

FSA-2040
(12-31-07)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 1

**AGREEMENT FOR THE USE OF PROCEEDS/RELEASE
OF CHATTEL SECURITY**

1. NAME _____ 2. CROP YEAR _____

3. DATE OF SECURITY INSTRUMENT: _____ 4. BEGINNING DATE OF THIS AGREEMENT: _____

5. Are any listed items in the property descriptions below from a previous Form FSA-2040 (or FSA-1962-01)? If so, indicate below with an asterisk (*), and enter the beginning date of that Agreement. _____

6. PROPERTY DESCRIPTION:

PLANNED					ACTUAL								
Disposition			D. Amount of Proceeds	E. Use of Proceeds	Disposition			I. Amount of Proceeds	J. Use of Proceeds	K. Approved			
A. Quantity	B. How	C. Month			F. Quantity	G. How	H. Date			Y	N	Date	Initial

7. PROPERTY DESCRIPTION:

PLANNED					ACTUAL								
Disposition			D. Amount of Proceeds	E. Use of Proceeds	Disposition			I. Amount of Proceeds	J. Use of Proceeds	K. Approved			
A. Quantity	B. How	C. Month			F. Quantity	G. How	H. Date			Y	N	Date	Initial

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AGREEMENT FOR THE USE OF PROCEEDS/RELEASE OF CHATTEL SECURITY

In this Agreement the Farm Service Agency is referred to as you and your, (16) _____ and (17) _____, the borrower, is referred to as I, me, and my. My contact with you will be through the Agency Official.

In exchange for loans I received from you, I signed Security Agreements with the United States of America. By signing the Security Agreements, I have given you a security interest in all the property described in the Security Agreements. This property has been listed on this form. This property is called collateral. This form FSA-2040 will expire when all the listed collateral is disposed of, or when any remaining collateral is transferred to a new FSA-2040.

A. Do I Have Written Consent To Sell?

I understand that I must obtain written consent before I can sell, exchange, feed to livestock, consume, or in any way dispose of collateral. This Agreement explains how the money or property received from the sale, exchange, or other disposition of collateral may be used. So long as I meet the terms of this Agreement, this Agreement acts as your written consent to dispose of collateral listed on this Agreement. I understand that this Agreement is not intended to restrict my ability to operate my farm efficiently. It is intended to describe how I will dispose of collateral and to record the sales, exchanges, or other dispositions of collateral.

B. What Collateral Will Be Sold?

I have listed on this form all collateral that I expect to sell, exchange, feed to livestock, consume, or otherwise dispose of beginning on (18) _____ (Date). I understand that you do not expect me to list each animal, bushel, bale or pound of property I plan to dispose of, but that you expect me to list an approximate number.

C. What is the Projected Date and Price of Sale?

I have listed the approximate date on which I will dispose of collateral. I understand this can be listed by month, quarter, or whatever period best suits my operation. I have also listed the price I expect to receive, and a description of how I plan to use the proceeds. I agree that I will dispose of collateral for its market value.

D. How Do I Project Dates and Prices?

I understand that all dates and figures listed on this form are projections only. You also acknowledge this as part of the Agreement. The figures reflect the crop yields, livestock production numbers, operating expenses, income, and marketing practices that I can reasonably expect, based on my farm records and experience.

The figures are based on my past income, expense, and production levels. You do not require a strict averaging of my past income, expense and production levels when calculating these projections, and may permit adjustment of those averages to reflect unusually low or high yields, income or expenses that I have had in the past due to circumstances beyond my control. In reaching these figures, you will consider planned changes in my operation.

I understand that the dates and figures used on this form must be consistent with any current farm operating plan to which you and I have agreed.

E. When Can Collateral Be Sold to Pay Essential Family Living and Farm Operating Expenses?

You agree to allow me to sell or exchange crops, livestock, and livestock products planned to be marketed in the regular course of business so that I can pay essential family living and farm operating expenses. Essential expenses are those which are basic, crucial, or indispensable.

You also agree to allow me to feed crops to livestock, if the livestock or livestock products are collateral for my loan with you.

You also agree to allow me to use livestock for food for my family.

F. What Happens if Someone Else Has a Security Interest in the Collateral I Sell?

I understand that the money from the sale of collateral must always be used to pay anyone who has a security interest that comes before your security interest.

G. What Changes Require Your Prior Approval?

I understand that if I want to sell, exchange, or dispose of collateral that is not listed on this form, I must obtain permission from you before I dispose of the collateral.

If I want to dispose of collateral in a way not listed in the "How" section of this form, I must obtain permission from you before disposing of the collateral. For example, if I have listed that all crops will be sold and later decide that some crop is needed for feed, I must obtain permission from you before feeding the crop to the livestock. You must grant permission if this action is necessary to meet essential family living or farm operating needs and if the livestock and livestock products are collateral for my loan with you.

If I want to use proceeds in a way not shown on the "Use of Proceeds" section of this form, I must obtain permission from you before the proceeds are used. For example, if I listed that the proceeds from the sale of the crop would be used to pay on my debt with you and later find that the money is needed to pay another farm operating expense, I must obtain your permission before that expense is paid. You must grant permission and change the form if the proceeds will be used for essential farm living or operating expenses.

H. What Changes Do Not Require Your Prior Approval?

I am not required to obtain your permission before I sell, exchange, or dispose of collateral even if the sale will require a change in the "Quantity," "Month," or "Amount of Proceeds" sections on this form. However, if the sale does result in changes to the "Quantity" section of this Agreement due to higher or lower than expected crop yields or livestock production numbers, I must promptly report this to you. I must also promptly report to you any sale that results in a change to the "Month" or "Amount of Proceeds" section of this form. You will change this form accordingly.

I. How Do I Request and Report Changes and How Are Changes Made?

I may request and report changes on the form by telephone, letter, or visit to your office. A trip to your office is not always necessary. I understand that when an agreement is reached on a requested change or when I report changes, you must revise the form, initial and date the change, and mark the form "revised." I will also initial the change.

My initials may be obtained by either (1) mailing a copy to me, or (2) asking me to initial the revised form during my next visit to your office.

If my requested or reported changes would result in a major change in my operation, you may request that I attend a conference. At that conference, you and I will develop a new farm operating plan and revise this form.

J. What if You and I Do Not Agree?

If you and I disagree on how to complete or make changes on this form, you must send me a letter which describes the items on which we do not agree. The letter must explain why we do not agree. The letter must also tell me how I may appeal your decision.

Until the appeal is decided, you must release any other proceeds on which you and I have agreed.

When my appeal is decided, you will ask me to sign a new farm operating plan and Form FSA-2040, which reflects the decision on the appeal.

If I do not sign the new Agreement, you will give me a copy of the form and tell me that you consider this Agreement to be binding. If I violate this Agreement, you will take the actions described below in the section (Item Q) entitled, "What Happens if I Violate This Agreement?"

K. What Happens if I Do Not Cooperate?

I understand that if I do not appeal or if I refuse to cooperate in completing this Agreement, you will complete the form, sign it, and send it to me. You must send a letter with the completed form explaining that you will consider the form to be binding on me. I understand that if I violate the new Agreement, you will take the actions described below in the section (Item Q) entitled "What Happens if I violate This Agreement?"

L. Who Are the Potential Purchasers of My Farm Products?

This is a list of purchasers who often buy farm products from me. I have included grain elevators, auction barns, and others who I expect might buy from me.

19. FARM PRODUCT

20. POTENTIAL PURCHASERS

21. BUSINESS ADDRESS

I understand that you realize that I do not always know in advance who will buy my product. If I cannot identify specific potential purchasers, I have described below how the farm products will be sold. For example, if I sell farm products at a roadside stand, by advertising in the newspaper, or to neighbors, the exact method of sale is described below.

22. DESCRIPTION AND METHOD FOR SALE

M. Can I Sell to Purchasers Not Listed on This Form?

I understand that I may sell collateral to purchasers other than those listed on this form. If I do this, then I must immediately notify you of what has been sold and the name and business address of the purchaser. I do not need your prior approval.

N. Does FSA's Name Have to be on the Check I Receive?

Both FSA and my name as payee must be listed on all checks, drafts, or money orders which I receive for the sale of collateral listed on this form unless all my installments for the period of this Agreement have been paid; this includes all past-due installments.

Checks made in accordance with an assignment agreement do not have to include both names.

O. What Records Must I keep?

I must keep records of how I actually dispose of collateral and how I use the proceeds. I must provide these records to you on request and at the end of the period covered by this Agreement.

P. Has FSA Released its Security Interest?

You consent to all sales, exchanges, and other dispositions of collateral listed on this form, so long as I meet the terms of this Agreement. You agree to release your security interest as agreed above.

Q. What Happens if I Violate This Agreement?

If I sell, exchange, or dispose of collateral and use the money in a way not listed in this Agreement without your permission, I will have violated this Agreement and your security interest in the collateral will not be released. You will ask me to pay you an amount equal to the value I received for the collateral involved. I understand that if I pay as requested by you or provide enough information to allow you to approve the sale and use of proceeds, this will cure my violation if it is a first offense. I understand that if I do not so cure a first offense, or if I commit a second offense, you may bring legal action against me. I realize that you may start legal procedures to sell all of my other collateral and refer my case for possible criminal action against me. I understand that if I do not pay as requested, you may also request that the purchaser of the collateral pay you.

R. What Happens If My Loan Accounts are Accelerated?

If I receive an Acceleration Notice from you, this Agreement automatically ends and you will not afterwards release any proceeds from the disposition of collateral.

This signature is to acknowledge that I understand this Agreement and will keep to it.

23. SIGNATURE OF INDIVIDUAL BORROWER OR AUTHORIZED ENTITY REPRESENTATIVE		24. DATE	
25A. Authorized Agency Official Name		25B. Authorized Agency Official Title	
25C. Signature		25D. Date	