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U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 1

AGREEMENT FOR USE OF PROCEEDS AND SECURITY

See page 5 for Privacy Act and Paperwork Burden Statements

1. Account Name

This Agreement is between the Farm Service Agency (FSA) and the undersigned.

I understand that in addition to this Agreement, FSA must comply with its governing statutes and regulations.

On *(a)* _____ , I signed a Farm Business Plan *(FBP)* or FSA-2301 "Request for Youth Loan" covering the *(b)* _____ production cycle*(s)*. I worked together with FSA to project the planned income and expenses of my farming operation in the FBP. I am in agreement that the plan accurately reflects the planned income and expenses of my operation including the projection of *(c)* $ _____ for owner's withdrawal/family living expenses and my plan to make the following FSA scheduled payments from the following sources.

(d) FLP Loan Number	*(e)* Due date *(MM-DD-YYYY)*	*(f)* Amount	*(g)* Source of Proceeds	*(h)* Amount of Proceeds to be Released Prior to Payment of FLP Loan
		$		$
		$		$
		$		$
		$		$
		$		$
		$		$
		$		$
		$		$
		$		$
		$		$
		$		$
		$		$

Initial/Date

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the

Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov. USDA is an equal opportunity provider, employer, and lender.

1. **Acknowledgement of Lien**
In exchange for loans I received from FSA, I signed a Security Agreement(s) with the United States of America. By signing the Security Agreement(s), I have given FSA a security interest in all the property described in the Security Agreement(s), in addition to any after acquired property. This property is called collateral. Collateral is categorized as either:

   Basic security, which is all farm machinery, equipment, vehicles, foundation and breeding livestock herds and flocks, including replacements, and real estate that serves as security for the loans; or

   Normal income security which is all security not considered basic security, including but not limited to crops, livestock poultry products, other property covered by FSA liens that is sold in conjunction with the running of my operation, and FSA Farm Program payments.

   I agree that I will dispose of collateral for its market value.

   I understand that the proceeds from the sale of normal income security must always be used to pay expenses and loan payments as agreed to in the FBP.

   For basic security, both FSA and my name as payee must always be listed on all checks, drafts, or money orders which I receive.

   For normal income security, both FSA and my name as payee must be listed on all checks, drafts, or money orders which I receive unless all installments due, including any past due installments, in the above table have been paid or unless I have a current assignment in place to pay FSA annual installments in full. Checks made in accordance with an assignment do not have to include both names.

2. **Do I Have Written Consent To Sell?**
Yes. By signing the FBP and this agreement, FSA and I have agreed on the projected income and expenses of the operation, and the source of income to pay FLP installments. If actual income and expenses are in accordance with what we projected, I may sell commodities and use the proceeds to pay planned expenses and payments as identified in the FBP.

   If the actual income and/or expenses are not in accordance with what we originally projected, FSA and I must discuss the changes and make any needed changes to the FBP and/or this agreement.

   I may request and report these changes to the FBP by telephone, letter, or visit to the FSA office. A trip to the office is not always necessary. However, if my requested or reported changes would result in a major change in my operation, FSA may request that I attend a conference. At that conference, FSA and I will develop a new FBP.

3. **What if FSA and I Do Not Agree?**
If FSA and I disagree on how to complete or make changes on the FBP or this Agreement, FSA 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 FSA's decision.

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

   When my appeal is decided, FSA may ask me to sign a revised FBP and/or a revised Agreement reflecting the decision on the appeal.

   If I do not sign, FSA will give me a copy of the farm operating plan and the revised agreement. FSA will consider the revised Agreement to be binding. If I violate this Agreement, FSA will take the actions described below in the Item 9, entitled, "What Happens if I Violate This Agreement?"

_____

Initial / Date

4. What Collateral Disposed Of and How May Proceeds Be Used?

I have listed in the FBP the normal income and/or basic security I expect to sell, exchange, consume, or otherwise dispose of. I understand that FSA does not expect me to list each animal, bushel, bale or pound of security I plan to dispose of, but that I must keep a record of collateral disposed of, and the proceeds thereof, in an approved record keeping system. I understand that if I sell normal income security, the proceeds will be applied to my FLP installments according to the table on page 1 or released to pay normal expenses and liens as outlined in the FBP.

If I sell Basic security I understand I must do one or a combination of the following with the proceeds:

1) Apply the proceeds, including any amount in excess of the market value, to lien holder debts in the order of lien priority. I understand proceeds received by FSA will be applied as an extra payment on my FLP loans. This payment will be applied on the end of my loan and I will be required to make my regularly scheduled payment.
2) Use the proceeds to purchase chattel property suited to the needs of my operation provided FSA acquires a lien on the new property at least equal in value to the lien on the security sold.
3) If I have replacement security, the proceeds may be used as normal security income. For example: If I sell a cull cow and have a heifer of equal production capabilities to replace the cow.

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

FSA agrees to allow me to sell or exchange normal income security, such as crops, livestock, and livestock products 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. However, I understand that if I wish to use proceeds f rom sale or exchange of normal income security to pay for farm operating expenses for future operations not included in the current FBP, I must contact FSA for approval and development of a feasible FBP.

FSA also agrees to allow me to feed crops to livestock, if the livestock or livestock produce are collateral for my loan with FSA. FSA also agrees to allow me to use livestock for food for my family.

I understand releases for essential family living and farm operating expenses will be terminated if my account is accelerated.

_____

Initial/Date

6. 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.

A. Farm Product	B. Potential Purchaser	C. Purchaser's Address

FSA realizes that I do not always know in advance who will buy my products. If I cannot identify specific potential purchasers, I have described below how the farm products will be sold; for example, at a roadside stand, by advertising in the newspaper, or to neighbors.

D. Farm Product	E. Method of Sale

_____

Initial / Date

7. 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, but I understand FSA's name must be on the check unless all FSA payments for the period covered by this agreement have been paid.

8. 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.

9. What Happens if I Violate This Agreement?
If I sell, exchange, or dispose of collateral for less than its present market value, or use the money in a way not listed in this Agreement or the FBP without your permission, I will have violated this loan Agreement and your security interest in the collateral will not be released. You will ask me to pay you an amount equal to the greater of the present market value or the amount 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, FSA may also request that the purchaser of the collateral pay FSA.

10. What Happens If My Loan Accounts are Accelerated?
If I receive an Acceleration Notice from FSA, this Agreement automatically ends and FSA will not afterwards release any proceeds from the disposition of collateral.

11. SIGNATURES

This signature is to acknowledge that I (we) understand this Agreement and will abide by it.

11A. SIGNATURE	11B. TITLE	11C. DATE *(MM-DD-YYYY)*
12A. FSA AGENCY OFFICIAL'S SIGNATURE	12B. FSA AGENCY OFFICIAL'S TITLE	12C. DATE *(MM-DD-YYYY)*

NOTE: *The following statement is made in accordance with the Privacy Act of 1974 (5 U.S.C. 552a - as amended). The authority for requesting the information identified on this form is the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1921 et. seq.). The information will be used to determine eligibility and feasibility for loans and loan guarantees, and servicing of loans and loan guarantees. The information collected on this form may be disclosed to other Federal, State, and local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in the applicable Routine Uses identified in the System of Records Notice for USDA/FSA-14, Applicant/Borrower. Providing the requested information is voluntary. However, failure to furnish the requested information may result in a denial for loans and loan guarantees, and servicing of loans and loan guarantees. The provisions of criminal and civil fraud, privacy, and other statutes may be applicable to the information provided.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0236. The time required to complete this information collection is estimated to average 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.***