

COVER PAGE TO INDEPENDENT CONTRACTOR AGREEMENT

Christensen Farms & Feedlots, Inc.
Address: 23971 County Road 10
P. O. Box 381
Sleepy Eye, MN 56085
Telephone #: 507-794-5310

Producer:
Address:

Telephone #:

**THIS DOCUMENT IS A LEGAL CONTRACT BETWEEN
CHRISTENSEN FARMS & FEEDLOTS, INC., AND YOU.**

READ YOUR CONTRACT CAREFULLY. This cover sheet provides only a brief summary of your contract. This is not the contract and only the terms of the actual contract are legally binding. The contract itself sets forth, in detail, the rights and obligations of both you and Christensen Farms & Feedlots, Inc. (hereinafter "CF"). **IT IS THEREFORE IMPORTANT THAT YOU READ YOUR CONTRACT CAREFULLY.**

MATERIAL RISK DISCLOSURE STATEMENT

Please consider carefully the following risk factors in addition to your personal animal husbandry skills, experience and knowledge before signing this contract.

SWINE PRODUCTION RISKS

- Raising swine for profit depends on many factors. Performance under the terms of this contract does not ensure that you will make a profit. Your profitability is affected by numerous factors. Such factors include, but are not limited to, your own husbandry and management skills, herd health, adverse weather conditions, or other catastrophic loss of the facilities or the hogs on account of factors beyond CF or your control.
- CF may fail to deliver pigs, feed or veterinary services in the quantity or quality described in the contract due to act of God or other unforeseen circumstances.

FINANCIAL RISKS

- Financing of construction or operation of your swine facilities may exceed costs anticipated by you.
- Failure to make payments to repay a third-party lender which has financed construction or operation of your swine facilities may cause your third-party lender to foreclose on the facility or take other collection actions. Default under the terms of your financing with your third-party lender shall also constitute a default under this contract.

REGULATORY RISKS

- You are responsible for obtaining all necessary permits to legally construct and operate the facilities. Failure to obtain such permits may result in enforcement actions being taken against you by authorized regulatory agencies or personnel.
- You are responsible for properly storing, handling and disposing of manure from the facilities. You are exposed to liability for any manure spills or contamination caused by improper storage, handling or disposal.
- The hogs may be quarantined or destroyed by animal health or other regulatory agencies or personnel if the hogs are found to be diseased.
- You are responsible for disposal of all dead hogs. You could be exposed to liability if you fail to properly dispose of all dead hogs.

PAYMENT RISKS

- CF has the right to delay, adjust or offset the amount you are paid under the contract for various reasons. Such reasons include, but are not limited to, performance adjustments, death loss, sort loss, delivery of non-standard, diseased or injured hogs, failure to order feed in a timely manner, failure to make required production reports, failure to provide adequate access to the facilities, failure to clean the facilities between production cycles, failure to maintain required manure storage levels or failure to follow procedures mandated by CF.
- You are required to indemnify, defend and hold CF harmless from all liabilities and causes of action arising from your failure to perform the contract.

TERMINATION RISKS

- CF may terminate this contract prior to expiration of the term of this contract based on your default.
- Upon default, CF has the right to take possession of and to operate the facilities as well as any other property needed to operate the facilities for the duration of the contract.

YOUR RIGHT TO REVIEW AND TERMINATE THE CONTRACT

You may terminate this contract by mailing a written termination notice to CF at the address set forth above within three (3) business days after you receive a copy of the fully signed contract. The written notice of termination will be deemed mailed on the date of the postmark on the envelope.

Received by Producer: _____
Date Initials

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INDEPENDENT CONTRACTOR AGREEMENT
NO MARKET PARTICIPATION

THIS AGREEMENT is made and entered into this ____ day of _____, _____, by and between Christensen Farms & Feedlots, Inc., a Minnesota Corporation, (hereinafter "CF") and _____, whose address is _____ (hereinafter "Producer").

RECITALS:

1. CF produces, grows and markets pigs and wishes to obtain the services of Producer for assisting in such production.
2. Producer currently lacks the facilities but intends to construct a hog growing facility ("Facility") for growing pigs on a contract basis with CF.
3. The parties have had discussions with respect to carrying out the above stated intentions and wish to reduce their understandings and agreements to writing.

NOW, THEREFORE, the parties hereby agree, as follows:

1. **PRECONDITIONS TO DELIVERY OF PIGS.**

- A. **Building and Facilities.** Producer agrees to designate a site of _____ acres, more or less, for construction of a hog growing facility. The Facility shall contain ____ finishing barn(s); a barn being no less than _____ square feet; having approximate dimensions of _____ feet by _____ feet; construction to include all facilities and equipment ancillary and necessary for Producer to operate the Facility. Producer shall make provision for proper and sufficient utilities (including electricity and heat), water, permanent ingress and egress and manure storage and disposal for the duration of this contract. Producer agrees to execute those documents necessary to grant to CF an easement for purposes of ingress and egress from the Facility. Such documents shall also grant access to all water, utilities and manure disposal and the right to take possession of all of the foregoing for the duration of this Contract in the event of Producer's default. If requested by CF or Producer's lender, then Producer at his expense will obtain a survey of the site for purposes of obtaining a legal description in recordable form. Selection of contractors and all Facility site plans and specifications shall be subject to CF's advance approval.
- B. **Financial Requirements.** A condition precedent of this contract shall be proof of Producer's financial ability to construct and operate the Facility. In this regard, Producer, on account of Producer's own business judgment, represents and warrants that Producer shall:

- i. Cause construction of the Facility with financing to a third party lender not to exceed the sum of \$_____.
- ii. Provide to the lender making available such financing a properly perfected first mortgage and/or security interests covering the Facility.
- iii. Provide a payment schedule to CF for its prior approval concerning all construction costs and all financing of the Facility.
- iv. Obtain Lender's acknowledgement that it will not make any future advances under said mortgage and/or security interests other than collection costs, accruing interest or advances necessary to protect lenders collateral. If a default occurs under any such lending agreements, CF or any other person designated by it shall be provided with 30 days' written notice of the default. CF shall have the right, if the Producer is unable, to cure the default.
- v. Obtain and keep in full force and effect for the full term of this contract, life insurance in the amount of 35% of the outstanding principal balance of the loan to said third-party lender. Said coverage shall be assigned and payable to third-party lender. Producer agrees to provide proof of insurance to CF before pigs are placed in the facility. Said coverage may be waived only at CF's discretion and only if Producer is considered uninsurable by more than two insurance companies.

C. **Regulatory Requirements.** A condition of this contract is Producer's having obtained prior approval and satisfaction of all necessary environmental and/or regulatory requirements. Such requirements shall include, but are not limited to, any county zoning requirements, state requirements or permits, manure hauling permits and/or agreements, manure management plan, and any and all other environmental, zoning or regulatory requirements necessary to operate the Facility. In addition, Producer shall incur those expenses and do such things as CF determines to be reasonably necessary to ensure continuous compliance with such regulatory requirements throughout the contract term.

2. **TERM OF CONTRACT.** [OPTION A]

This contract is effective upon execution and thereafter for a term of ten years commencing with the first delivery of pigs to the Facility. Unless sooner terminated by default or by Producer's exercise of the right of early termination set forth at Paragraph 10, at the expiration of the contract term, the contract shall continue from year to year on the same terms and conditions until one party gives the other 365 days written notice of termination. After such notice this Agreement shall expire and be of no further force and affect.

2. **TERM OF CONTRACT. [OPTION B]**

This contract shall be in effect upon execution and thereafter for a term of ten years commencing with the first delivery of pigs to the Facility. Unless sooner terminated by default or by Producer's exercise of the right of early termination set forth at Paragraph 10, CF shall have the option, upon notice to Producer, to extend this Agreement for an additional seven year term on the same terms and conditions as provided for herein (subject to the payment adjustment as provided in the Producer Payment Schedule attached hereto). If CF exercises the Option and at the expiration of the extension of this Agreement, then the contract shall continue from year to year on the same terms and conditions as set forth herein until one party gives the other 365 days written notice of termination. After such notice this Agreement shall expire and be of no further force and affect.

3. **OBLIGATIONS OF CF.**

- A. CF will deliver pigs and Producer will accept all pigs delivered to Producer's Facilities for feeding and rearing on or about _____, 200__.
- B. CF shall retain ownership of the pigs at all times. Producer agrees to execute documents that provide notice that CF is the owner of the pigs.
- C. CF agrees to deliver feed and veterinary services. CF shall also provide general instructions with respect to the care and proper husbandry of pigs. When necessary, at its discretion, CF will assist Producer with any mass treatment of the pigs located on Producer's premises.
- D. CF will perform all marketing functions involving the pigs. Producer will be notified 12 hours in advance of any delivery or removal of pigs from its Facility. Producer will be notified of the number of pigs either to be delivered or marketed. In no event shall pigs be removed from the Producer's Facility without the prior written consent of CF.
- E. Subject to any adjustments permitted by this Agreement, CF shall make payments to Producer for use of Facilities and services rendered under this Agreement according to the Producer payment schedule attached hereto and made a part hereof.

4. **OBLIGATIONS OF PRODUCER.**

- A. Producer agrees to provide the Facility and properly maintain the same at Producer's expense. Producer shall provide all labor and supervision necessary to grow pigs including but not limited to loading and unloading the pigs, dead pig disposal, rodent control and herd security. Producer shall furnish, at Producer's expense, the water, electricity and heat needed for the proper care of the pigs.

- B. Producer shall notify CF immediately of any abnormal conditions that may affect the pigs. Producer shall notify CF upon the death of two or more pigs per barn occurring within a 48-hour period. Failure to notify will entitle CF, at its option, to deduct the value of said pigs from the Producer's next payment(s).**
- C. Producer shall execute and deliver to CF a receipt for all pigs delivered to or removed from Producer's premises. Producer is responsible for any shortage in pig numbers. Shortage of pig numbers shall be determined by comparing the difference between hogs received by Producer minus death loss and hogs actually shipped from Producer's Facility. Producer shall be liable for and pay to CF the value of any shortage in pigs. The pig value shall be determined by comparing the value of hogs marketed from the same shipment in which the pigs were delivered. CF reserves the right to deduct such value from Producer's subsequent payments.**
- D. Producer shall be liable for excessive sort loss, death or nonstandard hogs that are attributable to Producer's neglect or misconduct. The parties agree that Producer neglect or misconduct will not have occurred where excessive sort loss, death or nonstandard hogs are caused by factors not under Producer's control. Death loss in excess of .5% of the total livestock capacity of the Facility occurring during loading and attributable to grower misconduct or neglect shall constitute excessive loss. Under such circumstances, CF, in addition to its other rights and remedies hereunder, CF may deduct the value of said hogs (as determined from hogs marketed in the same shipment) from the Producer's next payment.**
- E. Producer agrees that during the term hereof, Producer will grow pigs only for CF and not for any other party without the prior written consent of CF; the purpose of this restriction being to ensure biosecurity for CF's pigs.**
- F. Producer shall be solely responsible for and is obligated to fully clean the Facility in accordance with CF's specifications within four days of the end of each grow-out period. Failure to timely clean the Facility may prevent CF from delivering pigs. In addition to being a condition of default, CF shall deduct \$_____ per day from the Producer's next monthly payment for each day exceeding of four days from the end of any grow-out period during which the Facility has not been properly cleaned.**
- G. Producer agrees that proper manure handling and removal is critical to the health and performance of the animals. Manure must be removed from the Facility before it reaches within 5 inches of the bottom of the beams that support the slats. If this is not done, CF reserves the right to deduct \$_____ per day per barn from the Producer's payment described above. If Producer does not observe the 5" requirement, or if the manure level threatens herd health, or if compliance with zoning or environmental rules or laws is impaired (as determined by CF), CF may, at its option, hire the removal of the manure from the Facility. CF may then deduct the removal costs from the Producer's next payment.**

- H. Producer is required to promptly order all feed deliveries from CF no later than the earlier of any scheduled feed ordering day established by CF or, in the absence of a scheduled order day, 48 hours prior to feeders running empty. Failure to order delivery of feed, or an inaccurate feed order which requires CF to deliver feed on less than 48 hours advance notice, shall entitle CF to deduct \$_____ per loaded mile for each truckload of feed delivered to the Facility from the Producer's next payment.
- I. Producer warrants that at all times Producer will ensure adequate ingress and egress to the Facility site by roads capable of supporting a minimum of 9-ton per axle load. Producer will pay all charges assessed by township or county government for public road use or maintenance. If the Facility is located off a public road which normally has a lower limit during spring road postings, Producer is responsible for obtaining adequate waivers with the appropriate regulatory authorities for the use of the road as a 9-ton road during that season. Producer is further required to keep the roads serviceable by trucks that will be transporting feed and animals to and from the site. Producer shall be assessed a service fee each time a CF, or CF contractor's vehicle, is unable to move or continue on its own power. The service fee shall be \$_____ if Producer provides the tow. The service fee shall be \$_____ plus the cost of towing if a commercial tow is required to free the vehicle.
- J. Producer shall complete and submit on or before the last business day of each month the monthly reports required by CF. Failure to timely submit reports in addition to being an event of default, shall entitle CF to delay payment for each day a report is overdue.
- K. Producer acknowledges receipt of CF's production handbook containing management specifications and requirements for the Facility. Producer shall, at all times, comply with the Handbook requirements (including subsequent amendments), and shall cooperate with all third parties which may be providing services for CF's pigs.

5. **RIGHT OF INSPECTION.**

CF shall have the right to enter Producer's premises to inspect the pigs. Producer shall not permit visitor traffic or other inspection of the premises without prior written consent of CF. The parties agree that this requirement is imposed to provide disease control at Producer's Facility.

6. **INDEPENDENT CONTRACTOR STATUS.**

- A. Neither Producer nor Producer's employees are employees of CF. Instead, Producer and/or Producer's employees are independent contractors engaged by CF to perform services under this Agreement. Producer is not therefore authorized to act as an agent of CF for any purpose whatsoever.

B. Producer agrees to:

- i. Purchase and maintain property and casualty insurance on the Facility in an amount no less than the full cost of replacement of the same.
- ii. Purchase and maintain property and casualty insurance, (in a form acceptable to CF) on all pigs, to include but not be limited to loss due to theft, structural failure or suffocation. Said coverage shall be in an amount no less than the full insurable value of the pigs at market weight (but in no event with limits higher than \$ _____). CF shall be named as a co-loss payee.
- iii. Purchase and maintain comprehensive liability insurance for all injuries or property damage which may occur on the Facility premises. Said policy shall contain minimum limits of \$ _____ for any one person and \$ _____ for any one occurrence and \$ _____ for property damage with CF being named as co-loss payee.
- iv. Indemnify, defend and hold harmless CF and its officers, directors, employees, affiliates, successors and assigns, from all claims, liabilities, actions, losses, damages and expenses (including costs and counsel fees) which may be caused by Producer or which may relate to any of Producer's breach. Producer expressly agrees that manure storage, field application of manure, dead pig disposal, and all rules, regulations and other public or private requirements or obligations with regard to the same or to operation of the facility are solely the responsibility of Producer. If any claim, cause of action, demand or regulatory proceeding is commenced with regard to manure storage, manure application, dead pig disposal, operation of the facility, or acts or omissions related thereto, Producer agrees to defend, indemnify and hold harmless CF from all such claims, actions, demands or proceedings.

7. FORCE MAJEURE.

Neither party shall be liable in any respect for failure, delay in fulfillment or performance of this contract if hindered or prevented, directly or indirectly, by fire, flood, storms or other acts of God.

8. DEFAULT.

- A. Default is a material breach of a term or condition hereof or of any other agreement referred to herein. Upon default, the non-defaulting party must provide 30 days' written notice (or such other time as may be required by law) of the default to the non-default party. If the default is not cured within 30 days then in addition to the option of terminating this Agreement, the non-defaulting party

shall have all remedies that may exist at law or in equity. Such remedies shall include the remedy of specific performance. Any remedies of the non-defaulting party shall be subject to any rights to arbitration or mediation that may exist under state law. In no event shall any time allowed to cure a default nor shall any time allowed for any right of mediation or arbitration preclude the non-defaulting party from seeking injunctive or other relief (to include the remedies set forth at Paragraph 9.0).

- B. The parties agree that Producer's default under any loan agreements with a third-party lender shall also constitute a default of this Agreement.
- C. The parties agree that a default by the Producer shall occur if the Producer becomes bankrupt or insolvent or is involuntarily placed into the hands of a receiver, assignee or trustee in bankruptcy. It shall also be a default for Producer to cause or permit the creation of any lien or encumbrance on the Facility other than the third-party lender's mortgage, without CF's prior written consent.
- D. The parties agree that Producer's failure to follow CF's reasonable instructions directed toward correction of performance with respect to feed waste, mortality, proper animal husbandry or delivery of pigs shall also constitute a default.
- E.
 - i. If a dispute as to the meaning of contract terms arises, a party may request mediation or arbitration of the other, if so required by law. The right to mediate or arbitrate shall not, however, apply to a party's default of this agreement unless required by law.
 - ii. If mediation or arbitration is required by law, CF shall select whether the parties shall undertake mediation or arbitration. If arbitration is selected, CF shall decide whether the same is binding or non-binding. The mediator or arbitrator, as the case may be, shall be selected from the Minnesota Supreme Court Qualified Roster of ADR Neutrals or a similar list in effect in the state where CF determines such arbitration or mediation is to be held. If mediation is selected by CF, the parties will confer within ten (10) days of written notice of the mediation request and select a mutually agreeable mediator. If the parties are unable to agree, CF shall select the mediator within five (5) additional days. If an applicable request for arbitration is made, the parties shall confer within ten (10) days of the date of such request and select a mutually agreeable arbitrator. If the parties are unable to agree, each party shall select an arbitrator and the two arbitrators selected shall designate a third arbitrator to act as an arbitration panel. Each party shall bear their own expense in connection with any mediation or arbitration.

9. SPECIFIC REMEDIES OF CF.

The parties agree this independent contract for growing of pigs is unique in nature. The parties further agree that CF relies upon the Producer's Facilities for proper production of hogs owned by it. Accordingly, in the event that Producer is in default and whether or not this Agreement is terminated on account thereof, CF at its option shall specifically retain the right to:

- A. Discontinue payments to Producer (except as provided below). CF may also take possession of the Producer's Facility and to make monthly payments based on payment schedules that are owing to the pre-existing third-party lender and in all respects to continue growing pigs at Producer's Facility under CF's exclusive direction and control for the balance of this contract term.
- B. Producer specifically consents to CF taking possession of said premises in the event of default. Producer agrees not to hinder or in any way interfere with CF's use, possession or quiet enjoyment of the premises. Producer agrees to permit CF to continue to maintain access to all water and utilities, ingress and egress, and land for manure disposal necessary to operate the Facility. Producer agrees to otherwise cooperate with CF's taking possession and continuing to raise pigs in the Facility. In connection therewith, Producer has executed the Easement/Assignment attached hereto.
- C. If CF chooses to exercise the option to take possession of the facility, it shall pay an annual rental of \$ _____ per year to Producer for as long as it has possession under the remaining term of the contract. CF reserves the right to make and Producer consents to all or a portion of such payments being made to any pre-existing third-party lender or other party where failure to make payments to that party would in CF's determination cause its use, possession and quiet enjoyment of the premises to be placed in jeopardy. CF reserves the right to make such payments annually, monthly, or on such other basis as CF determines appropriate. CF also reserves the right to terminate the annual rental payments together with its use of Producer's premises at any time. If CF exercises its rights under this paragraph, then so long as it is in possession it shall ensure the payment of all real estate taxes, insurance and utilities. At the end of possession, CF shall return the Facility to Producer in as good a condition as at the time of taking possession, normal wear and tear excepted.
- D. CF, at its option, may perform any of the duties required of the Producer under this contract to the extent necessary to cure Producer's default. If CF so performs, it may deduct \$ _____ per hour for performance of these duties from the Producer's next payment.
- E. CF reserves the right to deduct from Producer's payments such amounts as may be necessary to pay and/or otherwise satisfy third party claims. Such claims include, but are not limited to mechanics liens, claims of judgment and other

claims or demands resulting in an encumbrance or lien upon the facility or which may impair Producer's right to possession or operation of the same.

- F. Because of the unique nature of the agreement between the parties, Producer understands and agrees that the rights and remedies granted herein, including in this Paragraph 9.0 shall be specifically enforceable and may be enforced by injunctive relief or otherwise in the event that Producer fails or refuses to cooperate with regard to surrender of possession of the Facility upon his default and shall survive any termination of this Agreement.

10. **RIGHT OF EARLY TERMINATION.**

Producer may unilaterally terminate this Agreement but only within the first 42 months from execution hereof and only upon the following conditions:

- A. Producer must provide 365 days written notice of termination to CF. Such notice must be given no later than the end of the 30th month following execution hereof. Notwithstanding the foregoing, if this Agreement is terminated in accordance with Paragraph 10.D below, this Agreement may be terminated at any time subject to the 365 days notification period and proof of release of CF as described at Paragraph 10.C. below.
- B. Cash payment to CF within sixty days of said notice in an amount equal to \$_____ per pig for the number of pigs that CF could have finished at Producer's facility over the remaining balance of the ten year contract term. Producer agrees that CF can finish _____ pigs per year at the facility.
- C. Proof of release of CF (in a form acceptable to it) of and from any and all financial and/or other liability whether fixed, contingent or unliquidated that CF may have on account of Producer's facility.
- D. CF agrees to reduce the cash payment required by Paragraph 10.B above to \$_____ per pig if Producer establishes to CF's satisfaction that Producer will be the sole and whole owner of the livestock to be placed in the facility, and is using conventional financing without outside guarantees from any agri-business firm.

11. **ASSIGNMENT.**

The parties understand and acknowledge that CF may assign this Agreement without Producer's consent. Any assignment by Producer is ineffective without CF's prior written consent.

12. **WAIVER.**

No waiver of any term or provision of this Agreement shall be effective unless set forth in a written document signed by the party charged thereby. Any waiver shall be limited to the circumstance or event specifically referenced in the written waiver document and shall not be deemed a waiver of any other term or provision of this Agreement or of the same circumstance or event upon any recurrence thereof.

13. **ENTIRE AGREEMENT.**

The foregoing constitutes the entire agreement between the parties. No modification of any of the terms or conditions contained herein may be made except by subsequent written documents signed by both parties.

14. **SUCCESSORS BOUND.**

The provisions of this Agreement shall inure to the benefit of and be binding upon the heirs, successors and assigns of the parties.

15. **EXECUTION OF DOCUMENTS.**

All parties agree to execute any and all documents necessary to implement the full terms and conditions of this Agreement.

16. **GOVERNING LAW.**

The parties agree that this Agreement is made in Brown County in the State of Minnesota and shall be governed by and construed in accordance with the laws of the State of Minnesota. Any dispute arising herefrom shall be venued in a Court or other appropriate forum of dispute resolution located in the City of New Ulm, Brown County, State of Minnesota.

IN WITNESS WHEREOF, the undersigned parties execute this Agreement to be effective on the day and year written above.

PRODUCER:

CHRISTENSEN FARMS & FEEDLOTS, INC.

By _____

Its _____

EXHIBIT "A"

PRODUCER PAYMENT SCHEDULE

I. **Producer Payment.** Producer is entitled to receive a payment of \$_____ per barn per month (subject to any deductions provided for in this Agreement) commencing the 7th business day of the month following delivery of pigs to Producer's facility. Payments made upon population of the facility and at close out of the facility will be pro-rated by day as a barn is filled or emptied during the preceding month.

II. **Annual Review.** Producer will receive an annual written review and, if requested, an oral interview with respect to Producer's contract performance. The annual review shall be completed as soon as possible on or before the anniversary date of execution of this Agreement. CF shall consider in Producer's annual review all of those factors determined by it to be relevant to efficient, economical and profitable production of pigs. Factors considered by CF shall include but not be limited to Facility management, production efficiency, pig quality and health, cooperation with CF personnel and other Producers and industry personnel.

III. **Merit Review.** The annual reviews conducted during the second, fourth and sixth year of the Agreement shall also be considered merit reviews. Producer's base pay for the period between merit reviews may be adjusted upward or downward by CF at the conclusion of the merit review based upon CF's sole determination as to whether a merit adjustment is appropriate.

IV. **Performance Adjustment.** At any time during the term of this Agreement, CF shall be entitled to make a performance adjustment to Producer's monthly payment. A performance adjustment shall not be in lieu of, and CF reserves the right to declare a Producer to be in default of this Agreement. To make a performance adjustment, CF may, after an oral notice within 14 days, followed by a written notice (if performance is not corrected), reduce Producer's monthly payment by 5% for each uncorrected deficiency (as identified in the oral and written notices) in Producer's performance of this Agreement. At such time as CF, in its sole discretion determines that the deficiency in performance has been corrected, it shall resume monthly Producer payments without the performance adjustment.

V. **[OPTION B] Payment on Contract Extension.** At the end of the term of the contract and in the event the contract is extended pursuant to Paragraph 2 of the Independent Contractor Agreement, then Producer's monthly payment shall be adjusted. Producer's payment shall (subject to the deductions provided for in the Independent Contract) be adjusted to 85% of the average market rate for facilities comparable to those of Producer as determined from studies commissioned from time to time by CF and which studies shall be prepared by the University of Minnesota Department of Agricultural and Applied Economics. In the event the contract is extended, merit reviews will be done two times during each five year extension of the contract.

V. **[VI.] Other Terms.**

- A. A part of Producer's annual and merit review will be based on Pig Champ and other records and reports as maintained by CF. It shall be Producer's responsibility to provide all necessary and accurate information with respect to the preparation of such reports.
- B. Producer agrees that, if required by Producer's third-party lender and only upon written notice from said lender, a monthly portion of the Producer's payments in the sum of \$_____ (or such other amounts as may be required under Producer's Promissory Note/Loan Agreement with third-party lender), shall be paid directly by CF to Producer's lender. Such payments shall be applied on the payment schedule established by said lender with respect to Producer's facility.
- C. Any payments due and owing to Producer are subject to CF's right of offset, deduction, or delay of payment as may be more fully set forth in the Independent Contractor Agreement attached hereto.
- D. **[OPTIONAL]** Producer agrees to escrow \$_____/barn/month with Producer's lender for normal and ordinary repairs and maintenance and to use said escrowed sums only for such purposes and with CF's advance consent.

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