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**CCC-Cotton G**  
(03-09-04)

**U.S. DEPARTMENT OF AGRICULTURE**  
Commodity Credit Corporation

## COTTON COOPERATIVE LOAN AGREEMENT

**NOTE:** The authority for collecting the information is Pub. L. 107.171. This authority allows for the collection of information without prior OMB approval mandated by the Paperwork Reduction Act of 1995. The time required to complete this information collection is estimated to average 1 hour 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.

The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a). The authority for requesting the information to be supplied on this form is the Agricultural Act of 1949, as amended, the Federal Agriculture Improvement and Reform Act of 1996, the Commodity Credit Corporation Charter Act, as amended, and regulations (7 CFR Parts 1425 and 1427). The information requested is necessary in order to participate in the loan and loan deficiency payment (LDP) program. No further monies or other benefits may be paid out under this program unless this form is completed and filed as required by existing law and regulations (7 CFR Part 1427.19). This information may be furnished to other USDA agencies, IRS, Department of Justice, or State and Federal law enforcement agencies, and in response to orders of a court magistrate or administrative tribunal. **RETURN COMPLETED FORM TO THE DIRECTOR, PRICE SUPPORT DIVISION, USDA, FARM SERVICE AGENCY, STOP 0512, Room 4095-S, 1400 Independence Avenue, SW, Washington, D.C. 20250-0512.**

A. Date of Agreement (MM-DD-YYYY)	B. Name of Cooperative	
C. Street Address	D. City, State, Zip Code	E. Phone Number (Area Code)

This agreement is entered into on the date indicated above by and between the Commodity Credit Corporation, Washington, DC, an agency of the United States (*hereinafter called "CCC"*) and the authorized cooperative indicated above (*hereafter referred to as the "Cooperative"*).

### WITNESSETH:

**WHEREAS**, loans and LDP's for upland cotton and loans for extra long staple cotton of any crop will be made available by CCC under applicable program regulations; and

**WHEREAS**, on the basis of representations by the Cooperative pursuant to 7 CFR Part 1425, the Cooperative has been approved to enter into a Cotton Cooperative Loan Agreement with CCC under which the Cooperative may utilize a Cotton Commercial Bank to obtain loans and loan deficiency payments on behalf of its members with respect to cotton produced by its members.

**NOW THEREFORE**, in consideration of the premises, the parties hereto agree as follows:

- Basis for CCC Loan.** CCC, or an agent of CCC acting on behalf of CCC, shall make a loan to the cooperative with respect to eligible cotton, as defined in 7 CFR 1427.5, which is pledged as collateral for such a loan. The amount of the loan shall be determined in accordance with 7 CFR Part 1427. The terms and conditions of this Agreement incorporate by reference the regulations set forth in title 7 of the Code of Federal Regulations.
- Tender of Loan Documents.** In order to obtain advances on cotton of a particular crop under this Agreement, the Cooperative shall tender warehouse receipts, or amend electronic warehouse receipts (EWR) to show CCC as holder, and other such documents as directed by CCC.

3. **Loan Indebtedness.** The loan indebtedness payable by the Cooperative to CCC shall consist of: (A) principal advances; (B) all charges and expenses set forth in 7 CFR Part 1427 including handling, compression, transportation, reconcentration, and storage charges; and (C) interest which has accrued with respect to such advances and charges as provided in 7 CFR Part 1427.
4. **Right to Redeem.**
  - (a) Prior to maturity of the loan indebtedness with respect to cotton of a particular crop, the Cooperative shall have the right to redeem all or any part of the cotton of such crop upon payment to CCC of the loan indebtedness with respect to the cotton being redeemed and providing such documents as directed by CCC. The Cooperative shall not enter into any agreement limiting its right to redeem and market any cotton pledged to CCC under this Agreement. Cotton redeemed by the Cooperative will be ineligible for retender to CCC for any loan or LDP.
  - (b) CCC may release warehouse receipts to the Cooperative or amend EWR's to show Cooperative as holder against trust receipts acceptable to CCC provided the Cooperative has furnished to CCC, to assure performance by the Cooperative of its obligations under the trust receipts, a certified or cashier's check payable to CCC or irrevocable commercial letter of credit acceptable to CCC in an amount equal to the estimated loan indebtedness with respect to the cotton represented by the warehouse receipts to be released on trust. Warehouse receipts released against trust receipts shall be returned or EWR's amended to show CCC as holder within the period provided in the trust receipts unless the Cooperative has redeemed such cotton.
5. **Obligation to Redeem.**
  - (a) **If any lien** (*other than a warehouseman's lien authorized by 7 CFR Part 1427*) is asserted against CCC in connection with cotton pledged to CCC under this Agreement, CCC will notify the Cooperative. The Cooperative shall redeem such cotton by payment of the loan indebtedness with respect to such cotton within 30 days after the lien is asserted against CCC, if the Cooperative has not reached a settlement with the person asserting such lien. The Cooperative shall notify CCC promptly after reaching any such agreement. The Cooperative agrees to hold CCC harmless from any liability to anyone asserting such a lien and to defend any action filed against CCC by anyone asserting such a lien. The Cooperative likewise agrees to hold purchasers of such cotton from CCC harmless from any liability to anyone asserting a lien on such cotton (*other than a warehouseman's lien authorized in the storage agreement between CCC and the warehouseman*) and to defend any action filed against a purchaser of such cotton by anyone asserting such a loan.
  - (b) If the Cooperative does not fulfill its obligations with respect to any cotton pledged to CCC under this Agreement or makes any fraudulent representation with respect to such cotton, the Cooperative shall, upon demand by CCC, redeem such cotton by payment of the loan indebtedness with respect to such cotton.
6. **Cooperative to Bear All Servicing Fees.** All fees assessable by the Servicing Agent Bank shall be borne by the Cooperative.
7. **Reimbursement for Charges.** CCC may specifically authorize the Cooperative to pay charges incurred in the handling, compression, transportation, reconcentration and storage of cotton under loan to CCC. The amount of such reimbursed charges shall be added to the loan amount.
8. **Notification of Ineligible Cotton.** If the Cooperative obtains evidence that any cotton on which it has obtained a loan advance from CCC was not eligible for a loan advance from CCC, the Cooperative shall immediately make a report to the PriceSupport Division, Farm Service Agency, and upon demand by CCC, the Cooperative shall redeem such cotton.

- 9. **Liquidated Damages.** Failure of the Cooperative to comply with the eligibility requirements of this Agreement will cause serious and substantial program damages to CCC, such as damage to its loan and LDP program and the incurring of certain administrative and other special costs which are not part of the loan indebtedness, in addition to any amounts for which the Cooperative may be liable under this Agreement. Inasmuch as it will be difficult, if not impossible, to prove the exact amount of such program damages, the Cooperative shall pay to CCC as liquidated damages an amount equal to \$13.00 for each bale of cotton on which an advance or LDP is obtained under this Agreement, but which is not eligible cotton. It is agreed by the Cooperative and CCC that such liquidated damages are reasonable estimates of the probably actual damages that would be incurred by CCC. Such liquidated damages shall be paid by the Cooperative promptly upon demand. Also, the Cooperative shall redeem such cotton upon demand by CCC, as provided in this Agreement, and, upon its failure to redeem such cotton, whether or not demand for redemption is made by CCC, shall be liable for any additional amounts provided in this Agreement. Notwithstanding the foregoing provisions of this paragraph, if it is determined by CCC that the Cooperative did not have knowledge of the ineligibility of the cotton when it was tendered to CCC and that the Cooperative followed a procedure which reasonably could be expected to prevent the tender of ineligible cotton to CCC, liquidated damages shall not be payable to CCC and, if the cotton is made eligible for loan within 90 days from the date notification that it is ineligible is given to the cooperative by CCC, the cotton need not be redeemed.
- 10. **Accounts and Records.** The Cooperative shall keep such accounts and records and shall furnish such information and reports in connection with transactions relating to this Agreement as may be prescribed or requested by CCC subject to the approval of the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995. Duly authorized representatives of the U.S. Department of Agriculture may examine the accounts and records of the Cooperative for any crop at all reasonable times. All records must be kept for 5 years.
- 11. **Continuing Agreement.** This Agreement shall become effective for the 1996 crop of cotton and remain effective for each subsequent crop for which the Cooperative remains approved by CCC in accordance with 7 CFR Part 1425.

IN WITNESS THEREOF, the parties hereto have executed this Agreement, in duplicate to be executed on the date in Item A.

**12. COMMODITY CREDIT CORPORATION:**

A. ATTEST: \_\_\_\_\_ B. By \_\_\_\_\_ C. Date: \_\_\_\_\_  
*(Signature of Contracting Officer)*

**13. COOPERATIVE:**

A. ATTEST: \_\_\_\_\_ B. By \_\_\_\_\_ C. Date: \_\_\_\_\_  
*(Signature of Responsible Party)*

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