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1934  
RULES AND REGULATIONS

for

Production Credit Associations  
organized under the  
**Farm Credit Act of 1933**

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**FARM CREDIT ADMINISTRATION**

Wm. I. Myers, Governor

S. M. Garwood, Production Credit Commissioner

Report of operations

Forms and procedures

Washington, D.C.

1934

March 1934.

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1934年農業銀行の融資



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AGENCY CREDIT ADMINISTRATION  
W. M. McLELLAN, GENERAL  
Administrator, Short-term Credit, G. W. C. HOWARD, M. C.

March 1934

Gift of U. S. Govt.

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## General Loan Requirements

Section 1. **Loan authority.** The associations are authorized to make loans to farmers and stockmen for general agricultural purposes, including loans for the production of crops, for the breeding and raising and fattening of livestock and for marketing and handling marketable products, for general and personal use. Loans may be made for other purposes if approved by the Governor of the Farm Credit Administration.

## Production Credit Association Rules and Regulations<sup>1</sup>

### General Policy

THE production credit corporations and the production credit associations organized and chartered under the Farm Credit Act of 1933 were created to form, together with the Federal intermediate credit banks, a permanent system to provide short-term credit for the agricultural and livestock industries. The usefulness and permanence of the system will depend upon the extension of credit on a sound basis.

The money loaned by production credit associations is obtained by rediscounting farmers' and stockmen's notes with the Federal intermediate credit banks, which depend for loanable funds primarily upon the sale of their debentures to the investing public. If the Federal intermediate credit banks are to continue to make funds available to farmers and stockmen at low rates of interest, it is essential that the security behind such debentures be sound and that the loans be of a self-liquidating character in order that the debentures may be sold on favorable terms.

The Farm Credit Act of 1933 provides that the Governor of the Farm Credit Administration shall have the power, under rules and regulations prescribed by him, to provide for the organization, management and conduct of the business of production credit associations. It also provides that the lending authority of each production credit association (hereinafter referred to as the "association") shall be exercised under such rules and regulations as may be prescribed by the production credit corporation of the district (hereinafter referred to as the "corporation"), such rules and regulations to be approved by the Governor of the Farm Credit Administration.

The following rules and regulations governing the operation of each association have been prescribed in accordance with the foregoing authority.

<sup>1</sup> Not for publication.

This compilation is to be construed so as to disqualify any organization major portion of its assets may be represented by property, including devoted to breeding, and/or raising, breeding, or fattening of live stock, at least half of the gross income must be derived from such operations, and at least half of the time of up to twelve months each year, must be spent in the conduct of such business.

## General Loan Requirements

*(b) Trustee and other officers  
and members and  
the corporation and the Federal intermediate credit bank may be obtained prior to the incurring of expense for inspection, etc.*

**Section 1. Loan purposes:** The association is authorized to make loans to farmers and stockmen for general agricultural purposes, including loans for the production of crops, for the breeding, raising, and fattening of livestock and for refinancing indebtedness incurred in the first instance for agricultural purposes. Loans may include funds for the purchase of class B stock required to be held by borrowers in connection with their loans.

When a doubt exists as to the authority of the association to make a particular type of loan, the application and all pertinent facts in connection therewith should be forwarded to the corporation in order that a decision of the question by the corporation and the Federal intermediate credit bank may be obtained prior to the incurring of expense for inspection, etc.

### Section 2. Eligible borrowers:

**(a) In general:** To be eligible for a loan, an applicant must be a farmer within the meaning of that word as used in the Farm Credit Act of 1933. The term "farmer" as so used includes a natural person, partnership, or corporation engaged in the business of farming or of breeding, raising, or fattening livestock.

**(b) Natural persons:** To be an eligible applicant, a natural person must devote certain time and energy to the active management of the farming or livestock operations; and the enterprise must be conducted in such a manner that he reaps the benefits of the operation if it is successful, and suffers the loss if it is a failure. He need not be principally so engaged nor reside on the place where the farming or livestock operations are carried on. An applicant for a loan, the proceeds of which are to be used for farming or livestock operations conducted through tenants or sharecroppers, will be ineligible unless it affirmatively appears that he has a right to, and does actually exercise the substantial direction and control in the management of the enterprise. Where a landlord is entitled only to a fixed return without regard to the success or failure of the farming operations, or does not rightfully exercise the substantial direction and control of the management of such operations, the tenant, not the landlord, is to be considered the "farmer."

**(c) Partnerships:** The eligibility of a partnership is governed by the same principles as those governing the eligibility of natural persons.

**(d) Corporations:** To be considered a "farmer", a corporation must be principally engaged in farming or in the breeding, raising, or fattening of livestock.

For a corporation to be considered as so principally engaged, the major portion of its assets must be represented by property actually devoted to farming and/or the raising, breeding, or fattening of livestock; at least half of its gross income must be derived from such operations; and at least half of the time of its active officers and personnel must be spent in the conduct of such business.

## Section 2. Eligible Borrowers

Section 2. Eligible Borrowers  
Loans or extensions of credit may be made when (1) the trustee or guardian in his fiduciary capacity is engaged in farming or in raising, breeding, or fattening of livestock; and (2) a valid lien can and will be given on sufficient crops, livestock, and/or other property to properly secure the repayment of the loan; and (3) the trustee or guardian or some individual beneficiary of the trust or wardship can and will incur personal liability for the loan, or, in the event the beneficiaries are not sui juris and the trustee or guardian will incur liability in his fiduciary capacity only, some financially responsible person will incur personal liability for the loan as a coobligor with the trustee or guardian.

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(e) **Trustees (whether appointed by will or deed inter vivos), guardians and other fiduciaries:** Loans may be made when (1) the trustee or guardian in his fiduciary capacity is engaged in farming or in raising, breeding, or fattening of livestock; and (2) a valid lien can and will be given on sufficient crops, livestock, and/or other property to properly secure the repayment of the loan; and (3) the trustee or guardian or some individual beneficiary of the trust or wardship can and will incur personal liability for the loan, or, in the event the beneficiaries are not sui juris and the trustee or guardian will incur liability in his fiduciary capacity only, some financially responsible person will incur personal liability for the loan as a coobligor with the trustee or guardian.

In addition to the foregoing, if the trust is a business trust (commonly called Massachusetts trust), the trust will not be considered a "farmer" eligible to borrow unless it is found to be principally engaged in farming or in breeding, raising, or fattening of livestock after applying the test imposed by subdivision (d) of section 2 on corporate applicants.

(f) **Executors and administrators (including temporary administrators):** Loans may be made when (1) the executor or administrator in his representative capacity is engaged in farming or in the raising, breeding, or fattening of livestock; and (2) a valid lien can and will be given upon sufficient crops, livestock, and/or other property to properly secure the repayment of the loan; and (3) the executor or administrator or some financially responsible individual or beneficiary of the decedent's estate can and will incur personal liability for the loan, or the executor or administrator can and will charge the general assets of the estate with liability for the loan.

(g) **Receivers:** Loans may be made when (1) the receiver in his representative capacity is engaged in farming or in the raising, breeding or fattening of livestock; and (2) a valid lien can and will be given upon sufficient crops, livestock, and/or other property to properly secure the payment of the loan; and (3) the receiver or some financially responsible individual can and will incur personal liability for the loan, or the receiver can and will charge the general assets with liability for the loan, provided, however, that no receiver of a corporation shall be an eligible borrower unless the corporation, according to subdivision (d) of section 2, would be considered a "farmer."

**Section 3. Size of loan:** No original loan shall be made for a less amount than \$50 nor shall any one borrower be indebted to the association at any time in an amount in excess of 20 percent of the paid-in capital and the guaranty fund of the association, or, if the loan is secured by collateral approved by the corporation, in an amount in excess of 50 percent of the paid-in capital and the guaranty fund; but loans may be made to any borrower in an amount in excess of 50 percent of the paid-in capital and the guaranty fund if recommended by the corporation and the Federal intermediate credit bank of the district and approved by the Production Credit Commissioner.

**Section 4. Interest rates:** The interest and/or discount rate charged the borrower shall be 3 percent above the discount rate of the Federal intermediate credit bank at the time the loan or advance is made, unless a lower rate is prescribed by the corporation with the approval of the Production Credit Commissioner.

#### Section 5. Security:

(a) **In general:** All loans, except as provided in section 7, must be fully secured.

Primary security, to be acceptable, must consist of first lien on crops, livestock, and other personal property. It is not intended that loans shall be secured primarily by mortgages or other liens on real estate. Where this class of security is taken, it is to be regarded only as additional collateral.

(b) **Waivers and subordination agreements:** In every case where a waiver or subordination of a lien is required by the association or the Federal intermediate credit bank of the district, the party executing such waiver or subordination agreement must certify that the documents in connection with which such waiver or subordination agreement is required are in his actual possession; that he is the owner of the rent note, mortgage-lien note, land-sales contract, or other evidence of the lien to be waived; and that he will not assign, sell, or hypothecate such document, or any interest therein, without first securing the consent of the association. The waiver procured should be printed or stamped on the chattel mortgage form before the mortgage is filed or recorded, as the case may be; and an appropriate reference to such waiver or subordination agreement should be endorsed on any instrument evidencing such subordinated interest.

Loans to farmers or livestock men whose operations are conducted on land held by them under a land-sales contract should ordinarily be conditioned upon securing from the vendor, for a period at least equal to the term of the loan, a nondisturbance agreement, and a waiver or subordination of his lien on the crops and his right of reentry during such period.

(c) **Marketing agreements:** As a condition of any loan which is to be liquidated by the sale of products contracted to be sold under a definite marketing agreement, the applicant must furnish—

(1) A waiver or subordination of any liens held by the marketing agency on such products, except any lien it may have or hold for the reimbursement of the actual costs and expenses incurred by the marketing agency in handling the products, and for the payment of such other items as may be approved by the corporation; and

and the Beaufort Sea (see Fig. 1) are the most likely sources of the polychaete larvae.

and the following year he was invited to speak at the International Congress of Mathematicians in Cambridge, Massachusetts. He gave a talk on the theory of the Riemann zeta function and its applications to number theory. In 1950 he was elected a Fellow of the Royal Society and in 1953 he was appointed a professor at the University of Cambridge. He remained there until his retirement in 1969.

...nemtől betekintőkkel körülbelül ötvenöt percig tartó előadásban részt vevőkkel szemben. A következő előadásra a következő nap délután hármas előadásban kerül sor. Az először megírt előadásnak a címjele: "A gyakorlati gyakorlatokról".

at point such as the following: (a) *Establishing* a new business or product line; (b) *Expanding* an existing business or product line; (c) *Merging* two businesses or product lines; (d) *Acquiring* another business or product line.

To some other time or way of absorption; but

(2) An order drawn by the borrower against the marketing agency, and accepted by the latter, directing that the proceeds from the marketing of such products, less the authorized deductions, be remitted to the Association (or to the Federal intermediate credit bank, at its request) until the loan is fully repaid. The responsibility of the marketing agency and the terms of the agreement are important credit factors to be considered in making such loans. The corporation will cooperate with the Association in making any needed investigation of such agencies.

Where a borrower desires to sell his products through a cooperative marketing organization that pools the products of its members, the association may (with the consent of the corporation and the Federal intermediate credit bank) permit such pooling provided investigation by the bank for cooperatives of the district shows the cooperative association to be a competent and financially responsible sales agency; and provided, further, that proper precautions are taken by the association (by accepted orders as above stated) to see that proceeds from the sale of, and/or advances on, the borrower's products are remitted to the association (or to the Federal intermediate credit bank, at its request) until the borrower's loan is fully repaid.

**(d) Loans to corporations:** Where a loan is made to a corporation, either the holder or holders of at least a majority of its outstanding shares of voting stock or, with the consent of the Production Credit Corporation and the Federal intermediate credit bank, the principal stockholder or holders (1) must endorse, or sign as comakers, all notes evidencing such loan; or (2) execute continuing guaranties of all indebtedness of such corporation to the association. Where it is contemplated that future advances will be made to a corporate borrower, the association will require a continuing guaranty as above mentioned.

**Section 6. Loans on farm products in storage:** Loans may be made on negotiable warehouse receipts or first mortgage liens covering such classes of farm products in storage as may be approved from time to time by the corporation. The amount of insurance required and the terms and conditions on which such loans may be made shall be prescribed by the corporation and the Federal intermediate credit bank.

**Section 7. Unsecured loans:** Unsecured loans may be made by an association only with the approval of the corporation and the Federal intermediate credit bank of the district, under such rules and regulations as they may jointly prescribe. In general, associations will not be permitted to make unsecured loans except in those districts where unsecured paper has been customarily accepted by the Federal intermediate credit banks.

(b) Person or corporation which has been granted a franchise or license by the state to do business within its boundaries, and which is engaged in the manufacture, sale, or distribution of goods or services.

Section II. Powers of the State to Tax and Spend  
in Aid of Education. Article 10 of the Constitution of the State of Michigan provides that "The Legislature shall have power to appropriate money for the support of schools, and to levy taxes for that purpose." The Legislature has also provided by statute that "The State may appropriate money for the support of schools, and may levy taxes for that purpose." The Legislature has also provided by statute that "The State may appropriate money for the support of schools, and may levy taxes for that purpose."

**Section 8. Stock ownership as a condition of the loan:** The law requires that each borrower own, at the time his loan is made, class B stock in the association in an amount at least equal in fair book value (not exceeding par) to \$5 per \$100 or fraction thereof of the amount of the loan. In determining the amount of class B stock required to be owned by a borrower there will be included all his indebtedness to the association (including funds borrowed to pay for such stock) and the amounts of any commitments for further advances to him. Fractional shares will not be issued.

In view of the statutory requirement as to stock ownership by borrowers, a corporation which is not authorized by law and its charter to hold stock in other corporations will be unable to procure loans from production credit associations organized under the act.

**Section 9. Application:** Each person desiring a loan must present an application therefor in a form prescribed by the corporation, accompanied by a definite and acceptable plan for repaying the loan, together with such other information as may be required by the association or the corporation.

**Section 10. Character and experience of applicant:** The applicant's integrity, business ability, and reputation for meeting his obligations are primary considerations in making loans. His industry and thriftiness, as evidenced by the proportion of the family food supply and livestock feed produced on the farm, and the manner in which he cares for his livestock, machinery and buildings, and his general management practices, should be given careful consideration.

**Section 11. Inspections:** Before a loan is made all property taken as security shall be inspected by an inspector approved by the corporation and the Federal intermediate credit bank. The loan committee of the association is authorized to refuse an inspection on any application which in its opinion would be rejected following such inspection, unless the applicant deposits in advance an amount sufficient to pay the estimated cost of the inspection. Except in the foregoing circumstances, a deposit to cover inspection costs will not be required with an application for a loan; and, except as above stated, no inspection charge will be made applicants whose loans are not granted.

The minimum inspection fee charged the borrower in connection with any loan shall be \$2, subject to review and change by the corporation. Any inspection fee in excess of \$2 shall not exceed an amount equal to 1 percent of the amount of the commitment; provided, however, that where, in the opinion of the president of the corporation, it is advisable to make a reinspection of the crops, livestock, and/or other property, or where a definite, special service is rendered by the association to the borrower, the corporation may permit the association to charge the borrower the reasonable costs of such reinspections and service, without regard to the foregoing limitation.

#### Section 18. Loans to directors, employees, and agents of the

**Section 12. Miscellaneous charges to borrowers:** The actual cost of title and/or mortgage abstracts and searches, fees for filing or recording mortgages, notarial fees in connection with the execution of loan papers, and any other direct expense incurred in closing the loan must be paid by the borrower. No charge shall be made any borrower for assistance rendered by any officer, employee, or agent of an association in the preparation of applications, notes, mortgages, etc., unless the rendering of such assistance requires the employment or engaging of the services of other persons not regularly employed by the association.

**Section 13. Routing of application:** Each application approved by the association shall be forwarded to the Federal intermediate credit bank with the written recommendations of the association, accompanied by such other documents and information as may be required by the bank.

If the application, as submitted, is not acceptable to the bank, it will confer with the corporation regarding the matter. Advice of the conclusions reached by the bank and the corporation will be sent to the association with appropriate instructions.

**Section 14. Disbursement of loan proceeds:** Except as provided in section 15, or as may be otherwise prescribed by the corporation, the association shall not make advances upon loans approved by it until such loans have been approved for discount by the Federal intermediate credit bank.

**Section 15. Cash loan fund:** The amount of funds to be retained by the association shall be determined by the corporation. Loans from these funds may be made in such amounts and subject to such terms and conditions as the corporation may prescribe.

**Section 16. Confidential information:** All loans and applications therefor, and the information contained therein, must be treated as strictly confidential by the directors, officers, employees, and agents of the association. In no case shall statements be issued or made to persons or corporations other than officers or agents of the Farm Credit Administration, the corporation, and the Federal intermediate credit bank regarding particular applications received, approved, or disapproved.

**Section 17. Relation of association to other organizations:** No borrower shall be required by the association to enter into any contract or agreement with any particular association, individual, or corporation with respect to the purchase of supplies or the sale of agricultural products, livestock, or livestock products; nor shall the association require a borrower to become a member of any other organization or association.

**Section 18. Loans to directors, employees, and agents of the association:** Subject to the limitations contained in the bylaws of the association and with the approval of the corporation, loans that are otherwise eligible may be made to a director, officer, employee, or agent of the association on the same terms and conditions as to other borrowers.

**Section 19. Time limit on closing loans:** The association may, in its discretion, refuse to make a loan to an applicant who does not furnish all documents necessary to close the loan within 30 days after notice has been sent him by the association that his application has been approved.

**Section 20. Split loans:** By the term "split loan" is meant a loan secured by a lien which does not cover all the applicant's property of a particular class. For example, a loan on only a part of an applicant's cattle running together or in nearby territory, or a loan on only a part of his crop of a particular kind, would be considered a "split loan." A loan on all of the applicant's cattle, without including his hogs or sheep, would not be considered a "split loan."

Experience indicates that split lines of credit are unsatisfactory and should be avoided. Such loans frequently lead to controversy as to identity of security and the use of expense advances. In general, it is considered good practice either to take care of all of an applicant's crop or livestock financing, or none of it. An applicant for a loan who offers as security a mortgage on a particular crop or class of livestock, ordinarily should be required to agree not to mortgage the remaining crops or livestock except to the association, or with its consent.

**Section 21. Proceeds of sales to be applied on loans:** The net proceeds of all sales of mortgaged property are required to be remitted to the association (or to the Federal intermediate credit bank at its request) for application on the borrower's indebtedness until it is repaid, unless the corporation and the Federal intermediate credit bank have consented to some other disposition thereof.

**Section 22. Additional advances:** Wherever a so-called "additional advance clause" in a chattel mortgage is legally effective as against liens created or arising subsequent to the recording or filing of the mortgage, advances in addition to those represented by the note or notes specifically described in the mortgage, but within the limits expressed in the mortgage, may be made thereunder in accordance with general or specific instructions of the corporation. Such additional advances must be evidenced by an additional note or notes. Where such clauses are not so legally effective, or where a doubt exists as to their legal effectiveness, each advance not evidenced by a note specifically described in the original mortgage must be secured by an additional mortgage.

est to always have a sufficient number of men to do all the work and to have a sufficient number of horses to do all the work.

It is recommended that the association make a loan to each member for his personal use, not exceeding \$1000, to be repaid at the end of one year, and that the association make a loan to each member for his personal use, not exceeding \$1000, to be repaid at the end of one year.

"Personal loans" are to be made by the association to each member for his personal use, not exceeding \$1000, to be repaid at the end of one year, and that the association make a loan to each member for his personal use, not exceeding \$1000, to be repaid at the end of one year.

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"Personal loans" are to be made by the association to each member for his personal use, not exceeding \$1000, to be repaid at the end of one year.

**Section 23. Reinspections:** Before granting a renewal of a loan, or an extension of more than 30 days, a reinspection of the security should be made. Additional charges for such reinspections will be made unless waived by the association with the approval of the corporation.

Reinspections of security for crop loans should be made at such intervals as will keep the association and the Federal intermediate credit banks fully informed regarding the condition of the crops and will assure the proper cultivation and care thereof.

**Section 24. Release of mortgages:** Upon the full repayment of a loan the association shall see that all liens which secured the same are properly released of record (where State law imposes this responsibility on the lender), or shall advise the mortgagor of the action necessary to discharge such liens of record, and furnish him the releases or other documents necessary for the purpose.

**Section 25. Bill of sale drafts:** Provided credit arrangements and disbursement procedure have been approved by the Federal intermediate credit bank, livestock purchases may be handled by bill of sale drafts.

**Section 26. Disbursements and repayments:** In connection with each loan of whatever class, consideration should be given to the disbursement of loan proceeds in installments, in accordance with an approved budget, in order to assure that the funds provided will be used for the purposes for which they are loaned. The budget should include a complete and acceptable plan of repayment, showing the manner in which the loan will be liquidated.

### Specific Classes of Loans

In addition to the foregoing regulations, further specific requirements may be made by the corporation. Experience has shown that the following general provisions in regard to the types of loans referred to are important in order to maintain a successful association:

**Section 26. Purpose:** Loans may be made for purposes of breeding, raising, or fattening animals, or for other purposes, as may be determined by the corporation.

**Section 27. Purpose:** Crop loans may be made for the purpose of paying the cash costs of producing, harvesting, and marketing crops. (See sec. 26.)

**Section 28. Maturity:** No crop loan shall be made with a maturity exceeding 1 year unless a later maturity is specifically approved by the corporation. Notes representing crop loans should mature as nearly as possible to the time when the crop is expected to be harvested and available for sale.

The value of the improved livestock will be appraised and loans will be made on the basis of its commercial value, but some additional loan value may be allowed thereon to experimental operations.

### Section 29. Security:

(a) A first lien will be taken on all crops growing or to be grown by the applicant (whether on owned or leased land), the production, harvesting, or marketing of which is to be financed by the association, together with such additional security as may be deemed necessary to assure the liquidation of the loan at maturity.

The borrower shall be required to agree in writing that so long as the association holds a mortgage on any crop being grown by him, no other crops of the borrower will be mortgaged to any other party, except with the written consent of the association.

(b) Loans to a tenant farmer or sharecropper should be conditioned upon securing from the landlord a waiver or subordination of his lien on the crops. Likewise, loans to any person operating a farm with tenants and/or sharecroppers should be conditioned upon securing from the tenants and/or sharecroppers waivers or subordinations of their respective liens on the crops. (In this connection, see sec. 2 hereof.)

(c) When a loan is made to a tenant farmer or sharecropper, the association may require the endorsement of the notes by the landlord.

(d) In the case of specialty crops, or crops of a highly perishable nature when harvested, loans should be protected by requiring that the applicant have some satisfactory marketing arrangement with a competent and financially responsible sales organization. Loans on specialized crops should be made only to growers with proven ability to produce such crops successfully on a commercial scale in the locality.

(e) Loans for the purpose of producing hay and forage crops ordinarily should be made only when the crops are grown on a commercial scale to be sold on the market, or for the production of seed to be threshed and marketed. Exceptions may be made where additional security is provided to assure liquidation of the loan at maturity.

### Livestock Loans

**Section 30. Purpose:** Loans may be made for purchasing, feeding, breeding, raising, or fattening livestock; and for refinancing indebtedness incurred for such purposes.

**Section 31. Security:** The primary security for a livestock loan shall be a first lien on the livestock, supplemented by a first lien on the feed required (as hereinafter provided), and/or other personal property. The mortgage or other instrument creating the lien should contain a clause which will automatically cover all increase, additions and accretions to the mortgaged livestock, including wool or mohair in the case of loans on sheep or goats, respectively.

Ordinarily, registered livestock will be appraised and loans will be made on the basis of its commercial value; but some additional loan value may be allowed thereon to experienced operators.

**Section 32. Range loans:**

(a) **Maturity:** Range loans shall be made for periods not exceeding 1 year.

(b) **Basis of loan:** In view of the varying conditions in range areas as applying to range livestock, it is not practicable to specify per-head values to be used in making a loan. Range values, as distinguished from central market quotations, shall be the basis of appraisal. It has been found that, to be sound, a loan ordinarily should not exceed from 65 to 75 percent of the value of the livestock on the basis of such an appraisal.

(c) **Security:** In making a loan of this type and observing the requirement that it shall be fully secured, the association must be guided by its sound judgment, giving full consideration to the borrower's moral and financial responsibility, the condition and quality of his livestock, his methods of operation, and the adequacy of his range and water facilities. The applicant must furnish with his application an operating budget showing the probable income and expenditures during the term of the loan. Chattel mortgages covering livestock must specifically and particularly describe the livestock by location, breed, age, sex, brands, earmarks, and other markings, so that the description will afford adequate means of legal identification; and shall include all saddle horses, work stock and other necessary equipment.

In every range loan, the association should require satisfactory evidence of the borrower's right to the continued use of range land, ranch headquarters, and hay land, in order to assure a home for the livestock during the term of the loan plus a reasonable period thereafter for possible liquidation. Such protection may be obtained by taking a first real estate mortgage on owned land, assignments of leases, waivers of forest grazing permits, etc. In favorable cases, where the applicant's real estate is clear of incumbrance, it may be sufficient to take his agreement that he will maintain suitable range and that the property will not be mortgaged to others during the term of the loan. Where the ranch property used by the livestock is owned by or mortgaged to another party, a nondisturbance agreement should be taken from such party.

Interest during the term of the loan will be determined by the rate of interest on the underlying indebtedness, less the interest on the range loan. An exception may be made to this rule in the case of guaranteed real estate loans where the holder of the mortgage does not have the legal right to dispossess the applicant during the term of the loan. Chattel mortgages securing feed or feeding loans must specifically and particularly describe the livestock by location, breed, color, sex, weight, brands, earmarks, and other markings.

**Section 33. Pasture loans**

Section 33. **Pasture loans:** Pasture may be leased for pasture, grazing, or other purposes, but not for permanent improvements, except as herein provided.

Section 34. **Pasture rights:** The association may lease or grant pasture rights to persons or organizations for a period not to exceed one year, or for a longer period if so agreed upon by the parties. The lease or grant may be for a specific purpose, or for general purposes, or for both.

Section 35. **Pasture rights:** The association may lease or grant pasture rights to persons or organizations for a period not to exceed one year, or for a longer period if so agreed upon by the parties. The lease or grant may be for a specific purpose, or for general purposes, or for both.

Section 32. *General loans*

grasses or shrubs and sheep and horses and cattle, except as follows:

(a) **Maturity:** Maturities of general loans shall coincide with the expected time of marketing the livestock and in no event shall exceed 12 months.

(b) **Basis of loan:** In the case of general loans (and this applies more generally to cattle than sheep, such as steer cattle on grass in Kansas and Oklahoma, and in parts of California, Arizona, and Texas) where it is contemplated that the marketing of the cattle as fat or "fleshy feeders" off grass during the term of the original loan will retire the indebtedness, and where the general factors referred to in section 32 are favorable, experience has shown that loans may be made on the basis of not to exceed 85 percent of the appraised value of such livestock. This contemplates, of course, that necessary grass, pastures, leases, supplies, feed, etc., are fully paid for, or that funds are on hand to pay such costs, or that other arrangements therefor, satisfactory to the Federal intermediate credit bank, have been made.

(c) **Security:** Mortgages securing general loans must specifically and particularly describe the livestock by location, breed, age, sex, brands, earmarks, and other markings, so that the description will afford adequate means of legal identification; and shall include supplemental feed on hand. The association should further be secured by assignment of the mortgagor's right, title, and interest in pasture and grass leases or contracts.

#### Section 33. *Pasture loans*:

(a) **Maturity:** Maturities of pasture loans shall coincide with the expected time of marketing the livestock and in no event shall exceed 12 months.

(b) **Basis of loan:** In the case of pasture loans (and this applies more generally to cattle than sheep, such as steer cattle on grass in Kansas and Oklahoma, and in parts of California, Arizona, and Texas) where it is contemplated that the marketing of the cattle as fat or "fleshy feeders" off grass during the term of the original loan will retire the indebtedness, and where the general factors referred to in section 32 are favorable, experience has shown that loans may be made on the basis of not to exceed 85 percent of the appraised value of such livestock. This contemplates, of course, that necessary grass, pastures, leases, supplies, feed, etc., are fully paid for, or that funds are on hand to pay such costs, or that other arrangements therefor, satisfactory to the Federal intermediate credit bank, have been made.

(c) **Security:** Mortgages securing pasture loans must specifically and particularly describe the livestock by location, breed, age, sex, brands, earmarks, and other markings, so that the description will afford adequate means of legal identification; and shall include supplemental feed on hand. The association should further be secured by assignment of the mortgagor's right, title, and interest in pasture and grass leases or contracts.

#### Section 34. *Feeder and feed-lot loans*:

(a) **Maturity:** Feeder and feed-lot loans ordinarily will be made with maturities coincident with the expected time of marketing the livestock, and shall not exceed 1 year.

(b) **Basis of loan:** Subject to change by the corporation, the maximum loan basis will be the market value or cost of the livestock, whichever is the lower, plus the cost of transportation to the feed lot.

(c) **Security:** Loans will be made only to experienced feeders. If the borrower's financial statement shows past-due indebtedness, he must make satisfactory arrangements with his creditors before the loan is approved, to insure that he will be free from creditor embarrassment during the term of the loan. Where circumstances warrant, an exception may be made to this rule in the case of past-due payments on real estate loans where the holder of the mortgage does not have the legal right to dispossess the applicant during the term of the loan. Chattel mortgages securing feeder or feed-lot loans must specifically and particularly describe the livestock by location, breed, color, sex, weight, brands, earmarks, and other markings.

#### *Loans Secured Primarily by dairy cattle*

Section 35. **Purpose:** Loans may be made for the purchase, breeding or refinancing the purchase of dairy cattle, or for the raising of dairy cattle.

Where legally effective, the mortgage should further include sufficient feed to "finish" the livestock within the term of the loan, and enough additional feed to carry such livestock for an additional 30 days. Where there is an existing lien on the feed, a waiver covering enough feed to meet the foregoing requirement should be obtained from the holder of the lien. If the applicant does not have sufficient feed on hand at the time the loan is made to "finish" the livestock for marketing, plus an additional amount sufficient to carry such livestock for a 30-day period thereafter, he should be required to furnish evidence that he can arrange for the necessary amount of feed without danger of creditor embarrassment.

**Section 35. Speculators:** It is not contemplated that feeder or pasture loans will be made to speculators. Care should be exercised to insure that all applicants for loans are bona fide farmers or stockmen as defined in section 2 hereof.

#### **Loans Secured Primarily by Hogs**

**Section 36. Purpose:** Loans may be made to experienced operators for the purpose of purchasing, breeding, raising, or fattening hogs, and for refinancing indebtedness incurred for such purposes.

**Section 37. Maturity:** Loans on pigs should mature at the time of expected marketing and, other than loans on brood sows (which may have a 12 months' maturity), no loans should be made to exceed 8 months.

**Section 38. Basis of loan:** The following maximum limits should be observed in making loans on hogs and pigs:

(a) **Brood sows:** Loans on brood sows should not exceed 50 percent of their appraised value.

(b) **Pigs raised on farm where fed:** Loans may be made on pigs raised on the farm where fed when the same are 2 months of age or over; but such loans should not exceed 75 percent of the appraised value of such pigs.

(c) **Pigs purchased:** Loans on pigs purchased locally or on terminal markets should not exceed 60 percent of their appraised value.

**Section 39. Security:** Loans on brood sows, pigs raised on farm where fed, and pigs purchased ordinarily will be secured by a first mortgage on all hogs owned or in which the borrower has an interest, and on other personal property; and, where legally effective, on the feed necessary to "finish" the animals. A certificate or other satisfactory evidence of vaccination (double treatment) must be furnished. In no case should any funds be advanced to the borrower until 21 days after vaccination of the mortgaged swine.

#### **Loans Secured Primarily by Dairy Cattle**

**Section 40. Purpose:** Loans may be made for the purpose of financing or refinancing the purchase of dairy cows, and for breeding and/or raising dairy cattle.

**Section 41. Maturity:** Loans on dairy cattle may be made for periods not to exceed 12 months. Where the payment record and security are satisfactory, such loans may be renewed annually for not exceeding 2 years. Dairy loans should be repaid on the installment plan, on a monthly basis, from the proceeds of the sale of milk and/or other dairy products, the amount of the monthly payments to be fixed by the corporation and the Federal intermediate credit bank. Whenever possible, the association should obtain an order drawn by the borrower against the individual or agency purchasing his dairy products, and accepted by such individual or agency, directing that such part of the proceeds from the marketing of his dairy products as may be necessary to pay his installments shall be remitted to the association (or to the Federal intermediate credit bank at the request of the latter) until the loan is repaid.

**Section 42. Basis of loan:** The percentage of the appraised value that may be loaned on different classes of dairy cattle shall be determined by the corporation and the Federal intermediate credit bank. The basis of appraisal of dairy cattle shall be the current market value. Registered stock shall be appraised on the basis of its value for production purposes.

**Section 43. Security:** Dairy loans will be secured by first mortgage liens on the cows (or dairy herd), including any increase except bull calves; and, where it seems advisable, by first mortgage liens on feed and/or other personal property,

### **Commercial Poultry Loans**

**Section 44. Purpose:** Loans may be made to experienced commercial poultry farmers for the purchase of baby chicks, pullets, matured birds, or feed, and for refinancing indebtedness incurred for such purposes. Commercial hatcheries, as such, are not eligible for loans.

**Section 45. Maturity:** Poultry loans generally are made with a maximum maturity of 12 months. The first principal payment should be made within 6 months from the date the loan is made; and the balance of the loan should be made payable in equal monthly installments during the remainder of the term of the loan.

**Section 46. Basis of loan:** In view of the varying conditions existing in the commercial poultry industry and variations in the amount and classes of personal property other than poultry that will be offered as security for individual loans, it is impracticable to specify the percentage of the appraised value of the poultry that may be considered a safe basis for a loan. Each poultry loan must be considered separately with regard to this question. The experience of the poultryman, his equipment, the location of his business relative to markets, and the general mortality average of poultry in the area, are extremely important factors in making poultry loans. Each of these factors must be carefully considered before making such a loan.

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# Enroll Yellowfin Instructors

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**Section 47. Security:** Poultry loans shall be secured by a first mortgage lien on all poultry and such other personal property as may be necessary to secure the loan adequately. Poultry loans should be made only to applicants who have on hand, free of encumbrance, or who have available cash funds (including proceeds of the loan made by the association) with which to purchase, or who are in a position to purchase on credit without creditor embarrassment, such feed as is estimated to be sufficient to carry the flock until the loan is liquidated; or whose past records show that their income will be sufficient to procure feed and supplies to properly care for the flock and liquidate the loan.

# *Loans on Commercial Turkey and Duck Enterprises*

**Section 48. Purpose:** Loans may be made to commercial turkey and duck growers for the purchase of poult s, ducklings, or feed, and for refinancing indebtedness incurred for such purposes.

**Section 49. Maturity, amount of loan, and security:** See sections 45, 46, and 47.

# *General Purpose Loans*

**Section 50. Purpose:** Loans may be made for general agricultural purposes, including the payment of debts that were originally incurred for an agricultural purpose; the purchase of work stock, live-stock, equipment and supplies; and for financing repairs. A definite and acceptable plan of liquidation is an essential consideration in connection with this type of loan.

**Section 51. Maturity:** Loans of this type may be made with maturities, satisfactory to the Federal intermediate credit bank of the district, not exceeding 1 year. On this type of loan the borrower should make at least a reasonable reduction in his indebtedness at or prior to its maturity. Where the security and other credit factors remain satisfactory, a renewal of the unpaid balance will be considered for a further period, not to exceed 1 year.

**Section 52. Basis of loan:** The amount of the loan ordinarily should not exceed from 50 to 60 percent of the appraised value of the primary security. If, after making due allowance for the applicant's operating and living expenses, his anticipated income will not be sufficient to liquidate the loan within a reasonable time, the amount of the loan should be further reduced.

**Section 53. Security:** Primary security should consist of a prior lien on sufficient work stock, livestock, and equipment to fully secure the loan. All chattels should be described in such manner that they can be specifically identified. Wherever practicable, liens on the borrower's growing crops and feed, assignments of milk and cream checks, etc., should be obtained, but should be considered only as sources of liquidation and not as primary security.

## Management Regulations

### Section 54. Directors, officers, employees, and agents:

(a) **Eligibility:** All directors and all officers (other than the secretary and the treasurer) of the association must be class B stockholders. Employees and agents need not be class B stockholders.

(b) **Approval and removal:** During such time as the corporation is a holder of any class A stock in the association, the appointment or election of directors, the loan committee, the secretary and the treasurer of the association shall be subject to the approval of the president of the corporation, and during such time any such director, secretary, treasurer, or other officer may, at any time, be removed by the president of the corporation. Any officer, employee, or agent of the association may be removed at any time by the board of directors of the association or by the Governor of the Farm Credit Administration.

The compensation of all officers, employees, and agents of the association shall be fixed by the board of directors subject to the approval of the president of the corporation.

(c) **Inspectors:** All inspectors employed by the association must be approved by both the corporation and the Federal intermediate credit bank of the district. Inspectors shall be paid on a per diem basis; and all allowances for per diem and other expenses must be in accordance with regulations issued by the corporation, or approved by it. No director of the association shall be employed as an inspector.

**Section 55. Territory:** Loans may be made by the association only to persons whose farms are located within the territory served by the association.

**Section 56. Capital stock:** Said stock has been appropriated to another

(a) **Amount and form:** The amount of the capital stock of the association will be prescribed by the Governor of the Farm Credit Administration. All stock certificates shall be issued on the prescribed forms, which are furnished by the corporation at cost.

(b) **Evidence of ownership:** For the purpose of paying dividends and determining stockholders entitled to vote, the association shall be entitled to regard the registered holder of any share of stock as the absolute owner thereof.

(c) **Voting rights:** Class A stock is nonvoting. Each owner of class B stock shall be entitled to only one vote at all meetings, regardless of the number of shares held. No voting by proxy shall be permitted.

(d) **Transfer, conversion, and retirement:**

(1) **Transfer:** Shares of stock may be transferred in the manner provided in the bylaws of the association. In this connection, attention is directed to the fact that class B stock may be transferred only with the consent of the board of directors of the association; may be transferred only by a class B stockholder not indebted to the association; and may be transferred only to a borrower or person eligible to become a borrower.

Section 47. Section 47 is seconded by a member of the Board of Directors. It provides: "Loans may be made to commercial firms for the purchase of equipment or supplies or to persons engaged in business or agriculture for the purchase of farm equipment, machinery, tools, and supplies, or to persons engaged in business or agriculture for the purchase of supplies or equipment for their business or agriculture." This section is identical to section 46.

### Parties on Commercial Lenders and Direct Participants

Section 48. This section provides: "Loans may be made to commercial firms for the purchase of equipment or supplies or to persons engaged in business or agriculture for the purchase of supplies or equipment for their business or agriculture." This section is identical to section 46.

### General Purchase Loans

Section 49. This section provides: "Loans may be made to persons engaged in business or agriculture for the purchase of supplies or equipment for their business or agriculture." This section is identical to section 46.

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## Stockholders Rights

(2) **Conversion:** With the consent of the board of directors, a class B stockholder not indebted to the association may exchange his stock at the fair book value thereof (not exceeding par) as determined by the association for class A stock; and must make such exchange within 2 years after he has ceased to be a borrower from the association.

Upon the authorization of a loan to a holder of class A stock, the board of directors may permit the conversion of any or all of such class A stock into class B stock, provided that the class B stock obtained as a result of such conversion shall not exceed an amount equal in fair book value (not exceeding par) to \$5 per \$100, or fraction thereof, of the amount of the loan. Every conversion shall be based upon the fair book values of the two classes of stock as of the last preceding determination of such values. Fractional shares of stock will not be issued. Where a conversion would otherwise necessitate the issue of a fractional share, the person to whom the stock is to be issued shall be required to subscribe and pay for such amount of stock of the class to be issued as will permit the association to comply with the foregoing regulation.

(3) **Retirement:** A stockholder may become ineligible to borrow from the local association in which he holds stock because of a change in the territory of said association; because of a change in the residence of the stockholder to the territory of another association; or because of the stockholder's application for a loan larger than can be made by the local association. The association, with the consent of the corporation, may retire and cancel class A or class B stock of such ineligible borrower at the fair book value thereof (not exceeding par). Such consent will not be given until notification has been received that a loan to the holder of said stock has been approved in another production credit association created under the Farm Credit Act of 1933. In no case shall the amount of stock so canceled exceed the value of the stock to which the holder is required to subscribe in order to obtain his loan in the other association.

(4) **Manner of Transfer:** The corporation is the stock transfer agent of the association and will record transfers, redemptions, conversions, cancellations, and retirements of stock on the books of the association upon delivery of the certificates when accompanied by proper evidence of authority to transfer, convert or retire the same; and will issue a new certificate or certificates in exchange therefor to the person or persons entitled thereto. When a transfer of shares on the books of the association is requested and the transfer agent is in doubt as to the rights of the person seeking such transfer, the transfer agent may refuse a transfer unless such person shall give adequate security or bond of indemnity executed by a corporate surety, or by two individual sureties, satisfactory to the transfer agent as to the form and amount of the bond and the responsibility of the sureties. Such security may also be required by the transfer agent when it is requested to issue a duplicate certificate on the ground that the original has been lost or destroyed.

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Regulations  
Production credit  
under Farm  
Credit Act  
of 1933  
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seură, deoarece este și o poliție pentru că se poate să nu se întâmple astfel de situații. În ceea ce privește ceea ce îl poate întâmpina în următoarele săptămâni, cred că va fi foarte dificil să obțină un acord între guvern și parlament, deoarece există multe diferențe între cele două lărgiri. În ceea ce privește ceea ce îl poate întâmpina în următoarele săptămâni, cred că va fi foarte dificil să obțină un acord între guvern și parlament, deoarece există multe diferențe între cele două lărgiri.

**(e) Issue price and conversion rates:** The issue price and the conversion rates at which class A and class B stock shall be issued, sold, and converted are required to be the fair book value thereof (not exceeding par), as computed at the last preceding determination of such value; and the fair book value will be determined at such times and in such manner as may be prescribed by the corporation.

**Section 57. Discounting authority:** The association is not authorized to borrow from, or rediscount paper with, any bank or agency other than the Federal intermediate credit bank of the district.

### **Section 58. Earnings and investments:**

(a) **Earnings:** The association shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year—(1) to the making up of any losses in excess of its reserve for bad and doubtful debts, (2) to the restoration of the amount of any impairment of its capital, (3) to the creation and maintenance of a reserve for bad and doubtful debts, the amount of which account shall be prescribed by the corporation, and (4) to the creation and maintenance of a guaranty fund equal to at least 25 percent of the paid-in capital of the association. Any sums remaining may, with the approval of the corporation, be devoted to the payment of dividends, not in excess of 7 percent per annum, without accumulation.

(b) **Guaranty fund:** Sums in the guaranty fund shall be invested in such bonds and/or other securities as may be prescribed by the Governor of the Farm Credit Administration. All such securities shall be deposited with the corporation for safekeeping. All registered bonds shall be registered in the name of the association.

**Section 59. Depositories:** The depositaries for the funds of the association must be approved for the purpose by the corporation.

**Section 60. Examinations:** At least once each year and at such other time as the Governor of the Farm Credit Administration deems necessary, the association will be examined by examiners designated by the Governor, the cost of such examinations to be assessed against the association, in such manner and to such extent as the Governor may prescribe.

### **Section 61. Reports:**

(a) **To the Governor:** Semiannually, and at such other times as may be required by him, the association shall submit to the Governor of the Farm Credit Administration a schedule showing the salaries, rates of compensation, allowances for per diem, and other disbursements made to its directors, officers, employees, and agents.

(b) **To the corporation:** At such times and in such forms as the corporation shall require, the association shall submit to the corporation statements of condition and reports relative to its operations.

**Section 62. Forms and procedures:** All forms and procedures used by the association must be prescribed or approved by the corporation.

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