

AGREEMENT FOR THE USE OF PROCEEDS AND SECURITY

INSTRUCTIONS FOR PREPARATION

Purpose:

This form is used by FSA to approve the use of proceeds and security as detailed in the Farm Operating Plan. This form acknowledges FSA Loan Payments due and sources of proceeds to be used for those payments. This form remains in effect until the disposition of all listed security, or until all remaining chattel security is transferred to a new FSA-2040.

NOTE: Basic security should be listed when the operating plan includes selling basic security and using part, or all, of the proceeds to purchase replacement security. For voluntary liquidation, see 5-FLP Part 13.

Handbook Reference:

1-FLP, 3-FLP, 4-FLP, 5-FLP

Number of Copies:

Original and one copy

Signatures Required:

All borrowers who signed the current operating plan must initial and enter the date they are initialing on pages 1-3. Borrower(s) and Authorized Agency Official must sign on page 4.

Distribution of Copies:

The original is retained in the County Office. A copy is provided to the borrower.

Automation-Related Transactions: N/A

Items on Page 1 of form are completed by Authorized Agency Official. Borrower completes Items 6a-6e on Page 3 of form. Borrower and Authorized Agency Official complete items on Page 4 of form. Borrower initials pages 1-3 of form.

Items 1a through 1h completed by Authorized Agency Official.

Item	Instruction
(1) Account Name	Enter the account name for the borrower or entity that signed the current Farm Operating Plan.
(a) Date	Enter the date borrower signed the current Farm Operating Plan.
(b) Crop Year	Enter the production year(s) covered by the agreement.
(c) \$ Amount	Enter the dollar amount of owner withdrawals/family living expenses planned for the production year.
(d) FLP Loan Number	Enter loan number for each farm loan for the borrower's account. Include loans even if no payment will be collected in the current production cycle. Note: Complete and attach additional copies of page 1 if borrower has more than 4 loans, ensure each additional page is initialed and dated by the borrower.
(e) Due Date	Enter the payment due date for each FLP loan.
(f) Amount	Enter the dollar amount due for the loan installment. If no installment is due, indicate a \$0.00 payment due and note the reason why (deferral, 18 month OL, etc).
(g) Source of Proceeds	Enter description of the source from which the borrower plans to use proceeds to make the installments during the production year (i.e., "2014 Program Payments", "1000 bushels of 2013 carryover wheat," "2014 Calf Sales," or "2014-2015 Milk Sales"). The description

Item	Instruction
	must be adequate to readily identify the security being sold or other source of payment as applicable. Note: Basic security should be listed when the operating plan includes selling basic security and using part, or all, of the proceeds to purchase replacement security.
(h) Amount of Proceeds to be Released Prior to Payment of FLP Loan	From each listed "Source of Proceeds," list the dollar amount from that source that will be released to the borrower prior to payment of the installment amount due. If a source of proceeds is used for multiple payments only list the planned prior release once. Also list the amount that will be released to the borrower if the operating plan includes selling basic security to purchase replacement security.

Items 6A through 6E completed by Borrower.

Borrower reads Pages 1-4 that provide specific conditions or covenants for the disposition of collateral securing FSA loans as well as the agreements for changing those conditions and completes Items 6A through 6E.

6A Farm Product	Enter the name of all farm products that will be sold this production cycle whose proceeds will be used for payments on FLP debt installments as indicated in column (g) on page 1.
6B Potential Purchaser	Enter the name of potential purchasers who will be buying the borrower's farm products.
6C Purchaser Address	Enter the potential purchaser's business address
6D Farm Product	Enter the name of all farm products that will be sold this production cycle whose proceeds will be used for payments on FLP debt installments as indicated in column (g) on page 1 and are not being sold to specific purchasers listed in Item 6B.
6E Method of Sale	Enter a description of how the farm products listed in Item 6d will be sold.

Items 11 and 12– completed by Borrower(s) and Authorized Agency Official.

11A Signature	Enter the signature for all parties, which may include, borrower, co-borrower, applicant, co-applicant, cosigner, Non-applicant(s), as applicable, in compliance with ECOA and State-specific guidance
11B Title	Enter the title if signing as a member of an entity.
11C Date	Enter the date signed.
12A Signature	Enter the Authorized Agency Official's signature.
12B Authorized Agency Official Title	Enter the Authorized Agency Official's title.
12C Date	Enter the date the Authorized Agency Official signed.