

uslp Livestock Warranty: Beef Cattle

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Overview of uslp Livestock Warranty: Beef Cattle

THIS WARRANTY OFFERS PEACE OF MIND AGAINST THE FINANCIAL EXPOSURES IDENTIFIED HEREIN. THIS BEEF CATTLE WARRANTY (HEREINAFTER “WARRANTY”) IS AN AGREEMENT BETWEEN UNITED STATES LIVESTOCK PRODUCERS (HEREINAFTER “uslp”) AND YOU. UPON PAYMENT OF YOUR APPLICABLE WARRANTY FEE, uslp AGREES TO PAY CERTAIN COSTS ASSOCIATED WITH MORTALITY AND REVENUE LOSS/ADDITIONAL EXPENSES, RESULTING FROM SPECIFIED DISEASES AFFECTING YOUR ENROLLED BEEF CATTLE. ADDITIONALLY, COVERAGE IS ALSO PROVIDED UNDER THIS WARRANTY FOR CERTAIN DAMAGES AND EXPENSES ASSOCIATED WITH TRACEBACK LIABILITY. THE FINANCIAL EXTENT OF THE WARRANTY COVERAGE IS BASED ON THE VALUES YOU ESTABLISH AND THAT uslp ACCEPTS FOR YOUR CUSTOMIZED PROGRAM. THE SPECIFIED DISEASES ARE FOOT AND MOUTH DISEASE, BOVINE SPONGIFORM ENCEPHALOPATHY (BSE), BOVINE TUBERCULOSIS, BOVINE BRUCELLOSIS, AND ANTHRAX. THIS IS A SUMMARY AND IS INTENDED TO PROVIDE A GENERAL OVERVIEW OF THE WARRANTY PROVISIONS. PLEASE READ THE ENTIRE WARRANTY CAREFULLY FOR DETAILS OF THE SPECIFIC COVERAGE. IN THE EVENT OF A CONFLICT BETWEEN THIS INTRODUCTION AND A WARRANTY PROVISION, THEN THE WARRANTY PROVISION WILL CONTROL.

uslp Livestock Warranty: Beef Cattle

Throughout this **Warranty**, the words “you,” “your,” or “**Warranty holder**” refer to the Person who purchased the **Warranty** coverage. The words “we,” “us,” and “our” refer to uslp. Unless the context indicates otherwise, use of the singular form of a word includes the plural and use of the plural form of a word includes the singular. If there is a conflict between this **Warranty**, the **uslp Membership Guidelines**, the **uslp Online Membership Services**, and/or any documents for administration of this **Warranty**, then this **Warranty** shall control. (Terms in **Boldface Type**, other than the section headings, are defined in Section 21 of this **Warranty**.) Notwithstanding values shown on the **uslp Online Membership Services** and the size of your **Herd**, the maximum amounts we will pay you for Covered Events under this **Warranty** are subject to Protection Limits set forth on your *Exhibit A: Coverage, Limits, and Compliance*.

1. BEEF CATTLE WARRANTY. This **Warranty** is offered only to those **Persons** who have **Possession** of certain **Classes of Eligible Beef Cattle** and who satisfy the **uslp Membership Guidelines**. The **uslp Membership Guidelines** are intended to help to reduce the frequency and impact of **Specified Disease** outbreaks. If you choose to purchase a **Warranty**, you should purchase **Warranty** coverage on the maximum expected **Herd** inventory of cattle for the year for each of the **Classes of Eligible Beef Cattle**, provided values are shown on the **uslp Online Membership Services**. **Classes of Eligible Beef Cattle** include:

- **Cow/Calf**
- **Registered Cow/Calf**

- **Replacement Heifer**
- **Bull**
- **Feeder or Stocker Less than 700 lbs Class**
- **Feeder or Stocker from 700 lbs to 900 lbs Class**
- **Feeder Greater than 900 lbs Class**

1.1. Your Responsibilities.

(a) To purchase **Warranty** coverage on any **Class of Eligible Beef Cattle**, you must be in compliance with each of the following conditions prior to the **Effective Date** of the **Warranty**:

1. You must be a member in good standing of uslp and agree to abide by each of the **uslp Membership Guidelines**.
2. You must accept this **Warranty** agreement and *Exhibit A: Coverage, Limits, and Compliance*.
3. You must pay the **Warranty** fees.

(b) To maintain **Warranty** coverage in effect on any **Class of Eligible Beef Cattle**, compliance with each of the following conditions is required:

1. You must at all times comply with the **uslp Membership Guidelines**.
2. To maintain the full coverage you have chosen, you must enroll the maximum number of animals (by **Class**) you expect to have in your **Herd** at any time during the period of the purchased **Warranty**. See Section 8 for the action uslp will take if you fail to enroll the required number of animals.
3. In certain limited regions, you must have complied with **Specified Disease** regional requirements before a Covered Event occurs. If this applies to your region, specific requirements are declared on your *Exhibit A: Coverage, Limits, and Compliance*.
4. You must at all times comply with any **Warranty** Special Condition which is declared on your *Exhibit A: Coverage, Limits, and Compliance*.

Failure to remain in compliance with any of these conditions shall result in the denial of any coverage under this **Warranty**.

1.2 Covered Events.

- **Mortality** during the **Warranty** Period as a result of destruction or depopulation of one or more **Enrolled Animals** pursuant to a **Destruction Order**; or **Mortality** during the **Warranty** Period identified by an **Appropriate Authority** as resulting from the presence of any of the covered **Specified Diseases**.
- Revenue Loss/Additional Expense as the result of a **Quarantine Action Initiated** during the **Warranty** Period associated with **Maintenance** of **Enrolled Animals** during a **Quarantine Period**, which lasts a minimum of seven (7) consecutive days, provided the **Quarantine Action** was declared as

a result of a **Confirmed Positive Test** for an **Enrolled Animal** included under the **Warranty** or provided you were forced by the action of an **Appropriate Authority** to destroy or slaughter **Enrolled Animals** that would otherwise be maintained in your **Herd**.

- **Traceback Liability**, which you are determined to have to others as a result of an adjudication or settlement of a covered **Traceback Claim** brought against you during the **Warranty** Period by a consumer of **Food Product** derived from one or more **Enrolled Animals**, as a result of a **Traceback Action** of which uslp has been advised in accordance with the terms of this **Warranty** involving one or more **Enrolled Animals**.

1.3 Payments Made to You if a Covered Event Occurs. Payments made by us under this **Warranty** will not exceed the following limits for each of the Covered Events and are further subject to Section 8, Inventory in Excess of Warranty:

- For **Mortality** due to a **Specified Disease**, the Coverage per **Head** declared on your *Exhibit A: Coverage, Limits, and Compliance* for each **Class** of **Enrolled Animals** multiplied by the number of **Enrolled Animals** in the affected **Class** that are slaughtered or destroyed pursuant to a **Destruction Order** or whose death is identified by an **Appropriate Authority** as resulting from the presence of any of the covered **Specified Diseases**, subject to the Protection Limit declared on your *Exhibit A: Coverage, Limits, and Compliance*. A portion of this value may be an advance of any amount that may be due to you at any time from **USDA** or any other responsible third party, from which you have authorized us to collect on your behalf (see Section 9, Subrogation).
- For Revenue Loss/Additional Expense resulting from a **Quarantine Action**, the Coverage per **Head** declared on your *Exhibit A: Coverage, Limits, and Compliance* multiplied by the number of **Enrolled Animals** affected by the **Quarantine Action** subject to the Protection Limit declared on your *Exhibit A: Coverage, Limits, and Compliance*.
- For **Traceback Liability**, the Protection Limit declared on your *Exhibit A: Coverage, Limits, and Compliance*, for the **Warranty** in effect at the time the **Traceback Claim** is **Initiated**. We will pay damage amounts within the applicable Protection Limit that you become legally obligated to pay through an adjudication or settlement of a **Traceback Claim**. We shall have the right and the duty to defend you against a **Traceback Claim** and may investigate and settle any **Traceback Claims** arising from such actions at our sole option. At our sole option we may also investigate and defend a **Traceback Action** that has not resulted in a **Traceback Claim**. Notwithstanding anything to the contrary herein:
 - The total amount paid for damages and defense for all **Traceback Liability** covered by this **Warranty** shall not exceed the Protection Limit applicable to **Traceback Liability** declared on your *Exhibit A: Coverage, Limits, and Compliance*, regardless of the number of **Traceback Actions**, **Traceback Claims** or claimants.

- Amounts paid by us for either damages or defense will reduce the available Protection Limit applicable to Traceback Liability declared on your *Exhibit A: Coverage, Limits, and Compliance*; and
- Our duty to investigate and defend **Traceback Claims** ends when the Protection Limit applicable to Traceback Liability declared on your *Exhibit A: Coverage, Limits, and Compliance* is exhausted by payments of judgments, settlements, legal fees, other costs incurred in the investigation or defense of **Traceback Claims** or **Traceback Actions**, or any combination of these events.

You may not, except at your own cost, voluntarily make any payment, assume any obligation, or incur any expense, without our consent.

1.4 Exclusions and Limitations on Warranty Payments. This **Warranty** does not extend to:

- a) For any Covered Event:
 - Any animal other than those **Enrolled Animals** that have been maintained in compliance with **uslp Membership Guidelines**.
 - Any losses, liability, damages, expenses, or legal fees and other litigation costs, resulting from any cause other than a qualifying **Mortality**, Revenue Loss/Additional Expense, or Traceback Liability.
 - Any losses, liability, damages, expenses, legal fees and other litigation costs that result from non-compliance with the **uslp Membership Guidelines** or any losses, liability, damages, expenses, legal fees and other litigation costs that result from the reckless, deliberate or intentional mismanagement or wrongdoing by you or any **Person** for whom or which you are responsible.
 - Losses, liability, damages, expenses, legal fees and other litigation costs which are covered under any prior or subsequent **Warranty** issued by us. In no event shall we make any payments to you for the same Covered Event under more than one **Warranty**.
 - Any losses, liability, damages, expenses, legal fees and other litigation costs that result from a **Specified Disease** that is expressly excluded on your *Exhibit A: Coverage, Limits, and Compliance*.
 - Any losses, liability, damages, expenses, legal fees and other litigation costs that result from non-adherence to any regional requirements for a **Specified Disease** expressly declared on your *Exhibit A: Coverage, Limits, and Compliance*.
 - Any losses, liability, damages, expenses, legal fees and other litigation costs that result from non-adherence to any **Warranty** Special Conditions expressly declared on your *Exhibit A: Coverage, Limits, and Compliance*.
 - Any losses, liability, damages, expenses, legal fees or other litigation costs caused by any nuclear explosion, pollution or contamination. This **Warranty** also does not extend to absolutely any losses, liability, damages, expenses, legal fees or other litigation costs caused by any action taken to control, prevent, suppress, remove, dispose, abate, clean

up, decontaminate, retaliate or respond to any nuclear explosion, pollution or contamination.

b) For **Mortality**:

- Any **Mortality** which occurs (a) prior to the **Effective Date**, or (b) after the date this **Warranty** has been terminated for any reason.

c) For Revenue Loss/Additional Expense:

- Any Revenue Loss/Additional Expense incurred during any period other than during a **Quarantine Action Initiated** during the **Warranty** Period (see Section 2), or to any loss in value that results from diminution of the market price of the **Enrolled Animals** at any time from any cause.
- Any Revenue Loss/Additional Expense incurred because of a **Quarantine Action** which results in a **Quarantine Period** which is less than seven (7) consecutive days in duration.

d) For Traceback Liability:

- Any Traceback Liability arising from a **Traceback Claim** (a) **Initiated** against you after the date this **Warranty** has been terminated for any reason or (b) arising out of any event that occurred prior to the **Retroactive Date**. Provided, however, that if pursuant to Section 1.3 we choose to investigate and defend a **Traceback Action Initiated** during the **Warranty** Period that results in a **Traceback Claim Initiated** in a subsequent **Warranty** Period, we will treat such **Traceback Claim** as having been **Initiated** during the **Warranty** Period of this **Warranty** so long as there has been no **Break in Coverage** between the **Initiation** of the **Traceback Action** and the **Initiation** of the resulting **Traceback Claim**.
- Any Traceback Liability arising from a **Traceback Claim Initiated** against you as the result of a **Traceback Action Initiated** prior to the **Retroactive Date**.
- More than one **Traceback Claim** arising out of a single **Traceback Action** within the same **Herd** will be treated as a single **Traceback Claim** and shall be deemed to have been **Initiated** at the time the first such **Traceback Claim** is **Initiated** provided that there has been no **Break in Coverage**, even if such **Traceback Claims** are **Initiated** during different **Warranty** Periods.
- Any loss or damage to any property, including but not limited to loss in value that results from diminution of the market price of any animal in your **Herd** at any time as the result of a **Traceback Action** or **Traceback Claim**.
- Consequential damages or economic loss of any kind.

2. WARRANTY PERIOD – The **Warranty** coverage extends from the **Effective Date** until the date each **Warranty** terminates for any reason (see Section 2.3).

2.1 Effective Date. Provided you are in compliance with all the conditions of this **Warranty**, this **Warranty** is effective as of the date indicated on an electronic communication you will receive from uslp advising you that the **Warranty** is in effect. If this is a renewal of a previous **Warranty** (see Section 2.6) we must receive payment of the **Warranty** fees within 30 calendar days following the termination date of the previous **Warranty**, otherwise there will be a **Break in Coverage** and this **Warranty** will be null and void and no coverage will be provided to you under this **Warranty**. If this is a renewal of a previous **Warranty** and we receive payment within 30 calendar days following the termination date of the previous **Warranty**, the **Effective Date** will be the day following the termination date of the previous **Warranty** and there will be no **Break in Coverage**.

2.2 Retroactive Date. The **Retroactive Date** is the **Effective Date** of the first Livestock **Warranty** you purchase from us provided there is no **Break in Coverage**. In the event of a **Break in Coverage**, the **Retroactive Date** will be the **Effective Date** of the first Livestock **Warranty** you purchase from us after the occurrence of the most recent **Break in Coverage**.

2.3 Termination of Warranty. Each **Warranty** continues in effect for a period of time that begins with the **Effective Date** and terminates on the earliest of:

- The same date as the **Enrollment Date** of each **Warranty** twelve months later;
- The date upon which you are not in compliance with each of the conditions of Section 1.1(b) of this **Warranty**;
- The date upon which you terminate your membership in uslp; or
- The date upon which uslp terminates this **Warranty** for “cause” pursuant to and as further limited by Section 18 of this **Warranty**.

2.4 Termination of Certain Warranty Coverage for Individual Enrolled Animals. Notwithstanding anything contained in Section 2.3 of this **Warranty**, coverage under each **Warranty** with respect to **Mortality** and Revenue Loss/Additional Expense for an individual **Enrolled Animal** shall terminate on the earliest of the date the **Warranty** is terminated for any reason, or the date:

- Upon which you transfer ownership of such animal to another **Person**;
- A change in **Possession** of such animal results in a change in classification (e.g., from a calf in a **Cow/Calf** operation to **Stocker**); or
- A change in classification of an **Enrolled Animal** while remaining in your **Possession** unless that animal is enrolled in a uslp **Warranty** by you in the appropriate **Class(es)** without a **Break in Coverage**.

2.5 Termination of Coverage for Traceback Liability. Coverage for Traceback Liability ceases upon the occurrence of a **Break in Coverage**.

2.6 Renewal of Warranty. The **Warranty** may be renewed subject to changes, revisions and amendments necessary to comport with the changes, revisions and amendments uslp makes to its forms (including this **Warranty**) during the previous **Warranty** period upon acceptance by and at the sole discretion of uslp of your properly completed *Exhibit A*:

Coverage, Limits, and Compliance and payment of the **Warranty** fees in accordance with the date of termination pursuant to Sections 2.1 and 2.3 of this **Warranty**. Your continued compliance with all the terms and conditions of this **Warranty** shall be a condition of such renewal. Such renewal will not affect the **Retroactive Date**, providing you with continuous coverage against Covered Events. The nonrenewal of this **Warranty** shall result in a **Break in Coverage**.

2.7 Warranty Fees. **Warranty** fees are based on the values you declare and that uslp accepts for each **Class of Beef Cattle** included under the **Warranty**, as follows:

- For **Mortality**, an amount for each **Head**, as appropriate, of **Enrolled Animals**;
- For Revenue Loss/Additional Expense, an amount for each **Head**, as appropriate, of **Enrolled Animals**; and
- For Traceback Liability, the fee applicable to the Protection Limit as reported on your *Exhibit A: Coverage, Limits, and Compliance*.

3. REQUIRED NOTICES. You must notify us as soon as possible but not later than 6:00 pm Mountain Time of the third (3rd) business day after any of the following:

- You are notified by an **Appropriate Authority** that any of the **Enrolled Animals** are subject to a **Quarantine Action**.
- You have reason to know or suspect that one or more of the animals in your **Herd** is infected with any of the **Specified Diseases**. You also must notify the **Appropriate Authority**.
- You are notified that a **Traceback Claim** has been or will be filed against you due to a **Traceback Action** involving one or more **Enrolled Animals**.
- You become aware or have reason to know or suspect that a **Quarantine Action** or a **Traceback Action** or **Traceback Claim** has been **Initiated** against you with respect to any animal in your **Herd** covered by this **Warranty**.

You must notify us of any of these events by means of the **uslp Online Membership Services**. In addition, during business hours (posted on the **uslp Online Membership Services**), assistance is available by telephone (1-800-439-9706). We will acknowledge receipt of this notice by electronic mail. If you do not receive an acknowledgement from us within three (3) calendar days after you initially provided notice, you are required to immediately advise us by means of the **uslp Online Membership Services** that such acknowledgement has not been received by you.

Your failure to comply with the notices required by this Section shall result in the denial of any coverage under this Warranty for such Covered Event.

4. YOUR DUTIES IN THE EVENT OF QUARANTINE OR TRACEBACK ACTION OR SUSPICION OF INFECTION. You must cooperate fully with us in the investigation and defense of any matter for which coverage is sought under this **Warranty**. You must cooperate fully with the **Appropriate Authority's** instructions. If you have reason to

know or suspect that one or more animals in your **Herd** is infected with any of the **Specified Diseases**, you must take all appropriate actions to limit the spread of any of the **Specified Diseases** in addition to the Notices required under Section 3.

5. MEMBER CLAIMS UNDER THE WARRANTY. In addition to any other conditions of this **Warranty** including but not limited to the Notices required under Section 3, all **Member Claims** for **Mortality** and Revenue Loss/Additional Expense must be submitted to uslp by means of the **uslp Online Membership Services** on the earliest of before 6:00 pm Mountain Time of the tenth (10th) business day after (a) any animal in your **Herd** has died from or been destroyed as a result of a **Specified Disease**, (b) notification to you by an **Appropriate Authority** of a **Quarantine Action** or **Hold Order** associated with your **Herd**, or (c) the termination date of each **Warranty** (see Section 2.3).

Your **Member Claim** for a loss due to a Covered Event described in Section 1.2 must declare any liens or other encumbrances held by another **Person** against the **Enrolled Animals**.

6. PAYMENTS UNDER THE WARRANTY. A payment will not be made until we have verified that a Covered Event has occurred and that you have complied with all terms and conditions of the **Warranty**. In addition, you must remit to us appropriate documentation of any **Net Proceeds** of the sale of **Enrolled Animals** sold for slaughter before the date of our payment to you. Your **Warranty** payment will be reduced in accordance with the amount of these **Net Proceeds** and will be subject to our rights of subrogation and recovery under Section 9.

7. ADHERENCE TO STANDARDS. You must at all times comply with the terms of the **Warranty** and the **uslp Membership Guidelines**.

8. INVENTORY IN EXCESS OF WARRANTY. Although you are required to enroll all animals as directed by Section 1 to maintain full coverage, we acknowledge that minor differences in numbers of animals may inadvertently occur from time to time. In the event you fail to maintain **Warranty** coverage that includes at least ninety percent (90%) of the animals in your **Herd**, at the time of a Covered Event, we will modify the payments specified in Section 1.3 as follows:

(a) We first determine the **Mortality** coverage ratio and the **Herd** coverage ratio, as follows:

(1) The **Mortality** coverage ratio is the number of animals in a **Class** included in your *Exhibit A: Coverage, Limits, and Compliance* divided by the total number of animals of the **Class** that are in your **Herd**;

(2) The **Herd** coverage ratio is the number of animals included in your *Exhibit A: Coverage, Limits, and Compliance* divided by the total number of animals in your **Herd**,

(b) We will then reduce the total payment for a Covered Event as follows:

(1) For **Mortality** due to a **Specified Disease**, we will multiply the Coverage per **Head** declared on your *Exhibit A: Coverage, Limits, and Compliance* for each **Class of Enrolled Animals** by the number of **Enrolled Animals** in the affected **Class** that (as determined by an **Appropriate Authority**) suffer a qualifying **Mortality** pursuant to Section 1.2 and by the **Mortality** coverage ratio.

(2) For Revenue Loss/Additional Expense, we will multiply the Coverage per **Head** declared on your *Exhibit A: Coverage, Limits, and Compliance* for each **Head of Enrolled Animals** by the number of **Enrolled Animals** placed under quarantine by an **Appropriate Authority** and by the **Herd** coverage ratio.

(3) For Traceback Liability, we will multiply the Protection Limit declared on your *Exhibit A: Coverage, Limits, and Compliance* by the **Herd** coverage ratio.

All other provisions of Section 1.3 will remain in effect.

Example A:

Member A from Park County, Montana selects:

Bronze coverage price for **Mortality**:

\$1,400 per **Head** for **Cow/Calf** pairs,

\$1,000 per **Head** for **Replacement Heifers**, and

\$2,800 per **Head** for **Bulls**

Bronze coverage price for Revenue Loss/Additional Expense:

\$195.00 a **Head**, and

Bronze coverage price for Traceback Liability:

\$1,050,000

Member A enrolls under **Warranty**:

600 **Cow/Calf** pairs,

100 **Replacement Heifers**, and

30 **Bulls**.

Member A's cattle are placed under a **Quarantine Action** for 180 days. During the **Quarantine Period**, Member A is ordered to depopulate 50 **Cow/Calf** pairs.

Member A submits a **Mortality** and Revenue Loss/Additional Expense claim for payment under the terms of the **Warranty** for \$148,000 which is less than the Protection Limit for payments under the **Warranty**:

50 **Head** times \$1,400 per **Head** for depopulation of **Cow/Calf** pairs, and

300 pair plus 100 **Replacement Heifers** times \$195.00 per **Head** for Revenue Loss/Additional Expense.

Upon receiving verification documentation of the **Quarantine Period** and subsequent **Destruction Order**, uslp is provided information that:

1) Member A has:

A **Cow/Calf Herd** numbering 900 pair,

- A **Replacement Heifer Herd** numbering 110, and
 A **Bull Herd** numbering 36,
- 2) 50 **Cow/Calf** pairs had been slaughtered or destroyed pursuant to a **Destruction Order**,
 - 3) 300 **Cow/Calf** pairs and 110 **Replacement Heifers** were placed under quarantine,
 - 4) The affected 50 **Cow/Calf** pairs were sold at auction for the aforementioned slaughter and generated **Net Proceeds** of \$12,500 after commissions and other sales fees, and
 - 5) These **Net Proceeds** have been remitted to uslp, so no reduction in the **Warranty** payment for this income is required.

Using this information, we determine the **Mortality** coverage ratio for each of the covered **Classes of Enrolled Animal** for Member A as:

Cow/Calf

600 **Enrolled Animals** divided by 900 in the **Herd** = .67.

Since this is less than 90%, the **Mortality** coverage ratio for **Cow/Calf** is .67.

Replacement Heifer

100 **Enrolled Animals** divided by 110 in the **Herd** = .91.

Since this is greater than 90%, the **Mortality** coverage ratio for **Replacement Heifers** is 1.

Bulls

30 **Enrolled Animals** divided by 36 in the **Herd** = .83.

Since this is less than 90%, the **Mortality** coverage ratio for **Bulls** is .83.

We further determine the **Herd** coverage ratio as:

Total **Enrolled Animals** = 600 plus 100 plus 30 = 730

Total animals in the **Herd** = 900 plus 110 plus 36 = 1,046

730 divided by 1,046 = .70.

Since this is less than 90%, the **Herd** coverage ratio = .70.

From this information, Member A failed to maintain under **Warranty** at least 90% of the number of **Cow/Calf** pairs and **Bulls** in their **Herd**. Furthermore, Member A failed to maintain at least 90% of their total **Herd** covered under **Warranty**. Thus, we determine Member A's **Warranty** payment as follows:

- (a) We determine the **Mortality** coverage ratio:
Cow/Calves = .67
Replacement Heifers = 1
Bulls = .83
- (b) We determine the **Herd** coverage ratio = .70.
- (c) The payment for **Mortality** is determined as 50 pair times \$1,400 times 0.67, which is \$70,000 times 0.67, or \$46,900.

- (d) The payment for Revenue Loss/Additional Expense is 300 pair plus 100 **Replacement Heifers** times \$195.00 times 0.70, which is \$78,000 times 0.70, or \$54,600.
- (e) No payment for Traceback Liability is owed.
- (f) The total payment is \$46,900 plus \$54,600, or \$101,500.

Example B:

All the facts given in Example A are unchanged except Member A had enrolled 875 **Cow/Calf** pairs.

Using this information, we determine the **Mortality** coverage ratio for each of the covered **Classes of Enrolled Animal** for Member A as:

Cow/Calf

875 **Enrolled Animals** divided by 900 in the **Herd** = .97.

Since this is greater than 90%, the **Mortality** coverage ratio for **Cow/Calf** is 1.

Replacement Heifer

100 **Enrolled Animals** divided by 110 in the **Herd** = .91.

Since this is greater than 90%, the **Mortality** coverage ratio for **Replacement Heifers** is 1.

Bulls

30 **Enrolled Animals** divided by 36 in the **Herd** = .83.

Since this is less than 90%, the **Mortality** coverage ratio for **Bulls** is .83.

We further determine the **Herd** coverage ratio as:

Total **Enrolled Animals** = 875 plus 100 plus 30 = 1,005

Total animals in the **Herd** = 900 plus 110 plus 36 = 1,046

1,005 divided by 1,046 = .96.

Since this is greater than 90%, the **Herd** coverage ratio is 1.

Thus, we determine Member A's **Warranty** payment as follows:

- (a) We determine the **Mortality** coverage ratio:
Cow/Calf = 1.00
Replacement Heifer = 1.00, and
Bulls = .83.
- (b) We determine the **Herd** coverage ratio = 1.00.
- (c) The payment for **Mortality** is determined as 50 pair times \$1,400 times 1.00, which is \$70,000 times 1.00, or \$70,000.

- (d) The payment for Revenue Loss/Additional Expense is 300 pair plus 100 **Replacement Heifers** times \$195.00 times 1.00, which is \$78,000 times 1.00, or \$78,000.
- (e) No payment for Traceback Liability is owed.
- (f) The total payment is \$70,000 plus \$78,000, or \$148,000.

9. SUBROGATION (RIGHT OF RECOVERY FROM A THIRD PARTY) AND RECOVERIES (SEE EXHIBIT B – ATTACHED)

If you have the right to recover from a third party all or part of any payment uslp has made or is obligated to make under this **Warranty**, those rights are transferred to uslp. You must notify uslp if you have made any transfer of those rights prior to the **Effective Date** of the **Warranty**. You must do nothing to impair those rights after the **Effective Date** of this **Warranty**. At the request of uslp, you will take all necessary actions (legal or otherwise) to transfer those rights to uslp and help uslp enforce them.

As part of your obligations under this Section 9, you may be eligible for payments from **USDA** for losses related to certain Covered Events under this **Warranty**. You agree that we will assume the responsibility of collecting any such payments for you, and you must do all you can to preserve this right. By entering into this **Warranty**, you agree that once we make a **Mortality** payment to you under this **Warranty**, a portion of that **Mortality** payment will be considered an advance upon any related payment receivable from **USDA**, and you are transferring your rights of recovery from the **USDA** to uslp for that loss. You agree not to do anything to prejudice such rights and you agree to execute and deliver instruments and papers and do whatever else is necessary to secure such rights for us. All amounts recovered by us from the **USDA** will be considered a repayment of any such advance. Such an advance will not be considered a payment for any Covered Event by us under this **Warranty**. You and we agree that coverage under this **Warranty** shall not be construed in a fashion which would allow any third party to reduce its obligations to you by reason of the existence of this **Warranty**.

As a further part of your obligations under this Section 9, you and we agree that you may be eligible for payments from other third parties, including State agencies, for losses related to certain Covered Events under this **Warranty**. You agree that we will also assume the responsibility of collecting any such payments for you, and you must do all you can to preserve this right. You agree that once we make a **Mortality** payment to you under this **Warranty**, a portion of that **Mortality** payment will be considered an advance upon any related payment receivable from other third parties, and you are transferring your rights of recovery from those parties for that loss to us. You agree not to do anything to prejudice such rights and you agree to execute and deliver instruments and papers and do whatever else is necessary to secure such rights for us. All amounts recovered by us will be considered a repayment of any such advance. Such an advance will not be considered a payment for any Covered Event by us under this **Warranty**.

Any amounts received by you from any source for a Covered Event, inclusive of the proceeds from the sale of the animal, for which you previously received payments under this **Warranty** belong to uslp. You shall pay such amounts to us within ten (10) business days of receipt by you.

10. ASSIGNMENT OF THE WARRANTY. This **Warranty** is personal to you. You may not assign or transfer this **Warranty** to any **Person** including, but not limited to, any **Person** to whom or to which you transfer ownership of any of the animals covered by this **Warranty**.

11. ACCESS TO THE ENROLLED ANIMALS AND RECORDS. We reserve the right to examine the **Enrolled Animals** and all pertinent records relating to such animals upon reasonable notice, when and as often as we reasonably require until the end of the **Record Retention Period**.

12. RECORD RETENTION PERIOD. The **Record Retention Period** begins on the **Effective Date** and extends for three years after the end of such **Warranty**. Records for **Enrolled Animals** existing on the **Effective Date** will be considered to have been created on that date. This **Record Retention Period** may be extended by us for such time period as needed if a required notice has been filed by you. At any time during this period, we may demand that you provide complete records that demonstrate compliance with the **uslp Membership Guidelines**.

By purchasing **Warranty** coverage, you authorize us to obtain records relating to the **Enrolled Animals** from any **Person** who may have custody of those records, including but not limited to: packers, banks, shippers, sale barns, stockyards, internet businesses, associations, and accountants. You must assist uslp to obtain all records we may request from third parties.

Failure to provide the records or access to the records required by us will void this **Warranty** and require that you repay any amounts paid or advanced to you under the terms of this **Warranty**.

We will maintain confidentiality of records and will disclose information received from you only as directed by a properly constituted directive from a Court or other authority legally authorized, or in the administration of a claim.

13. OTHER COVERAGE. If you have any other coverage (including but not limited to **Mortality**, property or liability insurance) that will compensate you for any loss, liability, damages, or expenses payable under this **Warranty**, the coverage provided by this **Warranty** shall only apply excess of any coverage provided by such other coverage, and we will pay only the amount determined under this **Warranty** that exceeds the amount paid or payable under such other coverage. When this **Warranty** is excess of any other coverage, we will have no duty to defend you if the other coverage has a duty to defend you for a loss payable by this **Warranty**.

14. ARBITRATION. You and we agree that in the event of any difference arising between you and us with reference to the coverage provided by this **Warranty**, including but not

limited to any claim for payment by you, interpretation of the terms of this **Warranty**, or dispute arising from any determination made by us under the terms of this **Warranty**, the difference shall be settled by arbitration between you and us. The arbitration will be conducted in accordance with the arbitration policy of uslp in effect on the **Effective Date**. In the event that there is no arbitration policy of uslp in effect on the **Effective Date**, then the arbitration shall be administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Arbitration proceedings must be initiated not later than the last day of the twelfth month after the date of such disagreement or the date of a letter from us containing our determination. In no event shall we pay more than the amount that is payable under the terms of the **Warranty**, regardless of the decision of the arbiter(s).

15. FORCE MAJEURE. An accident, an act of God or the public enemy, weather, or other causes beyond the reasonable control of the parties which prevent you or us from discharging their respective duties under this **Warranty** shall excuse the affected party from performance of its duties until such time as performance becomes possible.

16. SEVERABILITY. You and we agree that should any part, term, or provision of this **Warranty** be decided by the Courts to be illegal, or in conflict with any law of the jurisdiction where made, the validity of the remaining provisions of the **Warranty** shall not be affected thereby, unless removal of the part, term, or provision of this **Warranty** declared to be illegal or in conflict with the law of another jurisdiction deprives this **Warranty** of its essential purpose.

17. CHANGES IN TERMS OF THE WARRANTY. We may, at our sole discretion, make changes in the terms of this **Warranty** at any time; provided, however, that such changes will not apply to any **Warranty** then in effect but will apply to any subsequent **Warranty** issued after the end of the **Warranty** period during which such changes were made. You will be advised of any changes in the terms of the **Warranty** before you renew the **Warranty** for a subsequent period. In the event uslp fails to advise you of such changes within the number of days of anticipation that may be required by law or regulation, the **Warranty** then in effect will be extended by the necessary number of days. You will owe uslp a **Warranty** fee calculated on a per day basis for the number of days of extension using the fees in effect for that **Warranty**.

18. TERMINATION OF THE WARRANTY FOR CAUSE. We may terminate this **Warranty** for "cause" at any time. "Cause" shall mean your failure to materially comply with either: (a) the **uslp Membership Guidelines** or (b) the requirements of this **Warranty**. At our sole discretion we may provide you with the right to correct such "cause" upon thirty (30) days notice to you. You and we agree that in the event we terminate this **Warranty** for "cause" we shall have the right to refuse to make any payments under this **Warranty** after the date of termination for Covered Events arising from such "cause," regardless of whether the Covered Event occurred prior to the date of termination.

19. REPRESENTATIONS. By accepting this **Warranty**, you agree that:

1. Your statements in the **uslp Online Membership Services** are accurate and complete.
2. Those statements are based upon representation you made to us.
3. We have issued this **Warranty** based upon your representations.

This **Warranty** is void if there is fraud committed by you. It is also void if you or any **Person** for whom you are responsible intentionally conceals or misrepresents a material fact concerning:

1. This **Warranty**;
2. Statements in the **uslp Online Membership Services**;
3. The **Enrolled Animals**; or
4. A **Member Claim**

20. MISCELLANEOUS. uslp OFFERS THIS **WARRANTY** TO ITS MEMBERS TO PROMOTE IMPLEMENTATION AND ADHERENCE TO uslp's CORE MISSION; THE DEVELOPMENT, PROMOTION, AND IMPLEMENTATION OF SOUND RISK MANAGEMENT PRACTICES TO PREVENT AND/OR MINIMIZE LOSSES OF LIVESTOCK PRODUCERS FROM OR RELATED TO **HERD** DISEASE CONTAGION. THIS **WARRANTY** IS NOT AN INSURANCE POLICY NOR IS uslp AN INSURANCE COMPANY.

21. DEFINITIONS. As used in this **Warranty**, the following terms have the meaning specified herein:

"Animals Held in Common" means animals located at the same site (such as a ranch) that are under the **Possession** of multiple persons.

"Appropriate Authority" means any agency of the federal government, such as the Animal Plant Health Inspection Service, or of the government of any state (such as the State Veterinarian) where the **Enrolled Animals** are located that is authorized by statute or regulation to impose limitations upon the movement of **Beef Cattle** or to issue a **Destruction Order** for **Beef Cattle** due to the presence of a **Specified Disease**.

"Beef Cattle" means animals of *Bos taurus* and/or *Bos indicus* parentage intended for sale into commerce for eventual harvest and processing into meat and other products for sale to consumers. The term does not include animals maintained for the production of dairy products or any product other than meat and meat byproducts for human consumption.

"Bodily Injury" means bodily injury, sickness or disease sustained by a person or death resulting therefrom.

"Break in Coverage" means any period of time where for any reason we do not provide coverage for your **Herd** under a uslp Livestock Warranty.

"Class" means a group of **Beef Cattle** ranked together as possessing common characteristics.

Classes of Eligible Beef Cattle

“Cow/Calf” means a breeding beef cow with calf at foot irrespective of whether the calf is present.

“Registered Cow/Calf” means a beef cow with calf at foot, irrespective of whether the calf is present, whose official registration documents are up to date and paid according to the appropriate registration system for the breed.

“Replacement Heifer” means a female beef cow brought into the **Herd** for breeding.

“Bull” means a male bovid in **Herd** for breeding.

“Feeder or Stocker Less than 700 lbs Class” means a weaned steer or heifer weighing less than 700 lbs. and intended for feeding and ultimately harvest for meat.

“Feeder or Stocker from 700 lbs to 900 lbs Class” means a weaned steer or heifer weighing from 700 lbs. to 900 lbs. and intended for feeding and ultimately harvest for meat.

“Feeder Greater than 900 lbs Class” means a steer or heifer weighing greater than 900 lbs. and intended for feeding and ultimately harvest for meat.

“Confirmed Positive Test” means the presence of a **Specified Disease** in an **Enrolled Animal** wherein the results from an **Official Laboratory** prove or demonstrate existence of the **Specified Disease’s** etiological agent (bacterium, prion, or virus).

“Destruction Order” (Destruction Agreement, Depopulation Order, Herd Management Plan) means the ordered slaughter or destruction of **Beef Cattle** by direction of an **Appropriate Authority** due to presence of any of the **Specified Diseases** or the sale of **Enrolled Animals** by the **Warranty** holder to satisfy the conditions for release of the premises from a **Quarantine Action**.

“Effective Date” means the date specified in an electronic communication from uslp to the member, indicating the **Warranty** is in effect.

“Eligible Beef Cattle” means all **Beef Cattle** in your **Herd** in all **Classes**.

“Enrolled Animals” means **Eligible Beef Cattle** for which you have paid the **Warranty** fee and which are covered by this **Warranty**.

“Enrollment Date” means the date specified on *Exhibit A: Coverage, Limits, and Compliance* on which application for **Warranty** was first made.

“Food Product” means “Meat Food Product” as defined in section 301.2 of Title 9, Code of Federal Regulations.

“Head” means a single replacement heifer, feeder, stocker or bull, or a breeder cow irrespective of whether she is bred, brood, or has a calf at foot.

“Herd” means all **Beef Cattle** livestock under common ownership or supervision that are grouped on one or more parts of any premise, farm, or ranch, or combination thereof; or that are geographically separated, but in which the animals have been interchanged or had contact with animals from different premises under the same common ownership or supervision since being placed under **Warranty**.

“Hold Order” means, for the purposes of this **Warranty**, the same as the term **“Quarantine Action.”**

“Hold Order Period” means, for the purposes of this **Warranty**, the same as the term **“Quarantine Period.”**

“Initiated” with respect to a **Quarantine Action** means the commencement of such action against you by any written or oral communication to you from an **Appropriate Authority**. With respect to a **Traceback Action**, **“Initiated”** means the commencement of such action against the **Warranty** holder by any written or oral communication to you from an **Appropriate Authority**, a similar government authority charged with food safety regulatory activities, by a consumer of **Food Product** derived from **Cattle** with respect to any animal in your **Herd** covered by this **Warranty**. With respect to a **Traceback Claim**, **“Initiated”** means the commencement of an action for covered damages for **Bodily Injury** against the **Warranty** holder by a consumer of **Food Product** or the receipt by the **Warranty** holder of a written demand from a consumer of **Food Product** for covered damages for **Bodily Injury**.

“Maintenance” means providing animal care to include adequate water or standing or harvested feed and/or shelter and housing from heat, cold, wind or precipitation, adequate space for animals to move and thrive, and providing adequate veterinary care.

“Member Claim” means a statement by you that a Covered Event has occurred and that you have suffered or will suffer financial harm as a result.

“Mortality” means death.

“Net Proceeds” means the total dollars you are entitled to receive in a sales transaction as a result of a **Destruction Order** minus reasonable and customary charges including but not limited to sales commissions, costs charged by the sale facility for feed and other nutrients, and required testing.

“Official Laboratory” means a laboratory that is recognized by the **USDA** to perform specific tests using protocols approved by **USDA**.

“Person” means an individual, partnership, association, corporation, estate, trust, or other legal entity and includes all individuals associated with such entities. The term **Person** does

not extend to any State, any political subdivision of a State, the Federal Government, or any other Government.

“Possession” means control of an animal by any **Person**, including you. The term **Possession** infers the right to make decisions concerning the animals such as inoculations, other veterinary treatment, types of feedstuffs, quantities of feedstuffs, and other matters affecting the health and vitality of the animal.

“Quarantine Action” means an action taken by an **Appropriate Authority** to control a **Specified Disease** that:

- (a) requires a **Confirmed Positive Test** for a **Specified Disease** for any one or more of the **Enrolled Animals**; and
- (b) does not permit the **Enrolled Animals** to be sold, transported, transferred, or otherwise restricts such animals from movement from any point where located at the time the **Quarantine Action** was imposed to any location outside the **Quarantine Zone** that results from a determination that one or more animals is infected with any of the **Specified Diseases**. However, sale for slaughter in a manner approved by the **Appropriate Authority** is within the scope of a **Quarantine Action** as defined herein.

“Quarantine Period” means the days between initiation and termination of a **Quarantine Action**.

“Quarantine Zone” means a geographic area to which the **Quarantine Action** applies as defined by the **Appropriate Authority**.

“Record Retention Period” means the period of time that begins on the **Effective Date** and extends for three years after the end of such **Warranty**. This **Record Retention Period** may be extended by uslp for such time period as needed if a required notice has been filed by you. Records for **Enrolled Animals** existing on the **Effective Date** will be considered to have been created on that date. At any time during this period, we may demand that you provide complete records that demonstrate compliance with the **uslp Membership Guidelines**.

“Retroactive Date” means the **Effective Date** of the first Livestock **Warranty** you purchase from us provided there is no **Break in Coverage**. In the event of a **Break in Coverage**, the **Retroactive Date** will be the **Effective Date** of the first Livestock **Warranty** you purchase from us after the occurrence of the most recent **Break in Coverage**.

“Specified Disease” means Foot and Mouth Disease, Bovine Spongiform Encephalopathy, Bovine Tuberculosis, Bovine Brucellosis, and Anthrax.

“Traceback Action” means an investigation conducted by one or more of the following: an **Appropriate Authority**, a similar government authority charged with food safety

regulatory activities, by a consumer of **Food Product** derived from **Beef Cattle** to identify the source(s) of **Beef Cattle** sold into commerce that includes **Enrolled Animals** identified as registered to you.

“Traceback Claim” means an action or demand for damages for **Bodily Injury** caused by **Food Product** derived from one or more **Enrolled Animals**, brought against the **Warranty** holder in a court, arbitration, or other forum of competent legal jurisdiction, as a result of a **Traceback Action** of which uslp has been advised in accordance with the terms of this **Warranty** involving one or more **Enrolled Animals**.

“USDA” means the United States Department of Agriculture.

“uslp Membership Guidelines” means the guidelines concerning member actions located on the **uslp Online Membership Services** Website <http://www.uslp.org>.

“uslp Online Membership Services” means the computer application located at <http://www.uslp.org>.

“Warranty” means the agreement defined in this document.