



Contract Washout Policy

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Definitions

The term “Washout” is not defined in the GTA Trade Rules. Industry uses the term to describe the financial settlement of a contract when one of the parties cannot fulfil its obligations. Where parties are unable to agree on the values used to determine the “washout” then either party to the contract is able to refer the issue to GTA for determination under the Dispute Resolution Service (fees apply). Reference GTA Trade Rule 17.10

1. Default

The occurrence of any of the following events constitutes a default (Default) by the counterparty:

- a.) a failure or inability on their part to complete their obligations (in whole or in part) under or in accordance with a Contract;
- b.) a failure by them to comply with or perform any agreement or obligation under or in accordance with a Contract; and
- c.) the disaffirming, disclaiming, repudiation or rejection of a Contract in whole or in part or a challenge to the validity of a Contract.

2. Consequences of Default

In the event of a Default, CHS Broadbent may by notice the counterparty in writing terminate (without limitation to any other rights it may have) the Contract and any other contract between them and CHS Broadbent, and if CHS Broadbent elects to washout the Contract CHS Broadbent may enforce any rights it may have under the GTA Trade Rules.

If the seller defaults (or they notify CHS Broadbent that they expect to default) on the delivery of grain to CHS Broadbent under a Contract, CHS Broadbent may elect to washout the contract in accordance with the terms set out below. The key terms of which are summarised as below

- a) In respect of the grain that you have failed or will fail, to deliver pursuant to the terms of the contract (“Undelivered Grain”) CHS Broadbent will ascertain the fair market price of the undelivered grain (as set out in the GTA Trade Rules)
- b) If the fair market price is more than the price of the undelivered grain under the contract you must pay
 - i.) the difference in amount by the close of business 14 business days after the date of the Grower Washout Agreement (Washout Date); and
 - ii) All associated administrative costs and expenses incurred by CHS Broadbent.
- c) CHS Broadbent will not allow existing contracts to be rolled over in to the following season contracts (red crop).
- d) Forward sold Contracts will only be washed out when there is genuine grain production concerns and or failure and CHS Broadbent are satisfied that production risk / crop failure are genuine.

The counterparty acknowledges that any amount due by them to CHS Broadbent under this paragraph

- a) is a debt immediately due and payable and is genuine pre-estimate of the loss that will be suffered by CHS Broadbent as a result of your failure to deliver the Undelivered Grain;
- b) if the fair market price is less than the price of the Undelivered Grain under the Contract, CHS Broadbent must, subject to paragraph d), pay the difference in amount to you by the close of business 14 business days after the Washout Date; and



c) CHS Broadbent may withhold any amount due to you under paragraph c. against an actual or future grain payment due to you by CHS Broadbent under any other contract.

3. Insolvency, death or mental incapacity

You represent to CHS Broadbent at the time you enter into each Contract that you are not insolvent. If you become insolvent or your financial condition becomes unsatisfactory to CHS Broadbent during the term of the Contract, CHS Broadbent may, at its sole option, and without limiting any other rights or remedies it may have under the T&Cs, the Rules or otherwise at law:

- a.) terminate the Contract and any other contract between you and CHS Broadbent, whether or not you have committed a Default (in which case the Contract will be closed out at fair market price pursuant to the GTA Trade Rules);
- b.) require a deposit from you as security to ensure performance of the Contract or (if you are the buyer) as cash in advance of delivery of grain to you;
- c.) (if you are the buyer) require you to pay immediately the full price of grain delivered by CHS Broadbent to you notwithstanding any previous arrangement to the contrary; and
- d.) (if you are the buyer) cancel and/or suspend any further deliveries of grain to you, or (if you are the seller) refuse to accept any further deliveries of grain from you.