

CREDIT AGREEMENT

Dated as of December 15, 2008

Between

BIG SKY FARMS INC.

as the Borrower

- and -

INVESTMENT SASKATCHEWAN INC.

as Lender

by its portfolio manager
and lawful attorney

VICTORIA PARK CAPITAL INC.

THIS IS EXHIBIT 21 " referred to in
the Affidavit of Carole Tasseth
SWORN before me at Saskatoon
this 29th day of October, 20 09.

A COMMISSIONER FOR OATHS in and
for the Province of Saskatchewan
Being a Solicitor - OR -
My Commission expires _____

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CREDIT AGREEMENT

THIS AGREEMENT is made as of the 15th day of December, 2008,

BY AND BETWEEN:

BIG SKY FARMS INC. (the "Borrower")

- and -

INVESTMENT SASKATCHEWAN INC. (the "Lender")
by its portfolio manager and lawful attorney
VICTORIA PARK CAPITAL INC.

RECITALS

WHEREAS, the Lender extended to the Borrower a \$2,500,000 term loan on May 9, 2008, in order to fund certain working capital deficiencies affecting the Borrower;

WHEREAS, the Borrower desires that the Lender extend an additional \$1,000,000 term loan to the Borrower in order to fund certain continuing working capital deficiencies affecting the Borrower;

AND WHEREAS, the parties wish to provide for the terms and conditions upon which such loan shall be made;

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Borrower, the parties hereto agree as follows:

AGREEMENT

ARTICLE 1 - DEFINITIONS

1.1 General Definitions

In this Agreement the following terms shall have the following meanings:

- (a) "Accounts" means all claims, accounts, contract rights, or other rights to payment for goods sold or services rendered, chattel paper, instruments and documents, whether now owned or hereafter created or acquired by a Person or in which a Person now has or hereafter acquires any interest.
- (b) "Account Debtor" means, in respect of any Account, the debtor obligated to make payment thereof.
- (c) "Affiliate" means: (a) any Person which, directly or indirectly, controls, is controlled by or is under common control with any other Person; (b) any Person which beneficially

owns or holds, directly or indirectly, ten percent (10%) or more of any class of voting stock or equity interest (including partnership interests) of any other Person; (c) any Person, ten percent (10%) or more of any class of the voting stock (or if such Person is not a corporation, ten percent (10%) or more of the equity interest, including partnership interests) of which is beneficially owned or held, directly or indirectly, by any other Person or (d) any Person related within the meaning of the *Income Tax Act* (Canada) to any such Person and includes any "Affiliate" within the meaning specified in the *Canada Business Corporations Act* on the date hereof. The term control (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Person in question.

- (d) "Agreement" means this credit agreement, including all exhibits and schedules hereto, as amended, restated or otherwise modified from time to time.
- (e) "Borrower" means Big Sky Farms Inc., a Saskatchewan corporation.
- (f) "Business Day" means any day other than a Saturday, Sunday, or such other day as banks in Regina, Saskatchewan are authorized or required to be closed for business.
- (g) "Closing Date" means the date on which all or any part of the Loan is advanced, so long as it is advanced prior to or on December 24, 2008;
- (h) "Collateral" means all of the undertaking and Property, present and future, real, immovable, personal and immovable, of the Borrower, now or hereafter pledged, hypothecated, granted or assigned to the Lender to secure, either directly or indirectly, repayment of any of the Liabilities.
- (i) "Default" means an Event of Default or any event, condition or default specified in Section 11.1 which, with the giving of notice, the lapse of time or both, would be an Event of Default.
- (j) "Default Warrant" has the meaning ascribed to it in Section 4.5(b).
- (k) "Equipment" means all machinery, apparatus, equipment, fittings, furniture, fixtures, motor vehicles and other tangible personal or movable Property (other than Inventory) of every kind and description used in a Person's operations or owned by such Person or in which such Person has an interest, whether now owned or hereafter acquired by such Person and wherever located, and all parts, accessories and tools and all increase and accessories thereto and substitutions and replacements therefor.
- (l) "Event of Default" has the meaning ascribed to it in ARTICLE 11 hereof.
- (m) "FG Debentures" has the meaning ascribed to in Schedule 1.1(x);
- (n) "GAAP" means at any time generally accepted accounting principles and policies as in effect at such time in Canada.

- (o) "Indemnified Party" has the meaning ascribed to it in Section 13.1 hereof.
- (p) "Interest Rate" means the rate of interest specified in Section 4.1 hereof.
- (q) "Inventory" means, with respect to any Person, all inventory of such Person, whether now owned or hereafter acquired including, but not limited to, all goods intended for sale or lease by such Person, or for display or demonstration; all work in process; all raw materials and other materials and supplies of every nature and description used or which might be used in connection with the manufacture, printing, packing, shipping, advertising, selling, leasing or furnishing of such goods or otherwise used or consumed in such Person's business; and all documents evidencing and Intangibles relating to any of the foregoing, whether now owned or hereafter acquired by such Person.
- (r) "Liabilities" means all present and future obligations, liabilities and indebtedness of the Borrower to the Lender or to any parent, affiliate or subsidiary of the Lender of any and every kind and nature, howsoever created, arising or evidenced and howsoever owned, held or acquired, whether now or hereafter existing, whether now due or to become due, whether primary, secondary, direct, indirect, absolute, contingent or otherwise (including without limitation, obligations of performance), whether several, joint or joint and several, and whether arising or existing under written or oral agreement or by operation of law.
- (s) "Lien" means: (a) any interest in Property securing an obligation owed to, or a claim by, a Person, whether such interest is based on the common law, civil law, statute, or contract, and including, without limitation, a security interest, charge, claim, hypothec or lien arising from a mortgage, deed of trust, hypothec, encumbrance, pledge, hypothecation, assignment, deposit arrangement, agreement, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes; and (b) to the extent not included under clause (a), (i) any rights of repossession or similar rights of unpaid suppliers, (ii) any reservation, exception, encroachment, easement, right-of-way, covenant, condition, restriction, lease or other title exception or encumbrance affecting Property, and (iii) any other lien, hypothec, charge, privilege, secured claim, title retention, garnishment right, deemed trust, encumbrance or other right affecting Property, choate or inchoate, whether or not crystallized or fixed, whether or not for amounts due or accruing due, arising by any statute or law of any jurisdiction, at law, in equity or by any agreement.
- (t) "Loan" has the meaning ascribed to it in Section 2.1 hereof.
- (u) "Losses" has the meaning ascribed to it in Section 13.1 hereof.
- (v) "Material Adverse Effect" means any litigation, arbitration, governmental investigation or proceeding, or any enforcement proceeding commenced by any creditors of the Borrower whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a result which alters materially and adversely the financial or other condition of the Borrower, including in the business, Property, operations or condition of the Borrower, or

materially and adversely affects or could, in the reasonable determination of the Lender, affect materially and adversely the ability of the Borrower to perform their obligations hereunder or under the Other Agreements as the case may be.

- (w) "Maturity Date" means October 30, 2009.
- (x) "Other Agreements" means all agreements, instruments and documents, mortgages, trust deeds, pledges, powers of attorney, consents, assignments, contracts, notices, security agreements (including the Security Agreements), leases, financing statements, notes, and all other writings heretofor, now or from time to time hereafter executed by or on behalf of the Borrower, or any other Person and delivered to the Lender or to any parent, affiliate or subsidiary of the Lender in connection with the Liabilities or the transactions contemplated hereby, including, without limitation, the Warrants.
- (y) "Permitted Liens" means, with respect to the Borrower (i) statutory liens of landlords, carriers, warehousemen, mechanics, materialmen or suppliers incurred in the ordinary course of business and securing amounts not yet due or declared to be due by the claimant thereunder, (ii) Liens in favour of the Lender or its affiliates, (iii) Liens in favour of shareholders of the Borrower pursuant to the Rights Offering; (iv) zoning restrictions and easements, rights-of-way, licenses, covenants and other restrictions affecting the use of real or immovable property that do not individually or in the aggregate have a Material Adverse Effect on the Borrower's ability to use such real or immovable property for its intended purpose in connection with the Borrower's business, (v) Liens and prior claims securing the payment of taxes or other governmental charges not yet delinquent or being contested in good faith and by proper proceedings, (vi) Liens incurred in the ordinary course of the Borrower's business in connection with the provision of purchase money security interests, which purchase money security interests shall rank in priority to the security interests granted to the Lender, provided that such security secures only the acquisition or purchase costs for the Property so secured; (vii) deposits to secure performance of bids, trade contracts, leases and statutory obligations (to the extent not excepted elsewhere herein), (viii) Liens specifically permitted as set forth on Schedule 1.1(x) attached hereto (subject to any restrictions set out in Schedule 1.1(x); (ix) any Lien arising out of the refinancing, extension, renewal or refunding of any indebtedness secured by a Lien permitted by any of the foregoing subsections (i) through (viii), inclusive; provided that (A) such indebtedness is not secured by any additional Property, and (B) the amount of such indebtedness is not increased; (x) pledges or deposits in connection with worker's compensation, unemployment insurance and other social security legislation, and to public utilities when required by the operations of the Borrower's business in the ordinary course of business, (xi) rights of set-off, banker's lien and other similar rights arising solely by operation of law; and (xii) Liens in favour of the Senior Operating Lender incurred in connection with the Senior Operating Credit Facilities.
- (z) "Rights Offering" means an offering by the Borrower to one or more of its shareholders to advance loans to the Borrower on or before February 27, 2009, such loans to be on terms no less favourable to the Borrower than provided herein, including without limitation, the granting by the Borrower of warrants in connection with such loans;

- (aa) "Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, institution, entity, party or foreign or local government (whether federal, provincial, county, city, municipal or otherwise), including, without limitation, any instrumentality, division, agency, body or department thereof.
- (bb) "Property" means any interest in any kind of property or asset, whether real, immovable, personal, movable, or mixed, tangible or intangible.
- (cc) "Security Agreements" means any security agreement or hypothec executed by the Borrower regarding the pledge and grant of security interest or hypothec by the Borrower to the Lender in the Collateral;
- (dd) "Senior Credit Agreement" means the third amended and restated credit agreement dated as of 14 July 2006 between the Borrower, Drycast Systems Inc. and Big Sky Management Consulting Inc. (collectively as the "Obligors"), the Lenders (as defined therein) and The Bank of Nova Scotia, in its capacity as Administrative Agent (as defined therein), as amended by the first amending agreement dated as of 7 March 2007, the second amending agreement dated as of 23 May 2007, the third amending agreement dated as of 14 December 2007, and the fourth amending agreement dated as of May 5, 2008 which amended and restated a second amended and restated credit agreement dated as of 22 August 2005, which was an amendment and restatement of an amended and restated credit agreement dated as of 26 June 2002 as amended from time to time, which was in turn an amendment and restatement of a credit agreement dated as of 1 September 2000, as amended, and further includes any document or agreement now or hereafter made for the purpose of amending, supplementing, restating or replacing the or any of the foregoing.
- (ee) "Senior Operating Credit Facilities" means all of the credit facilities made available by the Senior Operating Lender to the Borrower under the Senior Credit Agreements.
- (ff) "Senior Operating Lender" means, collectively, the Agent and Lenders from time to time under the Senior Credit Agreement, as the terms Agent and Lenders are defined therein, it being acknowledged that, as at the date hereof, The Bank of Nova Scotia is the Agent thereunder and The Bank of Nova Scotia, Bank of Montreal, National Bank of Canada and Farm Credit Canada are the Lenders thereunder.
- (gg) "Subsidiary" means, with respect to a Person, any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time stock of any other class of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned by the Person or by any partnership, joint venture or other entity of which more than fifty percent (50%) of the outstanding equity interests are at the time, directly or indirectly, owned by the Person.
- (hh) "Taxes" has the meaning ascribed to it in Section 13.2 hereof.

- (ii) "Warrant" means the warrants to purchase Common Shares of the Borrower substantially in the form as set out in Schedule 4.5, to be issued to the Lender pursuant to the terms of Section 4.5(a) and 4.5(b), as applicable.

1.2 Accounting Terms and Definitions

Unless otherwise defined or specified herein, all defined terms in Section 1.1 as used in this Agreement have the meanings set out in such paragraph, and all accounting terms used in this Agreement shall be construed in accordance with GAAP, applied on a basis consistent in all material respects with the audited financial statements of the Borrower delivered to the Lender on or before the Closing Date. The financial statements required to be delivered hereunder from and after the Closing Date, and all financial records, shall be maintained in accordance with GAAP.

1.3 Supplements, Re-enactments, Etc.

References herein to any document or legislation are, unless otherwise stated, to be construed as references to such document or legislation as amended, restated or supplemented from time to time and references to any enactment include re-enactments, amendments and extensions thereof.

1.4 PPSA Terms

The terms "Chattel Paper", "Document of Title", "Intangible", "Goods" and "Instrument", and all other terms used but not defined herein that are defined in *The Personal Property Security Act, 1993* (Saskatchewan), have the respective meanings assigned to such term as of the date of this Agreement in *The Personal Property Security Act, 1993* (Saskatchewan).

ARTICLE 2 - TERMS OF THE LOAN

2.1 The Loan

Subject to the terms and conditions of this Agreement and the Other Agreements, absent the existence of a Default, the Lender agrees to provide a term loan in the principal amount of One Million dollars (Cdn.\$1,000,000) to or for the account of the Borrower (the "Loan"), in accordance with the terms of Section 5.1 hereof.

ARTICLE 3 - PAYMENT

3.1 Mandatory Payment

The Borrower shall pay in full to the Lender the outstanding principal amount of the Loan, together with all accrued and unpaid interest thereon, on the Maturity Date.

3.2 Prepayments

The Borrower shall be entitled to prepay any amounts that may be owing on the Loan on account of principal or interest without the prior written consent of the Lender and without penalty. All such prepayment amounts received by the Lender from or on behalf of a Borrower and not previously applied pursuant to this Agreement shall be applied first, in reduction of the Borrower's obligation to

pay any unpaid interest accrued on the principal amount of the Loan or on any other amount owing hereunder and second, in reduction of the Borrower's obligation to pay any amounts due and owing on account of the unpaid principal amount of the Loan.

3.3 General Matters

All payments made by the Borrower shall be made without set-off, recoupment or counterclaim. The Loan shall, if requested by the Lender, in the Lender's sole discretion, be evidenced by one or more promissory notes in form and substance satisfactory to the Lender. However, if such Loan is not so evidenced, the Loan made by the Lender, including rates of interest, fees and other charges, may be evidenced by entries upon the books and records maintained by the Lender which books and records shall constitute conclusive evidence thereof in the absence of manifest error.

ARTICLE 4 - INTEREST, FEES AND CHARGES

4.1 Rate of Interest

The principal amount of the Loan and other outstanding Liabilities shall bear interest from the Closing Date to the date paid at a rate equal to twenty (20%) per cent per annum and such interest shall be payable in arrears in accordance with Section 4.2.

4.2 Payment of Interest

Subject to section 3.2 hereof, the Borrower shall pay Lender all interest accrued on the principal amount of the Loan and the outstanding amount of other Liabilities on the Maturity Date.

4.3 Computation of Interest and Fees

Interest hereunder shall be determined daily and compounded monthly not in advance, both before and after demand, default and judgment and shall be computed on the actual number of days elapsed over a year of three hundred and sixty-five (365) days. For the purpose of the *Interest Act* (Canada) only, the yearly rates of interest to which the rates applicable to the Loan are equivalent are the rates so determined, multiplied by the actual number of days in the year divided by three hundred and sixty-five (365) or three hundred and sixty-six (366), as the case may be.

4.4 Closing Fee

The Borrower shall pay to the Lender, a closing fee equal to \$20,000 (the "Closing Fee") which shall be fully earned, non-refundable and payable on execution by the Borrower of this Agreement.

4.5 Issuance of Warrants

- (a) As additional consideration for the advance by the Lender of the Loan, the Borrower shall issue to the Lender, 200,000 Warrants. The Warrants shall be delivered to the Lender in accordance with Section 5.2.
- (b) In the event that the Borrower has not repaid the Loan and all accrued and unpaid interest thereon in full on or before the Maturity Date, then without in any way limiting

any of the Lender's rights pursuant to this Agreement or at law (including without limitation the right to enforce on its security over the Collateral), the Borrower shall issue to the Lender, on the Business Day immediately following the Maturity Date, one additional Warrant (a "Default Warrant") for each \$5 of the Loan and all accrued and unpaid interest thereon that is outstanding as of the Maturity Date. For greater certainty, the issuance of Default Warrants pursuant to this section shall not be considered a compromise or settlement of the Loan and shall in no way affect the Borrower's continued obligation to repay all principal and accrued interest under the Loan.

ARTICLE 5 - LOAN ADMINISTRATION

5.1 Disbursement of Loan

Subject to the provisions of this Agreement, the Lender shall advance the proceeds of the Loan to the Borrower on the Closing Date, in one instalment in the amount of \$1,000,000.

5.2 Delivery of Warrants

The Borrower shall issue and deliver to the Lender on the Closing Date, 200,000 Warrants.

5.3 Payments to the Lender

All payments to be made by the Borrower to the Lender hereunder shall be made to the Lender by wire transfer in accordance with wire instructions given by the Lender to the Borrower from time to time or by such other method as may be agreed to by the parties from time to time.

ARTICLE 6 - SECURITY INTEREST AND COLLATERAL

6.1 Security Interest to the Lender

Without limiting any other provision hereof or of the Other Agreements, as security for the payment of Loan and all other amounts now or in the future advanced by the Lender to the Borrower hereunder and for the payment or other satisfaction of all other Liabilities, the Borrower does hereby grant to the Lender, and on the date of making the Loan the Lender shall continue to hold, a continuing (subject only to Permitted Liens) security interest in, Lien on and assignment of all of the present and after-acquired undertaking and Property of the Borrower, whether now or hereafter owned, existing, acquired or arising, tangible or intangible, real or personal, movable or immovable and wherever now or hereafter located.

6.2 Preservation of Collateral and Perfection of Security Interests Therein

The Borrower shall, at the Lender's request and at the Borrower's expense, at any time and from time to time, execute and deliver to the Lender such financing statements, documents and other agreements and instruments (and the Borrower shall pay the cost of filing or recording the same in all public offices deemed reasonably necessary or desirable by the Lender) and do such other acts and things as the Lender may deem necessary or desirable in order to establish and maintain a valid, attached and perfected security interest in the Collateral in favour of the Lender (free and clear of all other Liens

except Permitted Liens) to secure payment of the Liabilities, and in order to facilitate the collection of the Collateral, effective upon the occurrence of an Event of Default, the Borrower irrevocably hereby constitutes and appoints the Lender (and all Persons designated by such Lender for that purpose) as the Borrower's true and lawful attorney and agent to execute such financing statements, documents and other agreements and instruments and do such other acts and things as may be necessary to preserve and perfect the security interest of the Lender in the Collateral to the extent that the Borrower does not do so after request by the Lender or after an Event of Default.

6.3 Possession of Collateral and Related Matters

Until an Event of Default has occurred, the Borrower shall have the right, except as otherwise provided in this Agreement, in the ordinary course of the Borrower's business, to:

- (a) sell or furnish under contracts of supply or service any of the Borrower's Inventory normally held by the Borrower for any such purpose; and
- (b) use and consume any raw materials, work in process or other materials normally held by the Borrower for such purpose;

provided however that a sale in the ordinary course of business shall not include any transfer or sale in satisfaction, partial or complete, of a debt owed by the Borrower, or a transfer, sale or other disposition to any Parent, Subsidiary, Affiliate or shareholder of the Borrower, or to any other Person in whom the Borrower holds any interest or any other related party, which is at a price or on terms more favourable to the recipient than would be given to an unrelated party.

6.4 Collections

- (a) The Lender may, at any time and from time to time after the occurrence of an Event of Default which is continuing, whether before or after notification to any Account Debtor and whether before or after the maturity of any of the Liabilities:
 - (i) enforce collection of any of the Borrower's Accounts or contract rights by suit or otherwise;
 - (ii) exercise all of the Borrower's rights and remedies with respect to proceedings brought to collect any of the Borrower's Accounts;
 - (iii) surrender, release or exchange all or any part of any Accounts of the Borrower, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder;
 - (iv) sell or assign any Account of the Borrower upon such terms, for such amount and at such time or times as the Lender deems advisable;
 - (v) prepare, file and sign any of the Borrower's names on any proof of claim in bankruptcy or other similar document against any Account Debtor indebted on an Account of the Borrower; and

- (vi) do all other acts and things which are necessary, in the Lender's reasonable discretion, to fulfil the Borrower's obligations under this Agreement and the Other Agreements and to allow the Lender to collect the Accounts.

In addition to any other provision hereof, the Lender may at any time on or after the occurrence of an Event of Default which is continuing, at the Borrower's expense, notify any parties obligated on any of the Accounts of the Borrower to make payment directly to the Lender of any amounts due or to become due thereunder.

- (b) The Lender shall, upon receipt by it of cash or other immediately available funds from collections of items of payment and proceeds of any Collateral, apply the whole or any part of such collections or proceeds against the Liabilities in such order as the Lender shall determine in its sole discretion, subject to the terms of this Agreement.
- (c) In its sole credit judgment, without waiving or releasing any obligation, liability or duty of the Borrower under this Agreement or the Other Agreements or any Default, at any time or times hereafter, the Lender may (but shall not be obligated to) pay, acquire or accept an assignment of any security interest, hypothec, lien, encumbrance or claim asserted by any Person in, upon or against the Collateral. All sums paid by the Lender in respect thereof and all costs, fees and expenses (including, without limitation, legal fees and disbursements (on a solicitor-client basis) for both inside and outside counsel, all court costs and all other charges relating thereto) incurred by the Lender shall constitute Liabilities, payable by the Borrower on demand and, until paid, shall bear interest at the Interest Rate.
- (d) After the occurrence of and during the continuance of an Event of Default immediately upon the Borrower's receipt of any portion of the Collateral consisting of an Instrument, Document of Title or Chattel Paper the Borrower shall, at the Lender's request, deliver the original thereof to the Lender together with an appropriate endorsement or other specific evidence of assignment thereof to the Lender (in form and substance acceptable to the Lender). If an endorsement or assignment of any such items shall not be made for any reason, the Lender is hereby irrevocably authorized, as the attorney and agent of the Borrower, to endorse or assign the same on such Person's behalf.

6.5 Further Security

The Borrower agrees to execute and deliver such additional and collateral security agreements, documents and assurances as may be requested from time to time by the Lender in order to give effect to the grant of security hereby. Without limitation, if and to the extent that the Borrower acquires any ownership, leasehold or other interest in real property, then the Borrower shall provide particulars to the Lender of such acquisition and, at the request of the Lender, shall provide such additional and collateral security charging such acquired interest as may be required by the Lender from time to time. The Borrower shall reimburse the Lender, on demand, for all reasonable costs, fees and expenses incurred by the Lender in this regard.

ARTICLE 7 - REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties.

The Borrower hereby makes the following representations, warranties and covenants:

- (a) the Borrower is duly incorporated, organized and in good standing in its jurisdiction of organization and is duly qualified and in good standing in all jurisdictions where the nature and extent of the business transacted by it or the ownership of its Property makes such qualification necessary (except for such jurisdictions in which the failure to so qualify would not have a Material Adverse Effect) and has all requisite power and authority to own or lease its property and to carry on its business.
- (b) the Borrower has the right and power and is duly authorized and empowered to enter into, execute and deliver this Agreement and the Other Agreements to which it is a party and perform its or his respective obligations hereunder and thereunder; the Borrower's execution, delivery and performance of this Agreement and the Other Agreements to which it is a party does not and shall not:
 - (i) conflict with, or constitute a violation or breach of or constitute a default under the provisions of any statute, law, regulation, ordinance, judgment or rule of law;
 - (ii) conflict with, or constitute a violation or breach of or constitute a default, except where such conflict, violation, breach or default would not have a Material Adverse Effect, under any mortgage, indenture, lease, Lien, instrument, agreement, contract or other document which may now or hereafter be binding on the Borrower; or
 - (iii) conflict with, or constitute a violation or breach of or constitute a default under the certificate or articles of incorporation, amendment, continuation or amalgamation, by-laws, resolutions or similar documents of the Borrower, any shareholders' agreement affecting the Borrower or its property (or declaration having like effect); and the Borrower's execution, delivery and performance of this Agreement and the Other Agreements to which it is a party shall not result in the imposition of any Lien upon any of its property under any existing indenture, mortgage, deed of trust, loan or credit agreement or other agreement or instrument by which the Borrower or any of their property may be bound or affected other than pursuant to the Security Agreements;
- (c) this Agreement and the Other Agreements to which the Borrower is a party are legal, valid and binding obligations of the Borrower, and are enforceable against the Borrower in accordance with their respective terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights of creditors generally and general equitable principles;
- (d) the Borrower has obtained and holds all applicable licenses, authorizations, approvals and permits, the lack of which would have a Material Adverse Effect, and the Borrower

is and shall remain in compliance in all material respects with all applicable federal, provincial, state, local and foreign statutes, orders, regulations, rules and ordinances (including, without limitation, statutes, orders, regulations, rules and ordinances relating to taxes, employer and employee contributions and similar items, securities, employee retirement and welfare benefits, employee health and safety or environmental matters), the failure to comply with which could have a Material Adverse Effect;

- (e) except as described in Schedule 7.1(e), to the best of the Borrower's knowledge after due inquiry, there are no actions, suits, counterclaims or proceedings which are pending or threatened against the Borrower which are likely to be adversely determined and if adversely determined would have a Material Adverse Effect, and the Borrower shall, promptly, upon becoming aware of any such pending or threatened action or proceeding, give written notice thereof to the Lender;
- (f) the Borrower possesses, and shall continue to possess, adequate licenses, patents, patent applications, copyrights, service marks, trademarks, trademark applications, tradenames and tradenames to continue to conduct its business as heretofore conducted by it;
- (g) each of the Borrower's current and prior names, tradenames and division names are described on Schedule 7.1(g); the Borrower shall notify the Lender in writing at least thirty (30) days prior to the change of the Borrower's name or the use of any tradenames or division names not previously disclosed to the Lender in writing;
- (h) except as described in Schedule 7.1(h), the Borrower is not in default under any material contract, lease or commitment to which it is a party or by which it is bound, except in respect of which waivers have been obtained, nor does the Borrower know of any dispute regarding any contract, lease or commitment which is material to its continued financial success and well-being. Without limiting the generality of the foregoing, the Borrower is not in arrears in respect of any material lease, rental or other payment due under any real (or immovable) property lease or to any warehousemen, bailee or similar Person;
- (i) the Borrower is not conducting, permitting or suffering to be conducted, nor shall it conduct, permit or suffer to be conducted, any activities pursuant to or in connection with which any of the Collateral is now or will (while any Liabilities remain outstanding) be owned by a Person different from the owner thereof on the date hereof;
- (j) the provisions of the Security Agreements, when executed and delivered shall, create legal and valid Liens on all of the Collateral in favour of the Lender and, when all proper filings, recordings, and other actions necessary to perfect such Liens have been made or taken by or on behalf of the Lender, such Liens will constitute perfected, duly registered, and continuing Liens on all the Collateral having priority over all other Liens on the Collateral (except Permitted Liens) and all claims of other creditors, securing all of the Liabilities and enforceable against the Borrower and all third parties in accordance with their terms;

- (k) no security agreement, financing statement or analogous instrument exists as at the Closing Date or shall exist thereafter with respect to any of the Collateral other than any security agreement, financing statement or analogous instrument evidencing Permitted Liens;
- (l) the Borrower is and shall at all times during the term of this Agreement be the lawful owner of all Collateral now purportedly owned or hereafter purportedly acquired by it, free from all Liens, whether voluntarily or involuntarily created and whether or not perfected, other than Permitted Liens;
- (m) the financial statements delivered or to be delivered to the Lender at or prior to the date of this Agreement and at all times subsequent thereto reflect in all material respects the financial condition of the Borrower and since the date such financial statements were most recently delivered to the Lender prior to the date of this Agreement, no event or condition has occurred, other than events applicable to the hog industry and/or hog markets generally, which would have, a Material Adverse Effect;
- (n) the Borrower is not obligated, whether directly or indirectly, for any loans or other indebtedness or liability (contingent or otherwise) other than:
 - (i) the Liabilities;
 - (ii) the Security Agreements;
 - (iii) debt pursuant to the Senior Credit Agreement;
 - (iv) the indebtedness disclosed to the Lender on Schedule 7.1(n);
 - (v) unsecured indebtedness to trade creditors arising in the ordinary course of the Borrower's business;
 - (vi) unsecured indebtedness arising from the endorsement of drafts and other instruments for collection, in the ordinary course of the Borrower's business; and
 - (vii) other indebtedness permitted under subsection of Section 9.1(i);

the Borrower is not in arrears (except as disclosed in Schedules 7.1(h) and(n)) in payment of any amount to any governmental body or agency including, without limitation, amounts owing or to be remitted with respect to employee withholdings for income tax, unemployment insurance contributions, goods and services tax or provincial sales taxes.
- (o) the Borrower is solvent, is able to pay its debts as they become due and has capital sufficient to carry on its business; the Borrower now owns Property having a value both at fair valuation and at present fair saleable value greater than the amount required to pay its debts, and will not be rendered insolvent by the execution and delivery of this Agreement or any of the Other Agreements to which it is a party or by completion of

the transactions contemplated hereunder or thereunder including, without limitation, the making and incurring of the Loan;

- (p) the offices where the Borrower keeps its respective books, records and accounts (or copies thereof) concerning the Collateral, the Borrower's principal place of business and all of the Borrower's other places of business, locations of Collateral and post office boxes are as set forth in Exhibit A. The Borrower shall promptly (but in no event less than ten (10) days prior thereto) advise the Lender in writing of the proposed opening of any new place of business of the Borrower, the closing of any existing place of business of the Borrower, any change in the location of the Borrowers' books, records and accounts (or copies thereof) or the opening or closing of any post office box of the Borrower;
- (q) the Collateral is and shall be kept, or, in the case of vehicles, based, only at the addresses set forth on the first page of this Agreement or on Exhibit A; Exhibit A hereto contains a correct and complete list of all real or immovable property owned by the Borrower, all leases and subleases of real or immovable property by the Borrower, as lessee or sublessee, and all leases and subleases of real or immovable property by the Borrower as lessor or sublessor; and each of such leases or subleases is valid and enforceable in accordance with its terms and is in full force and effect, and no default by the Borrower, or to the knowledge of the Borrower, by any other party to such leases or subleases exists;
- (r) if any of the Collateral consists of goods of a type normally used in more than one jurisdiction, whether or not actually so used, the Borrower shall immediately give written notice to the Lender of any use of any such goods in any jurisdiction other than a jurisdiction in which the Borrower has previously advised the Lender such goods shall be used, and such goods shall not, unless the Lender shall otherwise consent in writing, be used outside of such jurisdiction so advised;
- (s) with respect to the Borrower's Equipment:
 - (i) the Borrower has good and indefeasible and merchantable title to and ownership of all Equipment free and clear of all Liens except for Permitted Liens; the Borrower shall keep and maintain its Equipment in good operating condition and repair;
 - (ii) the Borrower has not permitted and the Borrower shall not permit any Equipment to become a fixture to real or immovable property or an accession to other personal or immovable property, except to the extent that any such item has become a fixture to real or immovable property or an accession to other personal or movable property by operation of law without first assuring that the Lender's Liens on any such item are prior to any interest or Lien then held or thereafter acquired by any mortgagee or hypothecary creditor of such real or immovable property (other than the Senior Operating Lender, the holders of other Permitted Liens and the Lender, as applicable) or the owner or purchaser

of any interest in such real or immovable property or the owner or purchaser of any such accession;

- (t) except as provided on Schedule 7.1(t):
 - (i) there is no collective bargaining agreement or other labour contract covering employees of the Borrower;
 - (ii) there is no pending or, to the best of the Borrower's knowledge, threatened strike, work stoppage, material unfair labour practice claims, or other material labour dispute against or affecting the Borrower or its employees;
 - (iii) there are no controversies pending or threatened between the Borrower and any of its employees, other than employee grievances arising in the ordinary course of business which are not, in the aggregate, material to the continued financial success and well-being of the Borrower; and
 - (iv) the Borrower is in compliance in all material respects with all federal, provincial and local laws respecting employment and employment terms, conditions and practices, including without limitation laws regarding the funding and maintenance of pension and employee benefit plans, except where the failure to so comply would not have a Material Adverse Effect;
 - (v) the Borrower has filed all tax returns and other reports which it was required by law to file on or prior to the date hereof, and has paid all taxes, assessments, fees, and other governmental charges, and penalties and interest, if any, against it or its Property, income or franchise, that are due and payable. Each income tax return was accurate in all material respects;
- (u) since November 15, 2008, no event has occurred (other than events applicable to the hog industry and/or hog markets generally) which has had or could reasonably be expected to have a Material Adverse Effect;
- (v) no Default has occurred and is continuing;
- (w) all written information now, heretofore or hereafter furnished by the Borrower to the Lender or its representatives is and shall be true, correct and complete in all material respects as of the date with respect to which such information was or is furnished (except for financial projections, which have been prepared in good faith based upon reasonable assumptions);
- (x) the representations, warranties and statements of fact contained herein do not omit to state any material fact necessary to make any such statement or representation, warranty not misleading to a prospective lender to the Borrower or purchaser of equity shares of the Borrower seeking full information as to the Borrower.

7.2

Borrower's Right to Dispose Certain Property

Nothing in this Credit Agreement or the Other Agreements shall restrict the Borrower from selling or disposing of inventory and obsolete or redundant Equipment in the ordinary course of business or from selling or otherwise disposing surplus real property, comprised of farmland without barns, feedmills or other material structures or erections located thereon, that is not and will not be required for or used in connection with the Borrower's business operations where and to the extent that such dispositions are permitted under the Senior Credit Agreement.

7.3 Survival of Representations, Warranties and Covenants

The Borrower represents, warrants and covenants that all representations, warranties and covenants of the Borrower contained in this Agreement (whether appearing in ARTICLE 7 and ARTICLE 9 hereof or elsewhere) shall be true, correct and complete at the time of the Borrower's execution of this Agreement, shall survive the execution, delivery and acceptance hereof by the parties hereto and the closing of the transactions described herein or related hereto, and shall, except for representations and warranties that relate solely to an earlier date, remain true, correct and complete until the repayment in full of all of the Liabilities and termination of this Agreement.

ARTICLE 8 - SCHEDULES AND REPORTS

8.1 Financial Information

The Borrower shall deliver to the Lender the following financial information, all of which shall be prepared in accordance with GAAP consistently applied:

- (a) no later than twenty (20) days after the end of each four week financial reporting period, copies of internally prepared financial statements of the Borrower, on a four week and year-to-date basis including, without limitation, balance sheets and statements of income, retained earnings and cash flow of the Borrower, certified by the president and the chief financial officer of the Borrower;
- (b) no later than ninety (90) days after the end of the Borrower's fiscal year, annual consolidated financial statements of the Borrower audited by independent chartered accountants selected by the Borrower, satisfactory to the Lender, and including such accountants' report thereon to management if such is made; and
- (c) no later than thirty (30) days prior to the fiscal year end of the Borrower in each year, an annual monthly consolidated budget, including cash flow projections, projected income statements and balance sheet, in all cases with detail satisfactory to the Lender.

8.2 Compliance Certificate

With each financial statement delivered pursuant to Sections 8.1(a) and 8.1(b) above, the Borrower shall deliver to the Lender a certificate substantially in the form of Schedule 8.2 hereto, of the president and the chief financial officer of the Borrower stating that, except as explained in reasonable detail in such certificate:

- (a) all of the representations and warranties of the Borrower contained in this Agreement and of the Borrower in the Other Agreements are true, correct and complete as of the date of such certificate as if made at such time;
- (b) at the date of such certificate, the Borrower is in compliance with all of its covenants and agreements in this Agreement and the Other Agreements; and
- (c) no Default then exists or existed during the period covered by such financial statements.

If such certificate discloses that a representation or warranty is not correct or complete, or that a covenant has not been complied with, or that a Default existed or exists, such certificate shall set forth what action the Borrower has taken or proposes to take with respect thereto. If an auditor, regulator or third party consultant has issued a management letter or other communication, the Borrower shall concurrently provide a copy to the Lender.

8.3 Other Matters

At such times as may be requested by the Lender from time to time hereafter, the Borrower shall deliver to the Lender (a) such additional schedules, certificates, reports and information with respect to the Collateral as the Lender may from time to time reasonably require and (b) a collateral assignment of any or all items of Collateral to the Lender or as the Lender shall direct. All schedules, certificates, reports and assignments and other items delivered by the Borrower to the Lender hereunder shall be executed by an authorized representative of the Borrower, and shall be in such form and contain such information as the Lender shall in its sole discretion request.

ARTICLE 9 - COVENANTS

9.1 Covenants

Until payment or satisfaction in full of all Liabilities and termination of this Agreement, unless the Borrower obtains the prior written consent of the Lender waiving or modifying any covenants hereunder in any specific instance, the Borrower covenants and agrees as follows:

- (a) The Borrower shall at all times keep accurate and complete books, records and accounts with respect to all of its business activities, in accordance with sound accounting practices and GAAP consistently applied, and shall keep such books, records and accounts, and any copies thereof, only at the addresses indicated for such purpose on Exhibit A.
- (b) The Borrower shall promptly advise the Lender in writing of any Material Adverse Effect or the occurrence of any Default.
- (c) The Borrower shall keep the Collateral properly housed and insured against such risks (including, without limitation, business interruption) and in such amounts as are customarily insured against by Persons engaged in businesses similar to that of the Borrower with such companies, in such amounts and under policies in such form as shall be reasonably satisfactory to the Lender.

- (d) The Borrower shall maintain, at its expense, such public liability and third party property damage insurance as is customary for Persons engaged in businesses similar to that of the Borrower with such companies and in such amounts, with such deductibles and under policies in such form as shall be reasonably satisfactory to the Lender.
- (e) If the Borrower at any time or times hereafter fails to obtain or maintain any of the policies of insurance required above or to pay any premium in whole or in part relating thereto, then the Lender, without waiving or releasing any obligation or default by the Borrower hereunder, may (but shall be under no obligation to) obtain and maintain such policies of insurance and pay such premiums and take such other actions with respect thereto as the Lender, in its sole discretion, deems advisable. All sums disbursed by the Lender in connection with any such actions, including, without limitation, court costs, expenses, other charges relating thereto and legal fees and disbursements (on a solicitor-client basis), shall constitute Liabilities hereunder and, until paid, shall bear interest at the Interest Rate.
- (f) The Borrower shall not use the Collateral, or any part thereof, in any unlawful business or for any unlawful purpose or use or maintain any of the Collateral in any manner that does or could result in material damage to the environment or a violation of any applicable Environmental Laws; the Borrower shall keep the Collateral in good condition, repair and order, ordinary wear and tear excepted; the Borrower shall not permit the Collateral, or any part thereof, to be levied upon under execution, attachment, distraint or other legal process; the Borrower shall not sell, lease, grant a security interest in or otherwise dispose of any of the Collateral except as expressly permitted by this Agreement; the Borrower shall not secrete or abandon any of the Collateral, or remove or permit removal of any of the Collateral from any of the locations listed on Exhibit A, except for the removal of the Borrower's Inventory sold in the ordinary course of the Borrower's business as permitted herein and except for the removal of the Borrower's Equipment in the ordinary course of business or if the purpose of such removal or sales permitted hereunder is the repair or replacement of any such Equipment which requires repair.
- (g) The Loan will be used by the Borrower only for the purposes of financing the day to day working capital requirements of the Borrower or for the repayment of Senior Operating Credit Facilities.
- (h) The Borrower shall file all required tax returns and pay all of its taxes when due, including, without limitation, taxes imposed by federal, provincial, state or municipal agencies.
- (i) The Borrower shall not without the prior written consent of the Lender:
- (i) incur, create, assume or suffer to exist any indebtedness, and will not permit any of its consolidated subsidiaries to incur, create, assume or suffer to exist any indebtedness, in any case other than:
- (A) indebtedness arising under this Agreement;

- (B) unsecured indebtedness owing in the ordinary course of business to trade suppliers;
 - (C) any other indebtedness described in Schedule 7.1(n) hereof, subject to all other applicable limitations set out in this Agreement;
 - (D) any indebtedness permitted under subsection (v) of the definition of "Permitted Liens", subject to all other applicable limitations set out in this Agreement and without duplicating Section 9.1(i)(i)(C);
 - (E) the principal amount owing under the Senior Operating Credit Facilities or the principal amount of any refinancing thereof on terms acceptable to the Lender, the aggregate outstanding amount of which does not at any time exceed \$100,000,000 in the aggregate, plus (aa) the aggregate "Market Value" (as defined in the Senior Credit Agreement) of all Other Secured Obligations (as defined in the Senior Credit Agreement) that are "Swaps" (as defined in the Senior Credit Agreement) that have a negative Market Value from the Borrower's perspective, i.e. the Borrower is "out of the money", and (bb) any interest, fees, commissions, costs, expenses and other like amounts owing under or in connection with the Senior Credit Agreement; and
 - (F) reimbursement or indemnification obligations arising in respect of trade letters of credit and performance bonds not exceeding at any time \$6,500,000 in the aggregate;
- (ii) except where the Lender has given its prior written approval, assume, guarantee or endorse, or otherwise become liable in connection with, the obligations of any Person, except by endorsement of instruments for deposit or collection or similar transactions in the ordinary course of business;
- (j) The Borrower shall not, in one or a series of transactions, carry on business with or through any other Person, enter into any merger, amalgamation, reorganization or consolidation, or sell, lease or otherwise dispose of all or any part of its Property, except sales of Equipment as permitted hereunder or sales of Inventory in the ordinary course of business or as otherwise expressly permitted hereby, or wind-up, liquidate, dissolve or cease to carry on business or agree to do any of the foregoing; the Borrower shall not create any new subsidiary; the Borrower shall not enter into any transaction outside the ordinary course of its business and the Borrower shall not engage, directly or indirectly, in any line of business other than the businesses in which it is engaged on the Closing Date.
- (k) The Borrower shall not make any distribution of funds or property, including without limitation, the declaration or payment of any dividend or other distribution (whether in cash or in kind) on, purchase, redeem or retirement of any shares of any class of its stock or make any payment on account of, or set apart Property for the repurchase, redemption, defeasance or retirement of, any class of its stock, or pay any amount to

any of its officers, directors or employees by way of fees, directors fees, dividends or otherwise, save and except for such compensation payable in the ordinary course to directors, officers and employees of the Corporation under or related to employment contracts, directors' compensation policies or similar arrangements in effect as of the date of this Agreement as previously disclosed to the Lender.

- (l) The Borrower shall not make any loans to, or investments in any Person, whether in cash, securities or other property of any kind, other than (i) investments that are direct obligations of the governments of Canada or any province thereof or the U.S. or any instrumentality thereof and, subject to the rights of the Senior Operating Lender under the Senior Credit Agreement, and, if applicable, the holders of the other Permitted Liens, pledged and delivered to the Lender pursuant to documentation satisfactory to the Lender in its sole discretion, and (ii) loans to, or investments in Affiliates, provided the same are on terms no less favourable to the Borrower than would have been available had such transaction occurred on an arm's length basis and approved by the Lender; subject in each case to the limitation that no such Loan or investment shall be made if a Default has occurred or is continuing or would result therefrom.
- (m) The Borrower shall not amend its organizational documents or change its fiscal year, without the prior written consent of the Lender.
- (n) The Borrower shall reimburse the Lender for all reasonable costs and expenses including, without limitation, consultant's fees and expenses, legal expenses and legal fees, incurred by the Lender in connection with the documentation and consummation of this transaction (whether or not this transaction is consummated), including, without limitation, security and other public record searches, lien filings, express mail or similar express or messenger delivery, due diligence costs and expenses, appraisal costs, surveys, title insurance and environmental audits or review costs, and in seeking to collect, protect or enforce any rights in or to the Collateral or incurred by the Lender in seeking to collect any Liabilities and to administer and enforce any of their rights under this Agreement. The Borrower shall also pay all normal service charges with respect to accounts, if any, maintained by the Lender for the benefit of the Borrower. All such costs, expenses and charges shall constitute Liabilities hereunder, shall be payable by the Borrower to the Lender on demand and, until paid, shall bear interest at the Interest Rate.
- (o) The Borrower shall maintain its corporate existence and its qualifications and good standing in all jurisdictions necessary to conduct its business and own its Property, shall obtain and maintain all licenses, permits, franchises and governmental authorizations necessary to conduct its businesses and own its Properties, and shall properly maintain all of its books, records and accounts in accordance with GAAP.
- (p) The Borrower shall comply in all material respects with the terms and provisions of each judgment, law, statute, rule, and governmental regulation applicable to it, and each material contract, mortgage, lien, lease, indenture, order, instrument, agreement or document to which it is a party or by which it is bound.

- (q) The Borrower shall not enter into any transaction which materially and adversely affects the Collateral or the Borrower's ability to repay the Liabilities, or the Borrower's ability to perform its obligations under this Agreement and the Other Agreements, or otherwise causes, permits or suffers to occur or continue any material adverse change in the Borrower's condition (financial or otherwise), its ability to perform its obligations hereunder or in the Collateral.
- (r) The Borrower shall not (A) create, incur or assume any Lien on any Property now owned or hereafter acquired by it, except Permitted Liens or (B) permit to exist any Lien on any Property now owned or hereafter acquired by it, except Permitted Liens.
- (s) The Borrower shall execute and deliver, or cause to be executed and delivered, to the Lender such documents and agreements, and such additional instruments of security, and shall take or cause to be taken, or do or cause to be done, such actions and things, as the Lender may, from time to time, request to carry out the terms and conditions of this Agreement and the Other Agreements, and in order to better register, perfect and protect the priority over all other Liens of the security interests and hypothecs granted by the Borrower to the Lender.
- (t) The Borrower shall deliver to the Lender no later than seven (7) days after the receipt of a notice of non-compliance, violation or contravention from any governmental or regulatory authority with respect to the activities carried on by the Borrower or as to any other matter whatsoever, a copy of the notice and a written action plan to remedy same.

ARTICLE 10 - CONDITIONS PRECEDENT

10.1 Conditions Precedent to Initial Advance

The obligations of the Lender to fund the initial advance of the Loan proceeds is subject to the satisfaction or waiver on or before the Closing Date of the following conditions precedent:

- (a) The Lender shall have received on or before the Closing Date (in sufficient number as the Lender shall require), and shall continue to hold, in form and substance satisfactory to it in its absolute discretion, the following, duly executed by each party thereto:
 - (i) this Agreement;
 - (ii) certified copies of the articles of incorporation of the Borrower, its borrowing by-laws and resolutions of its board of directors authorizing the execution, delivery and performance of (as the case may be) this Agreement and the Other Agreements to which it is a party;
 - (iii) the favourable opinions of the Borrowers' counsel, addressed to the Lender and its counsel, such opinions to speak to such matters as the status and formation of the Borrower and qualification to carry on business in each jurisdiction where

each does so, the due authorization, execution, delivery and enforceability in accordance with their terms of this Agreement and all Other Agreements, the making of all filings and recordings necessary or appropriate in all jurisdictions in respect of the security interests and hypothecs granted to the Lender;

- (iv) the Lender's customary agreements and all documents, instruments, financial statements, consents, evidences of corporate authority, certificates, insurance certificates, opinions of legal counsel and such other writings and agreements to confirm and effectuate the lending transactions and the matters referred to herein as may be required by the Lender and its counsel, all duly executed and/or delivered by the Borrower or such other Person as may be required in the circumstances;
 - (v) payment of all fees and expenses required to be paid by the Borrower pursuant to the terms hereof; and
 - (vi) each of the other documents set forth on the closing document list prepared by counsel to the Lender;
- (b) Completion by the Lender of its review of, and satisfaction on its part, in its sole discretion, with:
- (i) the management prepared consolidated financial statements of the Borrower (including predecessor entities of the Borrower) for the period ended November 15, 2008; and
 - (ii) the Borrower prepared profit and loss and cash flow projections on a month-by-month basis for the first year after the Closing Date and on an annual basis for the second and third years after the Closing Date.
- (c) Since November 15, 2008 no event shall have occurred which has had or could reasonably be expected to have a Material Adverse Effect as determined by the Lender in its sole discretion. No material adverse change in the Lender's understanding of the facts and information presented to it by the Borrower or others on the Borrower's behalf has occurred and no material litigation or claims (in the reasonable judgment of the Lender) with respect to any aspect of the Borrower's business or Property shall have occurred, or shall be pending or threatened, that could or would affect the ability of the Borrower to perform its respective obligations under this Agreement and the agreements contemplated hereby.
- (d) The Lender shall have received payment in full of all billed fees and expenses of the Lender and its counsel, on or before the Closing Date.
- (e) The Lender shall have reviewed and shall be satisfied with the terms of the agreements and arrangements relating to the Senior Operating Credit Facilities.
- (f) All registrations and filings in respect of this Agreement and the Other Agreements shall have been made in all jurisdictions as the Lender and their counsel shall determine

to be necessary or appropriate (at the expense of the Borrower), it being understood and agreed that the Lender shall be entitled to make (at the expense of the Borrower) all such further registrations and filings in respect of this Agreement and the Other Agreements, after the Closing Date, and until all Liabilities have been paid and performed in full, as the Lender shall consider necessary or appropriate in its discretion, acting reasonably.

- (g) The Lender shall have reviewed and shall be satisfied, in all material respects, with the insurance policies maintained by the Borrower.
- (h) The Lender, acting reasonably, shall be satisfied with the results of all searches and enquires conducted in respect of the Borrower and its Property as the Lender's counsel may reasonably require, and such estoppel letters (to confirm the amounts secured by any existing encumbrances and the collateral covered thereby) shall be received by the Lender as may be required by the Lender in its discretion.
- (i) The Lender shall have completed all due diligence which it considers necessary or appropriate in its discretion in regard to the Borrower and its Property, books and records, operations, prospects and condition (financial or otherwise), including, without limitation, with respect to the Borrower, in regard to past and ongoing compliance with laws (including Environmental Laws), union and labour relations and pension matters, and the Lender shall be satisfied in its discretion that the Borrower is adequately capitalized, the fair, saleable value of its Property exceeds its liabilities at the Closing Date, and that the Borrower has sufficient working capital to pay its debts as they become due, and the Lender shall have received such documentation it considers necessary or appropriate in its discretion in regard to the foregoing matters, including, without limitation, compliance with Environmental Laws.
- (j) The Borrower shall have secured a \$250,000 loan from Golden Opportunities Fund Inc. and a \$250,000 loan from FCC Ventures, a division of Farm Credit Canada, all on substantially the same terms as set out herein and all conditions to the advance of such loans shall have been satisfied or waived.

10.2 Conditions Precedent to All Advances

The obligations of the Lender to fund any advance of the Loan proceeds is subject to the satisfaction or waiver of the following conditions precedent:

- (a) the Lender shall have received a duly executed Warrant evidencing the Warrants to be issued pursuant to Sections 4.5(a) and 5.2.
- (b) All necessary legislative, regulatory, governmental, and other third party approvals, notices, consents and permits including those necessary to grant and perform this Agreement and the Other Agreements and carry on the Borrower's business shall have been given and obtained by the Borrower, such approvals, notices, consents and permits not to contain any terms or conditions which the Lender, in its sole discretion, consider to be materially adverse to the Borrower, and evidence thereof shall have been furnished to the Lender.

- (c) No order, judgment or decree of any court, arbitrator or governmental authority shall purport by its terms to enjoin or restrain the Lender from providing the Loan, and no law, rule, regulation, request or directive (whether or not having the force of law) shall prohibit or request that the Lender refrain from providing the Loan.
- (d) The Lender shall be satisfied that no Default shall have occurred on or be continuing or would result from the making of the advance of the Loan proceeds.
- (e) The Borrower shall have executed or caused to be executed and delivered to the Lender all documents which the Lender determines in its absolute discretion are necessary to consummate the transactions contemplated hereby.
- (f) The Lender shall be satisfied that the representations, warranties and covenants of the Borrower contained in this Agreement shall be true and correct on the date of such advance.
- (g) The Lender shall be satisfied that no Material Adverse Effect has occurred.

ARTICLE 11 - DEFAULT

11.1 Events of Default

The occurrence of any one or more of the following events shall constitute an "Event of Default" hereunder:

- (a) the failure of the Borrower to pay when due, declared due or demanded in accordance with the terms hereof any of the Liabilities;
- (b) the failure of the Borrower to perform, keep or observe any of the covenants, conditions, promises, agreements or obligations (other than as described in Section 11.1(a)) of the Borrower under this Agreement or the Borrower under the Other Agreements to which it is a party; provided that no Event of Default under this Section 11.1(b) will occur if the failure to comply was not intentional, is capable of remedy and is diligently remedied within ten (10) days of the Borrower becoming aware of the failure to comply;
- (c) the making or furnishing by the Borrower or any director or officer thereof to the Lender of any representation, warranty, certificate, schedule, report or other communication within or in connection with this Agreement or the Other Agreements or in connection with any other agreement between the Borrower and the Lender, which is untrue or misleading in any material respect when made;
- (d) the creation (whether voluntary or involuntary) of, or any attempt to create, any Lien upon any of the Collateral, other than the Permitted Liens; or the making of any levy, seizure, attachment, or power of sale or foreclosure, on or with respect to any

Collateral; or (except as permitted hereby) any sale, lease, or furnishing under a contract of service of, any of the Collateral;

- (e) the making of an assignment or proposal in bankruptcy by the Borrower or the filing by the Borrower of notice of its intention to make a proposal in bankruptcy or the commencement of any proceedings by or against the Borrower for the liquidation or reorganization of the Borrower or alleging the insolvency of the Borrower or if an act of bankruptcy has occurred or that the Borrower cannot pay its debts as they mature or the commencement of any proceedings for the readjustment or arrangement of the Borrower's debts, whether under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the United States Bankruptcy Code or under any other law, whether state, provincial or federal, now or hereafter existing, for the relief of debtors, or the commencement of any analogous statutory or non-statutory proceedings involving the Borrower and, if brought against the Borrower, such proceeding is not being contested in good faith by appropriate proceedings, as determined by the Lender, acting reasonably, or, if so contested, remains outstanding, undismissed and unstayed more than five (5) days from the institution of such first mentioned proceedings;
- (f) the appointment of a receiver, receiver and manager, trustee, liquidator, administrator, sequestrator, custodian, monitor or similar official for the Borrower, for any of the Collateral or for any substantial part of the Borrower's Property, or the institution of any proceedings for the dissolution or winding-up, or the full or partial liquidation, or the merger, amalgamation or consolidation, of the Borrower which is a corporation or a partnership and, if brought against the Borrower, such proceeding is not being contested in good faith by appropriate proceedings, as determined by the Lender, acting reasonably, or, if so contested, remains outstanding, undismissed and unstayed more than five (5) days from the institution of such first mentioned proceedings;
- (g) the entry of any judgment or order is issued or levied against the Borrower or its property involving liability in excess of five hundred thousand Canadian dollars (Cdn. \$500,000);
- (h) all or any material part of the Property of the Borrower shall be nationalized, expropriated or condemned, seized or otherwise appropriated, or custody or control of such Property of the Borrower shall be assumed by any governmental or regulatory authority or any court of competent jurisdiction at the instance of any governmental or regulatory authority, except where contested in good faith by proper proceedings diligently pursued where a stay of enforcement is in effect;
- (i) any loss, theft, damage or destruction of any item or items of Collateral occurs which:
 - (i) materially and adversely affects the operation of the Borrower's business on a consolidated basis; or
 - (ii) is material in amount and is not adequately covered by insurance;

- (j) the occurrence of a Default or Event of Default (each term as defined in the Senior Credit Agreement) after the date hereof, which continues after the passage of any cure period under the Senior Credit Agreement;
- (k) the occurrence of any default under one or more agreements or instruments relating to its indebtedness other than the Liabilities or the Senior Operating Credit Facilities or if the Borrower permits any other event to occur and to continue without being waived or cured after any applicable grace period specified in such agreements or instruments, if the effect of one or more of such events is to accelerate, or to permit (in accordance with any applicable inter-creditor and subordination arrangements) the acceleration of the date on which such indebtedness in an aggregate amount of \$500,000 or more becomes due (whether or not acceleration actually occurs); or
- (l) the occurrence of any event or condition (including, without limitation, any change in the operation of business or senior management of the Borrower) which has or is reasonably likely to have a Material Adverse Effect, as determined by the Lender in its reasonable discretion.

ARTICLE 12 - REMEDIES

12.1 Remedies

- (a) Upon the occurrence of an Event of Default described in Section 11.1(e), the Loan shall immediately and automatically become due and payable, without demand, notice or legal process of any kind. Upon the occurrence of any Event of Default other than as described in Section 11.1(e), all of the Liabilities may, at the option of the Lender, be declared by the Lender to be immediately due and payable, upon which declaration all such Liabilities shall immediately become due and payable without demand, notice or legal process of any kind. Upon any such occurrence, the Lender may, in addition to any other right or remedy which it may have at law or in equity, proceed to realize its security hereunder and to enforce its rights by:
 - (i) entry onto any premise where the Collateral may be located;
 - (ii) the appointment by instrument in writing of a receiver or receivers of the Collateral or any part thereof (which receiver or receivers may be any person or persons, whether an officer or officers or employee or employees of the Lender or not and the Lender may remove any receiver or receivers so appointed and appoint another or others in his or their stead);
 - (iii) proceedings in any court of competent jurisdiction for the appointment of a receiver or receivers or for sale of the Collateral or any part thereof; or
 - (iv) any other action, suit, remedy or proceeding authorized or permitted hereby or by law or by equity.

- (b) In addition, the Lender 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.
- (c) Any receiver or receivers so appointed shall have power to:
 - (i) take possession of and to use the Collateral of any part thereof;
 - (ii) carry on the business of the Borrower (including, but not limited to, the taking or defending of any actions or legal proceedings, and the doing or refraining from doing all other things as to the receiver may deem necessary or desirable in connection with the business, operations and affairs of the Borrower);
 - (iii) 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 Borrower;
 - (iv) further charge the Collateral in priority to the security interests of the Security Agreements as security for money so borrowed; and
 - (v) sell, lease or otherwise dispose of the whole or any part of the Collateral on such terms and conditions and in such manner as the receiver shall determine.
- (d) The Lender shall not be responsible for any actions or errors of omission by the receiver or receivers in exercising any such powers.
- (e) In addition, the Lender may enter upon, use, occupy and possess the Collateral or any part thereof, free from all encumbrances, Liens and charges, except for Permitted Liens, without hindrance, interruption or denial of the same by the Borrower or by any other person or persons, and may lease or sell the whole or any part or parts of the Collateral. Any sale hereunder may be made by public auction, by public tender or by private contract, with or without notice and with or without advertising and without any other formality (except as required by law), all of which are hereby waived by the Borrower. 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 Lender, in its sole discretion, may seem advantageous. Such sale may take place whether or not the Lender has taken possession of the Collateral.
- (f) No remedy for the realization of the security interests granted to the Lender or for the enforcement of the rights of the Lender 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. Any failure by the Lender to exercise any right or remedy set out in this Agreement or the Other Agreements shall not constitute a waiver thereof. The term "receiver" as used in this Agreement includes a receiver and manager.
- (g) At the Lender's request, the Borrower shall, at the Borrower's expense, assemble the Collateral and make it available to the Lender at one or more places to be designated by the Lender and reasonably convenient to the Lender. The Borrower recognizes that if it

fails to perform, observe or discharge any of its obligations under this Agreement or the Other Agreements, no remedy at law will provide adequate relief to the Lender, and the Borrower agrees that the Lender shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages. Without limiting any of the Lender's rights to provide any lesser period of notice to the extent permitted by applicable law, any notification of intended disposition of any of the Collateral required by law will be deemed reasonably and properly given if given at least fifteen (15) calendar days before such disposition. Any proceeds of any disposition by the Lender of any of the Collateral may be applied by the Lender to the payment of expenses and any borrowings in connection with the Collateral and its realization including, without limitation, legal fees and disbursements (on a solicitor-client basis) (both in-house and outside counsel) and any balance of such proceeds may be applied by the Lender toward the payment of such of the Liabilities, and in such order of application, as the Lender may from time to time elect or re-elect in its sole discretion.

ARTICLE 13 - INDEMNIFICATION, ETC.

13.1 General Indemnity

The Borrower agrees to indemnify and hold harmless the Lender, and each of its Affiliates, and Subsidiaries, and its respective officers, directors, employees, legal counsel and agents (each an "Indemnified Party") from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature (including, without limitation, the disbursements and the fees (on a solicitor-client basis) of legal counsel for each Indemnified Party (collectively, "Losses") which may be imposed on, incurred by, or asserted against, any Indemnified Party (whether direct, indirect or consequential and whether based on any federal, provincial, state or local laws or regulations, including, without limitation, securities, environmental and commercial laws and regulations, under common law or in equity, or based on contract or otherwise) in any manner relating to or arising out of this Agreement or any Other Agreement, or any act, event or transaction related or attendant thereto, the making and/or the management of the Loan or the use or intended use of the proceeds of the Loan; provided, however that the Borrower shall have no obligation hereunder to any Indemnified Party to the extent that such Losses were caused by or resulted from the misconduct or negligence of such Indemnified Party. To the extent that the undertaking to indemnify set forth in the preceding sentence may be unenforceable against the Borrower because it violates any law or public policy, the Borrower shall satisfy such undertaking to the maximum extent permitted by applicable law. Any Losses covered by this indemnity shall be paid to each Indemnified Party on demand, and, failing prompt payment, shall, together with interest thereon at the Interest Rate from the date incurred by each Indemnified Party until paid in full, be added to the Liabilities and be secured by the Collateral. The provisions of this Section 13.1 shall survive the satisfaction and payment of all Liabilities and the termination of this Agreement.

13.2 Taxes

All payments made by the Borrower under this Agreement and the Other Agreements shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, assessments, imposts, deductions, charges, or withholdings

imposed by any foreign, federal, provincial, state, local or other jurisdiction or any governmental agency thereof or political subdivision or taxing authority therein, excluding taxes imposed on the net income or capital of the Lender by any jurisdiction in which it carries on business (all such non-excluded taxes being hereinafter called "Taxes"). If any Taxes are required to be withheld from any amounts so payable to the Lender hereunder or under any Other Agreements the amounts so payable shall be increased to the extent necessary to yield to the recipient (after payment of all Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement or Other Agreement. If the Borrower is required by law to make any deduction or withholding on account of any Taxes or other amount from any sum paid or expressed to be payable to either Lender under this Agreement or any Other Agreement, then: (A) the Borrower shall notify such Lender of any such requirement or any change in any such requirement as soon as the Borrower becomes aware of it; (B) the Borrower shall pay any such Taxes or other amount before the date on which penalties attached thereto become due and payable; (C) the sum payable by the Borrower in respect of which the relevant deduction, withholding or payment is required shall be increased to the extent necessary to ensure that, after the making of that deduction, withholding or payment, the recipient receives on the due date and retains (free from any liability in respect of any such deduction, withholding or payment) a sum equal to that which it would have received and so retained had no such deduction, withholding or payment been required or made; and (D) within thirty (30) days after payment of any sum from which the Borrower is required by law to make any deduction or withholding, and within thirty (30) days after the due date of payment of any Taxes or other amount which it is required by clause (B) above to pay, it shall deliver to such Lender all such certified documents and other evidence as to the making of such deduction, withholding or payment as (1) are reasonably satisfactory to such Lender as proof of such deduction, withholding or payment and of the remittance thereof to the relevant taxing or other authority and (2) are reasonably required by such Lender to enable it to claim a tax credit with respect to such deduction, withholding or payment. If the Borrower fails to pay any Taxes when due to the appropriate taxing authority, the Borrower shall indemnify such Lender for any incremental taxes, interest or penalties that may become payable by such Lender as a result of any such failure. The provisions of this Section 13.2 shall survive the satisfaction and payment of all Liabilities and the termination of this Agreement.

ARTICLE 14 - GENERAL PROVISIONS

14.1 Notice

All written notices and other written communications with respect to this Agreement or any of the Other Agreements shall be sent by ordinary or registered mail, by facsimile or delivered in person, and in the case of the Lender shall be sent to it Victoria Park Capital Inc., 1850 - 1874 Scarth Street, Regina, Saskatchewan, S4P 4B3, Attention: CFO (if by facsimile to facsimile number 306-566-4618) and in the case of the Borrower shall be sent to the Borrower at 10333 8th Avenue, P.O. Box 610 Humboldt, Saskatchewan S0K 2A0 Attention: President (if by facsimile to facsimile number 306-682-5042). The notice or other communication so sent shall be deemed to be received on the day of personal delivery or if by facsimile on the date of delivery if delivered before 3:00 p.m. (Regina time) on a Business Day and if delivered thereafter on the next Business Day, or if mailed, three days following the date of such mailing.

14.2 Choice of Governing Law and Construction

Except as expressly set forth therein, this Agreement and the Other Agreements (unless expressly stated otherwise in the Other Agreements) shall be governed and controlled by the laws of the Province of Saskatchewan and the laws of Canada applicable therein as to interpretation, enforcement, validity, construction, effect, and in all other respects, including, without limitation, the legality of the interest rate and other charges, but excluding perfection and realization of the security interests and hypothecs in the Collateral, which shall be governed and controlled by the laws of the relevant jurisdiction.

14.3 Forum Selection and Service of Process

To induce the Lender to accept this Agreement, the Borrower irrevocably agrees that, subject to the Lender's sole and absolute election, all actions or proceedings in any way, manner or respect, arising out of or from or related to this Agreement, the Other Agreements or the Collateral may be litigated in courts having *situs* within the Province of Saskatchewan. The Borrower hereby consents and submits to the non-exclusive jurisdiction of any local, provincial, state or federal courts located within said jurisdiction. The Borrower hereby waives any right it may have to transfer or change the venue of any litigation brought against the Borrower by the Lender in accordance with this paragraph.

14.4 Modification and Benefit of Agreement

This Agreement and the Other Agreements may not be modified, altered or amended except by an agreement in writing signed by the Borrower and the Lender. The Borrower may not sell, assign or transfer this Agreement, or the Other Agreements or any portion thereof including, without limitation, the Borrower's right, title, interest, remedies, powers or duties thereunder. The Borrower hereby consents to the sale, assignment, transfer or other disposition by the Lender, at any time and from time to time hereafter, of this Agreement, or the Other Agreements, or of any portion thereof, or participation therein including, without limitation, the right, title, interest, remedies, powers and/or duties of the Lender thereunder. The Borrower agrees that it shall execute and deliver such documents as a Lender may request in connection with any such sale, assignment, transfer or other disposition. This Agreement shall enure to the benefit of, and be binding upon, the parties hereto and their successors and permitted assigns.

14.5 Headings of Subdivisions

The headings of subdivisions in this Agreement are for convenience of reference only, and shall not govern the interpretation of any of the provisions of this Agreement.

14.6 Power of Attorney

The Borrower acknowledges and agrees that its appointment of the Lender as its attorney and agent for the purposes specified in this Agreement is an appointment coupled with an interest and shall be irrevocable until all of the Liabilities are paid in full and this Agreement is terminated.

14.7 Waivers, Confidentiality, Information Sharing

- (a) In no event shall the Lender be liable for lost profits or other special or consequential damages.

- (b) To the maximum extent permitted by law, the Borrower hereby waives all rights to notice and hearing of any kind prior to the exercise by the Lender of its rights to repossess the Collateral without judicial process or to replevy, attach or levy upon such Collateral without prior notice or hearing.
- (c) To the maximum extent permitted by law, the Borrower hereby waives demand, presentment, protest and notice of non-payment.
- (d) Failure of the Lender, at any time or times hereafter, to require strict performance by the Borrower of any provision of this Agreement or any of the Other Agreements shall not waive, affect or diminish any right of the Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver by the Lender of a Default under this Agreement or any default under any of the Other Agreements shall not suspend, waive or affect any other Default under this Agreement or any other default under any of the Other Agreements, whether the same is prior or subsequent thereto and whether of the same or of a different kind or character. No delay on the part of the Lender in the exercise of any right or remedy under this Agreement or any Other Agreement shall preclude any other or further exercise thereof or the exercise of any right or remedy. None of the undertakings, agreements, warranties, covenants and representations of the Borrower contained in this Agreement or any of the Other Agreements and no Default under this Agreement or default under any of the Other Agreements shall be deemed to have been suspended or waived by the Lender unless such suspension or waiver is in writing, signed by duly authorized officer(s) of the Lender and directed to the Borrower specifying such suspension or waiver.
- (e) The Borrower hereby agrees and acknowledges that the Lender shall be permitted to share with each other and with any of their affiliates, any information concerning the Borrower, this Agreement and all related agreements, and the subject matter thereof, that the Lender have or will have in their possession.

14.8 Timing of Payments

Any payment required to be made by the Borrower to a Lender hereunder or under any of the Other Agreements shall be made in the currency in which the obligation requiring such payment arose. Any payment received by such Lender after 3:00 p.m. (Regina time) on a Business Day, or on any day that is not a Business Day, shall be credited to the account of the Borrower on the next following Business Day.

14.9 Currency

All dollar amounts specified herein are in Canadian dollars unless otherwise indicated.

14.10 Severability

If any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or remaining provisions of this Agreement.

14.11 Conflicts

In the event there occurs any conflict or inconsistency between any provision hereof and any provision of the Other Agreements, the provision hereof shall, to the extent of any such conflict or inconsistency, govern.

14.12 Right of Set-Off

Upon the occurrence and during the continuance of an Event of Default, the Lender is authorized at any time and from time to time, without notice to the Borrower (any such notice being expressly waived) to the fullest extent permitted by law to set-off any and all deposits of any kind at any time held to the credit or for the account of the Borrower, against any of the obligations of the Borrower hereunder or under any Other Agreement (including without limitation pursuant to any Warrants issued to the Lender hereunder), whether or not the Lender have made any demand hereunder or thereunder and although such obligations may be unmatured.

14.13 Entire Agreement

This Agreement and the Other Agreements embody the entire agreement and understanding between the parties hereto and thereto and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof and may not be contradicted by evidence of prior or contemporaneous agreements of the parties. There are no unwritten oral agreements between the parties related to the subject matter of this Agreement and the Other Agreements.

14.14 Non-Merger

The taking of any judgment shall not operate as a merger of any Liabilities or any part thereof or in any way suspend payment or affect or prejudice the rights, remedies and powers, legal or equitable, which the Lender may have in connection with the Liabilities.

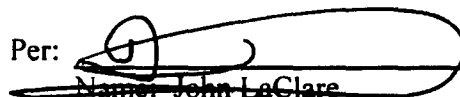
14.15 Facsimile/Counterpart Execution

This Agreement may be executed and delivered by facsimile and in counterpart, and all such facsimile or counterpart so executed and delivered shall be deemed to constitute one, originally executed original.

[The next page is the signature page.]

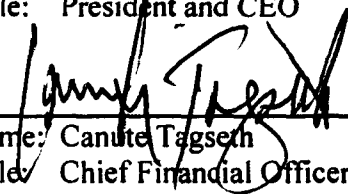
IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date set out on the first page hereof.

BIG SKY FARMS INC.

Per: 

Name: John LaClare

Title: President and CEO

Per: 

Name: Canute Tagseth

Title: Chief Financial Officer

Signature page to ISI (VPC) Credit Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date set out on the first page hereof.

**INVESTMENT SASKATCHEWAN INC.,
by its portfolio manager and lawful attorney
VICTORIA PARK CAPITAL INC.**

Per: _____

Name: _____

Title: _____

Per: _____

Name: _____

Title: _____

Signature page to ISI (VPC) Credit Agreement

EXHIBIT A

BUSINESS AND COLLATERAL LOCATIONS

1. The Borrower's Business Locations (please indicate which location is the principal place of business and at which locations originals and all copies of the Borrower's books, records and accounts are kept) include the following:

10333 8th Avenue
PO Box 610
Humboldt, SK S0K 2A0

2. As of July 6, 2006, the Borrower owned all of those lands described in the Inventory of Real Property, and leased or otherwise had an interest in all of those lands described in the Inventory of Leased Real Property, attached as a schedule to the credit agreement between the parties dated May 9, 2008. There have been no material changes in the real property owned or leased by the Borrower since July 6, 2006, except that (a) certain of the properties on which hog barns are located have been subdivided and, in certain cases, the subdivided, surplus farm lands sold, and (b) the former head office property at 905 5th Avenue Humboldt has been sold. Additionally, there have been no material changes in the encumbrances against the owned or leased real property except for (a) the registration, against all owned property, of a \$3 million mortgage as collateral security to the FG Debenture, and (b) the \$5,000,000 Maple Leaf Foods Inc mortgage has been paid out and discharged. The Collateral includes these lands and premises (other than those that have been sold as aforesaid) and all other Collateral (excluding inventory in transit or inventory in the United States that is being finished under contract finishing agreements) is located on such lands.

Bank Accounts of the Borrower:

<u>Institution</u>	<u>Account Number</u>	<u>Type of Account</u>
Scotiabank Westside Branch 20 th Street & Avenue C Saskatoon, SK	400480063118	Canadian Dollar General Account
	400480086819	U.S. Dollar General Account
	400480001511	Health Benefits Account

Schedule 1.1(x) – Permitted Liens

Permitted Liens includes:

1. All security of whatsoever kind or nature now or hereafter granted by the Borrower and/or granted by any Affiliate of the Borrower, in any and/or all real or personal property of the Borrower or of any Affiliate of the Borrower, of whatsoever kind or nature and whether now owned or hereafter acquired, to or in favour of any of the persons described in paragraphs (a) to (f) below and pursuant or collateral to the documents and agreements described in said paragraphs (a) to (f) below:

- (a) the Senior Operating Lender pursuant to the Senior Credit Agreement;
- (b) FCC Ventures, a division of Farm Credit Corporation (“FCCV”) and Golden Opportunities Fund Inc. (“Golden”), pursuant to subordinated debentures dated October 16, 2006, in the principal sum of \$1,500,000 each, granted by the Borrower to each of FCCV and Golden and pursuant to which FCCV and Golden have a Lien in all present and after acquired real and personal property of the Borrower (collectively, the “FG Debentures”);
- (c) the Government of Saskatchewan pursuant to a short-term hog loan program agreement dated December 6, 2002 between the Borrower and Her Majesty the Queen in Right of Saskatchewan, as represented by the Minister of Agriculture, Food and Rural Revitalization (the “2002 Loan”);
- (d) the Government of Saskatchewan pursuant to a short-term hog loan program agreement dated January 15, 2008 between the Borrower and Her Majesty the Queen in Right of Saskatchewan, as represented by the Minister of Agriculture, Food and Rural Revitalization (the “2008 Loan”);
- (e) ISI, FCCV, Golden, Florian Possberg and Cliff Wiegers in the aggregate principal amount \$3,462,450 pursuant credit agreement and related general security agreements and warrants dated as follows:

Name	Date of Sub-Debt Agreement	Amount of Protective Loan	Warrants
ISI	May 9, 2008	\$2,500,000	250,000
Golden	May 9, 2008	\$250,000	25,000
FCCV	May 9, 2008	\$250,000	25,000
Florian	May 30, 2008	\$402,500	40,250
Wiegers	June 15, 2008	\$59,950	5,995
		\$3,462,450	346,245

- (f) Florian Possberg pursuant to joint promissory note with 10101594 Saskatchewan Ltd. and related general security agreement dated as of May 30, 2008 in the principal amount of \$694,000 plus interest thereon at 5% per annum.

2. All registrations in the Saskatchewan and/or Manitoba Personal Property Registry as disclosed in the Saskatchewan PPSA Search Results and the Manitoba PPSA Search Results in respect of Big Sky Farms Inc. dated October 30, 2008.

**Schedule 4.5
Form of Warrants**

Unless permitted under securities legislation, the holder of this Warrant or any shares issued upon its exercise will not trade such Warrant or shares before the date that is 4 months and a day after the later of (i) *[insert the distribution date]*, and (ii) the date the issuer became a reporting issuer in any province or territory.

BIG SKY FARMS INC.

SHARE PURCHASE WARRANT

THIS IS TO CERTIFY THAT Investment Saskatchewan Inc. (the "Holder") is hereby granted ♦ Warrants (the "Warrants") for value received. Each Warrant has the right, subject to the terms and conditions below, to subscribe for one Common Share (each, a "Common Share") in the capital of Big Sky Farms Inc. (the "Corporation"), as constituted at the date of this issuance.

Exercise of Warrants

1. The right to purchase Common Shares in the Corporation's capital can only be exercised by completing and executing the attached subscription form in the manner indicated, and by paying, in the form of certified cheque or money order, the subscription price for the number of Common Shares the Holder desires and is entitled to purchase. In order for any such right to be effective, the duly completed and executed subscription form and payment of subscription price must be delivered to the Corporation at 10333 8th Avenue, P.O. Box 610, Humboldt Saskatchewan S0K 2A0, but not later than the Expiry Time designated in Section 6.
2. Subject to any applicable adjustments provided for in this Share Purchase Warrant, the price payable for each Common Share upon the exercise of the Warrants will be \$0.01 in Canadian money.
3. Upon surrender of the Warrants and payment of their subscription price, the Corporation will issue to the Holder the number of Common Shares subscribed for and the Holder will become a shareholder of the Corporation as of the date the Warrants were surrendered.
4. As soon as practicable after the surrender of the Warrants, the Corporation will mail to the Holder certificates evidencing the Common Shares subscribed for. The certificates will be mailed to the address(es) specified in the subscription form.
5. If the Holder subscribes for less Common Shares than the number of shares available for issuance under this Share Purchase Warrant, the Holder will be entitled to receive a further Share Purchase Warrant for the remaining shares under this Share Purchase Warrant that were not subscribed for.
6. This Share Purchase Warrant may be exercised in the manner provided above at any time on or prior to, but not after, 5:00 p.m. (Central Standard Time) March 31, 2010 (the "Expiry Time") after which all unexercised Warrants shall be null and void.

Transfer or Loss of Warrants

7. Subject to applicable securities legislation, this Share Purchase Warrant is transferable without prior written approval from the Corporation. Upon transfer of this Share Purchase Warrant, each party receiving Warrants will be entitled to receive a Share Purchase Warrant for the Warrants received and the Holder will be entitled to a Share Purchase Warrant for any Warrants it continues to hold.
8. If this Share Purchase Warrant is stolen, lost, mutilated or destroyed, the Corporation may issue a new Share Purchase Warrant of similar denomination, tenor, and date. The Corporation may issue the new Share Purchase Warrant on such reasonable terms as to indemnity or otherwise as it may impose in its discretion. The Share Purchase Warrant will not entitle the Holder to any rights whatsoever as a shareholder of the Corporation.

Resale Restrictions on Shares

9. Common Shares of the Corporation issued on the exercise of this Share Purchase Warrant are subject to the resale restrictions of applicable securities laws until:
 - (a) the appropriate hold period is satisfied,
 - (b) the holder can rely upon a further statutory exemption, or
 - (c) a proper discretionary order is obtained.

Subdivisions and Consolidations of Shares

10. If at any time within the duration of this Share Purchase Warrant the Common Shares are subdivided or changed into a greater number of Common Shares, and Warrants are subsequently exercised, the Corporation will deliver to the subscriber at the time of purchase an additional number of Common Shares as would result from such subdivision or change had the right to purchase been exercised before the subdivision or change occurred. No added payment will be required from the subscriber in consideration for these additional shares.
11. If at any time within the duration of this Share Purchase Warrant the Common Shares are consolidated into a lesser number of Common Shares, and Warrants are subsequently exercised, the Corporation will deliver to the subscriber at the time of purchase a lesser number of Common Shares as would result from such consolidation had the right to purchase been exercised before the consolidation occurred. The subscriber will unconditionally accept this number of Common Shares in lieu of the number to which they are entitled.

Distributions on Shares

12. If at any time within the duration of this Share Purchase Warrant the Corporation distributes to the holders of all or substantially all of the Common Shares in the capital of the Corporation any:
 - (a) class of shares or rights,
 - (b) options or warrants (other than those referred to above),
 - (c) evidence of indebtedness, or
 - (d) property (excluding cash dividends paid in the ordinary course)

the number of shares to be issued by the Corporation under this Share Purchase Warrant will be appropriately adjusted; provided that in any event the Holder shall be entitled to participate in any such distribution on terms no less favourable than offered to such holders of Common Shares in the capital of the Corporation. In lieu of the number of shares for which the subscriber is entitled when subsequently exercising its Warrants, the Corporation will deliver to the subscriber at the time of purchase the aggregate number of shares, other securities, or property that the subscriber would have been entitled to receive from such distribution had the subscriber exercised the right to purchase before the distribution occurred.

13. If at any time within the duration of this Share Purchase Warrant the Corporation pays any stock dividend upon a class of its own shares for which the right to purchase is then given under this Share Purchase Warrant, and Warrants are subsequently exercised, the Corporation will deliver to the subscriber at the time of purchase an equivalent additional number of Common Shares in lieu of such stock dividend as would have been payable on the shares of the Corporation if the shares had been outstanding on the record date for the payment of the stock dividend.

Reclassifications of Shares

14. If at any time within the duration of this Share Purchase Warrant the Corporation reclassifies any of the Common Shares the Corporation will deliver to the subscriber at the time of purchase the number of shares of the Corporation of the appropriate class resulting from such reclassification as the subscriber would have been entitled to receive in Common Shares had the right of purchase been exercised before the reclassification occurred.

Consolidation, Amalgamation or Merger

15. If the Corporation undergoes a capital reorganization (a "Capital Reorganization"), in that:

- (a) the Corporation consolidates, amalgamates or merges with or into any other corporate entity and it results in the reclassification of the Corporation's outstanding Common Shares of the Corporation (or their change into other shares);
- (b) one or more of the Corporation's shareholders sell a controlling interest in the Corporation to another corporate entity in exchange for securities or other property in that corporate entity; or
- (c) the Corporation's undertaking or assets are transferred as an entirety, or substantially as an entirety, to another corporate entity,

the subscriber, upon subsequently exercising its right to Common Shares under this Share Purchase Warrant, will be entitled to receive and will accept in lieu of the Common Shares it was entitled to receive, the aggregate number of shares, other securities, or other property to which the subscriber would have been entitled from the Capital Reorganization if the subscriber had exercised the right to purchase before the Capital Reorganization and the subscriber participated in it.

16. The Corporation will provide the Holder with as much advance notice of any Capital Reorganization as is reasonably practicable. At minimum, the Corporation will notify the Holder before the record date set for the Capital Reorganization.
17. The Corporation will make reasonable efforts to ensure that any other corporate entity which is a party to the Capital Reorganization will be obligated, along with the Corporation, to issue a

replacement Share Purchase Warrant. This new Share Purchase Warrant will reflect the Holder's entitlement as a result of the Capital Reorganization, such that the Holder's rights and privileges are directly extended by any successor corporate entity, or any parent or controlling corporate entity, that results from such Capital Reorganization.

Share Adjustments

18. Adjustments in the number of Common Shares issuable under the rights conferred by this Share Purchase Warrant as described above are cumulative. All such adjustments that apply to the particular issuance will be made.
19. Questions arising regarding the number of Common Shares issuable as a result of an adjustment will be determined conclusively by a firm of chartered accountants carrying on business in Saskatchewan. The firm will be nominated by the Corporation and may be the Corporation's auditors. Such accountants will have access to all the necessary records at the Corporation's office and their determination will be binding upon the Corporation and the Holder.

Representations

20. The Corporation makes the following representations:

- (a) The Corporation is duly authorized to create and issue this Share Purchase Warrant and issue the Common Shares described within it.
- (b) The Corporation's signature on this Share Purchase Warrant creates a valid and enforceable obligation on the Corporation, and the Corporation will duly issue from time to time the Common Shares subscribed for and their corresponding certificates in the manner provided by the terms contained in this document.
- (c) At all times within the duration of this Share Purchase Warrant, the Corporation will reserve and maintain out of its authorized capital a sufficient number of Common Shares to satisfy the right of purchase should the Holder of this Share Purchase Warrant decide to exercise such right for all the Common Shares called for by this Share Purchase Warrant.
- (d) All Common Shares that are issued upon the exercise of the right of issuance under this Share Purchase Warrant will be issued as fully paid, non-assessable Common Shares. The Holders will not be liable to the Corporation or its creditors in respect of the shares.

General Provisions

21. On the occurrence of each and every event described above, the applicable provisions of this Share Purchase Warrant are, *ipso facto*, deemed to be amended accordingly and the Corporation will take all necessary action to comply with such provisions as amended.
22. Time is of the essence for this Share Purchase Warrant.
23. The laws of Saskatchewan and the laws of Canada will govern the Share Purchase Warrant and its terms will be construed in accordance with those laws.
24. By receipt of this Warrant, the Holders and, if applicable, its transferees, successors and assigns:

- (a) acknowledge that any and all Common Shares issued pursuant to the exercise of the Warrants shall be subject to the terms and conditions of that certain Shareholder Agreement made by the Corporation and certain of its shareholders and other securityholders dated as of October 16, 2006 (the "Shareholders' Agreement");
- (b) acknowledge that it has received a copy of the Shareholders' Agreement; and
- (c) agrees that, if it is not already a party to the Shareholders' Agreement it shall be a condition of the exercise of the Warrants hereunder that the person to who the Common Shares are to be issued shall have first executed or otherwise agreed in writing, in a manner satisfactory to the Corporation acting reasonably, to be bound by the Shareholders' Agreement.

BEFORE WITNESSES in Humboldt, Saskatchewan, the Corporation by its proper and duly authorized officers has executed this Share Purchase Warrant as of ♦.

BIG SKY FARMS INC.

Per: _____

Per: _____

SUBSCRIPTION FORM

TO: BIG SKY FARMS INC.

The undersigned Holder of the within Share Purchase Warrant hereby subscribes for _____ Common Shares ("Common Shares") in the capital of Big Sky Farms Inc. (the "Corporation"), referred to in the Share Purchase Warrant. In accordance with the conditions of the Share Purchase Warrant, the Holder encloses payment of the purchase price for the number of Common Shares subscribed for.

The undersigned hereby directs that the Common Shares hereby subscribed for be issued and delivered as follows:

Name in Full	Address in Full	Number of Shares

NOTE: Please state full names in which share certificates are to be signed, including Mr., Mrs., Ms. or Miss. If any of the shares are to be issued to a person (or persons) other than the bearer, the bearer must pay the Corporation all exigible transfer taxes and/or fees.

DATED this ____ day of _____, 20__.

Name of Subscriber (please print)

Signature

INSTRUCTIONS FOR SUBSCRIPTION

1. The subscription form is to be signed by the subscriber, whether the registered Holder or any assignee. The signature of the registered Holder must correspond in every particular with the name written upon the face of the warrant. If the subscription is signed by an assignee, it must correspond in every particular with the name written of the assignee shown on the assignment. Where more than one Holder jointly subscribes, all must sign the form.
2. Signatures may be made by an agent or attorney if the authority of the agent or attorney to sign is proven to the satisfaction of the Corporation.
3. This subscription form must be signed and surrendered at the office of the Corporation in Humboldt, Saskatchewan.
4. No fraction of warrants may be bought or sold.

5. Upon surrender, the Corporation will issue to the person or persons named in the subscription form the number of Common Shares subscribed for. Such persons will be shareholders of the Corporation in respect of the Common Shares as at the date of surrender and payment.
6. As soon as practicable after surrender and payment the Corporation will mail to such persons at the address or addresses specified in the subscription form a certificate or certificates evidencing the Common Shares subscribed for.
7. If the Holder subscribes for a lesser number of Common Shares than the number of Common Shares referred to in the Share Purchase Warrant, the Holder will be entitled to receive a further Warrant in respect of Common Shares referred to in the Share Purchase Warrant, but not subscribed for.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers the within warrant and all rights represented thereby to _____, and does hereby irrevocably constitute and appoint _____ to enter the same on the books of Big Sky Farms Inc. with full power of substitution in the premises.

DATED this ____ day of _____, 20 ____.

(Signature of Guarantor)

(Signature of Assignor)

INSTRUCTIONS FOR ASSIGNMENT

1. The signature on the foregoing assignment must correspond with the name written on the face of the warrant in every particular without alteration or enlargement or any change whatever and must be guaranteed by a Canadian chartered bank or by some other person satisfactory to the Corporation.
2. Assignments may only be made to one assignee unless the assignment is to a joint account. Where the assignment is not to assignees of a joint account, the Warrant should be first split into Warrants of smaller denominations.
3. A person may sign by agent or attorney if the signing authority of the agent or attorney is proven to the satisfaction of the Corporation.

Schedule 7.1(e) – Litigation

Nil

Schedule 7.1(g) – Tradenames, Predecessors

Current Names

Big Sky Farms Inc.

Prior Names

610401 Saskatchewan Ltd. (this is the name that the Borrower was incorporated under effective February 20, 1995. It changed its name to Big Sky Pork Inc. effective April 25, 1995)

Big Sky Pork Inc. (changed name to Big Sky Farms Inc. effective March 9, 1998)

Possberg Pork Farms Ltd. (amalgamated with, and continued under the name, Big Sky Farms Inc. effective June 30, 1999)

Schedule 7.1(h) - Defaults or Disputes

Nil

Schedule 7.1(n) – Indebtedness

<u>Facility</u>	<u>Lender</u>	<u>Principal amount outstanding as at Nov. 15, 2008</u>
Senior Operating Credit Facilities	Senior Operating Lender	
- Credit B		\$32,489,118.00
- Credit C		\$ 7,550,000.00
- Credit D		\$ <u>0.00</u>
		\$40,039,118.00
Saskatchewan Government Hog Loan	Government of Sask.	\$ 613,024.00
Saskatchewan Government Loan (2008)	Government of Sask.	\$ 4,887,363.00
Prairie Hog Capital Lease Obligation*	Prairie Hog Production Limited Partnership	\$ 9,129,782.00
FG Debentures	FCCV and Golden	\$ 3,000,000.00
Other Sub-debt	ISI	\$ 2,500,000.00
	FCCV	\$ 250,000.00
	GOPP	\$ 250,000.00
	Cliff Wieggers	\$ 59,950.00
	Florian Possberg	\$ 402,500.00
Florian Possberg (promissory note re Put Rights)		\$ 619,000.00

Notes:

*Pursuant to a Lease made August 30, 2002 between the Borrower, as lessee, and Prairie Hog Production Inc., as general partner and on behalf of Prairie Hog Production Limited Partnership, with respect to the lands and buildings legally described as Surface Parcel #108467725 (NE 03 Twp 08 Rge 23 W2) and Surface Parcel #141639284 (NW 01 Twp 32 Rge 08 W2)

* The above table does not include amounts which may become owing pursuant to the Rights Offering, which amounts shall be considered permitted indebtedness under this Agreement.

The above table excludes Credit A-1 and Credit A-2 of the Senior Operating Credit Facilities - i.e. operating lines of credit - in the combined maximum available amount of \$26,500,000.

Schedule 7.1(t) – Labour Matters

Nil

Schedule 8.2 – Form of Compliance Certificate

[DATE]

**Investment Saskatchewan Inc.
c/o Victoria Park Capital Inc.
1850 – 1874 Scarth Street
Regina, Saskatchewan
S4P 4B3**

Certificate of Chief Executive and Chief Financial Officers

Pursuant to Section 8.2 of the Credit Agreement dated as of <*>, 2008 (as the same may be amended, restated or otherwise modified from time to time, the "Credit Agreement") between Big Sky Farms Inc. (the "Borrower") and Investment Saskatchewan Inc. (the "Lender"), enclosed are the financial statements of the Borrower for the _____ period ending <*>, as required by the Credit Agreement. All capitalized terms used herein has the meaning ascribed thereto in the Credit Agreement.

The undersigned certifies that, except as set forth in detail on the attached schedule which schedule also sets forth what action the Borrower has taken or proposes to take with respect thereto:

- (i) all of the representations and warranties of the Borrower contained in the Credit Agreement and the Other Agreements are true, correct and complete as of this date as if made as of this date;
- (ii) the Borrower is, at this date, in compliance with all of its covenants and agreements in the Credit Agreement and the Other Agreements;
- (iii) no Default exists or existed during the period covered by the attached financial statements.

Except as attached hereto, no auditor, regulator or third party consultant has issued a management letter or other communication regarding the Borrower.

The Borrower has caused this certificate to be executed and delivered by its duly authorized officers this _____ day of _____, 200____.

Name:

Title: President

Name:

Title: Chief Financial Officer