

COMMODITY CREDIT CORPORATION NOTE AND SECURITY AGREEMENT TERMS AND CONDITIONS

NOTE: Marketing Assistance Loans and Commodity Loans may be reduced by specified percentage due to a sequester required by Congress and issued pursuant to the Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011. Should a reduction be required, total loan amount shall be reduced by the sequestration reduction.

1. GENERAL.

(a) Definitions The following definitions shall apply to this form, CCC -601, and any appendix thereto.

"Amount Due" means that amount of the loan due CCC on the maturity date which is (A) the sum of: the total loan amount; (2) any applicable charges; as determined by CCC and applicable interest as provided in the definitions found in this nt, or (B) at CCC's discretion, an amount that is less than the sum of the amount of the loan principal charges and applicable interest. plus

"CCC" means the Commodity Credit Corporation.

"Classification" means the measurement results provided by the Agricultural Marketing Service of color grade, leaf, staple uniformity, extraneous matter and micronaire, and for upland cotton, strength.

"Collateral" means the kind, class, type, and quantity of the commodity which has been pledged by the collateral for the satisfaction of the loan as identified in the Note. The collateral consists of (A) with respect to farmstored loans, the entire quantity of the commodity which is stored as identified in the Note and any authorized replacement of such quantity; or (B) with respect to warehouse-stored loans, the commodity represented by the warehouse receipts identified in the Note and any supporting documents.

"Interest" means for a CCC commodity loan disbursed a U.S. Treasury issued check or by EFT, an amount calculated when repaid on a daily basis from the date of disbursement to, but not including, the second day before the date of nt (7 CFR Part 1405).

"Loan Service Fee" means the service fee deducted at loan disbursement and is calculated as follows: (A) for , feed grains, oilseeds, lentils, dry peas, chick peas, wool, mohair, peanuts, rice, and seed cotton, the smaller of of 1 percent (.005) times the gross loan amount or \$45 per loan plus \$3 for each storage structure, warehouse receipt, rick or module, as applicable, 1; (B) for ginned cotton, the smaller of 1/2 of 1 percent (.005) times the gross loan amount or 50 per loan plus 90 cents for each bale; (C) for sugar, \$60 per loan; and (D) for distress loans, \$45 per loan.

"Note" means any CCC Note and Security Agreement which by reference incorporates this form.

"Reduced Loan Amount" means the total loan principal amount after any sequestration reduction.

"Regulations" means the regulations in Title 7 of the Code of Federal Regulations which are applicable to the crop of commodity described in the Note.

"Schedules of Premiums and Discounts" means the premiums and discounts established by CCC which are applicable to grade or classification of the commodity as determined from the grading factors reflected on a: (A) warehouse (B) Federal Grain Inspection Service official grading certificate; (C) Agricultural Marketing Service Classification ; or (D) Core test report from a CCC -approved testing facility. These premiums and discounts shall be used in the settlement nonrecourse loan if the producer does not repay the loan required by the program regulations. Copies of the schedules premiums and discounts are available in State or county Farm Service Agency offices.

"Sequestration Reduction Rate" means the reduction rate required by the Budget Control Act of 2011, and plicable to specified programs to reduce government ap spending.

"Total Disbursement Amount" means the disbursement amount after the sequestration reduction, service fees, commodity assessment, and other applicable subtracted. This amount any offsets paid to others on the producer's behalf includes by

"Total Loan Amount" means the amount so identified in the Note and is the applicable statutory loan rate for the commodity at the storage location identified, including those specified discounts applicable at loan making, times the quantity of the commodity loan.

All other words and phrases shall have the meanings assigned to them in the regulations found at 7 CFR Parts 718, 1400, 1405, 1421, 1425, 1427, 1434 and 1435.

- (b) Joint and Several Liability.** Each producer signing the Note is jointly and severally liable for payment of the amount of the loan. If a producer has granted another person the authority to act on behalf of the producer with respect to any, or all, of the provisions of this note, if the actions of such other person result in loss or damage to CCC, the producer and such other person shall be jointly and severally liable for payment to reimburse CCC for each loss or damages.
- (c) Notification.** Several of the terms and conditions of the Note require the producer to notify CCC of actions to be taken by the producer. Any such notification must be made by notifying a representative of CCC at the Farm Service Agency county office that issued the Note. All notices which CCC must provide to the producer will be mailed to the producer at the address by that office. The producer will be deemed to have received such notice upon deposit, as first class or priority mail, by U.S. Mail.
- (d) Applicable Sections.** Except as may otherwise be stated herein: (i) Sections 1 through 3, 5 through 7 and 11 are applicable to all loans; (ii) Section 4 is applicable to nonrecourse loans; (iii) Section 8 is only applicable to farmstored nonrecourse loans; (iv) Section 9 is only applicable to warehouse-stored nonrecourse loans; (v) Section 10 is only applicable to recourse loans.
- (e) Applicable Regulations.** The Note evidences a CCC loan made in accordance with Title 7 of the Code of Federal Regulations. Applicable parts of Title 7 of the Code of Federal Regulations are incorporated by reference as a part of the Note.

2. EQUAL OPPORTUNITY. Participation in CCC Programs is open to all eligible applicants without regard to race, religion, national origin, age, sex, marital status, or disability.

3. LOAN MATURITY. The Note will mature at the earlier of the maturity date stated in the Note or any earlier date determined by CCC. If CCC makes demand for payment before the stated maturity date, the producer will be notified in writing of the accelerated maturity date.

4. LIQUIDATION OF NONRECOURSE LOANS. On or before the loan maturity date, the producer may repay the loan by paying the amount due. If the producer repays the loan at a rate less than the sum of the loan principal plus charges and the producer must provide to CCC evidence of production of the commodity which had been pledged as collateral for the loan. In lieu of repayment of the amount due, the producer may, in accordance with Sections 8 and 9, deliver the collateral to CCC. In the case of farm-stored loans, the producer shall bear all CCC expenses including receiving charges of the delivery of the collateral to the delivery point in the delivery instructions issued by CCC. The producer will pay to CCC any costs incurred by CCC if the producer fails to deliver the collateral in accordance with such instructions. All wool and mohair nonrecourse marketing assistance loans not repaid by the loan maturity date must be liquidated through local sales at the farm storage location within a calendar day period at no storage expense to CCC. Any charges incurred by CCC as a result of the local sale will be paid by the producer.

5. WAIVER OF PRESENTMENT. The producer waives presentment for payment, demand, protest, notice of protest, and notice of non-payment of the Note.

6. PRODUCER'S RESPONSIBILITY.

- (a) General.** The producer must be in compliance with all applicable program requirements and must have beneficial interest in the commodity pledged as collateral for the loan.
- (b) Liens.** The producer must pledge commodities that are eligible for loan and that are free and clear of all liens including State and Federal liens, security interests, and other encumbrances. No additional liens or encumbrances shall be placed on the collateral after the loan is approved.
- (c) Movement of Collateral.** The producer will not move any collateral from the location stated in the Note without prior approval of CCC and then only in accordance with instructions issued by CCC or provisions of 7 CFR -699C, Cotton Transfer Agreement. If such movement is not completed as instructed by CCC or the collateral is disposed of, either CCC may at its discretion accelerate the loan maturity date, assess liquidated damages as specified in Section 6(g), and take other administrative actions, determined appropriate by CCC, including denial of future loans.

- (d) **Access to Collateral** The producer will allow CCC to enter the premises and inspect the collateral. In the case of high moisture collateral stored in oxygen-limiting structures, the producer must open the facility when requested by CCC to permit inspection of the collateral. If safe access to the collateral is not provided or if the inspection cap on the facility is not opened to permit inspection of the collateral, the loan maturity date may be accelerated.
- (e) **Certification.** The producer must provide an accurate certification of quantity of the commodity to be pledged as collateral a loan. If CCC determines that the producer has filed an incorrect certification of such eligible quantity, CCC may at its discretion accelerate the loan maturity date, as specified in Section 6(g), and take other administrative actions, including denial of future loans.
- (f) **Loss or Damaged Loan Collateral** The producer is responsible for any loss in quantity or quality of the commodity collateral for a farm-stored or pledged loan. CCC shall not assume any loss in quantity or quality of the loan regardless of where warehouse collateral stored.
- (g) **Liquidated Damages** If CCC determines that the producer has violated provisions of Section 6(c), 6(e), or 7(a), liquidated damages may be assessed on the quantity of the commodity which is involved in the violation. For each violation, CCC will review the actions of the producer to determine if the producer acted in good faith to comply with such provisions.
- (i) For producers determined to have violated provisions of Section 6(c) and if CCC determines that the producer acted in good faith, liquidated damages may be assessed by multiplying the quantity involved in the violation by 10 percent of the loan rate. The producer shall pay such liquidated damage penalties plus the lesser of (1) the principal amount of the loan and charges plus interest, (2) CCC determined value on the date the violation occurred plus 15 percent of the applicable loan rate with respect to the quantity involved in the violation within 30 days of notification by CCC, or CCC will call the loan involved in the violation and require full payment at principal and charges plus interest. For honey, the producer shall pay the principal amount of the loan and charges plus interest.
- (ii) For producers determined to have violated provisions of Section 6(e) or 7(a), and if CCC determines the producer acted in good faith, liquidated damages may be assessed by multiplying the quantity involved in the violation by 10 percent of the loan rate. The producer shall pay such liquidated damages plus the principal amount of the loan and charges plus interest with respect to the quantity involved in the violation, within 30 days of notification by CCC, or CCC will call the loan involved in the violation.
- (iii) If CCC determines that the producer did not act in good faith with regard to the violation, or for cases other than the second offense, CCC will call the loan involved in the violation and may assess liquidated damages computed by multiplying the quantity involved in the violation by 15 percent of the loan rate. The producer shall pay such liquidated damages plus the principal amount of the loan and charges plus interest.
- (h) **Delinquent Federal Nontax Debt** If it is discovered that a producer incorrectly certified to the DCIA question, the producer will be notified that the loan must be repaid at principal and interest immediately. If a producer receives a loan and it is later discovered that the producer has a delinquent Federal nontax debt, the producer notified that the delinquent Federal nontax debt must be resolved before the final loan availability date for the application. If the delinquent Federal nontax debt is not resolved before the final loan availability date, the producer must repay loan at principal and interest.
- (i) **Certification for Contracts, Grants, Loans and Cooperative Agreement.** If it is discovered that a producer did not comply with lobbying disclosure requirements (31 U.S.C. 1352), applicants for and recipients of a Federal loan exceeding \$150,000; or 2) A Federal contract, grant, or cooperative agreement payment exceeding \$100,000 must file, with the disbursing office a SF-LLL if they have or will use monies received for lobbying purposes. This certification is a material representation of fact which reliance was placed when this transaction was made or entered into. Compliance with this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.
- (j) **Miscellaneous Charges** Miscellaneous charges, such as but not limited to storage and receiving are the sole responsibility of producer requesting the loan or commodity loan

- (c) Settlement.** (i) If the producer elects to forfeit the collateral in satisfaction of the amount due in accordance with Section 4, the value of the collateral for purposes of settlement will be determined using the applicable rules of premiums and discounts on the basis of the weight, grade, and other quality factors stated on the warehouse receipt or documents. (ii) If the value of the collateral at or subsequent to the time of default is less than the amount due, the producer will pay to CCC the sum of the amount of such deficiency plus charges, and interest which has accrued on such deficiency from the date of disbursement. (iii) If the value of the collateral at settlement is greater than the amount due, will retain such excess and will not pay such amount to any party. (iv) Title to the collateral will vest in CCC on the day following the loan maturity date. (v) CCC may elect to calculate such settlement values based on the net weight, condition, and classification as reflected on the warehouse receipt delivered to CCC, whether such receipt is the receipt issued by the original storing warehouse and presented for calculating the loan amount or a receipt issued by a warehouse due to the substitution of such commodity while pledged as collateral for a CCC loan.
- (d) Cotton EWR's .** For all bales on the cotton loan specified in the Note that are represented by an electronic warehouse (EWR), the producer hereby: 1) acknowledges having exclusive authority to authorize and designate an entity to holdership of EWR's to CCC; 2) authorizes the individual or entity that transfers holdership of EWR's to CCC for loan, in accordance with the terms and conditions of the EWR provider, to (a) establish at the direction of the producer an Electronic Redemption Agent (EAD) for the loan Agent as identified on CCC-605, Designation of Agent, and (b) identify the loan cotton eligible for electronic redemption; 3) agrees that the designate agent, or any subsequent agent, identified by form-605 or by the agent field of the EWR is authorized to repay the CCC loan obligation of the cotton; 4) requests and authorizes CCC to accept from, and release loan collateral of payment to the individual or entity identified in the agent field of the EWR for the loan; 5) agrees to hold CCC harmless for any errors that may result from reliance on the information supplied by the producer, agent, or subsequent agent through the EWR or otherwise; and 6) acknowledges that the loan may be removed from the EAD redemption process by specific request to the FSA County Office that processed the loan (see question on CCC-Cotton A-S). req CCC
- (e) Cotton Loan Redemptions and Settlement.** (i) The amount by which an upland cotton loan repayment value may be reduced by the amount of storage charges during the period of the loan shall be zero for any period in which cotton is stored outside the warehouse and announced by CCC. Cotton otherwise be calculated based on the maximum payment rate determined for the warehouse and announced by CCC. Cotton stored outside the warehouse shall be stored outside if it is stored outside any time during the period of the loan exceeding the 15 day period that starts with the first day the warehouse is notified the cotton is pledged as collateral for a CCC loan. (ii) If the producer elects to forfeit either upland cotton or ELS cotton loan collateral to CCC in satisfaction of the amount due in accordance with Section 1(a), the producer shall pay to CCC: (at rates that are specified in the storage agreement between the warehouse where the cotton is stored and CCC) (1) all warehouse storage charges associated with the forfeited cotton that accrued before the cotton was pledged as collateral for the loan; (2) any accrued warehouse receiving charges pledged with the forfeited cotton, including, but not limited to, applicable charges for new bale ties, unpaid warehouse compression, or other charges as may be levied by the storing warehouse; and (3) Warehouse storage charges for periods of outside storage charges that exceed the warehouse storage credit rates for the period paid by CCC to the warehouse. loan
- (f) Transfer of CCC Upland or ELS Cotton or Peanut Loan Collateral .** Collateral for an upland or ELS cotton or peanut marketing assistance loan may be transferred from a CCC-approved warehouse to another CCC-approved warehouse if CCC holds as security for the loan a warehouse receipt with respect to such commodity and the warehouse and conditions of this section are met. (i) The producer may grant authorization to transfer loan collateral only to the designated authorized agent of the producer to redeem all or a portion of the loan collateral. Any authorization to transfer loan collateral granted by the producer may be transferred by such agent of the producer to a subsequent agent as provided by the terms of applicable CCC forms. The producer is not obligated by CCC to grant authorization to transfer loan collateral as a condition of designating and authorizing any agent to redeem from loan all or a portion of the loan commodity. (ii) CCC will calculate the loan redemption for transferred cotton based on the credits, and charges with respect to the shipping warehouse under the transfer authorization. If a certain amount of cotton is transferred to CCC in satisfaction of a loan obligation, CCC will settle the loan based on the net weight of cotton received at the receiving warehouse plus any unpaid charges at the shipping warehouse. (iii) As a condition for CCC to receive the transfer of cotton loan collateral, the requestor of a transfer, whether such requestor is the producer, or the producer's agent, shall agree to pay all charges that may result from such transfer or intended transfer and shall be responsible for all losses of quantity or quality that result from the transfer. Despite any such agreement, the producer is responsible for any charges associated with the transfer of CCC cotton loan collateral including those that are not paid by any agent, or subsequent agent, the producer or the requestor of such a transfer and who agreed to pay such charges. If such unpaid charges are for the account of the producer, the producer shall not be charged to the outstanding balance of the loan obligation. CCC will not assume any liability for any charges associated with the transfer of any cotton loan collateral. (iv) The producer is responsible to CCC for all losses of quantity or quality associated with the transfer of CCC cotton loan collateral including unpaid losses on transfers made at the request of any agent of the producer even if the agent had agreed to pay such charges. CCC does not assume any loss in quantity or quality resulting from the transfer of the loan collateral. (v) If at any time prior to the maturity date of the loan the collateral can no longer be properly stored due to deterioration or for any other reason, the producer may authorize CCC to sell such collateral on behalf of the producer. Title to the collateral will vest in CCC upon delivery of the collateral to CCC in accordance with Section 4.

10. RECOURSE LOANS.

- (a) **General.** CCC may make recourse loans available to eligible producers of high moisture corn, high grain sorghum, seed cotton, and other commodities, as determined by CCC. If such loans are available, the producer is liable for the entire amount due and may not deliver the collateral to CCC in satisfaction of the amount due, except as may be determined by CCC.
- (b) **Availability of Nonrecourse Loans** In limited circumstances, CCC may allow the producer to pledge as collateral for nonrecourse loan the commodity which has been previously pledged as collateral for a recourse loan. The maturity date shall be as determined by CCC. If this option is made available by CCC, the producer must immediately repay the amount due under the recourse loan.
- (c) **High Moisture.** Producers of corn and grain sorghum who normally harvest all or a portion of their crop in a high moisture condition may obtain recourse loans from CCC. High moisture means moisture content in excess of (i) for corn, 15.5 percent; and for grain sorghum, 14.0 percent. Producers of such high moisture commodities who deliver such commodities to a feedlot, mill, or commercial or on farm high moisture storage that does not meet CCC's requirements for approved storage may obtain in the same county, a like quantity of such commodity to replace the applicable quantity of high moisture feed grains to obtain a loan. Such producers must: (i) complete the applicable CCC forms; and (ii) provide to CCC: (A) certified scale tickets which adequately describe the commodity, the weight of the commodity and the moisture content of the commodity; or (B) if such scale tickets are not available, measurements of the high moisture feed grain made while the commodity was in the field or in storage. Measurements shall be made on a quantity of feed grains of the same type acquired by the producer equivalent to a quantity not to exceed a quantity determined by multiplying: (i) the acreage of the feed grain in a high moisture condition harvested on the producer's farm; by (ii) the lower of the farm program yield or the actual yield on a field as determined by the Secretary, that is similar to the field in which such high moisture feed grains were obtained.
- (d) **Seed Cotton** The producer may, prior to the maturity date, with the written approval of CCC move seed cotton from the location where stored to a gin in order to gin such cotton and sell the cottonseed obtained therefrom. (i) If prior to the maturity date the amount due has not been paid, the producer will pay to CCC an amount equal to the proceeds obtained from the sale of the cottonseed and the lint cotton or, if a loan or loan deficiency payment is made by CCC with respect to the lint cotton, CCC deduct the amount due from any such proceeds which are disbursed. (ii) If prior to the maturity date the amount due has not been paid and the collateral has not been ginned, the producer must, as instructed by CCC, move the collateral to a gin at the expense of the producer. If the producer fails to move the collateral as instructed by CCC, CCC may enter the premises and remove, gin, and sell the collateral. Any proceeds from the sale of the collateral will be retained by CCC and applied to the amount due. (iii) If the amount due has not been paid and warehouse receipts have been issued with respect to lint cotton obtained from the producer, the producer will deliver the receipts to CCC or allow CCC to obtain from any person such receipts. CCC may sell such cotton, if the amount due has not been paid by the maturity date.
- (e) **Discretionary Loans** Commodities which are pledged as collateral for a non-recourse loan as provided in Sections 8 and 9 but which are determined to be ineligible to be pledged as collateral for such a loan due to the quality of the commodity or factors affecting value of the commodity; or the storage of the commodity is unapproved storage, may, at CCC's sole discretion, be pledged as collateral for a recourse loan.
- (f) **Settlement** (i) If CCC allows the producer to deliver to CCC in satisfaction of the amount due the quantity of collateral which is described in the Note, the value of the collateral for purposes of settlement will be equal to the proceeds received from the barter of the same commodity. Title to the collateral will vest in CCC only after delivery of the collateral to CCC in accordance with Section A-1. (ii) If the value of the collateral at settlement is less than the amount due, the producer will pay to CCC the amount of such deficiency plus charges, and applicable interest with respect to such deficiency from the date of disbursement. If the proceeds received from the sale or barter of the commodity are greater than the sum of the amount due plus any costs incurred by CCC in conducting the sale of the commodity, the amount of such excess will be paid to the producer or, if applicable, to any secured creditor of the producer.

11. ADMINISTRATIVE AND JUDICIAL REVIEW

The producer may obtain an administrative hearing in accordance with 7 CFR Part 780 with respect to a dispute arising between the producer concerning the Note, must exhaust such administrative remedy prior to initiating a judicial action in a court of competent jurisdiction.

12. DISCLOSURE TO PRODUCERS

CCC, in its capacity as lien holder of collateral pledged commodities, may share non private information with potential buyers of these commodities. This information may include, but not be limited to, loan quantity and principal.

NOTE: *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a – as amended). The authority for requesting the information identified on this form is the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), the Agricultural Act of 2014 (7 U.S.C. 9031 et seq.), the Agriculture Improvement Act of 2018 (Pub. L. 115-334), 7 CFR Part 1421, 7 CFR Part 1427, and 7 CFR Part 1436. The information will be used to determine eligibility to participate in and receive benefits under a CCC loan program through documentation of producer acknowledgement of, and agreement to, the terms and conditions of the CCC note and security agreement. The information collected on this form may be disclosed to other Federal, State, 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 Routine Uses identified in the USDA/FSA-14, Applicant/Borrower. Providing the requested information is voluntary. However, failure to furnish the requested information will result in a determination of ineligibility to participate in and receive benefits under a CCC loan program.*

Paperwork Reduction Act (PRA) Statement: *The information collection is exempted from PRA as specified in 7 U.S.C. 9091(c)(2)(B). The provisions of appropriate criminal and civil fraud, privacy, and other statutes may be applicable to the information provided.*

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, audiotope, 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.