supply of the Livestock, the advance of Equity Loans, and the protection and enforcement of the Association's rights, interests and security under this Agreement, all Promissory Notes and all Equity Loan Promissory Notes, and

- (b) Without restricting the generality of the foregoing, the Member shall, and hereby agrees to:
 - (i) Indemnify and save harmless from and to pay to the Association the full amount of the Association's Purchase Costs, and agrees to provide Promissory Notes as security for this indemnity and agreement; and
 - (ii) Repay all Equity Loans and pay all Equity Loan Promissory Notes,

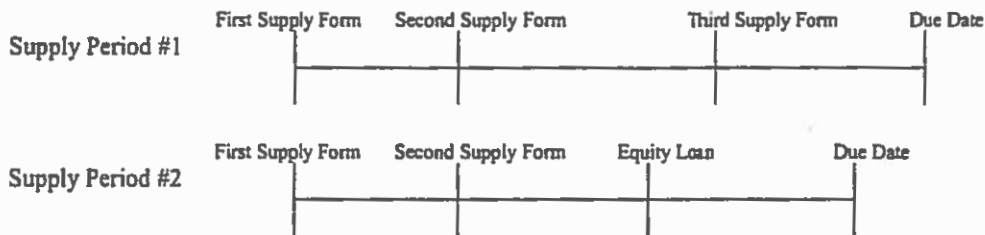
all of which are herein referred to as the "Member's Obligations". The Member agrees to pay the Member's Obligations on the occurrence of an Event of Default (as defined herein) or on demand, whichever first occurs.

2.9 Member's Obligation to Make Payments by Due Date: The Due Date shall be set and the Member's Obligations shall be paid in accordance with the following provisions:

- (a) **First Livestock Supply Form:** Where the Member has no other Livestock Supply Forms and Promissory Notes on which Member's Obligations are outstanding, the Due Date in the Livestock Supply Form and the Promissory Note shall be a date which does not exceed the due date permitted under the Regulations, which is acceptable to the Association, and which shall not exceed 120 days if the Livestock are Feeder Cows, and 1 year in every other case, from the date the Livestock referred to in a Livestock Supply Form were purchased by the Association (the "Due Date").
- (b) **Multiple Livestock Supply Forms:** Where the Member has more than one Livestock Supply Forms and Promissory Notes on which Member's Obligations are outstanding, the Due Date for each Livestock Supply Form and Promissory Note shall be the Due Date for the first such Livestock Supply Form and Promissory Note.
- (c) **Due Dates for Equity Loans:** The Due Date for Equity Loans and Equity Loan Promissory Notes shall be a date acceptable to the Association which shall not exceed the Due Date referred to in the outstanding Livestock Supply Form with respect to Livestock for which the Equity Loan(s) is advanced;
- (d) **Extension of Due Date:** Subject to clause 2.9(e) below, a Due Date may be extended for a period not exceeding 3 months, if the extension is requested by the Member and the Association, in its discretion, agrees in writing to the extension.
- (e) **Multiple Due Dates:** Notwithstanding clause 2.9(b) above, the Association may agree to supply Livestock and advance Equity Loans to the Member pursuant to Livestock Supply Forms, Promissory Notes and Equity Loan Promissory Notes with up to, but no more than, 4 Due Dates;
- (f) **Maximum Value Limit:** For greater certainty, the accumulated amount of the Association's Purchase Costs and Equity Loans for all Supply Periods in which Member's Obligations are outstanding shall not exceed the Maximum Value.
- (g) **Definition of Supply Period:** In this Agreement, "Supply Period" shall mean the period in one or more Livestock Supply Forms, Promissory Notes and Equity Loan Promissory Notes which end with the same Due Date and the Livestock supplied during this Supply Period shall include all Livestock described in these Livestock Supply Forms.

- (h) **No Substitutions:** Livestock subject to one Supply Period shall not be substituted for Livestock which are subject to another Supply Period.
- (i) **Identification and Differentiation:** Livestock subject to different Supply Periods shall be identified and differentiated from Livestock in other Supply Periods by different branding locations, different genders, or some other method approved under the Regulations.
- (j) **Payment by Due Date:** By no later than the Due Date for each Supply Period, the Member shall pay the accumulated Member's Obligations relating to the Livestock Supply Forms, Promissory Notes, Equity Loans and Equity Loan Promissory Notes for that Supply Period. The Member may do so by purchasing all Livestock supplied during the Supply Period, and/or by selling these Livestock on behalf of the Association in accordance with clauses 4.1, 4.2 and/or 4.4 of this Agreement. The Member shall remain liable for the Member's Obligations not paid as a result of these purchases and/or sales.

The following illustration is one example of the operation of these provisions:



- 2.10 **Promissory Note:** In consideration of the Association supplying Livestock to the Member pursuant to this Agreement, to better secure the Association for the Association's Purchase Costs for each Lot of Livestock, and without limiting the indemnification referred to in clause 2.8 above, the Member agrees to provide the Association with a completed and signed Promissory Note in the principal amount of the Association's Purchase Costs and interest thereon at the rate set by the Association, which may exceed the rate charged by the Association's Lender on the Lender Loan. If the interest rate set by the Association exceeds the rate charged by the Association's Lender on the Lender Loan, the excess rate shall be deemed to be part of the Association's Purchase Costs.
- 2.11 **Completion of Livestock Supply Form and Promissory Note:** With respect to the completion and execution of the Livestock Supply Form and the Promissory Note:
 - (a) The Member authorizes the Association to insert the applicable date of execution, Due Date, principal amount and interest rate in any Promissory Note the Member signs in blank;
 - (b) The Member also authorizes the Association to complete on behalf of the Member any Livestock Supply Forms which have been signed in blank, or which have been signed and partially completed, by the Member;
 - (c) The Member acknowledges and agrees that in completing Livestock Supply Forms and Promissory Notes which have been 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 supplied to the Member, and that if these documents have been signed by the Member or the Member'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 Member, as set forth therein;

- (d) The Member acknowledges and agrees that the Member shall have no interest whatsoever in any Livestock requested by the Member, and no right to recover any costs or expenses incurred by the Member with respect to such Livestock, if the Member has failed or refused to sign a Livestock Supply Form or Promissory Note with respect to such Livestock. The Member shall indemnify the Association for all costs, losses, claims and expenses incurred by the Association with respect to such Livestock. The Association shall be entitled to remove such Livestock from the Member's possession at the Member's expense without notice; and
- (e) 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 Lender Loan for the principal amount referred to therein was advanced to the Association.

3. ASSOCIATION'S TITLE AND SECURITY INTEREST, MEMBER'S INTEREST, BRAND:

3.1 Association's Title and Security Interest: All ownership, property, right, title and interest in the Livestock shall remain in the Association, and the Member shall have no property, right, title or interest in Livestock supplied to the Member during a Supply Period or the sale proceeds thereof (other than the Member's Contingent Interest defined and referred to in clause 3.2 below) until the Member's Obligations for that Supply Period are satisfied or paid in full as provided in this Agreement. Further, the Member hereby grants, transfers, mortgages and assigns to the Association, as security for the Member's Obligations, a continuing Security Interest in:

- (a) All present and after-acquired Livestock supplied by the Association to the Member;
- (b) All present and after-acquired livestock received or provided to the Member in substitution for the Livestock, which shall be also deemed to be "Livestock" as defined herein;
- (c) All proceeds, including accounts receivable, from any sale, use, transfer or other disposition of the Livestock and insurance payments and other payments arising from the loss or damage to the Livestock or the proceeds from the Livestock;
- (d) The Member's Deposit and the Member's interest in the Assurance Account, referred to in clause 7 below, and all subsidies and support payments with respect to the Livestock,

all of which are collectively referred to herein as the "Collateral".

3.2 Member's Contingent Interest: The Association acknowledges that the Member has a contingent interest in the Livestock or the Sale Proceeds (as defined herein) thereof (by virtue of, among other things, the Member's right to purchase the Livestock as provided herein, the growth of the Livestock and the Member's right to surplus Sale Proceeds as provided herein) in the amount of the difference between the Member's Obligations and the potential Sale Proceeds for all of the Livestock supplied during Supply Periods (the "Member's Contingent Interest").

3.3 Brand: The Member agrees that all Livestock which may be branded with the Association's "brand" pursuant to the *Livestock Identification and Commerce Act* (Alberta) and the regulations

thereunder shall be branded, and that all Livestock shall in addition and in any event, be identified as required by the Association and under the Regulations to distinguish them from other livestock (including livestock supplied to other members of the Association and Livestock supplied to the Member which are subject to different Supply Periods). It shall be the Member's obligation to so brand and identify all such Livestock, or to ensure that they are so branded and identified, at the Member's expense.

4. EQUITY LOANS:

- 4.1 **Equity Loans:** Subject to the Regulations, the Association may, from time to time, advance loans to the Member on the security of the Collateral ("Equity Loans").
- 4.2 **No Obligation to Advance:** The Association shall have no obligation to advance an Equity Loan to the Member. Whether the Association does so, and whether the Association does so in one advance or several draws, the timing of the advance and any draws, and the amount of any Equity Loan, shall be in the sole discretion of the Association, provided that the amount of the Equity Loan shall not, in any event, exceed the lesser of 50% of the increase in the fair market value in all of the Livestock in the Member's possession, or the Member's Contingency Interest, at the time of the advance of the Equity Loan. Fair market value, and the amount of the Member's Contingency Interest, shall be determined by the Association's local supervisor.
- 4.3 **Equity Loan Promissory Notes:** The Member agrees to provide the Association with a completed and signed Equity Loan Promissory Note. The principal amount of the Equity Loan Promissory Note shall be the amount of the Equity Loan plus the administrative costs assessed by the Association for processing the Equity Loan. The interest charged thereon shall be at the rate set by the Association for Equity Loans, which may exceed the rate charged by the Association's Lender to the Association for funds borrowed by the Association with respect to the Equity Loan. The amount payable and the terms of each Equity Loan shall be as set forth in the Equity Loan Promissory Note with respect to the Equity Loan.
- 4.4 **Completion of Equity Loan Promissory Notes:** The Member authorizes the Association to insert the applicable date of execution, Due Date, principal amount and interest rate in any Equity Loan Promissory Note the Member signs in blank. Notwithstanding the date of execution set forth in an Equity Loan Promissory Note, the calculation of interest due on Equity Loans and Equity Loan Promissory Notes shall be adjusted so that it is calculated from the date the funds for the Equity Loan were advanced to the Association by the Association's Lender, and if the funds for the Equity Loan are advanced in more than one draw, interest shall be calculated from the date of each draw.

5. SALE OF LIVESTOCK:

- 5.1 **Sale of All Livestock to the Member:** The Member, if not in default under this Agreement, shall have the right to purchase the Association's interest in all of the Livestock referred to in Livestock Supply Forms for the same Supply Period on the following terms:
- (a) The purchase price payable by the Member for the Livestock shall be the total amount of the Member's Obligations, plus Goods and Service Tax (if applicable) for the Supply Period;
 - (b) The purchase may be made by tendering payment of the purchase price to the Association. Payment may be made by bank draft, certified cheque or by such other means as may be acceptable to the Association;

- (c) Following receipt of payment, the Association shall provide the Member with a bill of sale with respect to the Livestock purchased, transferring the Livestock to the Member free and clear of the Association's security and the security of the Association's Lender; and
- (d) The payment of this purchase price shall satisfy the Member's Obligations with respect to this Supply Period.

5.2 Sale of Some Livestock to the Member: The Member, if not in default under this Agreement, shall have the right to purchase the Association's interest in some of the Livestock referred to in Livestock Supply Forms for the same Supply Period, on the following terms:

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

5.3 No Warranty: All Livestock purchased by the Member from the Association 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 otherwise.

5.4 Sale of the Livestock by the Member on Behalf of the Association: If the Member does not purchase all Livestock supplied in a Supply Period before the Due Date for the Supply Period, the Member shall by the Due Date, notify the Association's local supervisor of the Member's proposed arrangements for the sale of the Livestock, and then sell the Livestock referred to in the Livestock Supply Forms for the Supply Period, or all remaining Livestock if the Member has purchased some of the Livestock, by:

- (a) Consigning the Livestock to be sold on behalf of and in the name of the Association at a duly licensed public livestock market in Alberta, provided that the Member shall give the Association reasonable prior notice of the Member's intent to do so; or
- (b) Arranging to sell the Livestock on behalf of and in the name of the Association by such other means and on such terms and price as may be agreed to by the Association prior to the sale;

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

- 5.5 **Association's Duty to Account for Sale Proceeds of Livestock Sold on Behalf of the Association:** With respect to Sale Proceeds received by the Association from the sale of Livestock sold by the Member on behalf of the Association as provided herein, the Association shall be entitled to apply all Sale Proceeds first to pay and satisfy the Member's Obligations for all Supply Periods (whether due or not) and in such manner as the Association thinks fit. The balance shall be paid by the Association to the Member.
- 5.6 **Partial Sales:** Notwithstanding clause 5.5, if some Livestock have not been sold (including Livestock supplied during a different Supply Period) the Association may, in its sole discretion and subject to the Regulations, pay a portion of the Sale Proceeds from Livestock sold by the Member on behalf of the Association, to the Member, if the Association is satisfied that the value of the remaining Livestock is more than adequate to pay the balance of the Member's Obligations.
- 5.7 **Member's Liability for Deficiency:** For greater certainty, the Member acknowledges and agrees that the sale of the Livestock by the Association, whether to the Member or by the Member on behalf of the Association, does not release or extinguish the Member's Obligations, and that the Association shall remain entitled to recover the balance of the Member's Obligations from the Member, until the Member's Obligations have been paid in full.

6. **ADDITIONAL COVENANTS OF THE MEMBER:**

- 6.1 **Additional Covenants of the Member:** In addition to the covenants and agreements set forth above, the Member covenants and agrees:
- (a) To keep the Livestock 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 the Association and the security interest of the Association's Lender, unless otherwise expressly agreed by the Association in writing;
 - (b) To keep the Livestock at a Permitted Location in Alberta, and at no other location without the express written permission of the Association;
 - (c) To properly care for and feed the Livestock in accordance with generally accepted livestock feeding, care and maintenance practices;
 - (d) To only place the Livestock in the care of a third party (including a custom feedlot) with the express written approval of the Association, and subject to a Feeder Association Feedlot Agreement in a form approved under the Regulations signed by the third party, the Association and the Member. The Member shall also ensure that the third party or feedlot caring for the Livestock does so in accordance with good livestock feeding, care and maintenance practices;
 - (e) To allow and ensure that the authorized representatives of the Association, the Association's Lender and the Alberta Government have access to all premises at which the Livestock are located or are believed to be located, access to all records pertaining to the Livestock and the right to inspect both the Livestock 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. The Member assumes all risk of loss or damage to the Livestock, whether occasioned by theft, government action, loss, death or any other cause whatsoever. No loss, injury, damage or destruction of Livestock shall release the Member from the Member's Obligations or duties under this Agreement;
- (g) To insure the Livestock and keep the Livestock insured if required by the Association and in such amount and for such risks as the Association may stipulate, and to apply for such payments, subsidies, stabilization payments or other reimbursements with respect to the Livestock as the Association may stipulate, and to remit all amounts received on the account of such insurance and payments to the Association to be applied to the Member's Obligations and other amounts payable to the Association under this Agreement;
- (h) To deliver to the Association such information concerning the Livestock as the Association may request from time to time, including information with respect to the whereabouts and health of the Livestock; and
- (i) To do, make, execute and deliver such further and other documents as may be required by the Association to establish in favour of the Association the security intended to be created by this Agreement.

7. DEFAULT/REMEDIES OF THE ASSOCIATION:

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

7.2 **Acceleration on Default:** On the occurrence of an Event of Default, the Member's Obligations shall immediately become due and payable in full without notice to the Member.

7.3 **Remedies on Default:** On the occurrence of an Event of Default, the security interest of the Association shall immediately become enforceable, and the Association 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 Member and the Association, 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 Sale 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 Member, 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 Member and not the Association.

7.4 Standards of Sale: The Association may dispose of the Collateral in any manner which is commercially reasonable. The Member acknowledges that a disposition of the Collateral by the Association 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 the Association may direct, with or without advertising;
- (c) Private sale, with or without bids;
- (d) Sale to any other member of the Association; or
- (e) Sale for cash or credit, or part cash and part credit.

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

7.6 Maintenance of Seized Livestock: In the event the Association seizes or takes possession of Livestock, but does not remove the Livestock from the place of seizure, the Association may maintain the Livestock 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 Member, and the Member covenants and agrees to provide the same without cost or expense to the Association. The Association shall be entitled to use the Member's grain, hay and fodder necessary for the proper feeding of the Livestock, and the Member covenants and agrees to provide the same without cost or expense to the Association, until such time as the Association shall determine, at its sole discretion, to remove, sell or otherwise dispose of the Livestock.

8. THE ASSURANCE ACCOUNT:

8.1 Deposit: The Member shall pay and maintain a deposit with the Association of 5% of the principal amount of all Lender Loans and Equity Loans or such greater amount as may be stipulated by the Association (the "Deposit") on or before the date the Association has supplied

Livestock, or advanced an Equity Loan, to the Member. The Association shall place the Deposit, and all similar deposits paid by other members into an assurance account with the Association's Lender (the "Assurance Account"). The Member acknowledges and agrees that these amounts are required to be held by the Association's Lender to secure all loans obtained by the Association for livestock purchased by the Association for all of its members and Equity Loans advanced to its members, and that the Deposit will be subject to the security of the Association's Lender, and to retention or seizure by the Association's Lender in the event that loans made to purchase livestock for any member or to obtain funds for Equity Loans for any member are in default. The Member agrees that the Deposit may be applied in the sole discretion of the Association to reimburse the Association for the debts or liabilities of any Association member who is in default, subject only to the following conditions:

- (a) The deposit of the member in default shall be applied to pay the loan obtained by the Association to purchase livestock for that member, to advance Equity Loans to that member and to pay the member's other liabilities to the Association (collectively the "Default Liability") before other deposits or other Association funds are used;
- (b) The remaining balance of the Assurance Account shall be used to pay the remaining Default Liability, and the deposits of the members not in default shall be reduced, pro rata, by the amount paid;
- (c) Unless the Association is authorized to defer payment of a Default Liability pursuant to the Regulations, the Association shall use the Assurance Account, before other Association funds 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 paragraph;
- (e) No portion of the Assurance Account shall be returned to any member while a Default Liability is due or overdue;
- (f) Subject to subclause (e) above and the Act, the Regulations and the *Cooperatives Act*, the Association:
 - (i) may return the Deposit (or the Member's remaining pro rata portion of the Deposit if it has been used to pay a Default Liability) to the Member, on request, after a period of 3 months have lapsed from the date that Member's Obligations were satisfied or paid in full;
 - (ii) shall return the Deposit (or the Member's remaining pro rata portion of the Deposit if it has been used to pay a Default Liability) to the Member, on request, if the Member has withdrawn from membership, or if the Member's membership has been terminated, and a period of 3 months have lapsed from the date that the Member's Obligations were satisfied or paid in full; and
- (g) For greater certainty, in the event a Member's Deposit has been used to pay a Default Liability, no further Livestock shall be supplied to the Member until the Deposit the Member is required to maintain pursuant to this Agreement has been fully restored.

9. GENERAL PROVISIONS

- 9.1 **No Amendment:** This Agreement shall be amended if, and only if, the amendments are approved pursuant to the Regulations.

- 9.2 **Entire Agreement:** This Agreement, the Association's Bylaws, the Livestock Supply Form(s), the Promissory Note(s), the Equity Loan Promissory Note(s) and other agreements or documents approved under the Regulations, or requested or required by the Association, constitute the entire agreement between the Member and the Association relating to the subject matter of this Agreement, and supercede all prior or contemporaneous agreements, understandings, negotiations and discussions, whether oral or written. In the event of an inconsistency between these agreements, bylaws and documents, and the Act or Regulations, the Act and the Regulations shall prevail. In the event of an inconsistency between the Bylaws and the other agreements or documents referred to above, the agreements and documents shall prevail.
- 9.3 **Time:** Time is of the essence of this Agreement.
- 9.4 **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 Members, or by a partnership or joint venture, the obligations of each joint Member, partner and joint venturer shall be joint and several.
- 9.5 **No Assignment/No Set-Off by Member:** The Member may not assign this Agreement or the Member's rights hereunder. The Member will not have or claim any right of set-off or any counterclaim with respect to any monies or claims made by the Association against the Member arising from this Agreement.
- 9.6 **Effective Date and Termination:** This Agreement shall not take effect until it has been signed by both the Member and an authorized representative of the Association. This Agreement shall be terminated on the termination of the Member's membership in the Association or the withdrawal of the Member from membership in the Association, in accordance with the Association's Bylaws and the provisions of the *Cooperatives Act*, 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.
- 9.7 **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.
- 9.8 **Waiver of Receipt of Copies:** The Member 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 *Personal Property Security Act (Alberta)* in connection with any security interest created under this Agreement.
- 9.9 **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.
- 9.10 **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.
- 9.11 **Enurement:** This Agreement shall enure to the benefit of and be binding upon the personal representatives, administrators and successors of the Member and the administrators, successors and assigns of the Association.

9.12 **Receipt of Copy of Agreement:** The Member acknowledges receipt of a copy of this Agreement before the delivery of any Livestock.

Notice to the Member: 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 the Feeder Association and the Member have signed this Agreement effective the date and year first above written at _____, in the Province of Alberta.

[Picture Butte Feeder Co-operative Association]

Per:

Signature, printed name and title of authorized representative

MEMBER

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

Per:

Signature and printed name of Witness

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

Per:

Signature and printed name of Witness

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

Per:

Signature and printed name of Witness

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

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