

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Bky No. 24-32426 KAC

Pure Prairie Poultry, Inc.,

Debtor.

**SOUTHSTAR FINANCIAL, LLC'S LIMITED OBJECTION TO DEBTOR'S MOTION
FOR INTERIM AND FINAL ORDERS (I) GRANTING EXPEDITED HEARING, (II)
APPROVING POSTPETITION FINANCING, (III) GRANTING LIENS AND
PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS, (IV)
AUTHORIZING USE OF CASH COLLATERAL, (V) GRANTING ADEQUATE
PROTECTION, (VI) MODIFYING AUTOMATIC STAY, AND (VII) GRANTING
RELATED RELIEF**

TO: ALL PARTIES IN INTEREST.

1. SouthStar Financial, LLC ("**SouthStar**"), a secured creditor of Debtor Pure Prairie Poultry, Inc. ("**Debtor**"), responds and submits this limited objection to Debtor's Motion for Interim and Final Orders (I) Granting Expedited Hearing, (II) Approving Postpetition Financing, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Authorizing Use of Cash Collateral, (V) Granting Adequate Protection, (VI) Modifying Automatic Stay, and (VII) Granting Related Relief filed in this case on September 20, 2024, as Docket No. 13 (the "**Motion**").

2. SouthStar and Debtor entered into a Factoring and Security Agreement dated May 23, 2024 (the "**Factoring Agreement**"). A true and correct copy of the Factoring Agreement is incorporated herein and attached hereto as Exhibit A.

3. Under the Factoring Agreement, Debtor, among other things, granted SouthStar a security interest in various categories of personal property as more fully identified in the Factoring Agreement (the "**SouthStar Collateral**"). SouthStar perfected its security interest in the SouthStar Collateral by the filing of a UCC-1 Financing Statement with the Minnesota Secretary of State's office on May 22, 2024, as Filing No. 1475370000028 (the "**UCC-1**"). The UCC-1 identifies "FIRST CORPORATE SOLUTIONS, AS REPRESENTATIVE," as the secured party. First Corporate Solutions is a representative of SouthStar pursuant to Minnesota Statutes § 336.9-502(a)(2).

4. As of the Petition Date, SouthStar had, pursuant to the terms of the Factoring Agreement, purchased unpaid accounts from Debtor in the amount of \$1,836,541.19 (the "**Accounts**") and had advanced \$1,561,060.01 of outstanding funds to Debtor. As of the Petition Date, Debtor had also incurred fees in the amount of \$16,361.29 pursuant to the Factoring Agreement.

5. SouthStar raises the following limited objections to the Motion:

- a. Paragraphs 16 and 23 of the Motion incorrectly identifies First Corporate Solutions as a creditor and assignee of SouthStar. (Doc. 13, at 13, 16.) As explained above, SouthStar is the proper creditor of Debtor.
- b. Paragraph 23 of the Motion states that “Debtor expects all funds advanced under the Factoring Agreement to be satisfied by its outstanding invoices.” (Doc. 13, at 16.) Section 2.12 of the proposed Post-Petition Loan and Security Agreement provides that “[n]otwithstanding the foregoing, any accounts receivable of Borrower that arise prior to the Petition Date and which are subject to a factoring agreement with First Corporate Solutions, including the proceeds thereof, shall not be included as ‘Collateral’ except in respect of any residual interest that Borrower has or may have in any such accounts receivable.” (Doc. 13, at 62.) As a result, Debtor implicitly acknowledges that amounts owed to SouthStar are to be satisfied by continued payment on the Accounts by account debtors. SouthStar respectfully requests that any order entered on the Motion expressly provide that SouthStar may, and is exclusively entitled to, collection of the Accounts, and that account debtors are to direct payment on the Accounts directly to SouthStar.

6. SouthStar expressly reserves any and all objections that it may have, whether stated herein or otherwise, to entry of the Final DIP Order (as defined in the Motion).

7. If testimony is necessary as to any facts relevant to this motion, SouthStar reserves the right to call the following individuals to testify: (a) a representative of Debtor; (b) Scott Norris, Portfolio Manager of SouthStar; and (c) any rebuttal witness SouthStar deems necessary.

WHEREFORE, while SouthStar does not oppose the Motion to the extent Debtor seeks post-petition financing, the use of cash collateral, etc., SouthStar respectfully requests that any order entered on the Motion correctly identifies SouthStar as a creditor of Debtor; and expressly provide that SouthStar may, and is exclusively entitled to, collection of the Accounts, and that account debtors are to direct payment on the Accounts directly to SouthStar.

Dated this 25th day of September, 2024.

/s/ Christopher E. Bowler

Michael S. Dove #214310

Christopher E. Bowler #0398295

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New Ulm, MN 56073-0458

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Attorneys for SouthStar Financial, LLC

VERIFICATION

STATE OF SOUTH CAROLINA)
) ss.
COUNTY OF CHARLESTON)

I, Scott Norris, the Portfolio Manager of SouthStar Financial, LLC, named in the foregoing Limited Objection, declare under penalty of perjury that the foregoing is true and correct according to the best of my knowledge, information, and belief.

Executed on: September 25, 2024



Scott Norris
SouthStar Financial, LLC
840 Lowcountry Blvd.
Mount Pleasant, SC 29464

FACTORING AND SECURITY AGREEMENT

This FACTORING & SECURITY AGREEMENT (the "**Agreement**") effective this 23 day of May, 2024 (the "**Effective Date**") between Pure Prairie Poultry, Inc., a Minnesota corporation, having its place of business at 68808 Fort Road, Fairfax, MN 55332 (the "**Seller**"), and SouthStar Financial, LLC, its affiliates, successors and/or assigns, as their interests may appear, having its place of business at 840 Lowcountry Blvd., Mount Pleasant, SC 29464 (the "**Purchaser**" and collectively with the Seller, the "**Parties**" or singularly a "**Party**").

As evidenced by the Parties' signatures below, and in consideration of the obligations as set forth in this Agreement and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **FACILITY AMOUNT.** The total outstanding funds advanced by Purchaser to Seller under this Agreement shall not exceed Ten Million and 00/100 Dollars (\$10,000,000.00) (the "**Facility Amount**"), and Purchaser may reduce or increase this Facility Amount in its sole discretion without notice to the Seller. Any capitalized terms used in this Agreement and not specifically defined herein shall have the meaning given to the term in the Uniform Commercial Code (the "**UCC**").

2. **PURCHASE OF ACCOUNTS.** Seller may tender to Purchaser some or all of its Accounts, and Payment Intangibles arising therefrom, whether or not earned by performance: (i) for property that has been or is to be sold, leased, licensed or assigned; (ii) for services rendered; or (iii) as otherwise defined in the UCC. Seller may provide specific Accounts or a schedule of Accounts for purchase, and the Purchaser, in its sole and absolute discretion, shall have the right to purchase all or a portion of the Accounts. All of Seller's said Accounts, irrespective of whether they are purchased by Purchaser, are referred to as an "**Account**" or "**Accounts**." The payor of the Accounts are "**Account Debtors**."

3. **PAYMENT TO SELLER FOR ACCOUNTS.** Purchaser will evidence its agreement to purchase Accounts by the issuance of a check, wire or other electronic transfer to Seller in an amount up to eighty-five percent (85%) of the face amount of each Account, or such lesser percentage as Purchaser deems necessary in its permitted discretion (the "**Purchase Price**"). The Accounts that are purchased are referred to as "**Purchased Accounts**," and the purchase and sale of a Purchased Account represents a true sale. Seller shall deliver the invoices relating to Purchased Accounts to Purchaser, and at such time, the Purchased Accounts shall be deemed sold and assigned to Purchaser without any further assignments or documentation being required. Seller agrees to sell Accounts in an amount not to be less than fifteen percent (15%) of the Facility Amount for each quarterly period after the Effective Date, calculated on the face value of the Purchased Accounts (the "**Minimum Amount**").

4. **INVENTORY ADVANCES.** [RESERVED].

5. **PURCHASE ORDER ADVANCES.** [RESERVED].

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6. CHARGES, OTHER FEES & REPAYMENT.

a. *Purchased Accounts Charges.* In consideration of the purchase of said Purchased Account(s), and in further consideration of Purchaser purchasing the Purchased Account(s), Seller agrees to pay Purchaser an amount equal to zero and 75/100 percent (0.75%) of the face amount thereof for the first fifteen (15) day period after payment for such Account is presented to Purchaser for sale, plus zero and 75/100 percent (0.75%) for each additional fifteen (15) day period or part thereafter, calculated from the date of purchase until payments received by Purchaser in collected funds on said Purchase Account(s) equals the Purchase Price of the Purchased Account(s) plus all Charges, Fees and other accruals due to Purchaser from Seller. An additional one and 50/100 percent (1.50%) per fifteen (15) day period will be charged for Invoices exceeding sixty (60) days from advance date. In no event shall the Purchased Account Charges be less than twenty-five and 00/100 dollars (\$25.00).

b. *Inventory Advance Charges.* [RESERVED].

c. *Purchase Order Advance Charges.* [RESERVED].

d. *Additional Advance Charges.* The Seller may require additional funding in order to fund its ordinary and necessary business expenses that will be secured by the Collateral of the Seller ("***Additional Advance***"), and the Purchaser may agree to provide Additional Advances in its sole discretion. In the event of an Additional Advance being made, Seller agrees to pay Purchaser an amount equal to twice the Purchased Account charges set forth in Section 6.a. until payments received by Purchaser equals the amount of the Additional Advances, plus all Charges Fees and other accruals due to Purchaser from Seller.

e. *Credit Insurance Charges.* Seller further agrees in consideration for the Purchased Accounts that Seller will pay an amount equal to Zero Point Three Five percent (0.35%) of the face amount thereof that includes insuring the risk, transmitting, and performing certain data processing services with respect to the maintenance and servicing of the Purchased Accounts.

f. *Transfer Charges.* Seller further agrees in consideration for the Purchased Accounts that Seller will pay an amount equal to Twenty-Five and 00/100 Dollars (\$25.00) for each domestic wire, ACH, Real Time Payment or other electronic transfer or Fifty and 00/100 Dollars (\$50.00) for each international wire or other electronic transfer.

All charges payable by Seller to Purchaser as set forth in Subsections a. through f., above, are collectively referred to as "***Charges.***"

g. *Misdirected Payment Fee.* Seller agrees that Purchaser may charge, in its sole discretion, a misdirected payment fee of Fifteen Percent (15%) of the face amount of any misdirected Account in violation of Paragraph 14(b) or (c) ("***Misdirected Payment Fee***") in order to compensate Purchaser for the administrative and loss of Collateral costs related to Misdirected Payments; provided however, the Purchaser will not charge a Misdirected Payment Fee if Seller complies with the reporting and repayment covenant in Paragraph 14(c).

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h. *New Account Debtor Fee.* Seller further agrees in consideration for the Purchased Accounts that Seller will pay a transactional administrative fee in the amount of Fifty and 00/100 Dollars (\$50.00) for each new Account Debtor submitted that includes any handling, collecting, mailing, quality assuring, assessing the risk, transmitting, and performing certain data processing services with respect to the maintenance and servicing of the Purchased Accounts.

i. *MCA Fee.* In the event that the Seller takes funding from a merchant cash advance entity (an "MCA"), or any entity that debits Seller's account or encumbers Seller's assets, which is prohibited under this Agreement, the Seller agrees that Purchaser may charge, in its sole discretion, an MCA fee that will be an additional One Percent (1%) to all of the Charges.

j. *Minimum Fee.* Seller agrees that if Purchaser has not purchased the Minimum Amount, Seller agrees to pay to Purchaser, on demand, an additional amount equal to what the Charges would have been on the Minimum Amount over the applicable period, based on a 31-day month, less the actual Charges paid by Seller to Purchaser during that period (the "*Minimum Fee*").

k. *Early Termination Fee.* Should this Agreement be terminated by the Seller for any reason whatsoever, or by the Purchaser due to a Default, prior to the expiration of the Term, Seller shall pay the Purchaser an early termination fee equal to the monthly Charges that would have accrued on the Minimum Amount, based on a 31-day month, multiplied by the number of months that remain on the Term (the "*Early Termination Fee*").

l. *Dispute Fee.* Should the Purchaser be required to expend any out-of-pocket expenses and costs in connection with any dispute or collection activity relating to or arising out of this Agreement, including - but not limited to - costs of monitoring the Collateral, collecting against Collateral and legal fees and expenses expended relating to this Agreement, the Purchaser shall be entitled to add an additional Forty Percent (40%) to such expenses and costs as an administration fee to compensate the Purchaser for its administrative efforts (the "*Dispute Fee*").

m. *Default Fee.* In addition to the Charges and other fees, upon a Default, Seller shall pay an additional charge of Twenty-One Percent (21%) simple interest calculated per annum on a 360-day year based upon the principal amount of funds due to the Purchaser on the date of the Default (the "*Default Fee*").

The fees payable by Seller to Purchaser as set forth in Subsections g. through m., above, are collectively referred to as "*Fees*."

n. *Repayment to Purchaser.* The Purchase Price, Additional Advances, the Charges, the Fees and other accruals provided for under the Factoring Documents (as defined herein), will be repaid in the ordinary course through the collection of funds from the Accounts, whether purchased or unpurchased. Purchaser is authorized to affix Seller's signature and send Notices of Assignment to all the Account Debtors of Seller in order to satisfy repayment of all amounts owed. Funds from the Accounts are considered "*collected*" five (5) days after receipt of funds by Purchaser (assuming such funds are in fact collected). Additional Advances may also be repaid

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through applying Accounts against all or a portion of the Additional Advances by making them Purchased Accounts.

o. *Seller Representation.* Seller acknowledges and agrees that the Charges and Fees set forth in this Paragraph, and all other fees and obligations payable by the Seller under this Agreement are reasonable and valid under South Carolina law and negotiated between the Parties that are sophisticated commercial transactions. Moreover, the Seller acknowledges and agrees that the transactions under this Agreement reflect a true sale of the Accounts.

7. **REMITTANCE TO SELLER.** On the Friday of the week following the receipt of the funds for Payment Intangibles of the Accounts, the Purchaser shall transfer to Seller an amount equal to the difference between the amount of aggregate receipt of funds on the Accounts, minus the sum of any of the following: (a) the aggregate Purchase Price of the Purchased Accounts; (b) any outstanding advances for Additional Advances, Purchase Orders, Inventory or other amounts owing under the Factoring Documents; (c) all Charges; (d) all fees, (d) other accruals provided for under this Agreement; (e) any Reserves; (f) any chargebacks; plus (g) all other obligations and accruals under any purchase order financing addendum, inventory financing addendum, any other addenda, a promissory note or line of credit, a leasing agreement or any other agreement between the Purchaser, the Seller and their affiliates (collectively with this Agreement, the "*Factoring Documents*"). The amount of the remittance under the preceding sentence shall be deemed correct, proper and accepted by Seller, unless Seller contests in writing the remittance or any calculation underlying the remittance thirty (30) days following the end of the month when such remittance was made. If Seller does not timely contest remittance amount within thirty (30) days, then Seller agrees to waive, release and forfeit any claim that the amount of remittance is incorrect or otherwise improper.

8. **GRANT OF SECURITY INTEREST.** As security for the payment and performance of all Seller's present and future obligations to Purchaser under this Agreement, or otherwise for the payment and performance of any obligation owed to Purchaser by Seller pursuant to any other agreement or instrument, Seller hereby transfers and grants to Purchaser a first priority security interest in all of Seller's presently-owned and hereafter-acquired personal and fixture property, wherever located, including, the property set forth in Exhibit A and in any additional property listed in Exhibit B. The property listed in Exhibits A and B is collectively referred to as the "*Collateral*." The Collateral specifically includes, without limitation, Sellers' right to any and all returned or repossessed personal property from Account Debtors and also shall include all rights of replevin, reclamation, and stoppage in transit and all rights as a seller of goods. Seller agrees to reimburse Purchaser for actual costs relating to UCC and other filings necessary to perfect its security interests.

9. **PURCHASER'S RIGHTS.** Seller hereby authorizes and approves Purchaser to do the following: (a) file UCC-1s and other financing statements and documents, whether or not executed by Seller, in order to perfect its security interest in the Collateral ("*Financing Statements*"), and the Seller further ratifies the filing of such Financing Statements or other documents filed by Purchaser prior to the execution of this Agreement; (b) to affix and sign Seller's signature to notifications under Section 9-406 of the UCC (a "*Notice of Assignment*") and send Notices of Assignment to all the Account Debtors of Seller directing them to remit payment

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on Accounts directly to Purchaser; (c) to communicate directly with Account Debtors to verify the amount, validity or any matter relating to any Account; and (d) charge back aged Accounts and substitute with other Accounts, proceeds from other Collateral, apply payments from other Accounts, amounts in escrow, or the Reserve Account. Once a Notice of Assignment is sent to an Account Debtor, the Seller shall indicate on the invoices reflecting the Accounts that Purchaser is the assignee of the account and Purchaser's address and banking information so remittances can be made directly to Purchaser. Unless the non-payment of a Purchased Account is due to the insolvency of the Account Debtor, Purchaser shall have the right to require the Seller to repurchase a Purchased Account if it remains unpaid after payment due date set forth on the invoice, and if not repurchased, Purchaser shall have the right to charge back the Purchased Account after ninety (90) days after the invoice date. The Purchaser shall not be obligated, nor shall Seller be authorized, to release any Financing Statements, Notice of Assignments or other security interests granted to Purchaser unless Seller has satisfied all of its obligations to Purchaser under this Agreement, and Seller has executed a general release in favor of the Purchaser. If the Seller creates and begins to conduct business through an alter-ego or nominee, the Purchaser is authorized to take the actions authorized and approved by this Paragraph with regard to the alter-ego or nominee. With regard to Accounts, Seller authorizes the Purchaser on behalf of the Seller to compromise or extend the time for payment related to any Account upon such terms as Purchaser may determine and to demand, collect, receive and sue for any and all amounts due or to become due on the Accounts, and execute lien waivers related to any Accounts. The provisions contained in this Paragraph are a material inducement for execution of this Agreement by Purchaser.

10. **ESCROW AND RESERVE ACCOUNT.** Purchaser may give notice to Seller that it intends to proportionally increase its security due to a condition or event increasing the credit risk, which may be due to: (a) an Account Debtor fails to pay on a Purchased Account when due; (b) any Additional Advance, Inventory advance or Purchase Order advance remains outstanding for more than ninety (90) days; (c) a material change to the credit risk of an Account or Account Debtor; (d) an Account or Account Debtor will violate the Purchaser's underwriting standards; (e) the Seller's financial position has deteriorated; (f) an increased risk exists that Seller will default on any obligation whether under this Agreement; (g) a legal or indemnity risks exists related to the Factoring Documents that may require Purchaser to fund a liability and/or legal expenses and costs; (h) the Seller is in Default of this Agreement or any other Factoring Documents, (i) an increased risk or reasonable concern that livestock seller(s) or other parties in the livestock trade may have rights to make claims for payment under a Dealer Statutory Trust or other custodial or floating trust account from the sale of livestock under the Packers and Stockyards Act of 1921, as amended (the "PSA"), the Consolidated Appropriations Act (the "CAA"), or any other law, act, or statute; or (j) any other condition or event increasing the credit risk to the Purchaser. If the Seller fails to resolve such condition or event to Purchaser's satisfaction, the Purchaser may, in its sole discretion, establish a reserve or escrow from the Accounts, remittances due to the Seller under Paragraph 7, payments received from Account Debtors or other proceeds received by Purchaser (a "**Reserve Account**"). In addition to establishing a Reserve Account, the Purchase may, in its sole discretion, reduce the Purchase Price, reduce the amount of advances against Inventory or Purchase Orders, refuse to purchase Accounts, refuse to make advances on Inventory or Purchase Orders, refuse to make Additional

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Advances, or affix seller's signature and send Notices of Assignment to all the Account Debtors of Seller.

11. **INSURANCE.** Purchaser may require Seller, at Seller's sole expense, to carry reasonable insurance in such coverages and amounts for the protection of credit exposure and its Collateral that the Purchaser deems adequate. At a minimum, Seller shall carry a comprehensive commercial general liability insurance policy with minimum limits of at least \$1,000,000.00 for bodily injury for each person and \$2,000,000.00 per occurrence and property and casualty damage of \$1,000,000.00 each occurrence. Any insurance policies shall name Purchaser as an additional insured, a loss payee, a certificate holder and/or a mortgagee, and a certification of insurance shall be provided to the Purchaser evidencing that Purchaser is an additional insured, a loss payee, a certificate holder and/or a mortgagee. The Seller agrees that none of the insurance policies required under this Paragraph shall be cancelable without the insurance company giving notice to the Purchaser. If Seller fails to acquire any insurance required by this Paragraph, Purchaser may, at its option, cause such insurance to be issued, and in such event, Seller agrees to pay the premium for such insurance as a Charge or through the establishment of a Reserve.

12. TERM & REINSTATEMENT.

a. *Term of Agreement.* This Agreement shall be for a term of thirty-six (36) months from the first day of the month following the date when the first Purchased Account is purchased (the “*Initial Term*”). Unless terminated by Seller by providing written notice to Purchaser as required by Paragraph 21 not less than sixty (60) but not more than ninety (90) days before the end of the Initial Term, this Agreement shall automatically extend for an additional thirty-six (36) months (the “*Renewal Term*”). Seller shall be required to provide the same notice during any and all Renewal Terms as set forth in the preceding sentence in order to terminate this Agreement, and if no notice is provided, the Agreement shall extend for an additional Renewal Term. All Renewal Terms and the Initial Term are collectively referred to as the “*Term.*” In no event shall the Term expire prior to all of Seller’s obligations to Purchaser under this Agreement being satisfied, and the Term will be extended until such time.

b. *Reinstatement.* Notwithstanding any termination of this Agreement, Seller hereby agrees that to the extent Purchaser receives any payment(s) from Seller on account of Seller's obligation to Purchaser hereunder, and such payment(s) are subsequently invalidated, declared to be preferential and/or required to be restored, returned or repaid to a trustee, receiver, or any other party upon any bankruptcy, insolvency, dissolution or liquidation of Seller, then to the extent of such invalidated payment(s), that portion of Seller's obligation hereunder intended to be satisfied thereby shall be deemed revived as if such payments(s) had not been received by Purchaser and all Purchaser's rights and remedies under this Agreement shall be and remain applicable and in full force and effect.

13. **REPRESENTATIONS & WARRANTIES FOR ACCOUNTS.** To induce Purchaser to purchase Accounts during the Term, Seller represents and warrants to its knowledge regarding each Purchased Account that: (a) Seller is the sole and absolute owner of each Purchased Account and has full legal right to make said sale, assignment and transfer thereof hereunder; (b) The correct amount owed on each Purchase Account is as set forth on the invoice tendered for sale and such amount is not in dispute or partially paid; (c) The payment of each Purchased Account

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is not contingent upon the fulfillment of any obligation or condition, past or future, and any and all obligations required of the Seller with regard to such Account have been fulfilled by Seller; (d) Each Purchased Account is based on an actual sale and delivery of goods and/or services actually rendered for which an invoice has been tendered to the Account Debtor and is presently due and owing to Seller; (e) All invoices with respect to Purchased Accounts shall state that the Account is payable to Purchaser at Purchaser's address or banking information; (f) The Purchase Account has not been previously sold, assigned, transferred or pledged by the Seller and is free of any encumbrance or lien; (g) The Account Debtors have no defenses, offset, recoupment's, or counterclaims with respect to the payment of the Purchased Accounts; (h) any officer, director, member, manager, employee, agent or other representative of a Seller who presents Accounts for purchase is authorized to tender such Accounts for sale; and (i) Seller, prior to any sale of an Account to Purchaser, has paid any livestock seller(s) or other party in the livestock trade "in full" for the inventory, goods, and/or livestock acquired and that constitutes any portion of the livestock sold to generate an Account such that the respective livestock seller(s) shall have no rights to any Dealer Statutory Trust or other custodial or floating trust account from sales of that livestock for payment under the PSA, the CAA, or any other law, act, or statute.

14. SELLER'S AFFIRMATIVE COVENANTS. To induce Purchaser to purchase Accounts during the Term, Seller affirmatively covenants that: (a) Seller will not tender any invoices that are materially false; (b) Seller will not directly or indirectly contact any Account Debtor and influence them from making payment directly to Purchaser over a Notice of Assignment; (c) Seller will not retain any payments received directly from an Account Debtor that has received a Notice of Assignment and agrees that any breach of this covenant will constitute conversion and/or theft of Purchaser's property; provided however, if Seller, of no fault of its own, receives a payment on an Account over a Notice of Assignment, and reports that it received the misdirected payment within twenty-four (24) hours of receiving payment, and returns the payment to the Purchaser within forty-eight (48) hours, no breach of this covenant will occur; (d) Seller will not sell, transfer, pledge, grant a security interest in or hypothecate any of its Accounts or other Collateral to any other person or entity other than Purchaser, including - but not limited to - an MCA; (e) Seller shall not compromise or settle an Account or otherwise modify the repayment terms of any Account; (f) Seller shall not enter into any financial arrangement with an MCA or other entity that collects repayment by debiting a deposit account of the Seller; (g) Seller shall provide the Purchaser access to all Account Debtor portals, software or other management systems in order to monitor the Accounts, Inventory or Purchase Orders; (h) Seller shall contemporaneously maintain true and accurate information and books and records related to its Accounts, Inventory and Purchase Orders; (i) Seller shall remain in good standing as a legal entity under all applicable laws; (j) Seller shall stay current with its tax reporting and payment obligations to the Internal Revenue Service and all other state or local taxing authority; (k) Seller shall not form or create any alter egos or nominee entities; (l) Seller shall notify Purchaser if its ownership, either directly or indirectly, changes by more than ten percent (10%); (m) Seller shall provide notice to Purchaser within ten (10) business days of changing to the legal name of the Seller, relocating the principal place of business of a Seller, redomiciling the Seller to another state, or converting the legal classification of the Seller; (n) Seller shall comply with all duties and obligations as required by the PSA, the CAA, or any other law, act, or statute applicable to the purchase, procurement, handling, and sale of livestock; (o) Seller shall immediately give Purchaser notice of: (1) any claim made or asserted by a third party to Seller for payment or rights

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to payment under any statutory trust available under the PSA, the CAA, or any other law, act, or statute; or (2) any claim of violation by the PSA, the CAA, or any other law, act, or statute applicable to the purchase, sale, and handling of livestock.

15. REPORTING REQUIREMENTS. Before the tenth (10th) day of the following month, the Seller agrees to provide to the Purchaser a monthly profit and loss, balance sheet and cash flow statements, accounts receivable aging report for the Accounts, accounts payable aging reports, inventory reports for finished goods, inventory reports for non-finished goods, bank statements and other financial information reasonably requested by Purchaser. Once completed, Seller agrees to provide reviewed or audited annual and/or quarterly financial statements, if applicable, and income tax returns, payroll tax returns, and proof of payment of its tax liabilities to Internal Revenue Service or other state or local revenue agency, whether paid with the returns. With regard to online, software or other electronic access, Seller shall also provide unlimited access to: (i) Seller's bank accounts through the Clarilogic, Inc d/b/a DecisionLogic software; (ii) online viewing access to all of Seller's bank accounts; and (iii) provide logins for all Seller's financial, accounting, purchase order and inventory management software. In addition, Seller shall promptly respond to all requests made by the Purchaser's accountancy firm in connection with any audits, reviews and other financial services provided to the Purchaser. In the event Seller fails to comply with the reporting requirements of this Paragraph, the Purchaser may impose a Two Hundred Fifty and 00/100 Dollar (\$250.00) weekly penalty against the Seller for non-compliance, but the imposition and payment of such penalty shall not be a cure of any Default for the Seller's failure to comply with this Paragraph.

16. DEFAULT. A Default shall occur under this Agreement after Purchaser provides notice to Seller of the existence of any of the following events and conditions, and Seller fails to cure such event or condition in five (5) business days of the notice; provided however, no notice and cure period shall exist for a Default for violating the covenants in Paragraph 14(a) through (c). The uncured occurrence of any of the following events shall constitute a "**Default**": (a) Seller fails to repay any Additional Advances within ninety (90) days of the Additional Advance being made; (b) Twenty-Five Percent (25%) or more of the face value of the Purchased Accounts have aged ninety (90) days without repayment; (c) Seller fails to pay any Charges, Fees or other amounts owing under this Agreement; (d) Any of the representations and warranties in Paragraph 13 are untrue; (e) Seller fails to adhere to and comply with the affirmative covenants in Paragraph 14; (f) Seller fails to provide the information as required in Paragraph 15; (g) Seller ceases to do business as a going concern; (h) If not a debtor in possession financing, the institution of bankruptcy or insolvency proceeding involving the Seller; (i) An unsubordinated tax lien is filed against Seller in an amount greater than \$10,000.00; (j) A judgment is entered against Seller which is not promptly satisfied or if a levy or attachment shall be filed against Seller or the Collateral; or (k) Purchaser reasonably deems itself insecure in its expectation that Seller will fully perform all of its obligations under this Agreement.

Upon the occurrence of Default under this Agreement, an event of default shall be deemed to have occurred under any and all the Factoring Documents, and upon the occurrence of Default under any of the Factoring Documents, an event of Default shall be deemed to have occurred under this Agreement. Purchaser, in its sole discretion, shall be entitled to assert any and all rights and remedies against the Seller, its affiliates, alter-egos and nominees, and collect against

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[Southern Security Agreement]

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any and all collateral, property or guaranty as provided for under this Agreement or the Factoring Documents. This Paragraph is specifically intended by the Parties to be a cross-collateralization and cross-default provision so the collection rights, Collateral and other property set forth in one agreement secures all the debts and obligations of the other agreements, and vice-versa.

17. **REMEDIES.** In the event a Default, Purchaser may, in its sole discretion, assert any or all of the following remedies: (a) immediately terminate this Agreement and all amounts due and owing under this Agreement shall immediately become due and payable without notice and presentment; (b) in addition to all other Charges, Fees and all other amounts provided for under this Agreement, charge the Default Fees; (c) satisfy the obligations owing under this Agreement from the Reserve Account; (d) file any Confessions of Judgment; (e) affix Seller's signature and send Notices of Assignment to all the Account Debtors of Seller; (f) take possession of Collateral with or without judicial process; (g) assert any rights as provided for under the applicable UCC and other South Carolina laws; (h) seek to place the Seller into receivership, or other applicable state law process, and request a court to appoint a receiver over the Seller, and Seller will not contest and consent to the appointment of a receiver; (i) enter onto the real property or leased premises of the Seller to take control of the Collateral; (j) notify and require the U.S. Post Office to deliver Seller's mail to Purchaser, access Seller's post office or other mail boxes, and receive, accept, open, dispose of and redirect any mail; (k) take and endorse for deposit in the name of Seller all payments received for any of Seller's Accounts and to deposit same for benefit of Purchaser; (l) Seller authorizes Purchaser to initiate electronic debit or credit entries through the ACH system to any deposit account of Seller, and the Seller agrees to be bound by the ACH rules set forth by the National Automated Clearing House Association (the "NACHA"); (m) continue to assert all rights provided for under Paragraph 15 or otherwise granted under this Agreement; and (n) revoke and deny Seller access to SouthStar's factoring software or other reporting systems. Purchaser shall have no obligation to marshal any assets in favor of Seller.

18. **ADDITIONAL PROVISIONS.** [RESERVED].

19. **POWER OF ATTORNEY.** Seller hereby irrevocably appoints and authorizes any officer or employee of Purchaser to act as the attorney-in-fact for Seller in order to enforce its rights and remedies set for in this Agreement or the other Factoring Documents, which includes - but is not limited to - (a) the acts set forth in Paragraphs 9 and 17; (b) endorsing Seller's name upon notes, checks, drafts, money orders or other instruments; (c) signing and affixing Seller's name on any invoice, pay app, lien waiver or satisfaction, freight bill, bill of lading storage or warehouse receipt, or other instrument or document in respect to any Account; and (d) in Seller's name, demanding, making claims, suing, collecting, granting extensions, compromising, discharging and entering into releases for all matters related to this Agreement and the Factoring Documents. The power of attorney granted to Purchaser in this Paragraph is coupled with an interest and is irrevocable while this Agreement is in place and effect.

20. **INDEMNITY.** Seller agrees to indemnify and hold Purchaser harmless from all losses, causes of action, claims, proceedings or other liability asserted against Purchaser subsequent to the Effective Date related to or arising from this Agreement or the Factoring Documents, including reasonable legal fees and costs incurred by Purchaser in defense thereof.

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[SouthStar's SouthStar's Factoring and Security Agreement]

21. **NOTICES.** Notices required or permitted hereunder shall be in writing and shall be given by: (a) personal delivery, (b) email with a copy of such notice sent by overnight delivery with a reputable nationally recognized carrier, (c) overnight delivery with a reputable nationally recognized carrier, or (d) certified mail, postage prepaid. Notices sent shall be deemed given when delivered or mailed to the addresses set forth in the preamble or to the registered agent for a Party. Either Party shall have the right to change its address by notice as herein provided.

22. **GOVERNING LAW, VENUE & ATTORNEYS' FEES.** This Agreement, the Factoring Documents, or any matters related to or arising from this Agreement or the Factoring Documents, shall be interpreted, construed, and governed by and under the laws of the State of South Carolina, without regard to conflicts of law rules principles (whether of the State of South Carolina or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of South Carolina. This South Carolina choice-of-law provision specifically applies to any claim made by Seller under usury laws. In the event that any dispute whatsoever arises between the Parties related to or arising from this Agreement (a "*Dispute*"), the Dispute shall be brought exclusively in courts of competent jurisdiction in the State of South Carolina, County of Charleston, and the Parties irrevocably consent to the exclusive jurisdiction of the state and federal courts located in Charleston, South Carolina waiving any argument as to *form non-conviens*; provided however, the Purchaser may seek injunctive relief, a receivership or other equitable relief in another jurisdiction that is deems more appropriate in the Purchaser's sole discretion. Seller shall be liable for all attorney's fees and all other costs and expenses incurred by Purchaser related to or arising from this Agreement or the Factoring Documents.

23. **JURY TRIAL WAIVER.** IN RECOGNITION OF THE HIGHER COSTS AND DELAY WHICH MAY RESULT FROM A JURY TRIAL AND, TO THE EXTENT PERMITTED BY LAW, THE PARTIES HERETO WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SOUNDING IN CONTRACT OR TORT OR OTHERWISE ARISING FROM OR IN ANY WAY RELATED TO THIS AGREEMENT, THE FACTORING DOCUMENTS, OR DEALINGS OF THE PARTIES WITH RESPECT THERETO, AND EACH PARTY FURTHER WAIVES AND FORFEITS ANY RIGHT TO CONSOLIDATE WITH ANOTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.

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24. **LIMITATION OF LIABILITY.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE SELLER SHALL NOT ASSERT AND HEREBY WAIVES, FORFEITS AND RELEASES ANY CLAIM AGAINST THE PURCHASER UNDER ANY LAW, STATUTE OR THEORY OF LIABILITY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE FACTORING DOCUMENTS OR ANY OTHER DOCUMENT CONTEMPLATED HEREBY FOR (A) SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES); AND (B) ANY LOSS, DAMAGE OR INJURY TO EARNINGS, PROFITS OR GOODWILL OF THE SELLER. IN NO EVENT SHALL THE LIABILITY OF PURCHASER TO THE SELLER, IN THE AGGREGATE, EXCEED THE AMOUNT OF FEES AND CHARGES

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ACTUALLY PAID TO PURCHASER BY THE SELLER FOR THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRIOR TO THE DATE SUCH CLAIM AROSE OTHER THAN LIABILITY OF THE PURCHASER DUE TO FRAUD. NOTHING IN THIS PARAGRAPH SHALL BE CONSTRUED TO RELIEVE OR LIMIT THE LIABILITY OF THE SELLER OF ANY OBLIGATION IT MAY HAVE TO INDEMNIFY PURCHASER AS PROVIDED IN PARAGRAPH 20 AGAINST ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES ASSERTED AGAINST THE PURCHASER BY A THIRD PARTY.

Seller Acknowledgment:


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25. **BANKRUPTCY WAIVER; CONSENT TO FILING.** The Seller shall first receive the written approval and authorization of Purchaser prior to the commencement of any proceeding under any federal, state, or other law relating to bankruptcy, receivership, insolvency, or other debtor relief laws initiated by or against the Seller, whether voluntary or involuntary ("*Insolvency Proceeding*"), and should the written consent of Purchaser not be received prior to the commencement of an Insolvency Proceeding, the Seller shall consent to and/or join any filing made or position asserted by Purchaser to dismiss such Insolvency Proceeding based on the Seller's failure to receive Purchaser's written consent as required by this Agreement or any accompanying resolution. For the avoidance of doubt, Seller desires that this be an absolute condition precedent, and the Seller irrevocably waives, releases, and forfeits any objection, opposition, or other legal right it may have whatsoever to any filing made or position asserted by Purchaser based on this Agreement or any accompanying resolution. As such, the Seller shall not attempt to repudiate this contractual provision by any corporate action, file any pleading or other document in connection with an Insolvency Proceeding inconsistent with the provisions of this Agreement.

26. **ASSIGNMENT BY PURCHASER.** Purchaser, without notice to Seller, may assign, transfer and/or pledge all of Purchaser's rights under this Agreement or the Factoring Documents to an affiliate, Purchaser's lender and/or any third party (an "*Assignee*"). The Seller further acknowledges and agrees that the Assignee will acquire and assume all interest and rights to payments, enforcement of obligations and claims, and will act in the stead of the Purchaser in every regard whatsoever with respect to this Agreement and the Factoring Documents. Seller hereby consents to any such assignment, transfer and/or pledge and agrees that in such event, upon request of Assignee, it will render all acts, performance, and payment directly to Assignee, and that said Assignee shall have all of Purchaser's rights hereunder. The Seller expressly agrees and acknowledges the validity of any future assignment, transfer or pledge to an Assignee without the prior written consent of and without giving notice to the Seller.

27. **NO WAIVER.** Waiver by Purchaser of any Default under this Agreement or a breach of any warranty, representation, covenant or obligation herein shall not be construed as waiver of any subsequent breach or Default. Failure by Purchaser to exercise any right or remedy hereunder shall not operate as a waiver of any subsequent breach or default. All rights and remedies are cumulative and not alternative.

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[SouthStar Non-Recourse Factoring and Security Agreement]

28. **AMENDMENT.** This Agreement contains the entire agreement of the Parties and supersedes, replaces and extinguishes any prior agreements between the Parties. This Agreement may not be modified except by a written agreement executed by Seller and Purchaser.

29. **SEVERABILITY.** If any provision of this Agreement is held or found to be illegal, invalid or unenforceable by any statute, regulation, rule, order or decree of any governmental authority, court, agency or exchange, such invalid provision shall be deemed deleted here from, and the Parties acknowledge and agree that any governmental authority, court, agency or exchange shall revise such provision to the minimum extent necessary to cure such violation. All other provisions in this Agreement shall nevertheless continue to be binding on the parties hereto and shall be of full force and effect.

30. **FURTHER COOPERATION.** The Parties agree to cooperate in good faith with one another in executing any amendments to this Agreement deemed necessary to confirm the intent of the Parties, including – but not limited to – correcting any clerical mistakes such as page numbers, typos, missing initials, etc., and each of the Parties agrees to execute and deliver such other and further instruments as may be necessary to implement fully the terms of this Agreement. The Parties further acknowledge and agree that the presence of clerical mistakes in the Agreement is not material and do not affect the enforceability of this Agreement.

31. **AUTHORITY & ELECTRONIC SIGNATURES.** All corporate action on the part of the Seller necessary for the authorization, execution and delivery of the Agreement and the performance of all obligations of the Seller hereunder have been taken prior to the execution of this Agreement. When executed and delivered by the Seller, this Agreement shall constitute valid and legally binding obligation of the Seller, enforceable against the Seller in accordance with its terms. By executing this Agreement, the Parties agree that the use of any electronic signatures is the legally binding equivalent of a handwritten signature and has the same validity and binding effect of a handwritten signature. The Seller further agrees that it will not, at any time, repudiate the validity of this Agreement or argue that its electronic signature is not legally binding. Seller will also not object to the admissibility of this Agreement in the form of an electronic record, the admissibility of a paper copy of an electronic version of the Agreement, or a paper copy of the Agreement bearing an electronic signature on the grounds that it is an electronic record or has an electronic signature that is not an original or not in its original form.

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[SIGNATURE PAGES TO FOLLOW]

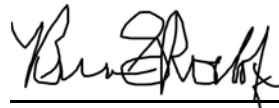
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[SouthStar Security and Security Agreement]

IN WITNESS WHEREOF, the undersigned does hereby execute this Agreement as of the date first above written.

PURE PRAIRIE POULTRY, INC.
(THE "SELLER")



(Seller Signature)
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George Peichel
Its: Director & CFO



(Seller Signature)
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Ben Rock
Its: Director & CEO



(Seller Signature)
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Michael Helgeson
Its: Chairman

SEEN & ACKNOWLEDGED:

SOUTHSTAR FINANCIAL, LLC
(THE "PURCHASER")

By: Susan E. Linney
Its: Chief Operating Officer

EXHIBIT A
(Description of Collateral)

All Debtor's assets, now owned or hereafter acquired, including, without limitation, all of Debtor's presently owned and hereafter acquired personal and fixture property wherever located, including, without limitation, all accounts, goods, chattel paper, inventory, equipment, instruments, investment property, documents, deposit accounts, commercial tort claims, letters-of-credit rights, general intangibles including payment intangibles, patents, software, trademarks, tradenames, customer lists, supporting obligations, and all proceeds and products of all the foregoing, including without limitation, insurance proceeds, lock box contents, and proceeds (the "collateral"). The collateral specifically includes, without limitation, Debtor's rights to any and all returned and/or repossessed personal property from account Debtors and also shall include all rights of replevin, reclamation, stoppage in transit, and all rights as a seller of goods.

This serves as notice that pursuant to an agreement between Debtor and secured party, Debtor agreed not to grant a security interest in any of the above collateral to any other person without the express written permission of secured party or permit the repayment of any obligation to another person through the debiting of a deposit account or other account. Accordingly, the acceptance of any security interest by anyone other than the secured party or the debiting of Debtor's accounts is likely to constitute tortious interference with secured party rights, tortious interference of contract, or collusion.

In the event that any entity is granted a security interest in Debtor's accounts, chattel paper, or general intangibles contrary to the above, secured party asserts a claim to those accounts, chattel paper, general intangibles, and/or any proceeds thereof received by such entity.

EXHIBIT B
(Additional of Collateral)

None.