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STYLE OF CAUSE

IN THE MATTER OF THE BANKRUPTCY
OF KALCO FARMS LTD.

DOCUMENT

**BRIEF OF LAW OF THE BOWRA GROUP
INC. IN ITS CAPACITY AS TRUSTEE IN
BANKRUPTCY OF KALCO FARMS LTD.**

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BENCH BRIEF OF THE APPLICANT, THE BOWRA GROUP INC.

DATE OF HEARING: AUGUST 27, 2021

BEFORE THE HONOURABLE JUSTICE G.S. DUNLOP

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I. INTRODUCTION

1. This Brief of Law is submitted on behalf of the Applicant, the Bowra Group Inc. (the “**Receiver**”), in its capacity as the Court-appointed Receiver of the undertakings, property and assets of Kalco Investments Ltd. (“**Investments**”), Kalco Farms Ltd., (“**Farms**” and together with Investments, the “**Companies**”), and certain lands owned by Michael Kalisvaart and Karen Jansen (the “**Individuals**”).
2. The Bowra Group Inc. is also trustee in bankruptcy of each of the Companies (the “**Trustee**”).
3. The Companies were in the business of producing and marketing cereal grains such as wheat, barley, and rye, as well as peas and canola, grown on fields in the municipal district of Sturgeon County and surrounding counties.
4. The Receiver (and Trustee) has brought an Application for various forms of relief to be heard on Friday August 27, 2021 at 2:00pm, including an application authorizing the Receiver to make an interim distribution of amounts it has realized in these proceedings to the following recipients (the “**Interim Distribution**”):
 - (a) Payment of \$260,000 to Bank of Montreal (“**BMO**”) to repay amounts borrowed by the Receiver in the Receivership Estate;
 - (b) Payment of \$17,402 to Employment and Social Development Canada for its claim pursuant to the *Wage Earner Protection Program Act*, SC 2005, c 47; and
 - (c) Payment of \$9,300,000 to BMO in partial satisfaction of its secured claim.
5. The Receiver has realized on most known assets of the Companies, including, *inter alia*, the following:
 - (a) \$8,092,500 from the sale of land;
 - (b) \$1,559,465 from the sale of equipment (“**Equipment Proceeds**”);
 - (c) \$1,559,465 (“**Crop Insurance Proceeds**”) from Agriculture Financial Services Corporation (“**AFSC**”) pursuant to Canada-Alberta AgrilInsurance Products for 2020 Annual Crops (the “**Crop Insurance**”); and
 - (d) \$13,580 from the sale of crops (the “**Crop Proceeds**”)¹.
6. The Receiver, as an officer of the Court, has prepared this brief of the law to assist this Honourable Court in determining what creditor is entitled to be paid the Crop Proceeds and the Crop Insurance Proceeds. Specifically, this brief considers the issue of priority over crops and their proceeds between security granted to a bank pursuant to Section 427 of the *Bank Act*, SC 1991, c 46 (the “**Bank Act**”) and security granted to another secured creditor pursuant to the *Personal Property Security Act*, RSA 2000, c P-7 (the “**PPSA**”).

¹ First Report of the Receiver, dated April 5, 2021 at Appendix “A” (the “**First Report**”)

7. Based upon our legal research, it would appear that BMO has priority to the Crop Proceeds and the Crop Insurance Proceeds.

II. BACKGROUND TO CROP INSURANCE REFUND

8. As referenced in the first report of the Receiver dated April 5, 2021 (the “**First Report**”), the Receiver was advised by AFSC that Farms made a claim to AFSC pursuant to the Crop Insurance due to crop losses it sustained to its 2020 crop inventory.²
9. The Receiver was further advised by AFSC that Farms had not paid its annual premiums for the Crop Insurance in the amount of \$152,389 (including interest) (the “**Insurance Premiums**”). AFSC requested the Receiver’s consent to allow it to set off the Insurance Premiums owing to it against the Insurance Proceeds payable. The Receiver’s counsel concluded that AFSC has a statutory right under the *Agriculture Financial Services Act*, RSA 2000, c A-12 to offset the Insurance Premiums against the Insurance Proceeds, and the Receiver consented to AFSC doing so.³
10. Farms assigned the amount of \$250,000 (the “**Assignment Proceeds**”) of the Insurance Proceeds to Providence Grain Group Inc. (“**Providence**”). AFSC currently holds the Assignment Proceeds pending an agreement between Providence and the Receiver, or further Court order.⁴
11. On April 1, 2021, AFSC paid to the Receiver the balance of the Insurance Proceeds, less the Assignment Proceeds and the amounts it set off for the Insurance Premiums, in the amount of \$1,559,465 (the “**Net Insurance Proceeds**”).
12. The Receiver seeks to distribute the Net Insurance Proceeds in the Interim Distribution.⁵ The Receiver is not seeking an order at this time respecting the Assignment Proceeds.
13. To the Receiver’s knowledge, the two parties who may claim priority entitlement to crop realizations and the Net Insurance Proceeds are BMO and Providence.
14. For the reasons that follow, the Receiver is of the opinion that BMO has priority to the Crop Proceeds and the Net Insurance Proceeds and that the inclusion of the Net Insurance Proceeds in the proposed Interim Distribution is appropriate.

III. SECURITY HELD BY BMO AND PROVIDENCE

i) Relevant BMO Security

15. In March 2018, BMO provided financing to each of the Companies for the expansion of their farming operations, which financing was secured by, *inter alia*, the following (collectively the “**BMO Security**”):

² First Report at para 95

³ First Report at para 96

⁴ First Report at para 97

⁵ As defined in the Second Report of the Receiver, dated August 12, 2021 at para 37 (the “**Second Report**”)

- (a) General Security Agreements from the Companies dated March 15, 2018 granting to BMO an interest in all of the Companies' present and after acquired personal property and a floating charge on lands (the "**BMO GSA's**");
 - (b) Section 427 *Bank Act* security from the Companies respecting all of the Companies' agricultural inventory, equipment, supplies and products (the "**Bank Act Security**"); and
 - (c) Cross-guarantees for the indebtedness provided by each of the Companies and the Individuals.
16. We have attached the BMO Security as **Exhibit "A"** to this Brief for ease of reference. The BMO Security is attached to the Affidavit of John Hermann filed in these proceedings on September 21, 2020, with the exception of the 427 Assignment (defined below) for Farms, which was provided to the Receiver by BMO's legal counsel.
17. As at the date of the granting of the Receivership Order, the Companies are indebted to BMO in the approximate amount of \$16,469,257.
18. The security interest granted to BMO pursuant to the BMO GSA's are perfected by registration at the Alberta Personal Property Registry.
19. It is the Receiver's respectful view that BMO has the first registered security interest in the Equipment Proceeds sought to be distributed by the Receiver, and subject to security interests in specific equipment, BMO has the first registered security interest in all present and after acquired property of the Companies.
20. The security interest created by the BMO GSA's does not attach to crops grown by the companies more than one year after they were entered into (March 2019 and forward).⁶
21. The Bank Act Security consists of:
- (a) An Application for Credit and Promise to Give Bills of Lading, Warehouse Receipts, or Security under Section 427 of the Bank Act dated March 26, 2018;
 - (b) Agreement as to Loans and Advances And Security Therefor dated March 26, 2018 ("**Bank Act Security Agreement**"); and
 - (c) Security Under Section 427 of the Bank Act dated March 26, 2018 (the "**427 Assignment**").
22. The Companies agreed in the Bank Act Security Agreement that:, *inter alia*:
- (a) All security held by the bank, and its proceeds, are held as continuing and collateral security for the payment of any debt or liability to BMO;
 - (b) they would keep all property insured to its full insurable value against loss or damage by fire, and if requested by the bank, against loss or damage form any

⁶ *Personal Property Security Act*, RSA 2000, c P-7, s. 13(2)(a) (the "**PPSA**") [TAB 1]

other cause...and shall assign to the bank the policies evidencing such insurance or all claims thereunder; and

- (c) the companies hold all security and their proceeds in trust for and on behalf of the bank.
23. A Notice of Intention under the *Bank Act* was registered at the Bank Act Register in the Province of Alberta on March 23, 2018 against each of the Companies, which is within the 3 years preceding the date that the Bank Act Security was given to BMO.⁷
24. The Receiver has obtained a legal opinion from its legal counsel, Miller Thomson, confirming the BMO Security is valid and enforceable, subject to the normal qualifications and assumptions contained in an opinion of that nature.⁸

ii) Providence Security

25. On or about May 11, 2020, Farms entered into grain delivery contracts with Providence, whereby Farms agreed to deliver to Providence certain quantities of peas and canola.
26. Providence was granted, *inter alia*, the following security by Farms (the “**Providence Security**”):
- (a) Loan Agreement dated May 11, 2020 (the “**Loan Agreement**”);
 - (b) Assignment of Indemnity Form for Insurance (referred to above as the Assignment);
 - (c) Promissory Note Dated May 11, 2020 given by Farms;
 - (d) Promissory Note dated May 18, 2020 given by Farms;
 - (e) Promissory Note dated June 24, 2020 given by Farms;
 - (f) Purchase Money Security Agreement dated May 11, 2020 between Providence and Farms (the “**Providence Security Agreement**”); and
 - (g) Assignment of Delivery Contracts dated May 11, 2020 granted by Farms as Assignor and Providence as Assignee.
27. We have attached the Providence Security as **Exhibit “B”** to this Brief for ease of reference. The Providence Security has not been presented in Affidavit form, and we have relied upon copies of the Providence Security provided to the Receiver by Providence’s legal counsel.
28. On or about May 25, 2020, Providence registered a security interest against all present and future crop inputs, crops and proceeds of such crops of Farms at the Alberta personal property registry.⁹

⁷ Section 427 Bank Act Registrar Searches for Kalco Farms Ltd. and Kalco Investments Ltd. [TAB 2]

⁸ Second Report at para 32

⁹ Second Report at para 23

29. Providence claims it is owed the sum of \$422,758 as at April 26, 2021.
30. The Receiver is of the opinion that the Providence Security creates a valid security interest in the 2020 Crops and their proceeds of Farms.
31. The Providence Security also suggests that it conferred upon Providence a Purchase Money Security Interest (“**PMSI**”) in the crops and their proceeds of Farms. In order for Providence to establish a PMSI in the crops and their proceeds, it must establish that it gave “value for the purpose of enabling the debtor (Farms) to acquire rights in the collateral, to the extent that the value is applied to acquire those rights”¹⁰.
32. To date, Providence has not provided the Receiver evidence that amounts advanced by Providence were used by Farms to purchase crop inputs. As such, the Receiver is unable to conclude at this time that Providence has established a valid PMSI in the crops or their proceeds of Farms.
33. The Receiver understands that Providence remains in the process of compiling relevant information for the Receiver’s review, including the review of certain banking records of Farms to evidence that its advances were used by Farms to purchase crop inputs.
34. Regardless of whether Providence is able to establish a PMSI, the Receiver is of the view that the security interest created by the Providence Security Agreement is the first perfected *PPSA* security interest in the 2020 crops of Farms pursuant to s.13(2)(a) of the *PPSA*. As such, this Honourable Court must determine whether BMO’s Bank Act Security gives it priority over the crops and their proceeds, including the Net Insurance Proceeds, or whether the security interest given to Providence pursuant to the Providence Security Agreement has priority.

IV. ISSUES

35. As between BMO and Providence, who has priority over Farms’ crops, the Crop Proceeds and the Net Insurance Proceeds? The answer to this question requires the consideration of the following issues:
 - (a) Who has priority between a creditor having a valid security interest in crops pursuant to s.427 of the *Bank Act* and a creditor holding a security interest in crops pursuant to the *PPSA*?
 - (b) Who has priority between a creditor having a valid security interest in crops pursuant to s.427 of the *Bank Act* and a creditor holding a PMSI in crops pursuant to the *PPSA*?
 - (c) Does a security interest in crops given pursuant to s. 427 of the *Bank Act* extend to their proceeds, including insurance proceeds?

¹⁰ *PPSA*, s 1(1)(II)(ii) [TAB 1]

V. **LAW AND ANALYSIS**

i) **Bank Act Security that is granted in crops prior to a security agreement granting a security interest in crops that is governed by the PPSA will have priority**

a) **Overview of the Bank Act**

36. The *Bank Act* security regime is found in sections 425 through 436.1.¹¹
37. Section 427 of the *Bank Act* enumerates certain classes of debtors who are able to grant *Bank Act* security, and lists specific collateral over which a security interest can be granted. Farmers are able to grant *Bank Act* security over, *inter alia*, crops (427(1)(d)), seed grain (427(1)(f)(i)), and fertilizers and pesticides (427(1)(f)(ii)).¹²
38. Section 427(2) of the *Bank Act* specifies what rights and powers are conveyed to a bank when it is granted security, and confirms that those rights and powers vest with the bank upon the delivery of a document granting the bank security.¹³
39. A bank must register a Notice of Intention in the Bank Act Registry that is signed by or on behalf of a person giving security not later than 3 years *prior* to the security being granted in order to have priority over secured collateral.¹⁴
40. As explained by the Supreme Court of Canada in *Bank of Montreal v Innovation Credit Union*:¹⁵

[36] The “rights and powers” which vest in the bank are then defined differently depending on the nature of the collateral. When acquiring a security interest in the types of property listed in s. 427(2)(c), the bank acquires “the same rights and powers as if the bank had acquired a warehouse receipt or bill of lading in which that property was described”. When taking a security interest in the types of property listed in s. 427(2)(d), the bank acquires, in addition to the rights granted to it under s. 427(2)(c), “a first and preferential lien and claim thereon for the sum secured and interest thereon... the reference to the creation of a first and preferential lien does not increase the priority position of a bank... (emphasis added)

41. The effect of a warehouse receipt or bill of lading is provided for in section 435(2) of the *Bank Act*, which specifies that a bank gains all right and title in the goods as the owner of the goods had at the time of the grant of the security.¹⁶
42. As a result, the Supreme Court of Canada in *Innovation Credit Union* recognized that the interplay between section 427(2)(c) and 435(2) result in a bank being able to acquire “no greater interest in the collateral than the debtor himself has at the relevant time.”¹⁷ This

¹¹ *Bank Act*, SC 1991, c 46 (“*Bank Act*”) ss. 425 – 436.1 [TAB 3]

¹² The relevant portion of section 427(1) as it relates to farming operations are contained and highlighted at TAB 3; see section 427(1)(d)(f)(h)(j)(l) and (n)

¹³ *Bank Act*, *supra* note 11 at s 427(2) [TAB 3]

¹⁴ *Bank Act*, *supra* note 11 at s 427(4) [TAB 3]

¹⁵ *Bank of Montreal v Innovation Credit Union*, 2010 SCC 47 (“*Innovation Credit Union*”) at para 36 (emphasis added) [TAB 4]; see also *Bank Act* s 435(2)(a) [TAB 3]

¹⁶ *Bank Act* s 435(2) [TAB 3]

¹⁷ *Innovation Credit Union*, *supra* note 15 at para 15 [TAB 4]

line of reasoning was confirmed in the Supreme Court of Canada's decision in *Radius Credit Union v Royal Bank*.¹⁸ This is, in essence, the codification of the legal maxim *nemo dat quod non habet*.

43. The provisions dealing with priority under the *Bank Act* are limited. However, pursuant to section 428(1) of the *Bank Act*,¹⁹ security granted under the *Bank Act* will obtain priority over all rights that are subsequently acquired in, or in respect of that property:

Priority of bank's rights

428 (1) All the rights and powers of a bank in respect of the property mentioned in or covered by a warehouse receipt or bill of lading acquired and held by the bank, and the rights and powers of the bank in respect of the property covered by security given to the bank under section 427 that are the same as if the bank had acquired a warehouse receipt or bill of lading in which that property was described, have, subject to subsection 427(4) and subsections (3) to (6) of this section, priority over all rights subsequently acquired in, on or in respect of that property, and also over the claim of any unpaid vendor or of any person who has a security interest in that property that was unperfected at the time the bank acquired its security in the property.

b) Non-Applicability of PPSA to Bank Act security

44. Generally, the Alberta *PPSA* does not apply to *Bank Act* security:

Non-application of Act

4 Except as otherwise provided under this Act, this Act does not apply to the following:

...

- (b) a security agreement governed by an Act of the Parliament of Canada that deals with rights of parties to the agreement or the rights of third parties affected by a security interest created by the agreement, and any agreement governed by sections 425 to 436 of the *Bank Act* (Canada).²⁰

45. In *Radius Credit Union*, the Supreme Court of Canada recognized that as provinces are unable to "enact provisions that would affect the priority of a validly created federal security interest, the conceptual framework for resolving disputes between *PPSA* security interests and *Bank Act* security interests is necessarily that supplied by the *Bank Act*."²¹
46. Where the *Bank Act* contains an express priority provision, that priority provision will govern so long as it is applicable to the priority dispute being examined. In instances where section 428 of the *Bank Act* applies, and the *Bank Act* security interest is given priority over rights subsequently acquired in the property, "s 428(1) usually provides the total answer and the analysis can end there."²²
47. That being said, while the priority provisions of provincial personal property security legislation cannot be invoked to resolve a priority dispute with *Bank Act* security, such

¹⁸ *Royal Bank of Canada v Radius Credit Union Ltd.*, 2010 SCC 48 ("*Radius Credit Union*") at para 6 [TAB 5],

¹⁹ *Bank Act* s 428(1) [TAB 3]

²⁰ *PPSA*, s 4 [TAB 1]

²¹ *Radius Credit Union*, *supra* note 18 at para 13 [TAB 5]

²² *Innovation Credit Union*, *supra* note 15 at para 29 [TAB 4]

legislation continues to play a complimentary role in defining rights that are granted under the *Bank Act*.²³

c) Priority over after-acquired property

48. The BMO Bank Act Security and the Providence Security each provide for a security interest in after-acquired property of Farms.
49. In *Radius Credit Union*, the Supreme Court of Canada was faced with determining priority to after acquired property as between a bank with *Bank Act* security and a credit union holding an unperfected security interest in after-acquired property granted pursuant to provincial laws. The *Bank Act* security was granted after the security granted to the credit union.
50. The Court found that both the bank's *Bank Act* security and the credit union's security interest in after acquired property was enforceable from the date that the security agreements were executed (not the date of registration, perfection or attachment).²⁴
51. The execution of the *PPSA* security agreement in favour of the Credit Union was done in 1992, more than five years prior to the execution of the *Bank Act* security. As a result, it was held that by virtue of sections 427(2) and 435(2) of the *Bank Act*, the bank could not receive a greater interest in the after-acquired property than the debtor had itself. When the *Bank Act* security was granted, the Credit Union already held a proprietary interest in the collateral. The Court found that the *Bank Act* security was subordinate to the Credit Union's rights under the *PPSA*, notwithstanding that it was unperfected.²⁵
52. It is noted by the Receiver that in *Radius Credit Union*, the Court found that the failure of the Credit Union to register its security interest did not affect the nature and validity of its prior interest. However, after this decision was released, section 428 of the *Bank Act* was amended to give *Bank Act* security priority over a previously unperfected security interest.
53. BMO's interest in Farm's current and after acquired agricultural inventory came into existence on the date that the *Bank Act* security was executed, March 26, 2018. Providence's security was executed on May 11, 2020, and such interest in the Farm's crops did not arise until that date. As a result, and based on the authority in *Radius Credit Union* and section 428 of the *Bank Act*, the Receiver is of the opinion that BMO will have priority over Providence to Farm's crops.

ii) *Bank Act security in crops will have priority over a creditor holding a PMSI in crops unless the PMSI Creditor specifically reserves title to the crops*

54. As outlined above, generally in instances where competitions arise between prior *Bank Act* security and a subsequent PMSI, the priority provision contained in section 428 of the *Bank Act* will apply, and the holder of the prior *Bank Act* security will have priority over a subsequent PMSI.²⁶

²³ *Radius Credit Union*, *supra* at para 18 [TAB 5]

²⁴ *Ibid* at paras 26 to 27 and paras 32 to 34 [TAB 5]

²⁵ *Ibid* at paras 35 to 36 [TAB 5]

²⁶ *Bank Act* s 428(1) [TAB 3]; see also *Moose Jaw (City) v Pulsar Ventures Inc.*, 1987 CarswellSask 47 at paras 22 to 29 [TAB 6]

55. However, if the PMSI creditor reserves title to the collateral in its security documents, then a borrower will not be in a position to assign title to the bank, and the PMSI under the *PPSA* will have priority over a previously granted s.427 *Bank Act* security interest.²⁷ In the case at hand, the security granted to Providence does not retain title to the collateral and therefore the issue of whether Providence has established a valid PMSI is not relevant to the issue before the court.

iii) *Bank Act security in crop proceeds, including crop insurance proceeds will have priority over a PPSA security interest*

a) Crop proceeds

56. The *Bank Act* does not expressly provide that security granted in collateral extends to its proceeds, however the jurisprudence has determined that it does.

57. In *Royal Bank of Canada v United Grain Growers Ltd.*,²⁸ the Royal Bank of Canada (“**RBC**”) brought an application under section 66 of the Saskatchewan *Personal Property Security Act*, 1993, SS 193, s p-6.2 (“**SPPSA**”), to determine a question of priority between RBC and the United Grain Growers Limited (“**UGG**”) with respect to potato inventory and the proceeds of its sale.²⁹

58. RBC claimed priority to the proceeds pursuant to its *Bank Act* security, while UGG claimed priority to the proceeds pursuant to the *SPPSA*.³⁰ On May 2, 1997, the debtor executed an Application for Credit and Promise to Give Security and granted the bank an assignment under s. 427 of the *Bank Act* in “All crops growing and produced and all products of agriculture.”³¹ On May 6, 1997, the debtor executed an Agreement as to Loans and Advances and Security in favour of RBC, which provided as follows:

6. I/We assign to you and agree to pay to you or transfer to you forthwith the proceeds of all sales by me/us of the property or any part of such property, including cash, debts arising from such sales or otherwise, evidences of title, instruments, documents and securities, which I/we may receive or be entitled to receive in respect thereof; until so paid or transferred, such proceeds will be held by me/us in trust (in Quebec, as mandatary) for you.³²

59. UGG’s security interest in the potato crops and its proceeds arose from a Credit Application and Security Agreement executed by the debtor on May 6, 1998. UGG’s security was registered on July 10, 1998 describing the collateral as follows:

“All crops, including any products of the soil produced by the agricultural process or industrial horticulture, whether or not harvested, together with all proceeds and income thereof, including accounts receivable, contract rights, insurance proceeds, or amounts received for destruction or damage to crops, and payments from the Canadian Wheat

²⁷ *Rogerson Lumber Co. v Four Seasons Chalet Ltd*, 1980 CarswellOnt 195 (Ont CA) [TAB 7]

²⁸ *Royal Bank v United Grain Growers Ltd.*, 2000 SKQB 393 (“*United Grain*”) [TAB 8]

²⁹ *Ibid* at para 1 [TAB 8]

³⁰ *Ibid* at paras 20 to 24 [TAB 8]

³¹ *Ibid* at para 6 [TAB 8]

³² *Ibid* at para 7 [TAB 8]

Board or any government agency, marking board or similar organization.”³³

60. In reaching a determination that the security afforded by the *Bank Act* extends to the proceeds of the collateral, the Court in *United Grain* stated as follows:

25 There is now a long line of established judicial authority at the highest level nationally (the Supreme Court of Canada) and provincially (the Saskatchewan Court of Appeal) supporting the conclusion that in a priority dispute between a *Bank Act* security interest and a PPSA security interest, generally speaking, the priority is established by the "first in time" priority rule. This certainly applies to goods which are the subject of the original collateral interest and although some distinctions may arguably exist with respect to the proceeds of the sale of those goods, generally speaking to those proceeds as well.

26 The dominant case in the field is the decision of the Supreme Court of Canada rendered in the case of *Flintoft v. Royal Bank*, [1964] S.C.R. 631 (S.C.C.). This case makes it clear that a bank is the owner not only of the original collateral secured by the terms of its security agreement taken pursuant to the *Bank Act* but as well the proceeds or receivables from the sale of that collateral. (See also *Canadian Imperial Bank of Commerce v. R.* (1984), 52 C.B.R. (N.S.) 145 (Fed. T.D.); *Bank of Montreal v. Hall*, [1990] 1 S.C.R. 121 (S.C.C.); *Royal Bank v. Lions Gate Fisheries Ltd.*, [1991] 3 W.W.R. 40 (B.C. C.A.); *Canadian Imperial Bank of Commerce v. Klymchuk*, [1990] 5 W.W.R. 214 (Alta. C.A.); *Canadian Imperial Bank of Commerce v. Perpeluk (Trustee of)*, [1986] 2 W.W.R. 631 (Sask. C.A.).³⁴

61. The Court in *United Grain* found that RBC had priority under its *Bank Act Security* over the crop and its proceeds (including the collection of receivables).³⁵
62. The Saskatchewan Court of Appeal upheld the lower Court's decision in *United Grain*, and explicitly rejected UGG's argument that the *Bank Act* security should apply to collateral only and not to the proceeds".³⁶
63. Despite the case law, entitlement to proceeds under the *Bank Act* has received cautious treatment by some academic commentators. In "Personal Property Security Law", Professors Cuming, Walsh, and Wood argue that a claim to proceeds can be framed in two ways: 1) if a claim to proceeds is founded upon the contractual agreement to hold funds in trust, then there is an argument that it would fall within the definition of a security interest and be subject to the provisions of the PPSA, or 2) if an interest in the proceeds arises by operation of law, then the PPSA would not govern any such interest in the proceeds.³⁷ The authors go on to comment that :

"Unfortunately, there is great uncertainty in the law at present concerning the legal basis or the priority of the bank's claims to proceeds. Some of the cases seem to suggest that the bank becomes the legal owner of the proceeds. This theory is premised on the view that the *Bank Act* gives the bank legal ownership of the collateral and that the debtor deals with the property merely as agent for the owner.³⁸ Even where this view is

³³ *Ibid* at paras 14 to 16 [TAB 8]

³⁴ *Ibid* at paras 25 to 26 [TAB 8]

³⁵ *Ibid* at para 37[TAB 8]

³⁶ *Royal Bank v United Grain Growers Ltd.*, 2001 SKCA 42 at para 4 [TAB 9]

³⁷ "Personal Property Security Law" 2nd ed (2012), Ronald C.C. Cuming, Catherine Walsh, and Roderick J. Wood, pages 704 to 705 [TAB 10]

³⁸ Note: The authors Cuming, Walsh, and Wood make reference to *Goodfallow, Traders' Bank v Goodfallow (Re)* (1890), 19 OR 299 (HCJ (Ch D))

accepted, there appears to be a difference in opinion concerning the nature and status of the bank's claim to the proceeds. In one decision, the court concluded that "the proceeds are subject to the same statutory interest and priority under the *Bank Act* as is the original collateral itself."³⁹ In another, the court concluded that the debtor held the proceeds in trust for the bank.⁴⁰ There is a significant difference between these two views. In the former case, the bank could assert its legal title to the proceeds as against competing third parties who subsequently obtained an interest in the proceeds. In the latter case, the bank would have merely an equitable interest that would be defeated by a *bona fide* purchaser for value and without notice who acquired a legal interest in the proceeds. Other cases seem to base the claim on the agreement between the bank and its customer under which the customer agrees to hold the proceeds in trust for the bank.⁴¹ On this view, it can be argued that the parties have created a security interest in the proceeds by virtue of an agreement and that it therefore falls within the scope of the PPSA. Because of this uncertainty, the authors are unable to make any prediction as to outcome where there is a priority competition that involves proceeds.⁴²

64. In the Receiver's view, the *United Grain* case addresses this commentary.
65. The Court in *United Grain* referenced that the authors "argue that since the former is a common law right it is not provided priority protection pursuant to the provisions of the *Bank Act*. Rather, being a common law right of property, it becomes subject to the provisions of the PPSA (insofar as the proceeds claim is concerned)." The Court, however, commented that such an analysis breaks down "if one accepts as decisive the cases that conclude that if the collateral itself is subject to *Bank Act* security (and therefore priority) the proceeds are subject to the same statutory interest and priority under the *Bank Act* as is the original collateral itself. In essence, these cases recognize that the collateral has simply changed in character but the substance of the Bank's interest and therefore priority continues to apply. There is not some new collateral created that is free from the *Bank Act* security and priority result."⁴³ (emphasis added)
66. Therefore, it is the Receiver's respectful view that the cases support a conclusion that BMO has priority over the Crop Proceeds pursuant to its Bank Act Security.

b) Net Insurance Proceeds

67. Courts have held that section 427 security attaches to insurance proceeds.
68. In the 1986 British Columbia Supreme Court decision of *Cdn. Commercial Bank v Cdn. Imperial Bank of Commerce*,⁴⁴ the Court held that security granted under the *Bank Act* "created a fixed charge against the insured property from the time the security was

³⁹ Note: The authors Cuming, Walsh, and Wood make reference to *Royal Bank of Canada v United Grain Growers Ltd*, 2000 SKQB 393 at para 33 ("*United Grain*") [TAB 8], aff'd 2001 SKCA 42 [TAB 9]

⁴⁰ Note: The authors Cuming, Walsh, and Wood make reference to *Re Richmac Interiors Ltd (1996)*, 38 Alta LR (3d) 38, [1996] AJ No 132 (QB) at para 50 [TAB 11]

⁴¹ Note: the authors Cuming, Walsh and Wood make reference to *Flintoft v Royal Bank of Canada*, [1964] SCR 631 at 634 – 635 [TAB 12]; and Cuming & Wood, "Compatibility of Federal and Provincial Personal Property Security Law" (1986) 65 Can Bar Rev 267 at 287-92

⁴² "Personal Property Security Law", *supra* note 37 at p 704 to 705 [TAB 10]

⁴³ *Supra* note 28 at para 33

⁴⁴ *Cdn. Commercial Bank v Cdn. Imperial Bank of Commerce*, 1986 CarswellBC 174, [1986] BCWLD 3409 [TAB 13]

given.”⁴⁵ When the insured property in question was destroyed, the defendants’ entitlement “to the insurance proceeds payable on their loss stood in place of the property as substitute security; see *Re DeVries and Royal Bank* (1975), 8 O.R. (2d) 347, 58 D.L.R. (3d) 43, affirmed 11 OR (2d) 583.”⁴⁶ As a result, it was confirmed by the Court that “[e]ntitlement to the insurance proceeds in the holder of the s. 178 Bank Act security occurs by operation of law, whether there has been an assignment of the insurance policy or not” (emphasis added).⁴⁷

69. A similar finding was made by the Saskatchewan Court of Appeal by Wakeling J.A. in concurring reasons for decision in *Canadian Imperial Bank of Commerce v Perepeluk (trustee of)*:⁴⁸

19 The question then arises whether this assignment of insurance proceeds was the kind of an interest which had to be protected under the Personal Property Security Act, S.S. 1979-80, c. P-6.1, in order to be effective against third party interests. I think not, for if the right of the bank had been properly secured under its s. 88 security, as is acknowledged in this case, it seems illogical to expect that each step in the process of realization of that security would have to be similarly protected.

20 The bank’s interest in the crop in question had been secured. The terms of the security had conveyed to the bank the debtor’s interest in the crop and the debtor had also undertaken to insure the crop against hail damage and to assign the benefit of the insurance to the bank. Upon the crop suffering hail damage, the bank had by the terms of the original security, the right to have the benefit of the insurance and to therefore have the insurance proceeds paid to it. The assignment of such insurance proceeds was nothing more than a useful direction to the insurer in accordance with the terms of the original security document which had been properly registered under the provisions of the Bank Act, and it was not a new security requiring the filing of a financing statement under another security code, namely, the P.P.S.A.

21 This position is supported by the case of *Flintoft v. Royal Bank of Can.*, [1964] S.C.R. 631, 49 W.W.R. 301, 7 C.B.R. (N.S.) 78, 47 D.L.R. (2d) 141 [Man.], in which the dispute was between a s. 88 security and an assignment of book debts. Judson J., on behalf of the court, held that the s. 88 security included the right to proceeds of the sale of items which were subject to the security, and therefore the assignment of a book debt by the debtor “does no more than facilitate collection” [p.635]. This is how the assignment of the insurance proceeds in this case should be categorized.

22 The appellant contended that the assignment constituted a separate security as s. 88 and related sections of the Bank Act only provided security on the grain and not the insurance proceeds. However, this is not in keeping with the opinions expressed in *De Vries v. Royal Bank of Can.* (1975), 8 O.R. (2d) 347, 58 D.L.R. (3d) 43 (H.C.), in which the trial judge held the insurance money stood in lieu of the security and the appellate court [(1975), 11 O.R. (2d) 583, 21 C.B.R. (N.S.) 271, 66 D.L.R. (3d) 618 (C.A.)] supported that judgment but found it only necessary to decide the replacement cattle, purchased by the insurance, were also secured by the original s. 88 security. This being so, the assignment can be considered as merely an incident of the prime security provided by the s. 88 documentation and not something to be viewed on its own merits as a separate security subject to scrutiny from within the confines of the P.P.S.A.

⁴⁵ *Ibid* at para 33 [TAB 13]

⁴⁶ *Ibid* at para 34 [TAB 13]

⁴⁷ *Ibid* [TAB 13]

⁴⁸ *Canadian Imperial Bank of Commerce v Perepeluk (Trustee of)*, 1986 CarswellSask 34, [1986] 2 WWR 631 (Sask CA) [*Perepeluk*] [TAB 14]

...

However, it has been established that the provisions of this provincial legislation cannot be interpreted as restricting the security provided by the Bank Act: Rogerson Lumber Co. v. Four Seasons Chalet Ltd. (1980), 29 O.R. (2d) 193, 36 C.B.R. (N.S.) 141, 12 B.L.R. 93, 1 P.P.S.A.C. 160, 113 D.L.R. (3d) 671 (C.A.)

24 In summary, I consider it preferable to conclude that the assignment of the crop insurance was nothing more than a step taken in the realization of the benefits provided under a properly registered s. 88 security, and that the provisions of the P.P.S.A. do not apply. This being so, the appellant's position that the assignment was a security interest required to be perfected by the filing of a financing statement cannot be accepted and the appeal should be dismissed with costs.⁴⁹

70. In addition to referencing Justice Wakeling's reasoning in *Perepeluk*, Matheson J, in the 1997 Prince Edward Island Supreme Court decision of *Prince Edward Island Produce Co. v. Springloam Farms Ltd.*,⁵⁰ found that the wording of the loan agreement in question indicated that proceeds from an insurance policy were covered under a bank's security, and stated:

"36 Thus the loan agreement itself indicates that the "proceeds of the security which would include not only the proceeds from the sale of the security, but also proceeds from an insurance policy on the security constitutes a continuing collateral security for the payment of Springloam's debt.

37 Accordingly, I find the s. 427 security would attach to the insurance proceeds as well."⁵¹

71. The Receiver submits that the above authorities stand for the proposition that insurance proceeds stand as an extension of the original collateral subject to the *Bank Act* security.

V. RELIEF CLAIMED

72. Based upon the filed materials and the above submissions, the Receiver is of the view that BMO, by virtue of its *Bank Act* security, has priority entitlement to the Crop Proceeds and the Net Insurance Proceeds.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 20th DAY OF AUGUST, 2021

MILLER THOMSON LLP

Per:



Susy Trace
Counsel for the Applicant, The
Bowra Group Inc. in its capacity
as Receiver and Manager, and
Trustee in Bankruptcy

⁴⁹ *Ibid* at paras 19 to 24 [TAB 14]

⁵⁰ *Prince Edward Island Produce Co. v Springloam Farms Ltd.*, 1997 CarswellPEI 53 [TAB 15]

⁵¹ *Ibid* at paras 36 to 37 [TAB 15]

To the

Bank of Montreal
4906 – 50th Street
Camrose, Alberta
T4V 0S3

52 NOTE Here we general description of the kind or kinds of property to be covered by the security, or if space insufficient these particulars may be set out on the back of the form or in a schedule annexed. In such cases insert "the property described on the reverse hereof (or schedule annexed)."

The Bank is hereby requested by the undersigned to grant and continue certain credit facilities (whether by loans, the acceptance of our bills of exchange, or otherwise) and to make loans or advances to the undersigned thereunder on the security of all property of the kind(s) hereinafter described of which the undersigned is now or may thereafter become the owner or in respect of which the undersigned does now have or hereafter may acquire rights, to wit

All agricultural inventory, equipment, supplies and products

and/or on the security of warehouse receipts and/or bills of lading covering such property.

52 NOTE In the use of a supplementary application and promise the words and any application(s) for credit and promise(s) give security supplemental hereto" should be struck out and initialed by the

And the undersigned promise(s) and agree(s) to give the Bank security for all loans and advances by the Bank to the undersigned pursuant to this application for credit and promise to give security and any application(s) for credit and promise(s) to give security supplemental hereto, by way of assignment under Section 427 of the Bank Act covering all the property aforesaid which is now or may hereafter be in the place or places hereinafter designated, to wit

Sturgeon County and elsewhere in the Province of Alberta

or in transit thereto or therefrom or in any other place or places in Canada in which any of the said property may be located.

52 NOTE Here designate the place or places where the property to be covered by the security is or may be located, or if space sufficient these particulars may be set out on the back of the form or in a schedule annexed. In such cases, insert after "the place or places designated on the reverse hereof (or in schedule annexed)".

The undersigned promise(s) and agree(s) to give the Bank from time to time and as often as requested by the Bank warehouse receipts and/or bills of lading covering all the property aforesaid or any part thereof which is now or may hereafter be covered by warehouse receipts or bills of lading, as security for all the said loans and advances.

And the undersigned will pay the Bank all costs, charges and expenses which the Bank may incur in enforcing or obtaining payment of the sums of money due to the Bank from the undersigned or in attempting so to do.

The undersigned hereby appoint(s) the person for the time being acting as manager of the above-mentioned branch of the Bank the attorney of the undersigned, on behalf of the undersigned to give from time to time to the Bank any and all security mentioned above and to sign or endorse and deliver any and all instruments and documents in connection therewith.

The Bank may from time to time take from the undersigned notes representing the said loans and advances or any part thereof; and any notes so taken shall not extinguish or pay the indebtedness created by such loans and advances but shall represent the same only.

No security acquired by the Bank shall be merged in any subsequent security or be taken to be substituted for any security previously acquired.

It is the express wish of the Parties that this agreement and any related documents be drawn up and executed in English. Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

EDMONTON
DATED at Morinville, Alberta on MARCH 26, 2018.

KALCO FARMS LTD.

By: 
Name: Michael Kallsvaart
Title: President

® Registered trade-marks of Bank of Montreal

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To the

BANK OF MONTREAL:
4906 – 50 Avenue
Camrose, Alberta
T4V 0S3

In consideration of the loan(s) or advances(s) being made and/or to be made hereafter by the BANK OF MONTREAL (hereinafter called "the Bank") to the undersigned (hereinafter called "the Customer") the Customer agrees with the Bank as follows:

1. All Security now or at any time hereafter held by the bank for the payment of any debt or liability of the Customer (the said security being hereinafter called "the security"), including, without limiting the generality of the foregoing, security by way of warehouse receipt or bill of lading or under Section 427 of the Bank Act, together with all property covered by or comprised in the security (the said property being hereinafter called "the property"), and all proceeds of the security and of the property, shall be continuing collateral security for the payment of such debt or liability and also for the payment of interest thereon and of all costs, charges and expenses of or incurred by the Bank in connection therewith, including solicitor and his own client legal costs, whether in protecting, preserving, possessing, preparing for disposition, disposing of, realizing or collecting the security or the property or attempting so to do or otherwise, and interest thereon at the rate and calculated in the manner agreed upon by the Customer and the Bank, all of which the Customer agrees to pay to the Bank.

2. The Customer shall keep the property insured to its full insurable value against loss or damage by fire, and if requested by the Bank, against loss or damage from any other cause, with insurers approved by the Bank, and shall assign to the Bank the policies evidencing such insurance or all claims thereunder and/or have the loss made payable to the Bank as the Bank may require and shall deliver the policies to the Bank, and in the event of failure so to do the Bank may but shall not be bound to effect such insurance on the property as it sees fit and the Customer will on demand repay to the Bank the amount of any premiums paid by it with interest thereon at the rate and calculated in the manner agreed upon by the Customer and the Bank.

3. If the Bank surrenders to the Customer the security or the property or any part of either of them, the Customer shall receive the same in trust for and on behalf of the Bank and from time to time shall deal therewith as the Bank may direct and, at the request of the Bank, shall give to the Bank security on the property so surrendered, or covered by the security so surrendered, to the satisfaction of the Bank.

4. Until default by the Customer in payment of all or any part of the indebtedness and liability of the Customer to the Bank, or until notice by the Bank to the Customer to cease so doing, the Customer may sell such property from time to time in the ordinary course of business and remove the same for the purpose of delivery to purchasers thereof. The proceeds of all sales by the Customer of the property or any part thereof, including, without limiting the generality of the foregoing, cash, debts arising from such sales or otherwise, evidences of title, instruments, documents and securities, which the Customer may receive or be entitled to receive in respect thereof, are hereby assigned to the Bank and shall be paid or transferred to the Bank forthwith, and until so paid or transferred shall be held by the Customer in trust for any additional assignment of any of such proceeds shall be deemed to be in furtherance hereof and not an acknowledgement by the Bank of any right or title on the part of the Customer to such book debts or proceeds.

5. The Customer shall at all times duly and seasonably pay and discharge all claims whatsoever in any way secured by or constituting a charge upon the property or any part thereof and particularly, but without limiting the generality of the foregoing, all wages, salaries and other remuneration of all employees employed by the Customer in connection with the business or farm of the Customer in respect of which any property covered by the security is held or acquired by the Customer, and shall from time to time at the request of the Bank exhibit to the Bank evidence of such payment and discharge and obtain and deliver to

the Bank such waivers or releases as the Bank may deem necessary to secure to the Bank the priority of its rights in the property.

6. The Customer shall from time to time on demand and to the satisfaction of the Bank deliver to the Bank additional security, and in the event of failure by the Customer so to do or to make due payment to the Bank of any debt or liability or part thereof or to observe any provision of this agreement, the Bank may in its discretion cease or refrain from making loans or advances to the Customer whether under any credit extended by the Bank or otherwise, and all debts and liabilities of the Customer to the Bank shall at the option of the Bank be payable forthwith and without any demand, and the Bank is hereby authorized from time to time to sell at public or private sale or otherwise realize upon the security or any part thereof and all or any of the property whenever and wherever and for such price in money or other consideration and in such manner and upon such terms and conditions as the Bank deems best, the whole without advertisement or notice to the Customer or others and to deal with the proceeds as in this agreement provided or as otherwise agree, without prejudice to its claim for any deficiency and free from any right of redemption on the part of the Customer which is hereby waived and released, the Customer expressly waiving all and every formality prescribed by custom or by law in relation to any such sale or other realization.

7. The Bank may from time to time, enter upon or into and occupy and use, enjoy and exercise free of charge and to the exclusion of all others, including the Customer, any and all premises and property (real and personal, immovable and movable) and rights, powers and privileges of or used, enjoyed or exercised by the Customer in connection with the property or any part thereof or in or upon which the same may be (not being the premises of a warehouseman or carrier) until the property shall be fully realized upon, and may from time to time appoint a receiver, receiver-manager or agent to act for the Customer, for whose acts the Customer alone shall be responsible, and the Customer shall have no power to revoke such appointment or determine such agency. Such receiver, receiver-manager or agent shall have and may exercise all the powers, rights and discretions granted to the Bank by this agreement and the Bank and any such receiver, receiver-manager or agent shall have the right from time to time in the name of the Customer to exercise any and all of the Customer's rights, powers and privileges of every kind and to do all acts and things which the Customer could do if acting, for the purpose of completing, selling, shipping or otherwise dealing with the property in such manner as the Bank may deem best for the purpose of realizing upon the security.

8. Any promissory note or bill exchange received by the Bank together with any securities or documents attached thereto or received therewith shall be subject to the terms of this agreement and the Bank and holders for the time being of any such bill or note may at any time before or after its maturity and whether or not it has been dishonoured accept payment and deliver the securities or documents or accept partial payment from time to time and thereupon release part of the securities or of the property covered by the documents or any of them.

9. The Bank may from time to time apply

- (a) all payments which it receives,
- (b) the proceeds of sales by the Customer of the property or any part thereof, and
- (c) the proceeds of realization of any part of the security or of the property which are applicable generally to the debts and liabilities of the Customer to the Bank,

against, or as the Bank deems best, hold the same with all the powers, rights and discretions conferred on it by this agreement or otherwise, as continuing collateral security for the fulfillment of any or all obligations, present or future, direct or indirect, absolute or contingent, matured or not, of the Customer to the Bank whether arising from agreement or dealings between the Bank and the Customer or from any agreement or dealings with any third person by which the Bank may be or become in any manner whatsoever a creditor of the Customer or however otherwise arising and whether the Customer be bound alone or with another or others and whether as principal or surety, and any such application by the Bank may, in whole or in part, be changed by the Bank from time to time as it deems best.

The proceeds of realization of any part of the security or of the property which are applicable only to part of the debts and liabilities of the Customer to the Bank shall first be applied to such part of the debts and liabilities, and any surplus remaining after payment of such part may from time to time be held or applied by the Bank for the purposes set out in and in accordance with the preceding paragraph of this Clause 9.

10. The Bank may release, compromise, settle and adjust any claim, dispute or difference which may arise in respect of the security or of the property or the proceeds of either of them and may grant extensions of time and indulgences. The Bank may use any Clearing Houses established by The Canadian Bankers' Association and in all dealings with the Customer's accounts and with instruments may act pursuant to the rules and regulations under which such Clearing Houses are operated.

11. The Customer shall from time to time execute, draw, endorse and deliver all such instruments and documents and do all such acts and things as the Bank may deem necessary or desirable for the purpose of perfecting the title of the Bank to the security of the property or the proceeds of either of them or of carrying into effect any or all of the provisions of this agreement or of securing the fulfillment of such obligations as aforesaid of the Customer to the Bank. The Customer hereby appoints the Bank and its Vice-Presidents, Inspectors, Managers and persons for the time being acting as managers of branches of the Bank where an account of the Customer may be kept and any person or persons from time to time named by the Bank for the purposes hereinafter mentioned, and any one of them acting alone, the Attorneys and Attorney of the Customer with full power of substitution from time to time for and in the name of the Customer to do whatsoever the said Attorneys or Attorney may deem expedient for the purpose of carrying into effect any or all of the provisions of this agreement, and this appointment being made in consideration of a loan or loans, advance or advances, by the Bank to the Customer shall be irrevocable and shall be of full force and effect whenever and so often as any loan or advance by the Bank to the Customer is unpaid or any such obligation as aforesaid to the Bank is unfulfilled and notwithstanding any occurrence or event which would otherwise terminate such agency. Every power, right and discretion vested by law in the Bank or conferred upon it by this agreement may be exercised on its behalf by the said officers or acting officers of the Bank or any person from time to time named by the Bank for such purpose, and any one of them acting alone.

12. The Bank shall not be responsible for any failure to exercise or enforce or for any delay in the exercise or enforcement of any powers, rights or discretions of the Bank, including the failure to take steps to preserve rights against other persons nor for any act, default or misconduct of any agent, officer, employee or servant of the Bank and the Bank shall be accountable only for such moneys as it shall actually receive. The Bank shall not be responsible for any loss or damage to the property while in the possession of the Bank, a receiver or a sheriff, whether due to the negligence or other default of any of them or otherwise, and specifically the Bank shall not be obligated to preserve, repair, process, or prepare for disposition any of the property.

13. Any notice to or demand upon the Customer shall be sufficiently given if despatched by post addressed to the Customer at the address of the Customer as shown by the books kept in relation to the account of the Customer at the branch of the Bank from which notice or demand is despatched and shall be deemed to have been received by the Customer at the time when in the ordinary course of post it would be expected to reach the said address.

14. The benefit of all rules of law or equity and compliance with any statutory provisions now or hereafter in force inconsistent with any of the provisions of this agreement are hereby waived by the Customer.

15. The provisions hereof shall be in addition to all other remedies of the Bank existing in law and to all rights under agreements heretofore given and no sale or delivery by the customer of the property or any part thereof shall prejudice or affect the rights however arising of the Bank in or with respect to property so sold or delivered, and this shall be a continuing agreement and all its provisions shall extend to all loans and advances to the Customer by the Bank and all obligations of the Customer to the Bank at any time outstanding and to the security and the property as they may exist from time to time and all proceeds thereof; and every loan and advance heretofore, now or hereafter made shall be deemed to have been made upon the agreements herein contained.

16. This agreement shall be binding upon and enure to the benefit of the Customer and the Bank and the heirs, executors and administrators or successors and assigns, as the case may be, of each of them.

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NOTE
This clause
applies to

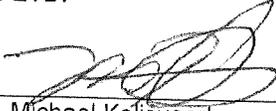
It is the express wish of the Parties that this agreement and any related documents be drawn up and executed in English. Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

LF52 NOTE

(1)
subsequent to
Bank of
Canada
registration

EDMONTON
Dated at ~~Morinville~~, Alberta, MARCH 26, 2018.
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KALCO FARMS LTD.

By: 
Name: Michael Kalisvaart
Title: President

® Registered trade-marks of Bank of Montreal

**Security under sec. 427(1) of the Bank Act.
(Security on all property of specified kinds)**

FOR GOOD AND VALUABLE CONSIDERATION, the undersigned hereby assigns to the BANK OF MONTREAL (hereinafter called "the Bank") as continuing security for the payment of all loans and advances made or that may be made by the Bank to the undersigned from the _____, 2018 pursuant to the application for credit and promise to give security made by the undersigned to the Bank and dated the _____, _____, and any application(s) for credit and promise(s) to give security supplemental thereto made or that may be made by the undersigned to the Bank or renewals of such loans and advances or substitutions therefore and interest on such loans and advances and on any such renewals and substitutions, all property of the kind(s) hereinafter described of which the undersigned is now or may hereafter become the owner or in respect of which the undersigned does now have or hereafter may acquire rights, to wit, - (describe the property assigned)

All agricultural inventory, equipment, supplies and products

and that is now or may hereafter be in the place or places hereinafter, designated, to wit, - (designate the place or places)

Sturgeon County and elsewhere in the Province of Alberta

or in transit thereto or therefrom or in any other place or places in Canada in which any of the said property may be located.

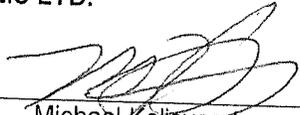
This security is given under the provisions of section 427 of the Bank Act.

The property now owned by the undersigned or in respect of which the undersigned now has or may hereafter acquire rights and hereby assigned is free from any mortgage, lien or charge thereon, other than previous assignments, if any, to the Bank, and the undersigned warrants that the property that may hereafter be acquired by the undersigned and is hereby assigned shall be free from any mortgage, lien or charge thereon, other than previous assignments, if any, to the Bank.

It is the express wish of the Parties that this agreement and any related documents be drawn up and executed in English. *Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.*

DATED at Edmonton AB on MARCH 26, 2018.

KALCO FARMS LTD.

By: 
Name: Michael Kalisvaart
Title: President

® Registered trade-marks of Bank of Montreal

Application for Credit and Promise to Give Bills of Lading, Warehouse Receipts, or Security under Section 427 of the Bank Act.

To the

Bank of Montreal
4906 – 50th Street
Camrose, Alberta
T4V 0S3

The Bank is hereby requested by the undersigned to grant and continue certain credit facilities (whether by loans, the acceptance of our bills of exchange, or otherwise) and to make loans or advances to the undersigned thereunder on the security of all property of the kind(s) hereinafter described of which the undersigned is now or may thereafter become the owner or in respect of which the undersigned does now have or hereafter may acquire rights, to wit

All agricultural inventory, equipment, supplies and products

and/or on the security of warehouse receipts and/or bills of lading covering such property.

And the undersigned promise(s) and agree(s) to give the Bank security for all loans and advances by the Bank to the undersigned pursuant to this application for credit and promise to give security and any application(s) for credit and promise(s) to give security supplemental hereto, by way of assignment under Section 427 of the Bank Act covering all the property aforesaid which is now or may hereafter be in the place or places hereinafter designated, to wit

Sturgeon County and elsewhere in the Province of Alberta

or in transit thereto or therefrom or in any other place or places in Canada in which any of the said property may be located.

The undersigned promise(s) and agree(s) to give the Bank from time to time and as often as requested by the Bank warehouse receipts and/or bills of lading covering all the property aforesaid or any part thereof which is now or may hereafter be covered by warehouse receipts or bills of lading, as security for all the said loans and advances.

And the undersigned will pay the Bank all costs, charges and expenses which the Bank may incur in enforcing or obtaining payment of the sums of money due to the Bank from the undersigned or in attempting so to do.

The undersigned hereby appoint(s) the person for the time being acting as manager of the above-mentioned branch of the Bank the attorney of the undersigned, on behalf of the undersigned to give from time to time to the Bank any and all security mentioned above and to sign or endorse and deliver any and all instruments and documents in connection therewith.

NOTE: Here we have general description of the kind or kinds of property to be covered by the security, or if space insufficient these particulars may be set out on the back of the form or in a schedule annexed. In such cases insert "the property described on the reverse hereof (or schedule annexed)".

NOTE: In the use of a supplementary application and promise the words "and any application(s) for credit and promise(s) to give security supplemental hereto" would be struck out and initialed by the

NOTE: Here designate the place or places where the property to be covered by the security is or may be located, or if space sufficient these particulars may be set out on the back of the form or in a schedule annexed. In such cases, insert "the place or places designated on the reverse hereof (or in schedule annexed)".

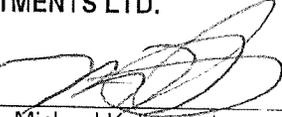
The Bank may from time to time take from the undersigned notes representing the said loans and advances or any part thereof; and any notes so taken shall not extinguish or pay the indebtedness created by such loans and advances but shall represent the same only.

No security acquired by the Bank shall be merged in any subsequent security or be taken to be substituted for any security previously acquired.

It is the express wish of the Parties that this agreement and any related documents be drawn up and executed in English. Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

^{EDMONTON}
DATED at ~~Medicine~~ ^{Edmonton}ville, Alberta on MARCH 26, 2018.

KALCO INVESTMENTS LTD.

By: 
Name: Michael Kalisvaart
Title: President

® Registered trade-marks of Bank of Montreal

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the province
Quebec only

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Bank of
Canada
Registration date
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To the

BANK OF MONTREAL:
4906 – 50 Avenue
Camrose, Alberta
T4V 0S3

In consideration of the loan(s) or advances(s) being made and/or to be made hereafter by the BANK OF MONTREAL (hereinafter called "the Bank") to the undersigned (hereinafter called "the Customer") the Customer agrees with the Bank as follows:

1. All Security now or at any time hereafter held by the bank for the payment of any debt or liability of the Customer (the said security being hereinafter called "the security"), including, without limiting the generality of the foregoing, security by way of warehouse receipt or bill of lading or under Section 427 of the Bank Act, together with all property covered by or comprised in the security (the said property being hereinafter called "the property"), and all proceeds of the security and of the property, shall be continuing collateral security for the payment of such debt or liability and also for the payment of interest thereon and of all costs, charges and expenses of or incurred by the Bank in connection therewith, including solicitor and his own client legal costs, whether in protecting, preserving, possessing, preparing for disposition, disposing of, realizing or collecting the security or the property or attempting so to do or otherwise, and interest thereon at the rate and calculated in the manner agreed upon by the Customer and the Bank, all of which the Customer agrees to pay to the Bank.

2. The Customer shall keep the property insured to its full insurable value against loss or damage by fire, and if requested by the Bank, against loss or damage from any other cause, with insurers approved by the Bank, and shall assign to the Bank the policies evidencing such insurance or all claims thereunder and/or have the loss made payable to the Bank as the Bank may require and shall deliver the policies to the Bank, and in the event of failure so to do the Bank may but shall not be bound to effect such insurance on the property as it sees fit and the Customer will on demand repay to the Bank the amount of any premiums paid by it with interest thereon at the rate and calculated in the manner agreed upon by the Customer and the Bank.

3. If the Bank surrenders to the Customer the security or the property or any part of either of them, the Customer shall receive the same in trust for and on behalf of the Bank and from time to time shall deal therewith as the Bank may direct and, at the request of the Bank, shall give to the Bank security on the property so surrendered, or covered by the security so surrendered, to the satisfaction of the Bank.

4. Until default by the Customer in payment of all or any part of the indebtedness and liability of the Customer to the Bank, or until notice by the Bank to the Customer to cease so doing, the Customer may sell such property from time to time in the ordinary course of business and remove the same for the purpose of delivery to purchasers thereof. The proceeds of all sales by the Customer of the property or any part thereof, including, without limiting the generality of the foregoing, cash, debts arising from such sales or otherwise, evidences of title, instruments, documents and securities, which the Customer may receive or be entitled to receive in respect thereof, are hereby assigned to the Bank and shall be paid or transferred to the Bank forthwith, and until so paid or transferred shall be held by the Customer in trust for any additional assignment of any of such proceeds shall be deemed to be in furtherance hereof and not an acknowledgement by the Bank of any right or title on the part of the Customer to such book debts or proceeds.

5. The Customer shall at all times duly and seasonably pay and discharge all claims whatsoever in any way secured by or constituting a charge upon the property or any part thereof and particularly, but without limiting the generality of the foregoing, all wages, salaries and other remuneration of all employees employed by the Customer in connection with the business or farm of the Customer in respect of which any property covered by the security is held or acquired by the Customer, and shall from time to time at the request of the Bank exhibit to the Bank evidence of such payment and discharge and obtain and deliver to

the Bank such waivers or releases as the Bank may deem necessary to secure to the Bank the priority of its rights in the property.

6. The Customer shall from time to time on demand and to the satisfaction of the Bank deliver to the Bank additional security, and in the event of failure by the Customer so to do or to make due payment to the Bank of any debt or liability or part thereof or to observe any provision of this agreement, the Bank may in its discretion cease or refrain from making loans or advances to the Customer whether under any credit extended by the Bank or otherwise, and all debts and liabilities of the Customer to the Bank shall at the option of the Bank be payable forthwith and without any demand, and the Bank is hereby authorized from time to time to sell at public or private sale or otherwise realize upon the security or any part thereof and all or any of the property whenever and wherever and for such price in money or other consideration and in such manner and upon such terms and conditions as the Bank deems best, the whole without advertisement or notice to the Customer or others and to deal with the proceeds as in this agreement provided or as otherwise agree, without prejudice to its claim for any deficiency and free from any right of redemption on the part of the Customer which is hereby waived and released, the Customer expressly waiving all and every formality prescribed by custom or by law in relation to any such sale or other realization.

7. The Bank may from time to time, enter upon or into and occupy and use, enjoy and exercise free of charge and to the exclusion of all others, including the Customer, any and all premises and property (real and personal, immovable and movable) and rights, powers and privileges of or used, enjoyed or exercised by the Customer in connection with the property or any part thereof or in or upon which the same may be (not being the premises of a warehouseman or carrier) until the property shall be fully realized upon, and may from time to time appoint a receiver, receiver-manager or agent to act for the Customer, for whose acts the Customer alone shall be responsible, and the Customer shall have no power to revoke such appointment or determine such agency. Such receiver, receiver-manager or agent shall have and may exercise all the powers, rights and discretions granted to the Bank by this agreement and the Bank and any such receiver, receiver-manager or agent shall have the right from time to time in the name of the Customer to exercise any and all of the Customer's rights, powers and privileges of every kind and to do all acts and things which the Customer could do if acting, for the purpose of completing, selling, shipping or otherwise dealing with the property in such manner as the Bank may deem best for the purpose of realizing upon the security.

8. Any promissory note or bill exchange received by the Bank together with any securities or documents attached thereto or received therewith shall be subject to the terms of this agreement and the Bank and holders for the time being of any such bill or note may at any time before or after its maturity and whether or not it has been dishonoured accept payment and deliver the securities or documents or accept partial payment from time to time and thereupon release part of the securities or of the property covered by the documents or any of them.

9. The Bank may from time to time apply

- (a) all payments which it receives,
- (b) the proceeds of sales by the Customer of the property or any part thereof, and
- (c) the proceeds of realization of any part of the security or of the property which are applicable generally to the debts and liabilities of the Customer to the Bank,

against, or as the Bank deems best, hold the same with all the powers, rights and discretions conferred on it by this agreement or otherwise, as continuing collateral security for the fulfillment of any or all obligations, present or future, direct or indirect, absolute or contingent, matured or not, of the Customer to the Bank whether arising from agreement or dealings between the Bank and the Customer or from any agreement or dealings with any third person by which the Bank may be or become in any manner whatsoever a creditor of the Customer or however otherwise arising and whether the Customer be bound alone or with another or others and whether as principal or surety, and any such application by the Bank may, in whole or in part, be changed by the Bank from time to time as it deems best.

The proceeds of realization of any part of the security or of the property which are applicable only to part of the debts and liabilities of the Customer to the Bank shall first be applied to such part of the debts and liabilities, and any surplus remaining after payment of such part may from time to time be held or applied by the Bank for the purposes set out in and in accordance with the preceding paragraph of this Clause 9.

10. The Bank may release, compromise, settle and adjust any claim, dispute or difference which may arise in respect of the security or of the property or the proceeds of either of them and may grant extensions of time and indulgences. The Bank may use any Clearing Houses established by The Canadian Bankers' Association and in all dealings with the Customer's accounts and with instruments may act pursuant to the rules and regulations under which such Clearing Houses are operated.

11. The Customer shall from time to time execute, draw, endorse and deliver all such instruments and documents and do all such acts and things as the Bank may deem necessary or desirable for the purpose of perfecting the title of the Bank to the security of the property or the proceeds of either of them or of carrying into effect any or all of the provisions of this agreement or of securing the fulfillment of such obligations as aforesaid of the Customer to the Bank. The Customer hereby appoints the Bank and its Vice-Presidents, Inspectors, Managers and persons for the time being acting as managers of branches of the Bank where an account of the Customer may be kept and any person or persons from time to time named by the Bank for the purposes hereinafter mentioned, and any one of them acting alone, the Attorneys and Attorney of the Customer with full power of substitution from time to time for and in the name of the Customer to do whatsoever the said Attorneys or Attorney may deem expedient for the purpose of carrying into effect any or all of the provisions of this agreement, and this appointment being made in consideration of a loan or loans, advance or advances, by the Bank to the Customer shall be irrevocable and shall be of full force and effect whenever and so often as any loan or advance by the Bank to the Customer is unpaid or any such obligation as aforesaid to the Bank is unfulfilled and notwithstanding any occurrence or event which would otherwise terminate such agency. Every power, right and discretion vested by law in the Bank or conferred upon it by this agreement may be exercised on its behalf by the said officers or acting officers of the Bank or any person from time to time named by the Bank for such purpose, and any one of them acting alone.

12. The Bank shall not be responsible for any failure to exercise or enforce or for any delay in the exercise or enforcement of any powers, rights or discretions of the Bank, including the failure to take steps to preserve rights against other persons nor for any act, default or misconduct of any agent, officer, employee or servant of the Bank and the Bank shall be accountable only for such moneys as it shall actually receive. The Bank shall not be responsible for any loss or damage to the property while in the possession of the Bank, a receiver or a sheriff, whether due to the negligence or other default of any of them or otherwise, and specifically the Bank shall not be obligated to preserve, repair, process, or prepare for disposition any of the property.

13. Any notice to or demand upon the Customer shall be sufficiently given if despatched by post addressed to the Customer at the address of the Customer as shown by the books kept in relation to the account of the Customer at the branch of the Bank from which notice or demand is despatched and shall be deemed to have been received by the Customer at the time when in the ordinary course of post it would be expected to reach the said address.

14. The benefit of all rules of law or equity and compliance with any statutory provisions now or hereafter in force inconsistent with any of the provisions of this agreement are hereby waived by the Customer.

15. The provisions hereof shall be in addition to all other remedies of the Bank existing in law and to all rights under agreements heretofore given and no sale or delivery by the customer of the property or any part thereof shall prejudice or affect the rights however arising of the Bank in or with respect to property so sold or delivered, and this shall be a continuing agreement and all its provisions shall extend to all loans and advances to the Customer by the Bank and all obligations of the Customer to the Bank at any time outstanding and to the security and the property as they may exist from time to time and all proceeds thereof; and every loan and advance heretofore, now or hereafter made shall be deemed to have been made upon the agreements herein contained.

16. This agreement shall be binding upon and enure to the benefit of the Customer and the Bank and the heirs, executors and administrators or successors and assigns, as the case may be, of each of them.

LF51
NOTE
This clause
applies to

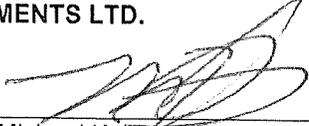
It is the express wish of the Parties that this agreement and any related documents be drawn up and executed in English. Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

LF52 NOTE

(1)
subsequent to
Bank of
Canada
registration

OW EDMONTON
Dated at Meriville, Alberta, MARCH 26, 2018.

KALCO INVESTMENTS LTD.

By: 
Name: Michael Kalisvaart
Title: President

® Registered trade-marks of Bank of Montreal

FOR GOOD AND VALUABLE CONSIDERATION, the undersigned hereby assigns to the BANK OF MONTREAL (hereinafter called "the Bank") as continuing security for the payment of all loans and advances made or that may be made by the Bank to the undersigned from the _____, 2018 pursuant to the application for credit and promise to give security made by the undersigned to the Bank and dated the _____, _____, and any application(s) for credit and promise(s) to give security supplemental thereto made or that may be made by the undersigned to the Bank or renewals of such loans and advances or substitutions therefore and interest on such loans and advances and on any such renewals and substitutions, all property of the kind(s) hereinafter described of which the undersigned is now or may hereafter become the owner or in respect of which the undersigned does now have or hereafter may acquire rights, to wit, - (describe the property assigned)

All agricultural inventory, equipment, supplies and products

and that is now or may hereafter be in the place or places hereinafter, designated, to wit, - (designate the place or places)

Sturgeon County and elsewhere in the Province of Alberta

or in transit thereto or therefrom or in any other place or places in Canada in which any of the said property may be located.

This security is given under the provisions of section 427 of the Bank Act.

The property now owned by the undersigned or in respect of which the undersigned now has or may hereafter acquire rights and hereby assigned is free from any mortgage, lien or charge thereon, other than previous assignments, if any, to the Bank, and the undersigned warrants that the property that may hereafter be acquired by the undersigned and is hereby assigned shall be free from any mortgage, lien or charge thereon, other than previous assignments, if any, to the Bank.

It is the express wish of the Parties that this agreement and any related documents be drawn up and executed in English. *Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.*

DATED at Edmonton, AB on MAR 26, 2018.

KALCO INVESTMENTS LTD.

By: 
Name: Michael Kalisvaart
Title: President

® Registered trade-marks of Bank of Montreal

SECURITY AGREEMENT

The undersigned (hereinafter called the "Debtor") hereby enters into this Security Agreement with Bank of Montreal (hereinafter called the "Bank") for valuable consideration and as security for the repayment of all present and future indebtedness of the Debtor to the Bank and interest thereon and for the payment and discharge of all other present and future liabilities and obligations, direct or indirect, absolute or contingent, of the Debtor to the Bank (all such indebtedness, interest, liabilities and obligations being hereinafter collectively called the "Obligations"). This Security Agreement is entered into pursuant to and is governed by the Alberta Personal Property Security Act insofar as it affects personal property located in Alberta.

1. The Debtor hereby represents and warrants to the Bank that it has assets at the following locations in Alberta

Sturgeon County, Alberta

2. The Debtor hereby

- (a) mortgages and charges to the Bank as and by way of a fixed and specific mortgage and charge, and grants to the Bank a security interest in, all its present and future goods and any proceeds therefrom, including, without limiting the generality of the foregoing, all fixtures, building materials, leased goods, plant, machinery, tools and furniture now or hereafter owned or acquired, and any goods specifically listed or otherwise described in any Schedule hereto;
- (b) mortgages and charges to the Bank, and grants to the Bank a security interest in, all its present and future inventory and any proceeds therefrom, including, without limiting the generality of the foregoing, all raw materials, goods in process, work in progress, materials used or consumed in business, finished goods and packaging material and goods acquired or held for sale or lease or furnished under contracts of rental or service;
- (c) assigns, transfers and sets over to the Bank and grants to the Bank a security interest in, all its present and future intangibles, chattel paper, securities, documents of title, instruments and money, and any proceeds therefrom, including, without limiting the generality of the foregoing, all its present and future book debts and other accounts receivable, monetary obligations, contract rights and other choses in action of every kind or nature now due or hereafter to become due, including insurance rights arising from or out of the assets referred to in sub-clauses (a) and (b) above; and
- (d) charges in favour of the Bank as and by way of a floating charge its undertaking and all its property and assets, real and personal, moveable or immovable, of whatsoever nature and kind, including without limitation client lists, client records and client files, both present and future (other than property and assets hereby validly assigned or subjected to a specific mortgage and charge and to the exceptions hereinafter contained). For the purposes of this Security Agreement, the goods, inventory, intangibles, chattel paper, securities, documents of title, instruments, money, undertaking and all other property and assets of the Debtor referred to in this clause 2 are hereinafter sometimes collectively called the "Collateral".

3. The Collateral is on the date hereof primarily situate or located at the location(s) set out in clause 1 hereof but may from time to time be located at other premises of the Debtor. The Collateral may also be located at other places while in transit to and from such locations and premises; and the Collateral may from time to time be situated or located at any other place when on lease or consignment to any lessee or consignee from the Debtor. The Collateral shall not be removed from the Province of Alberta without the prior written consent of the Bank.

4. It is hereby declared that the last day of any term of years reserved by any lease, verbal or written, or any agreement therefor, now held or hereafter acquired by the Debtor, is hereby or shall be excepted out of the mortgages, charges and security interests hereby created, but the Debtor shall stand possessed of the reversion of one day remaining in the Debtor in respect of any such term of years, for the time being demised, as aforesaid upon trust to assign and dispose of the same as any purchaser of such term of years shall direct. There shall also be excluded from the security created by clause 2 (d) after-acquired consumer goods of the Debtor other than when subject to purchase money security interests in favour of the Bank, and other than accessions.

5. The Debtor
 - (a) shall not without the prior written consent of the Bank sell or dispose of any of the Collateral other than that described in sub-clause (b) of clause 2 above which may be sold only in the ordinary course of business and for the purpose of carrying on the same; and if the amounts of any of the Collateral of the type referred to in sub-clause (c) of clause 2 above or any proceeds arising from the Collateral of the type described in sub-clauses (a) and (b) of clause 2 above shall be paid to the Debtor, the Debtor shall receive the same as Trustee for the Bank and forthwith pay over the same to the Bank. The Debtor shall not without the prior written consent of the Bank create any liens upon or assign or transfer as security or pledge or hypothecate as security or create a security interest in the Collateral except to the Bank. The Debtor agrees that the Bank may at any time before or after default require any account debtor of the Debtor to make payment to the Bank and the Bank may take control of any proceeds referred to in sub-clauses (a), (b) and (c) of clause 2 hereof and may hold all amounts received from any account debtors and any proceeds as cash collateral as part of the Collateral and as security for the Obligations of the Debtor to the Bank.
 - (b) covenants not to substitute or modify any of the Debtor's rights under any Collateral of the type listed in sub-clause (c) of clause 2 above without the written consent of the Bank, and any substitution or modification not consented to may at the option of the Bank be treated as an act of default hereunder.

6. The Debtor shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all and singular every such further acts, deeds, transfers, assignments, security agreements and assurances as the Bank may reasonably require for the better granting, transferring, assigning, charging, setting over, assuring and confirming unto the Bank the property and assets hereby mortgaged and charged or subjected to security interests or intended so to be or which the Debtor may hereafter become bound to mortgage, charge, transfer, assign or subject to a security interest in favour of the Bank and for the better accomplishing and effectuating of this Security Agreement.

7. The Debtor shall at all times have and maintain insurance over the Collateral against risks of fire (including so-called extended coverage), theft, and also against such other risks as the Bank may reasonably require in writing, containing such terms, in such form, for such periods and written by such companies as may be reasonably satisfactory to the Bank. The Debtor shall duly and seasonably pay all premiums and other sums payable for maintaining such insurance and shall cause the insurance money thereunder to be payable to the Bank as its interest hereunder may appear and shall, if required, furnish the Bank with certificates or other evidence satisfactory to the Bank of compliance with the foregoing insurance provisions.

8. The Debtor shall keep proper books of account and shall at all times upon request by the Bank furnish the Bank with such information concerning the Collateral and the Debtor's affairs and business as the Bank may reasonably request, including financial statements, lists of inventory and equipment and lists of accounts receivable showing the amounts owing upon each account and securities therefor and copies of all financial statements, books and accounts, invoices, letters, papers and other documents in any way evidencing or relating to the account. The Debtor shall permit the Bank at all reasonable times to enter onto its premises to inspect and copy its books, and to inspect the Collateral.

9. The Debtor shall be in default under this Security Agreement upon the occurrence of any one of the following events:
 - (a) the Debtor shall default under any of the Obligations;
 - (b) the Debtor shall default in the due observance or performance of any covenant, undertaking or agreement heretofore or hereafter given to the Bank, whether contained herein or not and including any covenant or undertaking set out in any Schedule to this Security Agreement;
 - (c) an execution of any other process of any court shall become enforceable against the Debtor or a distress of any analogous process shall be levied upon the property of the Debtor or any part thereof, or a receiver shall be appointed for the Debtor.
 - (d) the Debtor shall become insolvent or commit an act of bankruptcy, or make an assignment in bankruptcy or a bulk sale of its assets or a bankruptcy petition shall be filed or presented against the Debtor and not be bona fide opposed by the Debtor;
 - (e) the Debtor shall cease to carry on business, or shall fail to keep the Collateral in repair and in good working order, or shall fail to promptly pay when due all taxes, licence fees and assessments levied on the Debtor;
 - (f) the Bank in good faith and on commercially reasonable grounds deems itself insecure or decides that the due discharge of the Obligations, the Collateral or the security is in jeopardy;
 - (g) the Debtor shall, without the prior written consent of the Bank, pay any dividend or bonus to shareholders or otherwise distribute or reduce its capital, or make capital expenditures in excess of \$n/a in any year, or make any capital expenditure or payment while in default of the Obligations, or become guarantor, surety or endorser of the obligations of any other person other than in favour of the Bank, or lend money other than in the ordinary course of its business.

10. Upon any default under this Security Agreement, the Bank may declare any or all of the Obligations to be immediately due and payable and may proceed to realize the security hereby constituted and to enforce its rights by any method not prohibited by law, including by the appointment by instrument in writing of a receiver or receivers of the subject matter of such security or any part thereof and such receiver or receivers may be any person or persons, whether an officer or officers or employee or employees of the Bank or not, and the Bank may remove any receiver or receivers so appointed and appoint another or others in his or their stead; or by proceedings in any court of competent jurisdiction for the appointment of a receiver or receivers, or by sale of the Collateral or any part thereof; or by any other action, suit, remedy or proceeding authorized or permitted hereby or by law or by equity; and may file such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relative to the Debtor. Any such receiver or receivers so appointed shall have power to take possession of the Collateral or any part thereof and if appointed a receiver-manager the power to carry on the business of the Debtor, and to borrow money required for the maintenance, preservation or protection of the Collateral or any part thereof or the carrying on of the business of the Debtor, and to further charge the Collateral in priority to the security constituted by this Security Agreement as security for money so borrowed, and to sell, lease or otherwise dispose of the whole or any part of the Collateral on such terms and conditions and in such manner as he shall determine. In exercising any powers any such receiver or receivers shall act as agent or agents for the Debtor and the Bank shall not be responsible for his or their actions.

In addition, the Bank may enter upon and lease or sell the whole or any part or parts of the Collateral.

Any such sale shall be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as to the Bank in its discretion may seem advantageous and such sale may take place whether or not the Bank has taken possession of such property and assets.

No remedy for the realization of the security hereof or for the enforcement of the rights of the Bank shall be exclusive of or dependent on any other such remedy, but any one or more of such remedies may from time to time be exercised independently or in combination and the Bank may exercise any one or more of such remedies in respect of all or any portion of the Collateral as the Bank deems fit. The term "receiver" as used in this Security Agreement includes a receiver and manager.

11. The Bank shall not be responsible for any loss or damage to the Collateral, whether caused by the negligence or fault of the Bank, its servants or agents, or a sheriff or receiver, and the Bank shall not be obliged to preserve rights against other persons, keep the Collateral identifiable or repair, process or prepare the Collateral for disposition, and shall only be liable to account for funds (net of costs of collection, realization and sale, including solicitor and his own client legal costs), actually received by the Bank.
12. Any receiver-manager appointed by the Bank may carry on the business of the Debtor, and in addition to any powers or rights granted by law, a receiver or receiver-manager may, but shall be under no obligation to:
- (a) exercise any power or right granted to the Bank hereunder;
 - (b) enter upon any premises under the control of the Debtor and take possession of the Collateral by any method not prohibited by law;

- (c) borrow money by charge against the Collateral for the preservation, processing, maintenance or preparation for sale of the Collateral, or for any other purpose;
 - (d) realize on and dispose of the Collateral by any method not prohibited by law, and on any terms, whether to the highest bidder or not and whether in the ordinary course of the Debtor's business or not;
 - (e) execute deeds, enter contracts and otherwise act as the attorney of the Debtor in dealing with the Collateral;
 - (f) institute, defend, compromise, settle or continue any proceedings relating to the Collateral;
 - (g) generally, to do any act necessary or convenient to the realization of the Collateral that the Debtor itself could have done.
13. Any and all payments made in respect of the Obligations from time to time and moneys realized from any securities held therefor (including moneys realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as the Bank may see fit, and the Bank shall at all times and from time to time have the right to change any appropriation as the Bank may see fit.
14. The Debtor agrees to pay all reasonable expenses, including solicitor's fees as between a solicitor and his own client and disbursements and the remuneration of any receiver appointed hereunder, incurred by the Bank in the preparation, perfection and enforcement of this Security Agreement or the Obligations, or in the holding, repairing, processing or preparing for disposition and disposing of the Collateral, with interest at the rate provided in the obligations, and the payment of such expenses shall be secured hereby.
15. The Bank may waive any default herein referred to; provided always that no act or omission by the Bank in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default or the rights resulting therefrom.
16. The Debtor acknowledges that value has been given, that the Debtor has rights in the Collateral and that the parties have not agreed to postpone the time for attachment of any security interest in this Security Agreement.
17. The security hereof is in addition to and not in substitution for any other security now or hereafter held by the Bank and shall be general and continuing security notwithstanding that the Obligations of the Debtor shall at any time or from time to time be fully satisfied or paid.
18. Nothing herein shall obligate the Bank to make any advance or loan or further advance or loan or to renew any note or extend any time for payment of any indebtedness or liability of the Debtor to the Bank.

19. This Security Agreement shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the Debtor and the Bank.
20. This Security Agreement is a security agreement within the meaning of the Alberta Personal Property Security Act and does not constitute an acknowledgement of any particular indebtedness or liability of the Debtor to the Bank.
21. In construing this Security Agreement, terms herein shall have the same meaning as defined in the Alberta Personal Property Security Act, unless the context otherwise requires. The word "Debtor", the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used depending upon whether the Debtor is one or more individuals, corporations or partnerships and, if more than one, this Security Agreement shall apply and be binding upon each of them severally. The term "successors" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation and, where the Debtor is a partnership, any new partnership resulting from the admission of new partners or any other change in the Debtor, including, without limiting the generality of the foregoing, the death of any or all of the partners.
22. The Debtor waives the right to receive any financing statement or financing change statement registered by the Bank and any confirmation of registration or verification statement issued.
23. The Debtor acknowledges receipt of a copy of this Security Agreement.

IN WITNESS WHEREOF this Security Agreement has been executed by the Debtor on March 15, 2018.

KALCO INVESTMENTS LTD.

Per:  Michael Kalisvaart

® Registered trade-marks of Bank of Montreal

CORPORATE AUTHORIZING RESOLUTION

"Whereas it is in the interests of the Company to enter into a security agreement with the Bank of Montreal as security for its present and future obligations to the Bank of Montreal and therein mortgage, charge, assign and otherwise transfer and encumber and grant security interests in all its present and future property and assets;

NOW THEREFORE BE IT RESOLVED THAT:

1. the Company do enter into, execute and deliver to the Bank of Montreal a security agreement substantially in the form of the draft security agreement presented to the directors, subject to such alterations, amendments or additions to which the President or a Vice-President of the Company may agree;
2. the Company do mortgage, charge, assign and otherwise transfer and encumber and grant security interests in all its present and future goods, inventory, intangibles, undertaking and other property and assets as security for its present and future obligations to the Bank of Montreal, all as provided in the said draft security agreement;
3. the execution by the President or a Vice-President of the Company of the said security agreement shall be conclusive proof of his or her agreement to any amendments, alterations or additions incorporated therein;
4. the President and the Vice-President of the Company be and they are each alone hereby authorized to execute and deliver the security agreement aforesaid on behalf of the Company and each of the officers of the Company are hereby authorized to execute all such other documents and writings and to do such other acts and things as may be necessary for fulfilling the Company's obligations under the said security agreement."

CERTIFICATE

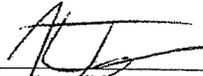
I am the Secretary of **KALCO INVESTMENTS LTD.** and I hereby certify that:

1. the foregoing is a true copy of a resolution duly and properly passed or consented to by the board of directors of the said Company on March 15, 2018.

2. the attached Security Agreement is in the form of the draft security agreement referred to in the resolution and has been duly and properly executed by the proper officers of the Company under its corporate seal; and

3. the resolution was passed at a meeting duly called and held on the date aforesaid and at which a quorum of the directors was present throughout the meeting, all the directors having received proper notice of the meeting or waiving such notice in accordance with the by-laws of the Company

(or where applicable - the Company is subject to the Business Corporations Act of Alberta and the resolution was consented to by the signatures of all the directors of the Company on the date aforesaid in accordance with the Business Corporations Act.).



Secretary/Karen Jansen

Guarantee for Indebtedness of an Incorporated Company

To BANK OF MONTREAL:

IN CONSIDERATION of Bank of Montreal (the "Bank") dealing with **Kalco Farms Ltd.** ("the Customer"), the undersigned hereby jointly and severally (solidarily in the Province of Québec) guarantees payment to the Bank of all present and future debts and liabilities in any currency, direct, indirect, contingent or otherwise, matured or not, including interest thereon, now or at any time, due or owing to the Bank from or by the Customer or by any successor of the Customer, whether arising from dealings between the Bank and the Customer or from other dealings or proceedings by which the Bank may be or become in any manner whatever a creditor of the Customer, wherever incurred and whether incurred by the Customer as principal or surety, alone or jointly with any other person, or otherwise howsoever. The liability of the undersigned (or each undersigned, if more than one), under this Guarantee, is limited to the aggregate amount of **Four Million Seven Hundred Thousand (\$4,700,000.00) Dollars** plus interest thereon at a rate of **Three (3%) per cent** per annum above the Bank's prime interest rate in effect from time to time, from and including the date of demand until payment, and legal or other costs, charges and expenses. The liability of the undersigned to make payment under this Guarantee shall arise immediately after demand for payment under this Guarantee has been made in writing by the Bank on the undersigned or any one of them, if more than one. The term "prime interest rate" means the floating annual rate of interest established from time to time by the Bank as the base rate it uses to determine rates of interest on Canadian dollar loans to customers in Canada and designated as Prime Rate.

IT IS AGREED that no change in the name, objects, capital stock, ownership, control or constitution of the Customer shall in any way affect the liability of the undersigned with respect to transactions occurring either before or after any such change. If the Customer amalgamates with one or more other corporations this Guarantee shall continue and apply to all debts and liabilities owing to the Bank by the corporation continuing from the amalgamation. The Bank shall not be required to inquire into or confirm the powers of the Customer or any of its directors or other agents acting or purporting to act on its behalf, and all amounts, liabilities, advances, renewals and credits in fact incurred, borrowed or obtained from the Bank shall be deemed to form part of the debts and liabilities hereby guaranteed, notwithstanding whether incurring such debts or liabilities exceeded the powers of the Customer or of its directors or agents, or was in any way irregular, defective or improper.

IT IS FURTHER AGREED that the undersigned shall be liable to the Bank in respect of all debts and liabilities, subject to the limitation, if any, set forth in the first paragraph of this Guarantee, stated to be owing to the Bank by the Customer under any agreement entered into by the Customer with respect to such debts and liabilities, notwithstanding whether any such agreement or any provision thereof is invalid, void, illegal, or unenforceable and notwithstanding whether such agreement was properly completed, entered into or authorized. Subject to the limitation, if any, set forth in the first paragraph of this Guarantee, the undersigned shall indemnify and save the Bank harmless from any losses which may arise by virtue of any debts and liabilities stated to be owing to the Bank by the Customer under any agreement entered into by the Customer with respect to such debts and liabilities, or any other agreement relating to any of the foregoing, being or becoming for any reason whatsoever in whole or in part (a) void, voidable, null, *ultra vires*, illegal, invalid, ineffective or otherwise unenforceable in accordance with its terms, or (b) released or discharged by operation of law (all of the foregoing being an "Indemnifiable Circumstance"). For greater certainty, the losses shall include the amount of all debts and liabilities owing to the Bank by the Customer which would have been payable by the Customer but for the Indemnifiable Circumstance. Nothing set out herein shall be interpreted as requiring any debts or liabilities which are hereby guaranteed to be documented by written agreement between the Bank and the Customer.

IT IS FURTHER AGREED that the Bank, without the consent of the undersigned and without exonerating in whole or in part the undersigned, may grant time, renewals, extensions, indulgences, releases and discharges to, may abstain from taking, perfecting or realizing upon security from, may release security to, may accept compositions from, and may otherwise change the terms of any of the debts and liabilities hereby guaranteed and otherwise deal with, the Customer and all other persons (including any other undersigned and any other guarantor) and security, as the Bank may see fit. No loss or diminution of any security received by the Bank from the Customer or others, whether the loss or diminution is due to the fault of the Bank or otherwise, shall in any way limit or lessen the liability of the undersigned under this Guarantee. All dividends, compositions, and amounts received by the Bank from the Customer or from any other person or estate capable of being applied by the Bank in reduction of the debts and liabilities hereby guaranteed, shall be regarded for all purposes as payments in gross, and the Bank shall be entitled to prove against the estate of the Customer upon any insolvency or winding-up in respect of the whole of said debts and liabilities, and the undersigned shall have no right to be subrogated to the Bank in respect of any such proof until the Bank has received from such estate payment in full of its claim with interest.

AND IT IS FURTHER AGREED that this shall be a continuing guarantee, and shall guarantee any ultimate balance owing to the Bank, including all costs, charges and expenses which the Bank may incur in enforcing or obtaining payment of amounts due to the Bank from the Customer either alone or in conjunction with any other person or otherwise howsoever, or attempting to do so. The Bank shall not be obliged to seek recourse against the Customer or any other person or realize upon any security it may hold before being entitled to payment from the undersigned of all debts and liabilities hereby guaranteed. The undersigned hereby renounces the benefits of discussion and division. The undersigned renounces claiming or setting up against the Bank any right which such undersigned may have to be subrogated in any of the rights, hypothecs, privileges and other security held from time to time by the Bank. The undersigned may terminate the further liability of such terminating party under this continuing Guarantee by providing ninety days' prior written notice to be given to the Bank. The liability of such terminating party shall continue under this Guarantee during such 90-day period, notwithstanding the death or insanity of such terminating party. After the expiry of such 90-day period, the terminating party shall be released from this Guarantee with respect to debts and liabilities arising after the expiry of such 90-day period but shall remain liable under this Guarantee in respect of all debts and liabilities owing to the Bank prior to the expiry of such 90-day period and also in respect of any contingent or future liabilities incurred to or by the Bank on or before such date which mature thereafter. Termination by the undersigned or the executors, liquidators, administrators or legal representatives of such undersigned shall not terminate the liability hereunder of any other undersigned. If after such termination any payment from the Customer must be returned to the Customer, or any successor or representative of the Customer, for any reason (including the designation of such payment as a mistake or as a preference following the bankruptcy of the Customer), then this Guarantee shall continue after the termination as if such payment had not been made. A written statement from any manager or acting manager of the Bank purporting to show the amount at any particular time due and payable to the Bank, and guaranteed by this Guarantee, shall be conclusive evidence as against the undersigned that such amount is at such time so due and payable to the Bank and is guaranteed hereby. Each of the executors, liquidators, administrators and legal representatives of the undersigned shall immediately give notice in writing to the Bank of the death of such undersigned.

THIS CONTRACT shall be construed in accordance with the laws of the Province of Alberta and for the purpose of legal proceedings this contract shall be deemed to have been made in the said province and to be performed there, and the courts of that province shall have non-exclusive jurisdiction over all disputes which may arise under this contract, provided always that nothing herein contained shall prevent the Bank from proceeding at its election against the undersigned in the courts of any other province or country.

IF ANY PROVISION of this Guarantee is determined to be unenforceable, prohibited, invalid or illegal, it shall be severed from this Guarantee solely to the extent of such unenforceability, prohibition, invalidity or illegality and the remainder of such provision and the remainder of this Guarantee shall be unaffected thereby. The liability of the undersigned under this Guarantee shall not be terminated if this Guarantee is held to be unenforceable against any other undersigned.

ALL DEBTS AND LIABILITIES present and future of the Customer to the undersigned are hereby assigned (to the extent permitted by applicable law) to the Bank and postponed to the debts and liabilities of the Customer to the Bank and all such amounts paid to the undersigned or its assigns shall be received on behalf of and in trust for the Bank and shall immediately be paid over to the Bank. Any request by the undersigned to the Bank for useful information respecting the content and the terms and conditions of the debts and liabilities of the Customers hereby guaranteed or the progress made in their performance, shall be made in writing by such undersigned to the Bank.

THE UNDERSIGNED acknowledges that this Guarantee has been delivered free of any conditions and that no representations have been made to the undersigned affecting the liability of the undersigned under this Guarantee save as may be specifically embodied herein and agrees that this Guarantee is in addition to and not in substitution for any other guarantees now or subsequently held by the Bank.

THE UNDERSIGNED represents and warrants that (i) it fully understands the provisions of this Guarantee and its obligations hereunder; (ii) it has been afforded the opportunity to engage independent legal counsel, at its own expense, to explain the provisions of this Guarantee and its obligations hereunder; and (iii) it has either engaged legal counsel in connection with its execution of this Guarantee or has decided, at its sole discretion, not to do so.

THE UNDERSIGNED agrees, without limitation of the rights of the Bank under applicable law, that the Bank may apply any amounts owing to, or sum standing to the credit of, the undersigned with any office, branch, subsidiary or affiliate of the Bank to the payment when due of any amount owing by the undersigned hereunder. For this purpose, the Bank may convert any such amount or sum into the currency of the amount owing hereunder at a rate of exchange at which the Bank could purchase the relevant currency on the relevant date acting in good faith.

THIS GUARANTEE shall remain in effect notwithstanding any change in the circumstances having led the undersigned to execute this Guarantee and notwithstanding the termination of or a change in the office or duties of such undersigned or in any relationship between such undersigned and the Customer.

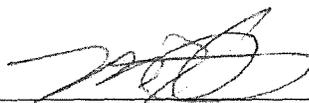
THE UNDERSIGNED acknowledges and agrees that the Bank may make a claim or demand payment hereunder notwithstanding any limitation period regarding such claim or demand set forth in the *Limitations Act, 2002* (Ontario) or under any other applicable law with similar effect and, to the maximum extent permitted by applicable law, any limitations periods set forth in such act or applicable law are hereby explicitly excluded or, if excluding such limitations periods is not permitted by such act or applicable law, are hereby extended to the maximum limitation period permitted by such act or applicable law. For greater certainty, the undersigned acknowledges and agrees that this Guarantee is a "business agreement" as defined under Section 22 of the *Limitations Act, 2002* (Ontario).

IN THIS GUARANTEE, unless the context otherwise requires, references to the undersigned shall be interpreted as referring to each of the undersigned if there is more than one undersigned.

It is the express wish of the parties hereto that this agreement and any related documents be drawn up and executed in English. Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

Dated: March 15, 2018, at Morinville, Alberta.

KALCO INVESTMENTS LTD.

By: 
Name: MICHAEL KALISVAART
Title: President

To BANK OF MONTREAL:

IN CONSIDERATION of Bank of Montreal (the "Bank") dealing with **Kalco Investments Ltd.** ("the Customer"), the undersigned hereby jointly and severally (solidarily in the Province of Québec) guarantees payment to the Bank of all present and future debts and liabilities in any currency, direct, indirect, contingent or otherwise, matured or not, including interest thereon, now or at any time, due or owing to the Bank from or by the Customer or by any successor of the Customer, whether arising from dealings between the Bank and the Customer or from other dealings or proceedings by which the Bank may be or become in any manner whatever a creditor of the Customer, wherever incurred and whether incurred by the Customer as principal or surety, alone or jointly with any other person, or otherwise howsoever. The liability of the undersigned (or each undersigned, if more than one), under this Guarantee, is limited to the aggregate amount of **Ten Million Seven Hundred Thousand (\$10,700,000.00) Dollars** plus interest thereon at a rate of **Three (3%) per cent** per annum above the Bank's prime interest rate in effect from time to time, from and including the date of demand until payment, and legal or other costs, charges and expenses. The liability of the undersigned to make payment under this Guarantee shall arise immediately after demand for payment under this Guarantee has been made in writing by the Bank on the undersigned or any one of them, if more than one. The term "prime interest rate" means the floating annual rate of interest established from time to time by the Bank as the base rate it uses to determine rates of interest on Canadian dollar loans to customers in Canada and designated as Prime Rate.

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THIS CONTRACT shall be construed in accordance with the laws of the Province of Alberta and for the purpose of legal proceedings this contract shall be deemed to have been made in the said province and to be performed there, and the courts of that province shall have non-exclusive jurisdiction over all disputes which may arise under this contract, provided always that nothing herein contained shall prevent the Bank from proceeding at its election against the undersigned in the courts of any other province or country.

IF ANY PROVISION of this Guarantee is determined to be unenforceable, prohibited, invalid or illegal, it shall be severed from this Guarantee solely to the extent of such unenforceability, prohibition, invalidity or illegality and the remainder of such provision and the remainder of this Guarantee shall be unaffected thereby. The liability of the undersigned under this Guarantee shall not be terminated if this Guarantee is held to be unenforceable against any other undersigned.

ALL DEBTS AND LIABILITIES present and future of the Customer to the undersigned are hereby assigned (to the extent permitted by applicable law) to the Bank and postponed to the debts and liabilities of the Customer to the Bank and all such amounts paid to the undersigned or its assigns shall be received on behalf of and in trust for the Bank and shall immediately be paid over to the Bank. Any request by the undersigned to the Bank for useful information respecting the content and the terms and conditions of the debts and liabilities of the Customers hereby guaranteed or the progress made in their performance, shall be made in writing by such undersigned to the Bank.

THE UNDERSIGNED acknowledges that this Guarantee has been delivered free of any conditions and that no representations have been made to the undersigned affecting the liability of the undersigned under this Guarantee save as may be specifically embodied herein and agrees that this Guarantee is in addition to and not in substitution for any other guarantees now or subsequently held by the Bank.

THE UNDERSIGNED represents and warrants that (i) it fully understands the provisions of this Guarantee and its obligations hereunder; (ii) it has been afforded the opportunity to engage independent legal counsel, at its own expense, to explain the provisions of this Guarantee and its obligations hereunder; and (iii) it has either engaged legal counsel in connection with its execution of this Guarantee or has decided, at its sole discretion, not to do so.

THE UNDERSIGNED agrees, without limitation of the rights of the Bank under applicable law, that the Bank may apply any amounts owing to, or sum standing to the credit of, the undersigned with any office, branch, subsidiary or affiliate of the Bank to the payment when due of any amount owing by the undersigned hereunder. For this purpose, the Bank may convert any such amount or sum into the currency of the amount owing hereunder at a rate of exchange at which the Bank could purchase the relevant currency on the relevant date acting in good faith.

THIS GUARANTEE shall remain in effect notwithstanding any change in the circumstances having led the undersigned to execute this Guarantee and notwithstanding the termination of or a change in the office or duties of such undersigned or in any relationship between such undersigned and the Customer.

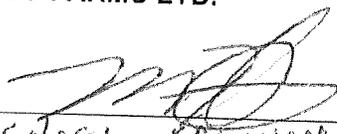
THE UNDERSIGNED acknowledges and agrees that the Bank may make a claim or demand payment hereunder notwithstanding any limitation period regarding such claim or demand set forth in the *Limitations Act, 2002* (Ontario) or under any other applicable law with similar effect and, to the maximum extent permitted by applicable law, any limitations periods set forth in such act or applicable law are hereby explicitly excluded or, if excluding such limitations periods is not permitted by such act or applicable law, are hereby extended to the maximum limitation period permitted by such act or applicable law. For greater certainty, the undersigned acknowledges and agrees that this Guarantee is a "business agreement" as defined under Section 22 of the *Limitations Act, 2002* (Ontario).

IN THIS GUARANTEE, unless the context otherwise requires, references to the undersigned shall be interpreted as referring to each of the undersigned if there is more than one undersigned.

It is the express wish of the parties hereto that this agreement and any related documents be drawn up and executed in English. Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

Dated: March 15, 2018, at Morinville, Alberta.

KALCO FARMS LTD.

By: 
Name: MICHAEL FALCKSVAART
Title: President

SECURITY AGREEMENT

The undersigned (hereinafter called the "Debtor") hereby enters into this Security Agreement with Bank of Montreal (hereinafter called the "Bank") for valuable consideration and as security for the repayment of all present and future indebtedness of the Debtor to the Bank and interest thereon and for the payment and discharge of all other present and future liabilities and obligations, direct or indirect, absolute or contingent, of the Debtor to the Bank (all such indebtedness, interest, liabilities and obligations being hereinafter collectively called the "Obligations"). This Security Agreement is entered into pursuant to and is governed by the Alberta Personal Property Security Act insofar as it affects personal property located in Alberta.

1. The Debtor hereby represents and warrants to the Bank that it has assets at the following locations in Alberta

Sturgeon County, Alberta

2. The Debtor hereby
 - (a) mortgages and charges to the Bank as and by way of a fixed and specific mortgage and charge, and grants to the Bank a security interest in, all its present and future goods and any proceeds therefrom, including, without limiting the generality of the foregoing, all fixtures, building materials, leased goods, plant, machinery, tools and furniture now or hereafter owned or acquired, and any goods specifically listed or otherwise described in any Schedule hereto;
 - (b) mortgages and charges to the Bank, and grants to the Bank a security interest in, all its present and future inventory and any proceeds therefrom, including, without limiting the generality of the foregoing, all raw materials, goods in process, work in progress, materials used or consumed in business, finished goods and packaging material and goods acquired or held for sale or lease or furnished under contracts of rental or service;
 - (c) assigns, transfers and sets over to the Bank and grants to the Bank a security interest in, all its present and future intangibles, chattel paper, securities, documents of title, instruments and money, and any proceeds therefrom, including, without limiting the generality of the foregoing, all its present and future book debts and other accounts receivable, monetary obligations, contract rights and other choses in action of every kind or nature now due or hereafter to become due, including insurance rights arising from or out of the assets referred to in sub-clauses (a) and (b) above; and
 - (d) charges in favour of the Bank as and by way of a floating charge its undertaking and all its property and assets, real and personal, moveable or immovable, of whatsoever nature and kind, including without limitation client lists, client records and client files, both present and future (other than property and assets hereby validly assigned or subjected to a specific mortgage and charge and to the exceptions hereinafter contained). For the purposes of this Security Agreement, the goods, inventory, intangibles, chattel paper, securities, documents of title, instruments, money, undertaking and all other property and assets of the Debtor referred to in this clause 2 are hereinafter sometimes collectively called the "Collateral".

3. The Collateral is on the date hereof primarily situate or located at the location(s) set out in clause 1 hereof but may from time to time be located at other premises of the Debtor. The Collateral may also be located at other places while in transit to and from such locations and premises; and the Collateral may from time to time be situated or located at any other place when on lease or consignment to any lessee or consignee from the Debtor. The Collateral shall not be removed from the Province of Alberta without the prior written consent of the Bank.

4. It is hereby declared that the last day of any term of years reserved by any lease, verbal or written, or any agreement therefor, now held or hereafter acquired by the Debtor, is hereby or shall be excepted out of the mortgages, charges and security interests hereby created, but the Debtor shall stand possessed of the reversion of one day remaining in the Debtor in respect of any such term of years, for the time being demised, as aforesaid upon trust to assign and dispose of the same as any purchaser of such term of years shall direct. There shall also be excluded from the security created by clause 2 (d) after-acquired consumer goods of the Debtor other than when subject to purchase money security interests in favour of the Bank, and other than accessions.

5. The Debtor
 - (a) shall not without the prior written consent of the Bank sell or dispose of any of the Collateral other than that described in sub-clause (b) of clause 2 above which may be sold only in the ordinary course of business and for the purpose of carrying on the same; and if the amounts of any of the Collateral of the type referred to in sub-clause (c) of clause 2 above or any proceeds arising from the Collateral of the type described in sub-clauses (a) and (b) of clause 2 above shall be paid to the Debtor, the Debtor shall receive the same as Trustee for the Bank and forthwith pay over the same to the Bank. The Debtor shall not without the prior written consent of the Bank create any liens upon or assign or transfer as security or pledge or hypothecate as security or create a security interest in the Collateral except to the Bank. The Debtor agrees that the Bank may at any time before or after default require any account debtor of the Debtor to make payment to the Bank and the Bank may take control of any proceeds referred to in sub-clauses (a), (b) and (c) of clause 2 hereof and may hold all amounts received from any account debtors and any proceeds as cash collateral as part of the Collateral and as security for the Obligations of the Debtor to the Bank.
 - (b) covenants not to substitute or modify any of the Debtor's rights under any Collateral of the type listed in sub-clause (c) of clause 2 above without the written consent of the Bank, and any substitution or modification not consented to may at the option of the Bank be treated as an act of default hereunder.

6. The Debtor shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all and singular every such further acts, deeds, transfers, assignments, security agreements and assurances as the Bank may reasonably require for the better granting, transferring, assigning, charging, setting over, assuring and confirming unto the Bank the property and assets hereby mortgaged and charged or subjected to security interests or intended so to be or which the Debtor may hereafter become bound to mortgage, charge, transfer, assign or subject to a security interest in favour of the Bank and for the better accomplishing and effectuating of this Security Agreement.

7. The Debtor shall at all times have and maintain insurance over the Collateral against risks of fire (including so-called extended coverage), theft, and also against such other risks as the Bank may reasonably require in writing, containing such terms, in such form, for such periods and written by such companies as may be reasonably satisfactory to the Bank. The Debtor shall duly and seasonably pay all premiums and other sums payable for maintaining such insurance and shall cause the insurance money thereunder to be payable to the Bank as its interest hereunder may appear and shall, if required, furnish the Bank with certificates or other evidence satisfactory to the Bank of compliance with the foregoing insurance provisions.

8. The Debtor shall keep proper books of account and shall at all times upon request by the Bank furnish the Bank with such information concerning the Collateral and the Debtor's affairs and business as the Bank may reasonably request, including financial statements, lists of inventory and equipment and lists of accounts receivable showing the amounts owing upon each account and securities therefor and copies of all financial statements, books and accounts, invoices, letters, papers and other documents in any way evidencing or relating to the account. The Debtor shall permit the Bank at all reasonable times to enter onto its premises to inspect and copy its books, and to inspect the Collateral.

9. The Debtor shall be in default under this Security Agreement upon the occurrence of any one of the following events:
 - (a) the Debtor shall default under any of the Obligations;
 - (b) the Debtor shall default in the due observance or performance of any covenant, undertaking or agreement heretofore or hereafter given to the Bank, whether contained herein or not and including any covenant or undertaking set out in any Schedule to this Security Agreement;
 - (c) an execution of any other process of any court shall become enforceable against the Debtor or a distress of any analogous process shall be levied upon the property of the Debtor or any part thereof, or a receiver shall be appointed for the Debtor.
 - (d) the Debtor shall become insolvent or commit an act of bankruptcy, or make an assignment in bankruptcy or a bulk sale of its assets or a bankruptcy petition shall be filed or presented against the Debtor and not be bona fide opposed by the Debtor;
 - (e) the Debtor shall cease to carry on business, or shall fail to keep the Collateral in repair and in good working order, or shall fail to promptly pay when due all taxes, licence fees and assessments levied on the Debtor;
 - (f) the Bank in good faith and on commercially reasonable grounds deems itself insecure or decides that the due discharge of the Obligations, the Collateral or the security is in jeopardy;
 - (g) the Debtor shall, without the prior written consent of the Bank, pay any dividend or bonus to shareholders or otherwise distribute or reduce its capital, or make capital expenditures in excess of \$n/a in any year, or make any capital expenditure or payment while in default of the Obligations, or become guarantor, surety or endorser of the obligations of any other person other than in favour of the Bank, or lend money other than in the ordinary course of its business.

10. Upon any default under this Security Agreement, the Bank may declare any or all of the Obligations to be immediately due and payable and may proceed to realize the security hereby constituted and to enforce its rights by any method not prohibited by law, including by the appointment by instrument in writing of a receiver or receivers of the subject matter of such security or any part thereof and such receiver or receivers may be any person or persons, whether an officer or officers or employee or employees of the Bank or not, and the Bank may remove any receiver or receivers so appointed and appoint another or others in his or their stead; or by proceedings in any court of competent jurisdiction for the appointment of a receiver or receivers, or by sale of the Collateral or any part thereof; or by any other action, suit, remedy or proceeding authorized or permitted hereby or by law or by equity; and may file such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relative to the Debtor. Any such receiver or receivers so appointed shall have power to take possession of the Collateral or any part thereof and if appointed a receiver-manager the power to carry on the business of the Debtor, and to borrow money required for the maintenance, preservation or protection of the Collateral or any part thereof or the carrying on of the business of the Debtor, and to further charge the Collateral in priority to the security constituted by this Security Agreement as security for money so borrowed, and to sell, lease or otherwise dispose of the whole or any part of the Collateral on such terms and conditions and in such manner as he shall determine. In exercising any powers any such receiver or receivers shall act as agent or agents for the Debtor and the Bank shall not be responsible for his or their actions.

In addition, the Bank may enter upon and lease or sell the whole or any part or parts of the Collateral.

Any such sale shall be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as to the Bank in its discretion may seem advantageous and such sale may take place whether or not the Bank has taken possession of such property and assets.

No remedy for the realization of the security hereof or for the enforcement of the rights of the Bank shall be exclusive of or dependent on any other such remedy, but any one or more of such remedies may from time to time be exercised independently or in combination and the Bank may exercise any one or more of such remedies in respect of all or any portion of the Collateral as the Bank deems fit. The term "receiver" as used in this Security Agreement includes a receiver and manager.

11. The Bank shall not be responsible for any loss or damage to the Collateral, whether caused by the negligence or fault of the Bank, its servants or agents, or a sheriff or receiver, and the Bank shall not be obliged to preserve rights against other persons, keep the Collateral identifiable or repair, process or prepare the Collateral for disposition, and shall only be liable to account for funds (net of costs of collection, realization and sale, including solicitor and his own client legal costs), actually received by the Bank.
12. Any receiver-manager appointed by the Bank may carry on the business of the Debtor, and in addition to any powers or rights granted by law, a receiver or receiver-manager may, but shall be under no obligation to:
- (a) exercise any power or right granted to the Bank hereunder;
 - (b) enter upon any premises under the control of the Debtor and take possession of the Collateral by any method not prohibited by law;

- (c) borrow money by charge against the Collateral for the preservation, processing, maintenance or preparation for sale of the Collateral, or for any other purpose;
 - (d) realize on and dispose of the Collateral by any method not prohibited by law, and on any terms, whether to the highest bidder or not and whether in the ordinary course of the Debtor's business or not;
 - (e) execute deeds, enter contracts and otherwise act as the attorney of the Debtor in dealing with the Collateral;
 - (f) institute, defend, compromise, settle or continue any proceedings relating to the Collateral;
 - (g) generally, to do any act necessary or convenient to the realization of the Collateral that the Debtor itself could have done.
13. Any and all payments made in respect of the Obligations from time to time and moneys realized from any securities held therefor (including moneys realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as the Bank may see fit, and the Bank shall at all times and from time to time have the right to change any appropriation as the Bank may see fit.
14. The Debtor agrees to pay all reasonable expenses, including solicitor's fees as between a solicitor and his own client and disbursements and the remuneration of any receiver appointed hereunder, incurred by the Bank in the preparation, perfection and enforcement of this Security Agreement or the Obligations, or in the holding, repairing, processing or preparing for disposition and disposing of the Collateral, with interest at the rate provided in the obligations, and the payment of such expenses shall be secured hereby.
15. The Bank may waive any default herein referred to; provided always that no act or omission by the Bank in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default or the rights resulting therefrom.
16. The Debtor acknowledges that value has been given, that the Debtor has rights in the Collateral and that the parties have not agreed to postpone the time for attachment of any security interest in this Security Agreement.
17. The security hereof is in addition to and not in substitution for any other security now or hereafter held by the Bank and shall be general and continuing security notwithstanding that the Obligations of the Debtor shall at any time or from time to time be fully satisfied or paid.
18. Nothing herein shall obligate the Bank to make any advance or loan or further advance or loan or to renew any note or extend any time for payment of any indebtedness or liability of the Debtor to the Bank.

19. This Security Agreement shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the Debtor and the Bank.
20. This Security Agreement is a security agreement within the meaning of the Alberta Personal Property Security Act and does not constitute an acknowledgement of any particular indebtedness or liability of the Debtor to the Bank.
21. In construing this Security Agreement, terms herein shall have the same meaning as defined in the Alberta Personal Property Security Act, unless the context otherwise requires. The word "Debtor", the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used depending upon whether the Debtor is one or more individuals, corporations or partnerships and, if more than one, this Security Agreement shall apply and be binding upon each of them severally. The term "successors" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation and, where the Debtor is a partnership, any new partnership resulting from the admission of new partners or any other change in the Debtor, including, without limiting the generality of the foregoing, the death of any or all of the partners.
22. The Debtor waives the right to receive any financing statement or financing change statement registered by the Bank and any confirmation of registration or verification statement issued.
23. The Debtor acknowledges receipt of a copy of this Security Agreement.

IN WITNESS WHEREOF this Security Agreement has been executed by the Debtor on March 15, 2018.

KALCO FARMS LTD.

Per:  Michael Kalisvaart

® Registered trade-marks of Bank of Montreal

CORPORATE AUTHORIZING RESOLUTION

"Whereas it is in the interests of the Company to enter into a security agreement with the Bank of Montreal as security for its present and future obligations to the Bank of Montreal and therein mortgage, charge, assign and otherwise transfer and encumber and grant security interests in all its present and future property and assets;

NOW THEREFORE BE IT RESOLVED THAT:

1. the Company do enter into, execute and deliver to the Bank of Montreal a security agreement substantially in the form of the draft security agreement presented to the directors, subject to such alterations, amendments or additions to which the President or a Vice-President of the Company may agree;
2. the Company do mortgage, charge, assign and otherwise transfer and encumber and grant security interests in all its present and future goods, inventory, intangibles, undertaking and other property and assets as security for its present and future obligations to the Bank of Montreal, all as provided in the said draft security agreement;
3. the execution by the President or a Vice-President of the Company of the said security agreement shall be conclusive proof of his or her agreement to any amendments, alterations or additions incorporated therein;
4. the President and the Vice-President of the Company be and they are each alone hereby authorized to execute and deliver the security agreement aforesaid on behalf of the Company and each of the officers of the Company are hereby authorized to execute all such other documents and writings and to do such other acts and things as may be necessary for fulfilling the Company's obligations under the said security agreement."

CERTIFICATE

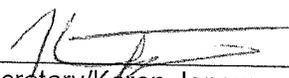
I am the Secretary of **KALCO FARMS LTD.** and I hereby certify that:

1. the foregoing is a true copy of a resolution duly and properly passed or consented to by the board of directors of the said Company on March 15, 2018.

2. the attached Security Agreement is in the form of the draft security agreement referred to in the resolution and has been duly and properly executed by the proper officers of the Company under its corporate seal; and

3. the resolution was passed at a meeting ~~duly called~~ and held on the date aforesaid and at which a quorum of the directors was present throughout the meeting, all the directors having received proper notice of the ~~meeting or waiving such notice~~ in accordance with the by-laws of the Company

(or where applicable - the Company is subject to the Business Corporations Act of Alberta and the resolution was consented to by the signatures of all the directors of the Company on the date aforesaid in accordance with the Business Corporations Act.).


Secretary/Karen Jansen

PROMISSORY NOTE

DATE: May 17th, 2020

PRINCIPAL AMOUNT: \$ 250,000.00

PAYABLE: ON DEMAND

FOR VALUE RECEIVED the undersigned promises to pay to the order of PROVIDENCE GRAIN GROUP INC. of 168, 11870-88 Avenue, Fort Saskatchewan, Alberta, ON DEMAND, the sum of TWO HUNDRED AND FIFTY THOUSAND (\$ 250,000.00) DOLLARS together with interest thereon at TWENTY (20%) PER CENT, calculated and compounded monthly on the principal balance then outstanding.

DATED at the City of Fort Saskatchewan, in the Province of Alberta, as of the date above.

KALCO FARMS LTD.

Per: _____


Michael Kalisvaart

PROMISSORY NOTE

DATE: May 18, 2020

PRINCIPAL AMOUNT: \$ 200,000.00

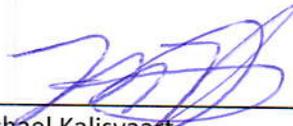
PAYABLE: ON DEMAND

FOR VALUE RECEIVED the undersigned promises to pay to the order of PROVIDENCE GRAIN GROUP INC. of 168, 11870-88 Avenue, Fort Saskatchewan, Alberta, ON DEMAND, the sum of TWO HUNDRED THOUSAND (\$ 200,000.00) DOLLARS together with interest thereon at TWENTY (20%) PER CENT, calculated and compounded monthly on the principal balance then outstanding.

DATED at the City of Fort Saskatchewan, in the Province of Alberta, as of the date above.

KALCO FARMS LTD.

Per: _____


Michael Kalisvaart

PROMISSORY NOTE

DATE: June 24, 2020

PRINCIPAL AMOUNT: \$ 200,000.00

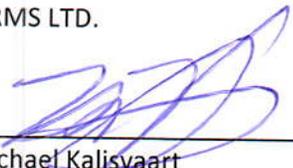
PAYABLE: ON DEMAND

FOR VALUE RECEIVED the undersigned promises to pay to the order of PROVIDENCE GRAIN GROUP INC. of 168, 11870-88 Avenue, Fort Saskatchewan, Alberta, ON DEMAND, the sum of TWO HUNDRED THOUSAND (\$ 200,000.00) DOLLARS together with interest thereon at TWENTY (20%) PER CENT, calculated and compounded monthly on the principal balance then outstanding.

DATED at the City of Fort Saskatchewan, in the Province of Alberta, as of the date above.

KALCO FARMS LTD.

Per: _____


Michael Kalisvaart

This Agreement effective the 11th day of May, 2020.

BETWEEN:

KALCO FARMS LTD.
of Box 1020 Gibbons AB T0A 1N0
(the "Assignor")

-and-

PROVIDENCE GRAIN GROUP INC.
of 168, 8811870 – 88 Avenue
Fort Saskatchewan AB T8L 0K1
(the "Assignee")

WHEREAS:

- A. The Assignor has or will enter into certain grain delivery contracts with Providence Grain Group Inc. o/a Providence Grain Solutions, including those detailed in Schedule A to this Assignment Agreement (the "Delivery Contracts");
- B. The Assignor has agreed to assign the Delivery Contracts and all monies payable thereunder and all benefits and advantages to be derived from the Delivery Contracts and each of them to the Assignee as further security for the payment of its current and any future indebtedness to the Assignee (the "Indebtedness").

IN CONSIDERATION of the advances made by the Assignee to the Assignor as well any and all future advances made by the Assignee and such other good and valuable consideration, the receipt of which is acknowledged, the parties agree as follows:

1. ASSIGNMENT. In order to secure and provide for the due and punctual payment of the Indebtedness (including the principal thereof and interest thereon), and all other sums that may hereafter become secured by or payable by Assignor to the Assignee, including any future advances by the Assignee to the Assignor, the Assignee does hereby absolutely assign, pledge, grant a security interest in and lien on, set over and confirm unto the Assignee all of the Assignor's right, title and interest in and to all monies and claims for monies due and to become due to Assignor under the Delivery Contracts. The Assignor shall cause all payments due to Assignor under the Delivery Contracts to be paid directly to the Assignee for application to the Indebtedness and any future obligations of the Assignor to the Assignee.

2. ASSIGNOR TO REMAIN LIABLE. Anything in this Assignment to the contrary notwithstanding, Assignor shall remain liable under the Delivery Contracts, and shall observe, perform and fulfill all of the conditions and obligations to be observed, performed and fulfilled by it thereunder, and the Assignee shall have no obligation or liability thereunder or by reason of or arising out of this Assignment, nor shall the Assignee be required or obligated in any manner to observe, perform or fulfill any of the conditions or obligations of the Assignor thereunder or pursuant thereto, or to make any payment or to make any inquiry as to the nature or sufficiency of any payment received by it or the Assignor, or to present or file any claim, or to take any other action to collect or enforce the payment of any amounts which may have been assigned to the Assignee or to which the Assignee may be entitled hereunder at any time.

3. REPRESENTATIONS AND WARRANTIES. The Assignor hereby represents, warrants and agrees

that except for this Assignment it has not assigned, pledged or otherwise granted a security interest in or lien on the Delivery Contracts, and hereby agrees that it will not assign, pledge or otherwise grant a security interest in or lien on the whole or any part of the rights, titles and interests in the Delivery Contracts hereby assigned to anyone other than the Assignee.

4. **PROVIDING INFORMATION.** The Assignor will from time to time on demand furnish to the Assignee a current list of all grain delivery contracts in such detail as the Assignee requires.

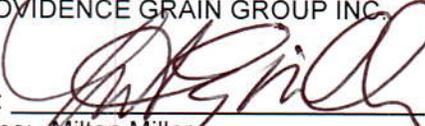
5. **OTHER PROVISIONS.** The parties further agree as follows:

- a) The Assignors shall execute such further documents as are required by the Assignee from time to time to perfect this Assignment.
- b) This Assignment is taken by way of additional security. The rights and remedies given to the Assignee hereunder are in addition to and not in substitution for and shall not in any way derogate from or delay or prejudice any rights or remedies to which the Assignee may be entitled under or in respect of any other agreement between the Assignor and the Assignee.
- c) The Assignee shall be entitled to give written notice of this Assignment to such third parties as it deems necessary to give effect this Assignment.
- d) The Assignee may register this Assignment at such Registry Offices as the Assignee sees fit. The Assignor shall not take any steps to challenge or remove any instrument or notice filed in respect of this Assignment until the Indebtedness (including any and all future advances by the Assignee to the Assignor) have fully paid and satisfied.
- e) The Agreement shall enure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.
- f) This Assignment and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the laws of the Province of Alberta.

IN WITNESS WHEREOF the parties have duly executed this Assignment the day and year first above written.

KALCO FARMS LTD.

Per: 
Name: Michael Kalisvaart
Title: Director

PROVIDENCE GRAIN GROUP INC.

Per:
Name: Milton Miller
Title: President & CEO

SCHEDULE A - DELIVERY CONTRACTS

Contract Ref. No.	Issue Date	Commodity
PC-110323-PGS	13-Jun-2019	Peas, Feed Yellow
PC-113319-PGS	21-Jan-2020	Canola, 1 Canada
PC-113792-PGS	28-Feb-2020	Peas, Green 2 Canada
PC-114592-PGS	21-Apr-2020	Peas, Green 2 Canada
PC-114069-PGS	19-Mar-2020	CPSR 2 (11.0)
PC-114068-PGS	19-Mar-2020	Canola, 1 Canada

All Delivery Contracts Listed above and all future delivery contracts that the Assignor enters into with Providence Grain Group Inc. o/a Providence Grain Solutions

THIS LOAN AGREEMENT made effective the 17th of May, 2020.

BETWEEN:

PROVIDENCE GRAIN GROUP INC.
of 168, 11870 – 88 Avenue
Fort Saskatchewan AB T8L 0K1

OF THE FIRST PART

- and -

KALCO FARMS LTD.
of Box 1020
Gibbons AB T0A 1N0

OF THE SECOND PART

WHEREAS:

- (A) Providence Grain Group Inc. (the "Lender") has agreed to advance to Kalco Farms Inc. (the "Borrower") an initial loan advance of \$ 250,000.00 up to a maximum principal amount of \$1,000,000.00 with interest at the rate set out in this Agreement for the purposes of purchasing crop inputs (the "Loan"); and
- (B) For better securing the repayment of the Loan the parties have agreed to enter into this Agreement.

NOW THEREFORE IN CONSIDERATION of the Lender granting the loan and advancing monies to the Borrower, as well as any future advances and such other good and valuable consideration, the parties hereto mutually covenant and agree as follows:

1. LOAN and COVENANT TO PAY PRINCIPAL AND INTEREST

1.1 The Lender agrees to lend to the Borrower a maximum principal amount of One Million (\$ 1,000,000.00) Dollars CND (the "Principal Sum").

1.2 The interest rate payable to the Lender on the Principal Sum, or such amounts as may be advanced to the Borrower, shall be twenty (20%) percent per annum, calculated and compounded monthly from the date of advance(s) (the "Interest"), provided however, the Interest will be reduced to twelve (12%) percent per annum, calculated and compounded monthly, in the event the Borrower pays the Principal and accrued interest in full within a reasonable period of time and in any event no later than March 31, 2021.

1.3 The Borrower promises to pay, on demand, the Principal Sum or such lesser amount as shall have been advanced by Lender, from time to time, to or on behalf of Borrower under this Agreement plus interest at the rate set in Clause 1.2 (the "Indebtedness").

2. PREPAYMENT

2.1 The Indebtedness may be prepaid in whole or in part at any time by the Borrower without

notice, bonus or penalty.

3. SECURITY

3.1 As security for the obligations of the Borrower hereunder, the Borrower hereby agrees to execute and deliver to the Lender, prior to release of funds by the Lender, the following security in a form and manner satisfactory to the Lender:

- (a) A Promissory Note;
- (b) A Purchase Money Security Agreement;
- (c) An assignment of its fall delivery contracts to the Lender in a form and manner satisfactory to the Lender;
- (d) Share Hypothecation Agreement; and
- (e) An assignment of its crop insurance policies in a form and manner satisfactory to the Lender. (collectively called the "Security").

3.2 Borrower hereby covenants and agrees that the provisions of the Security are in addition and not in substitution to the covenants contained herein to pay the Indebtedness and the Borrower further acknowledges and agrees that taking the Security shall not be deemed to merge the Indebtedness nor be deemed to be payment or satisfaction thereof of any sums secured hereby, provided however that payment under one of the Securities shall be applied as payment under all of the other Securities.

4. COVENANTS OF THE BORROWER

4.1 As long as the Indebtedness remains unpaid or any of the covenants given herein by the Borrower shall remain unperformed unless the Lender otherwise consents, in writing, the Borrower shall:

- (a) and punctually pay to the Lender the Indebtedness together with interest accrued thereon, as provided in this Agreement all on the dates, at the place, and in the amounts and in the manner mentioned in this Agreement;
- (b) give the Lender written notice of the occurrence of any material litigation, proceeding or dispute affecting the Borrower and to provide the Lender all reasonable information requested by the Lender concerning the status of the litigation, proceeding or dispute; and
- (c) pay or reimburse the Lender for all costs, charges and expenses (including legal fees and disbursements on a solicitor/client basis) of or incurred by the Lender in connection with this Agreement (except for the preparation hereof) or any Security taken in pursuance of this Agreement including all costs, charges and expenses in connection with the recovery or enforcement of payment of the Indebtedness and interest thereon.

5. EVENTS OF DEFAULT

5.1 The existence or occurrence of any one or more of the following events, whatever the reason therefore, shall constitute and Event of Default within the meaning of this Agreement:

- (a) The Borrower fails to pay an installment (payment) or portion thereof of the Indebtedness at the time and in the manner set forth in Article 1 of this Agreement;
- (b) The Borrower fails to perform or observe any other term, covenant or agreement contained in this Agreement or contained in the Security on its part to be performed or observed within

ten (10) days of the giving of notice by the Lender of such Default; or

(c) the Borrower becomes insolvent, bankrupt or make an assignment for the benefit of creditors or if there shall be (either by consent or otherwise) any receiver, trustee, custodian or liquidator appointed for all or any of the property of the Borrower.

6. REMEDIES UPON EVENT OF DEFAULT

6.1 Without limiting any other rights or remedies of the Lender provided elsewhere herein or under any of the Security, at law or in equity, or otherwise:

(a) upon the occurrence of any Event of Default as defined hereunder the Lender may, at its option, declare all or any part of the Indebtedness and other amounts payable hereunder, to be forthwith due and payable whereupon the same shall become and be forthwith due and payable without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by the Borrower;

(b) upon the occurrence of any Event of Default as defined hereunder the Lender may, without notice to or demand upon the Borrower, proceed to exercise and enforce its rights under the Security against the Borrower and such other rights and remedies as are provide at law or in equity; and

(c) the order and manner in which the Lender's rights and remedies are to be exercised shall be determined by the Lender in its sole discretion and all payments received by the Lender shall be applied first to the cost and expenses of the Lender, second to the payment of unpaid accrued interest (if applicable) and third to the Indebtedness. No application of payments will cure any Event of Default or prevent acceleration or continued acceleration of the amounts payable under the Indebtedness.

7. GENERAL PROVISIONS

7.1 The Borrower covenants that it shall execute or cause to be executed all further and lawful acts, deeds, things, devices, conveyance and assurances whatsoever for effecting the purposes and intent of this Agreement as the Lender shall reasonably advise or request.

7.2 The rights, powers, privileges and remedies of the Lender provided for herein, and in the Security or any portion thereof, are cumulative and not exclusive of any right, power, privilege or remedy provided at law or in equity. No failure or delay on the part of the Lender in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor any single or partial exercise of any right, power, privilege or remedy precludes any other or further exercise of the same or any other right, power, privilege or remedy. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or of the Security; no approval or consent thereunder and no consent to any departure by the Borrower or any other party therefrom may in any event be effective unless in writing signed by the Lender.

7.3 Unless otherwise specifically provided for in this Agreement, all notices, demands or requests required or permitted to be given pursuant to the terms of this Agreement (collectively called "Notice") shall be in writing and shall be by delivery to the addresses noted above.

7.4 This Agreement and the Security shall be binding upon and shall enure to the benefit of the

parties hereto and thereto and their respective successors and assigns except that the Borrower may not assign its rights hereunder or thereunder or any interest herein or therein without the prior written consent of the Lender.

7.5 Any provision of this Agreement or the Security that is held to be inoperative, unenforceable or invalid, in whole or in part, as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative, unenforceable or invalid to such extent without effecting the remaining provisions or the operation, enforceability or validity of that provision as to any other party or in any other jurisdiction and to this end the provisions of this Agreement and the Security are declared to be severable.

7.6 Time shall be of the essence of this Agreement and the Security.

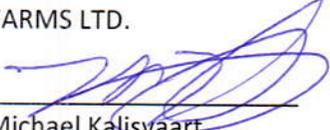
7.7 This Agreement shall be governed by the laws of the Province of Alberta.

7.8 Articles and section headings in this Agreement and in the Security are included for convenience of reference only.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the day and year first above written.

PROVIDENCE GRAIN GROUP INC

Per: _____
Name: Milton Miller
Title: President & CEO

KALCO FARMS LTD.

Per: _____
Name: Michael Kalisvaart
Title: Director

PURCHASE MONEY SECURITY AGREEMENT

THIS AGREEMENT made effective as of the 11th day of May, 2020.

BETWEEN:

PROVIDENCE GRAIN GROUP INC.
of 168, 11870 – 88 Avenue
Fort Saskatchewan AB T8L 0K1
(the “Secured Party”)

OF THE FIRST PART

- and -

KALCO FARMS LTD.
of Box 1020 Gibbons AB T0A 1N0
(the “Debtor”)

OF THE SECOND PART

IN CONSIDERATION of the Secured Party advancing monies to the Debtor for the purpose of purchasing crop inputs for the 2020 crop season and such other good and valuable consideration, the receipt and sufficient of which are acknowledged by each party, the parties hereby covenant and agree as follows:

1. CREATION OF SECURITY INTEREST

1.1 In consideration of the Secured Party giving value for the purpose of enabling the Debtor to acquire rights in the goods described in Schedule A of this Agreement, herein referred to as the “Collateral”, and as a general and continuing security for the payment and performance of all debts, liabilities and obligations of the Debtor to the Secured Party, howsoever arising, present or future, direct or indirect, absolute or contingent, matured or not (collectively referred to as the “Indebtedness”), including any ultimate unpaid balance thereof, owed to the Secured Party and to secure the performance of the obligations under this Security Agreement and any related documents to secure the repayment of the Indebtedness, including the loan agreement and promissory note (the “Related Documents”), the Debtor grants to the Security Party a Security Interest in the Collateral.

1.2 Any references in this Agreement to Collateral shall mean Collateral or any part thereof, unless the context otherwise requires.

1.3 The grants, mortgages, charges, transfers, assignments and security interests herein created are collectively called the “Security Interest”.

2. ATTACHMENT

2.1 The Security Interest created by this Security Agreement shall attach to existing Collateral when this Security Agreement is signed and delivered to the Secured Party and shall attach to after-acquired Collateral immediately upon the Debtor acquiring rights in such Collateral. The parties do not intend to postpone attachment of any Security Interest created by this Security Agreement.

3. RIGHTS AND OBLIGATIONS OF THE DEBTOR

3.1 The Debtor hereby represents and warrants as follows to the Secured Party and acknowledges that the Secured Party is relying thereon (and each of such representations and warranties shall be deemed to be a condition):

- (a) All the information supplied by the Debtor for this Security Agreement , including the Debtor's legal name, place of business and location of the Collateral, save for Collateral in transit or transported for sale in the ordinary course of business, is correct;
- (b) The Debtor has the capacity and authority to incur the Indebtedness, create the Security Interest and generally perform its obligations under this Agreement;
- (c) the execution and delivery of this Agreement and the performance by the Debtor of its obligations hereunder has been duly authorized by all necessary proceedings;
- (d) the Debtor has good right and lawful authority to grant a security interest in the Collateral as provided in this Agreement;
- (e) the Debtor shall notify the Secured Party in writing of any change of location of the Collateral;
- (f) Neither the execution and delivery of this Agreement nor the performance of the terms of this Agreement will conflict with, result in a breach of the terms of or constitute a breach of any agreement, mortgage ,order or other restriction to which the Debtor is a party or by which the Debtor is bound; and
- (g) there is no action or proceeding pending or to the knowledge of the Debtor threatened against the Debtor before any court, administrative agency, tribunal, arbitrator, government or governmental agency or any fact known to the Debtor and not disclosed to the Secured Party which might involve any material or adverse change in the Collateral or the Secured Interest and there are no outstanding judgments, writs of execution, work orders, injunctions, directives against the Debtor, the Collateral or the Secured Interest created herein.

4. COVENANTS OF DEBTOR

4.1 The Debtor covenants and agrees as follows:

- (a) to pay or satisfy all Indebtedness when due;
- (b) to keep the Collateral free and clear of all taxes, assessments, liens, mortgages, charges, claims, encumbrances and security interests whatsoever, except the Security Interest, and for greater certainty, to ensure that all Collateral acquired by the Debtor in the future shall be at the time of its acquisition free of all such claims, encumbrances and security interests;
- (c) not to sell, exchange, transfer, assign, lease or otherwise dispose of or deal in any way with the Collateral or any interest therein, or enter into any agreement or undertaking to do so, except as may be permitted in this Agreement;
- (d) to keep the Collateral in good condition, and to keep the Collateral located at the places warranted herein;
- (e) to obtain and maintain such policies of casualty insurance covering the Collateral in such amounts as may be reasonably required by the Secured Party and to furnish the Secured

- Party with certificates of insurance and certified copies of such policies, if so requested by the Secured Party;
- (f) to promptly notify the Secured Party of any loss or damage to the Collateral, any change in any information provided in this Agreement or any actual or potential claim affecting the Debtor, the Collateral or the Security Interest;
 - (g) to preserve its right, powers, licenses, privileges, franchises and goodwill, comply with all applicable laws, rules, and regulations, and generally conduct its business in a proper and efficient manner so as to protect the Collateral, the Security Interest and the business undertaking of the Debtor;
 - (h) to maintain its existence and to refrain from changing its name or amalgamating with any other corporation, or use a name other than the name described in this Agreement;
 - (i) to promptly pay all taxes, assessments, rates, levies, payroll deductions, workers' compensation assessments, and any other charges which could result in the creation of a statutory lien or deemed trust in respect of the Collateral;
 - (j) to deliver to the Secured Party such information concerning the Collateral or the Debtor as the Secured Party may reasonably request from time to time including aged lists of inventory and accounts and annual financial statements of the Debtor;
 - (k) to allow the Secured Party to have access to all premises of the Debtor at which the Collateral may be located and to inspect the Collateral and all records of the Debtor pertaining thereto from time to time;
 - (l) to do, make, execute and deliver such further and other assignments, transfers, deeds, security agreements and other documents as may be required by the Secured Party to establish in favour of the Secured Party the Security Interest intended to be created hereby and to accomplish the intention of this Agreement; and
 - (m) to pay all expenses, including solicitors' and receivers' fees and disbursements, incurred by the Secured Party or its agents (including any Receiver, as hereinafter defined) in connection with the preparation, perfection, preservation and enforcement of this Agreement, including all expenses incurred by the Secured Party or such agents in dealing with other creditors of the Debtor in connection with the establishment and confirmation of the priority of the Security Interest; all of which expenses shall be payable forthwith upon demand and shall form part of the Indebtedness.

5. EVENTS OF DEFAULT

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

- (a) Non-Payment when due, whether by acceleration or otherwise, of the Indebtedness;
- (b) any representation or warranty made by the Debtor herein is or becomes incorrect or untrue, or the Debtor breaches or fails to comply with any term of this agreement or any other agreement, or undertaking now or hereafter given by the Debtor to the Secured Party;
- (c) the Debtor becomes insolvent or bankrupt or makes a proposal under the *Bankruptcy and Insolvency Act (Canada)*, a petition in bankruptcy is filed against the Debtor, the Debtor makes an assignment for the benefit of creditors, a trustee or receiver or manager is appointed in respect of the Debtor or any of its assets, or steps are taken by or against the Debtor for any other formal or informal type of proceeding for the

- settlement of claims against the Debtor, or for the dissolution, liquidation, or winding-up of the affairs of the Debtor;
- (d) the Debtor ceases or threatens to cease to carry on business, or makes or agrees to make a bulk sale of its assets;
 - (e) an execution or any similar process of any court becomes enforceable against the Debtor, or a distress or any similar process is levied upon any property of the Debtor;
 - (f) any encumbrance affecting the Collateral becomes enforceable; or
 - (g) the Secured Party in good faith believes and has commercially reasonable grounds to believe that the prospect of payment of the Indebtedness is or is about to be impaired or that the Collateral is or is about to be placed in jeopardy.

6. ACCELERATION

6.1 The Secured Party may declare all or any part of the Indebtedness which is not by its terms payable on demand to be immediately due and payable on the occurrence of any default or if the Secured Party considers in good faith and on commercially reasonable grounds that the Collateral is in jeopardy or that the Secured Party's position is insecure.

7. REMEDIES UPON DEFAULT

7.1 Upon the occurrence of an Event of Default, the Security Interest shall immediately become enforceable, and the Secured Party shall have the following remedies in addition to any other remedies available at law or equity or contained in any other agreement between the Debtor and the Secured Party, all of which remedies shall be independent and cumulative:

- (a) entry of any premises where the Collateral may be located;
- (b) take possession or constructive possession of, collect, demand, sue on, enforce, recover and receive the Collateral by any method permitted by law and give binding receipts and discharges therefor;
- (c) sell or otherwise dispose of the Collateral in any commercially reasonable manner;
- (d) the appointment by instrument in writing of a receiver, or a receiver and manager (each of which is herein called a "Receiver") of the Collateral;
- (e) proceedings in any court of competent jurisdiction for the appointment of a receiver or a receiver and manager or for the sale of the Collateral; and
- (f) the filing of proofs of claim and other documents in order to have the claims of the Secured Party lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Debtor.

8. NOTICE OF INTENTION TO REALIZE

8.1 Prior to realization, the Secured Party acknowledges that it is required to deliver a notice of intention to realize to the Debtor under s. 244 of the *Bankruptcy and Insolvency Act*.

8.2 In accordance with the Personal property Security Act, the Secured Party shall also give notice in writing to:

- (a) the Debtor and any other person who is known by the Secured Party to be an owner of the Collateral;

- (b) each creditor or person with a Security Interest in the Collateral whose security Interest is subordinate to that of the Secured Party and;
 - (i) who has registered., before the notice of disposition is given to the Debtor, a financing statement that includes the name of the Debtor or that includes the serial number of the Collateral if the Collateral is goods of a kind that are prescribed as serial number goods, or
 - (ii) whose Security Interest was perfected by possession when the Secured Party seized or repossessed the Collateral;
- (c) each judgment creditor whose interest in the Collateral is subordinate to that of the Secured party and who has registered, before the notice of disposition is given to the Debtor, a notice of judgment that includes the name of the Debtor or that includes the serial number of the Collateral if the Collateral is goods of a kind that are prescribed as serial numbered good, and
- (d) any other person with an interest in the Collateral who has given a written notice to the Secured Party of that person's interest in the Collateral before the notice of disposition is given to the Debtor.

8.3 The notice shall include the content stipulated by Section 60(5) of the *Alberta Personal Property Security Act* or amendments thereto.

9. POWERS OF RECEIVER

9.1 Any Receiver appointed by the Secured Party may be any person or persons, and the Secured Party may remove any Receiver so appointed and appoint another or others instead. Any Receiver appointed shall act as agent for the Secured Party for the purposes of taking possession of the Collateral, and (except as provided below) as agent for the Debtor for all other purposes, including but without limitation the occupation of any premises of the Debtor and in carrying on the Debtor's business. For the purpose of realizing upon the Security Interest, the Receiver may sell or otherwise dispose of Collateral as agent for the Debtor or as agent for the Secured Party as it may determine in its discretion. The Debtor agrees to ratify and confirm all actions of the Receiver acting as agent for the Debtor, and to release and indemnify the Receiver in respect of all such actions.

9.2 Any Receiver so appointed shall have the following powers:

- (a) to enter upon, use and occupy all premises owned or occupied by the Debtor;
- (b) to take possession of the Collateral;
- (c) to carry on the business of the Debtor;
- (d) to borrow money required for the maintenance, preservation or protection of the Collateral or for carrying on of the business of the Debtor, and in the discretion of such Receiver, to charge and grant further security interest in the Collateral in priority to the Security Interest, as security for the money so borrowed;
- (e) to sell or otherwise dispose of the Collateral or any part thereof on such terms and conditions and in such manner as the Receiver shall determine in its discretion;
- (f) to demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and to give valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the Accounts or any other obligation of any third party to the Debtor; and

- (g) to exercise any rights or remedies which could have been exercised by the Secured Party against the Debtor or the Collateral.

9.3 The Secured Party shall not be liable for any act or omission by any receiver appointed or selected by the Court.

10. FAILURE OF SECURED PARTY TO EXERCISE REMEDIES

10.1 The Secured Party shall not be liable for any delay or failure to enforce any remedies available to it or to institute any proceedings for such purposes.

11. APPLICATION OF PAYMENTS

11.1 All payments made in respect of the Indebtedness and all monies received by the Secured Party or any Receiver appointed by the Secured Party in respect of the enforcement of the Security Interest (including the receipt of any money) may be held as security for the Indebtedness or applied in such manner as may be determined in the discretion of the Secured Party or the Receiver as the case may be, and the Secured Party may at any time apply or change any such appropriation of such payment or monies to such part or parts of the Indebtedness as the Secured Party may determine in its discretion.

12. DEFICIENCIES

12.1 The failure of the Secured Party to receive full payment or satisfaction of the Indebtedness through its rights and remedies contained in this Agreement shall not in any way release the Debtor from the obligation to satisfy any deficiency, including costs of realization.

13. SUBORDINATION

13.1 No action by the Secured Party shall constitute a subordination of its Security Interest to any other interest in the Collateral unless such subordination is effected by an agreement in writing to that effect signed by the Secured Party.

14. WAIVER OF DEFAULT

14.1 The Secured Party may waive any Event of Default, provided that no such waiver shall affect the rights of the Secured Party in connection with any other or subsequent Event of Default.

15. DEALINGS BY CREDITOR

15.1 The Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, and otherwise deal with the Collateral, the Debtor, debtors of the Debtor, sureties of the Debtor, and others as the Secured Party may see fit, without prejudice to the Indebtedness and the rights of the Secured Party to hold and realize upon the Security Interest. The Secured Party has no obligation to keep Collateral identifiable, or to preserve rights against prior secured creditors in respect of any Collateral which includes Chattel Paper or Instruments.

16. NOTICE

16.1 Without prejudice to any other method of giving notice, any notice required or permitted to be given hereunder to any party shall be conclusively deemed to have been received by such party on the date following the sending thereof by prepaid courier to such party at its address noted on the first page of this Agreement.

17. SEPARATE SECURITY

17.1 This Agreement and the Security Interest are in addition to and not substitution for any other security now or hereafter held by the Secured Party in respect of the Debtor, the Indebtedness or the Collateral.

18. CREDITOR NOT OBLIGED TO ADVANCE

18.1 Nothing in this Agreement shall obligate the Secured Party to make any loan or accommodation to the Debtor, or extend the time for payment or satisfaction of any Indebtedness.

19. SEVERABILITY

19.1 If any provision of this Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

20. ENTIRE AGREEMENT

20.1 This Agreement, including any schedules attached hereto, constitutes the entire agreement between the Debtor and the Secured Party relating to the subject-matter hereof, and no amendment shall be effective unless made in writing. There are no representatives, warranties or collateral agreements in effect between the Debtor and the Secured Party relating to the subject-matter hereof; possession of an executed copy of this Agreement by the Secured Party constitutes conclusive evidence that it was executed and delivered by the Debtor free of all conditions.

21. GOVERNING LAW; ATTORNMENT

21.1 This Agreement shall be interpreted in accordance with the laws of the Province of Alberta, and without prejudice to the ability of the Secured Party to enforce this Agreement in any other proper jurisdiction, the Debtor hereby irrevocably submits and attorns to the jurisdiction of the courts of the Province of Alberta.

22. JOINT LIABILITY

22.1 If this Agreement has been executed by more than one Debtor, the obligations of each Debtor shall be joint and several.

23. SUCCESSORS AND ASSIGNS

23.1 This Agreement and the Indebtedness may be assigned in whole or in part by the Secured Party to any person, firm or corporation without notice to or consent of the Debtor, and if so assigned, the

Debtor hereby agrees not to assert against any such assignee any defence or claim which the Debtor may have against the Secured Party in connection with this Agreement or the Indebtedness. This Agreement may not be assigned by the Debtor without the prior written consent of the Secured Party. This Agreement is binding upon the parties hereto, and their respective heirs, executors, administrators, legal personal representatives, successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any corporation with another corporation.

24. ACKNOWLEDGEMENT OF DEBTOR

The Debtor acknowledges receipt of a copy of this Agreement and waives the right to receive a copy of the financing statement which the Secured Party is required to register under the Personal Property Security Act (Alberta).

IN WITNESS WHEREOF the parties hereto have executed this Agreement all as of the day and year first above written.

PROVIDENCE GRAIN GROUP INC.

Per: 

Name: Milton Miller

Title: President & CEO

KALCO FARMS LTD.

Per: 

Name: Michael Kalisvaart

Title: Director

SCHEDULE A

DESCRIPTION OF COLLATERAL

Collateral means:

All present and future crop inputs, including but not limited to seed, chemicals, fertilizer, fuel and propane, and all replacements and substitutions for such crop inputs (collectively called the Crop Inputs)

All present and future crops, including all present and future growing crops, unharvested crops and harvested crops, and all replacements and substitutions for such crops (collectively called the Crops)

All proceeds of such Crops Inputs, Crops, including all present and future growing crops, unharvested crops and harvested crops resulting from such Crop Inputs and all monies paid for any of those proceeds

All present and future payments, whether in cash or in kind, made under any insurance or under any governmental agricultural program or otherwise in respect of the Crops or Crop Inputs

All present and future debts, accounts, receivables, claims monies, demands and choses in action now owing, due to or owned by the Debtor in respect of the Crops or Crop Inputs or in respect of their loss, damage, sale, transfer or other disposition

All present and future books, records, other papers and information, regardless of how the Debtor stores such books, records, other papers and information that evidences or pertains to all or part of the Crops and Crop Inputs

All present and future warehouse receipts, bills of lading and other documents of title, negotiable and non-negotiable, in respect of the Crops and Crop Inputs

Proceeds: Goods, investment property, documents of title, chattel paper, instruments, money and intangibles

THE COLLATERAL IS LOCATED: Debtor to provide legal descriptions once lands are seeded.

Assignment of Indemnity Form for Insurance (Excluding Western Livestock Price Insurance Program - WLPIP)

Identification Number		Year
8 7 0 2 5 1 8 6 7 8		2 0 2 0

Client Information

Business Name Kalco Farms Ltd.

Business Address Box 1020, Gibbons, Alberta T0A 1N0

Contact Person (Must be a Client, or Shareholder of the company) Michael Kalisvaart

- Instructions for Completing Assignments of Indemnity**
1. Ensure all information is recorded clearly and accurately. Accuracy in completing the assignment will ensure that it is registered to the correct business.
 2. A \$45 nonrefundable registration fee for each assignment is required. Make cheques or drafts payable to Agriculture Financial Services Corporation.
Note: Due to previous collection agreements, grain companies will not be required to pay the administration fee.
 3. Mail the completed form with payment to:
Agriculture Financial Services Corporation
Finance
5718 56 Avenue
Lacombe, Alberta T4L 1B1
 4. When completed documents are received the assignment will be registered and acknowledgement sent to the insured and the assignee. The assignment is not valid unless accepted and acknowledged in writing by Agriculture Financial Services Corporation.
 5. Assignments will expire on the date indicated.
 6. Ensure that the Identification Number, Subscription Number(s) and Subscription Type field(s) have been completed.

Branch Office

This Assignment covers Insurance subscriptions for Annual and Perennial Programs administered by Agriculture Financial Services Corporation, excluding WLPIP.

For valuable consideration, the Insured hereby assigns to: Providence Grain Group Inc. Name of Assignee

Of 168, 11870 - 88 Avenue, Fort Saskatchewan, Alberta Complete Mailing Address including Postal Code Postal Code T8L 0K1

Assignee Contact Info: Milton Miller Name Telephone (780) 997-0211

an undivided 100% of all monies up to an amount of \$ 250,000.00 which may be payable by AFSC as a result of a payable loss on Identification Number (870) _____ for the time period ending March 31, 2021.

Do Not Use This Area	Date Stamp – primary	Date Stamp – secondary
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Assignment of Indemnity Form for Insurance (Excluding Western Livestock Price Insurance Program - WLPIP)

Identification Number		
870		Year 2020

Freedom of Information and Protection of Privacy Act and Client Declaration

The information on this form and any information you provide to us in the future related to this form is collected under the authority of the *Agriculture Financial Services Act* and the *Freedom of Information and Protection of Privacy Act* (the FOIP Act). The collected information, whether personal information or business information, will be used: (i) to evaluate your eligibility for the program to which this form relates; (ii) for the administration of the program; and/ or (iii) for the administration of any other AFSC program or benefit in which you participate. Your personal information is subject to the provisions of the FOIP Act.

By signing this form below, you are providing your consent to AFSC disclosing and sharing the information contained on this form, whether personal information or business information, or any other information that will be provided in the future by you or your authorized representative, to the following third parties: Alberta Agriculture and Forestry, Agriculture and Agri-Food Canada, Canada Revenue Agency and Statistics Canada. You consent that such disclosed and shared personal information and business information may be used in the following ways: (i) for the administration of all current and future AFSC federal and provincial programs related to agriculture, AFSC lending programs and AFSC insurance programs; (ii) for AFSC, federal and provincial policy and program development; and (iii) AFSC, federal, and provincial policy and program evaluation; (iv) for research and statistical development; and (v) for statistical purposes.

If you have any questions about this form and the collection and use of your information, please contact AFSC at 5718 - 56 Avenue, Lacombe AB T4L 1B1, 1.877.899.2372 or info@afsc.ca

This assignment is subject to section 55.1 of the *Agriculture Financial Services Act* and section 95 of the *Financial Administration Act* (Alberta). Agriculture Financial Services Corporation is not bound by this assignment unless the assignment has been consented to by an acknowledgement in writing from Agriculture Financial Services Corporation. The Insured understands that indemnity cheques, up to the amount stated in this Assignment of Indemnity, will be made payable to the assignee and forwarded directly to the assignee. This assignment is subject to the deduction of any monies which may be owing to Agriculture Financial Services Corporation.

Dated at Fort Saskatchewan in the Province of Alberta this 17th day May 2020
City or Town Date Month Year

Insured's Signature: Witness Signature:

Insured's Printed Name: Michael Kalisvaart Witness Printed Name: Jan Cordner

Insured's Printed Address: Box 1020, Gibbons, Alberta T0A 1N0

Central Office Use Only

Consent and Acknowledgement

Agriculture Financial Services Corporation consents to the above assignment, subject to the deduction of any monies which may be owing to Agriculture Financial Services Corporation.

Dated in Lacombe, Alberta this _____ day of _____ 20____.

Signed by: _____ for Agriculture Financial Services Corporation.

Administration fee received (\$45).