

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 115

Session of
1983

INTRODUCED BY MORRIS, GRIECO, IRVIS, MANDERINO, STUBAN, MADIGAN, RUDY, COLE, BALDWIN, BROUJOS, CALTAGIRONE, HONAMAN, BOWSER, FARGO, DeVERTER, W. W. FOSTER, COY, HALUSKA, LLOYD, LUCYK, SALOOM, SEVENTY, SHOWERS, LETTERMAN, JOHNSON, PHILLIPS, WASS, HERSHEY, AFFLERBACH, MAIALE, BELFANTI, PRATT, RYBAK, NOYE, HOFFEL, CLYMER, D. R. WRIGHT, BLAUM, KLINGAMAN, KUKOVICH, WACHOB, MERRY, SWEET, REBER, PETRARCA, O'DONNELL, LESCOVITZ, DeLUCA, VROON, STAIRS, COLAFELLA, FISCHER, PERZEL, McINTYRE, DUFFY, COHEN, BUNT, HUTCHINSON, RICHARDSON, PITTS, CIMINI, LEVI, DIETZ, BURD, FEE, CORDISCO, SEMMEL, GEORGE, DOMBROWSKI, E. Z. TAYLOR, FRYER, DAVIES, GRUPPO, GALLEN, TELEK, D. W. SNYDER, WAMBACH, LIVENGOD, KOWALYSHYN, DeWEESE, MOEHLMANN, F. E. TAYLOR, FREEMAN, PRESTON AND HAYES, FEBRUARY 1, 1983

AS AMENDED, COMMITTEE ON AGRICULTURE AND RURAL AFFAIRS,
HOUSE OF REPRESENTATIVES, DECEMBER 13, 1983

AN ACT

1 Creating the Agricultural Development Authority as a
2 governmental instrumentality and as a body corporate and
3 politic; prescribing the rights, powers and duties of such
4 authority; authorizing such authority to acquire by gift or
5 purchase, to make loans, guarantees or other financial
6 accommodations to agricultural enterprises, to borrow money
7 and issue bonds therefor; providing for the payment of such
8 bonds and giving security therefor; prescribing the rights of
9 the holders of such bonds; providing that no debt of the
10 Commonwealth shall be incurred in the exercise of any powers
11 granted by this act; exempting the property and securities of
12 such authority from taxation; authorizing the authority to
13 enter into contracts with and to accept grants from the
14 Federal Government or any agency thereof; providing for the
15 examination of the accounts and affairs of the authority; and
16 making an appropriation.

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30 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 Section 1. Short title.

3 This act shall be known and may be cited as the Agricultural
4 Development Authority Act.

5 Section 2. Declaration of purpose.

6 The purpose of this act is to assist family farm enterprises
7 by providing low interest loans or guaranteeing loans to such
8 enterprises which would otherwise be unable to obtain sufficient
9 funds or credit AT REASONABLE RATES OF INTEREST. IN RECOGNITION <—
10 OF THE FINANCIAL INSTABILITY WHICH CAN RESULT IF PERSISTENT
11 SURPLUSES OCCUR IN THE PRODUCTION OF A PARTICULAR COMMODITY, THE
12 LOANS AND LOAN GUARANTEES PROVIDED UNDER THIS ACT ARE INTENDED
13 TO FACILITATE THE CONTINUED OPERATION OR TRANSFER OF FARMS IN
14 PENNSYLVANIA WHICH ARE CURRENTLY ACTIVE AND TO HELP PENNSYLVANIA
15 FARMERS TO REPLACE ALL OR PART OF THEIR PRODUCTION OF A SURPLUS
16 COMMODITY WITH PRODUCTION OF A COMMODITY OR COMMODITIES FOR
17 WHICH THERE IS MORE LIKELY TO BE AN ADEQUATE MARKET. THIS ACT IS
18 NOT INTENDED TO INCREASE THE OVERALL PRODUCTION OF COMMODITIES
19 WHICH ARE IN SURPLUS.

20 Section 3. Definitions.

21 The following words and phrases when used in this act shall
22 have the meanings given to them in this section unless the
23 context clearly indicates otherwise:

24 "Agricultural activity" or "farming." The raising, preparing
25 or marketing of crops, livestock or related products.

26 "Applicant." Any family farm enterprise applying for a
27 family farm loan or loan guarantee.

28 "Authority." The public body corporate and politic created
29 pursuant to this act.

30 "Board" or "board of directors." The governing body of the

1 authority.

2 "Bonds." Includes the notes, bonds, refunding notes and
3 bonds and other evidence of indebtedness or obligations which
4 the authority is authorized to issue pursuant to this act.

5 "Department." The Department of Agriculture.

6 "Family farm corporation." A corporation formed for the
7 purpose of farming in which the majority of the voting stock is
8 held by and the majority of the stockholders are persons, or the
9 spouses of such persons or other persons related to such persons
10 or spouses and at least one of such majority stockholders is
11 residing on or actively operating or managing the farm and none
12 of the stockholders of which are corporations.

13 "Family farm enterprise." A natural person, family farm
14 corporation or family farm partnership engaged in farming.

15 "Family farmland loan" or "loan guarantee." A loan or
16 guarantee made or granted for the acquisition of farmland IN <—
17 PENNSYLVANIA and secured by a ~~first~~ mortgage on such farmland. <—

18 "Family farm loan." A direct loan made by the authority, BY <—
19 A LENDER WITH THE APPROVAL OF THE AUTHORITY, OR BY A LENDER IN
20 PARTICIPATION WITH THE AUTHORITY, TO THE loan applicant for the
21 purposes of this act, PROVIDED THAT THE LOAN WILL BE USED FOR A <—
22 FAMILY FARM ENTERPRISE LOCATED IN PENNSYLVANIA.

23 "Family farm loan guarantee." Any agreement made by the
24 authority, BY A LENDER WITH THE APPROVAL OF THE AUTHORITY, OR BY <—
25 A LENDER IN PARTICIPATION WITH THE AUTHORITY, to guarantee a
26 loan made by a lender to a family farm enterprise for the
27 purposes of this act, whether in the form of guarantee,
28 endorsement or suretyship, PROVIDED THAT THE GUARANTEE, <—
29 ENDORSEMENT OR SURETYSHIP WILL BE USED FOR A FAMILY FARM
30 ENTERPRISE LOCATED IN PENNSYLVANIA.

1 "Family farm partnership." A general partnership entered
2 into for the purpose of farming having no more than three
3 unrelated members together with the spouses of such members of
4 other persons related within the third degree of kindred to any
5 of such persons or spouses and at least one of all such persons
6 is residing on or actively operating or managing the farm.

7 "Farmland." Land in the Commonwealth that is capable of
8 supporting the commercial production of agricultural crops,
9 livestock or livestock products, poultry products, milk or dairy
10 products or fruit or other horticultural products.

11 "Federal agency." Includes the United States of America, the
12 President of the United States of America and any department or
13 corporation, agency or instrumentality heretofore or hereafter
14 created, designated or established by the United States of
15 America.

16 "Lender." Any bank, savings bank, mutual savings bank,
17 building and loan association and savings and loan association
18 organized under the laws of this Commonwealth or the United
19 States, trust companies, trust companies acting as fiduciaries
20 and other financial institutions subject to the supervision of
21 the Department of Banking; and any foreign or domestic
22 corporation engaged in the business of insurance which is
23 subject to the supervision of the Insurance Commissioner; and
24 any financial institutions operating under the supervision of
25 the Federal farm credit administration. The term shall also mean
26 the seller of the property in cases of seller-sponsored loan or
27 purchase money loan.

28 "Payment adjustment." An amount of money equal to 4%
29 interest on the principal balance of ~~a family farm security loan~~ <—
30 AN OUTSTANDING FAMILY FARMLAND LOAN OR ONE-HALF OF THE ANNUAL <—

1 PAYMENT DUE ON SUCH A LOAN.

2 "Secretary." The Secretary of Agriculture of the
3 Commonwealth or the Budget Secretary of the Commonwealth, as the
4 context may indicate.

5 "Seller-sponsored loan" or "purchase money loan." A loan in
6 which part or all of the purchase price of the farm is financed
7 by a loan from the seller of the property who is a natural
8 person, a family farm corporation or partnership and the
9 remainder of the loan, if any, is supplied by a lender. The loan
10 shall be secured by a ~~first-lien~~ real estate mortgage evidenced <—
11 by one or more notes that may carry different interest rates.

12 Section 4. The Agricultural Development Authority.

13 (a) Establishment.--There is hereby created a body corporate
14 and politic, constituting a public corporation and governmental
15 instrumentality by the name of the Agricultural Development
16 Authority, hereinafter known as the authority.

17 (b) Composition.--The board of directors shall be composed
18 of the following:

19 (1) The Secretary of Agriculture, who will serve as
20 chairman.

21 (2) The chairmen of the Senate and House Agriculture and
22 Rural Affairs Committees or their respective designees.

23 (3) ~~Ten~~ TWELVE members to be appointed by the Governor <—
24 with the advice and consent of a majority of the Senate as
25 follows:

26 (i) two officers from commercial lending
27 institutions experienced in agricultural financing;

28 (ii) one dairy farmer;

29 (iii) one livestock (other than dairy) farmer;

30 (iv) one cash grain farmer;

1 (v) one fruit farmer;

2 (vi) one vegetable farmer;

3 (VII) ONE POULTRY FARMER;

4 ~~(vii)~~ (VIII) two officers from a farm credit

5 association; and

6 ~~(viii)~~ one (IX) TWO agricultural economist

7 ECONOMISTS.

8 A majority of the board shall constitute a quorum.

9 (c) Appointment, terms and vacancies.--The members of the
10 board of directors initially appointed by the Governor shall
11 continue in office for terms of one to ~~four~~ FIVE years,
12 respectively, from the date of their appointment and until their
13 respective successors shall be duly appointed and qualified, the
14 term of each appointed member to be designated by the Governor
15 at the time of his appointment; but their successors shall each
16 be appointed for a term of five years, except that any person
17 appointed to fill a vacancy shall serve only for the unexpired
18 term and any appointed member of the board of directors of the
19 authority shall be eligible for reappointment.

(d) Counsel and employees.--The board of directors, in its sole discretion, may appoint its own counsel and legal staff, and appoint such consultants and technicians as it may require.

(e) Powers.--The board of directors shall have full authority to manage the properties and business of the authority, and to prescribe, amend and repeal bylaws, rules and regulations governing the manner in which the business of the authority may be conducted and the powers granted to it may be exercised and embodied.

29 (f) Staff services.--The Department of Agriculture shall
30 provide staff services including an executive director as agreed

1 upon by the board to the authority for its administration of the
2 act, including liaison between the authority and the Bureau of
3 Agricultural Development (hereinafter authorized) and related
4 organizations, and between the authority and other agencies of
5 the Commonwealth whose facilities and services may be useful to
6 the authority in its work.

7 (g) Special expense reimbursement.--The authority is
8 authorized to make reimbursement to the Department of
9 Agriculture or to any agency of the Commonwealth for such
10 special expenses as may be incurred in the provision of any
11 services or the use of any facilities required by the authority.

12 (h) Expenses of board members.--The members of the board of
13 directors shall be entitled to no compensation for their
14 services as members, but shall be entitled to reimbursement for
15 all necessary expenses incurred in connection with the
16 performance of their duties as members of the board.

17 Section 5. Reports to General Assembly.

18 The Secretary of Agriculture shall annually and at such other
19 times as requested, submit a detailed report to the General
20 Assembly on the conduct and administration of all aspects of the
21 authority's activities and of the family farm loan and loan
22 guarantee program.

23 Section 6. General powers and duties.

24 The authority, as a public corporation and governmental
25 instrumentality exercising public powers of the Commonwealth, is
26 hereby granted and shall have and may exercise all powers
27 necessary or appropriate to carry out and effectuate the
28 purposes of this act, including the following powers, in
29 addition to others herein granted:

30 (1) To have existence for a term of 50 years.

1 (2) To sue and be sued, implead and be impleaded,
2 complain and defend in all courts.

3 (3) To adopt, use and alter at will a corporate seal.

4 (4) To make bylaws for the management and regulation of
5 its affairs.

6 (5) To appoint officers, agents, employees and servants
7 and to prescribe their duties and to fix their compensation,
8 within the limitations provided by law.

9 (6) To make contracts of every name and nature and to
10 execute all instruments necessary or convenient for the
11 carrying on of its business.

12 (7) Without limitation of the foregoing, accept grants
13 from, and to enter into contracts or other transactions with
14 any Federal agency, State agency, charitable or business
15 organization.

16 (8) To borrow money, make and issue negotiable notes,
17 bonds, refunding bonds and other evidences of indebtedness or
18 obligations of the authority, and to secure the payment of
19 such bonds, or any part thereof, by pledge or deed of trust
20 of all, or any, of its revenues, receipts and contract
21 rights, or other assets, real or personal, and to make such
22 agreements with the purchasers or holders of such bonds or
23 with others in connection with any such bonds, whether issued
24 or to be issued as the authority shall deem advisable, and in
25 general to provide for the security for said bonds and the
26 rights of the holders thereof.

27 (9) To invest moneys not required for current
28 expenditures, pending such expenditures, in any securities
29 eligible for the investment of ~~funds in the Commonwealth~~ <—
30 COMMONWEALTH FUNDS. <—

1 (15) In determining eligibility for a loan or a loan
2 guarantee, to consult with the board and staff of any local
3 farm credit association or agricultural stabilization and
4 conservation service office in the area where an applicant
5 resides or where the family farm enterprise is located or
6 proposed to be located.

7 (16) TO ENTER INTO AGREEMENTS WITH LENDERS PURSUANT TO
8 WHICH THE AUTHORITY MAY MAKE LOANS AND LOAN GUARANTEES IN
9 CONJUNCTION WITH LOANS AND LOAN GUARANTEES MADE BY LENDERS
10 AND PURSUANT TO WHICH LENDERS MAY SERVICE LOANS AND LOAN
11 GUARANTEES MADE BY THE AUTHORITY.

12 (17) TO ENTER INTO AGREEMENTS WITH LENDERS PURSUANT TO
13 WHICH THE AUTHORITY WOULD LEND FUNDS TO LENDERS AND THE
14 LENDERS WOULD THEN MAKE LOANS AND LOAN GUARANTEES WITH THE
15 APPROVAL OF THE AUTHORITY.

16 ~~(16)~~ (18) To do all other acts and things necessary or
17 convenient to carry out the powers granted to it by this act
18 or any other acts: Provided, however, That the authority
19 shall have no power, at any time or in any manner, to pledge
20 the credit or taxing power of the Commonwealth, nor shall any
21 of its obligations or debts be deemed to be obligations of
22 the Commonwealth, nor shall the Commonwealth be liable for
23 the payment of principal or interest on such obligations.

24 Section 7. Specific powers and duties.

25 ~~(a) Powers enumerated.~~ The authority shall have the power:

26 (1) To lend money for capital expenditures relating to
27 agricultural activities including the purposes of purchasing
28 farmland, equipment, and livestock or otherwise financially
29 ~~assist~~ ASSISTING a family farm enterprise.

30 (2) To loan money for noncapital expenditures including

1 the purchase of seeds, fertilizer, feed for livestock or
2 other supplies normally used for agricultural purposes.

3 (3) To guarantee, endorse, or act as surety on loans,
4 bonds, notes, contracts or other obligations of A family farm <—
5 enterprise entered into for the purpose of acquiring or
6 purchasing such capital and noncapital assets or property as
7 set forth in paragraphs (1) and (2).

8 (4) To establish and regulate the terms, security and
9 conditions with respect to any such loans or financial
10 assistance and the charges for interest and service connected
11 therewith, all at the sole discretion of the board of
12 directors.

13 ~~(b) Refinancing prohibited. The authority shall not <—~~
14 ~~refinance any existing obligation.~~

15 Section 8. Loans and financial participation by the authority.

16 (a) Majority required.--The authority shall not make loans,
17 guarantee loans or investments or provide other financial
18 assistance pursuant to this section unless a majority of the
19 board of directors present at a meeting vote in favor of the
20 action. A majority of members of the board of directors of the
21 authority will constitute a quorum.

22 (b) Terms of loan or assistance.--Any loan or other
23 financial assistance made by the authority as authorized in this
24 section shall be for such period of time and shall bear interest
25 at such rate as shall be determined by the authority and loans
26 shall be evidenced by bond or note of the borrower and secured
27 as may be required by the board of directors.

28 (c) Financial status of borrower.--In determining whether to
29 make any loan, guarantee loans or investments or provide other
30 financial assistance pursuant to this section the first

1 consideration shall be the board's determination of the
2 borrower's ability to repay and the security available shall be
3 secondary.

4 (d) Application form.--Prior to the loaning of any funds or
5 granting any financial assistance to an agricultural enterprise,
6 the authority shall receive from the prospective borrower an
7 application in form adopted by the authority and abiding by any
8 regulations established by the authority.

9 SECTION 9. REFINANCING. <—

10 (A) REFINANCING PERMITTED.--THE AUTHORITY MAY LEND MONEY TO
11 REFINANCE OBLIGATIONS OF FAMILY FARM ENTERPRISES, OTHER THAN
12 OBLIGATIONS TO THE AUTHORITY, PROVIDED THAT THE OBLIGATION TO BE
13 REFINANCED IS FOR A FAMILY FARM ENTERPRISE LOCATED IN
14 PENNSYLVANIA AND PROVIDED FURTHER THAT THE AUTHORITY SHALL NOT
15 MAKE ANY LOAN FOR REFINANCING WHICH WOULD INCREASE THE TOTAL
16 AMOUNT OF LOANS MADE FOR REFINANCING TO ALL FAMILY FARM
17 ENTERPRISES TO MORE THAN 25% OF THE TOTAL OUTSTANDING
18 INDEBTEDNESS OF THE AUTHORITY.

19 (B) ELIGIBILITY.--TO BE ELIGIBLE FOR LOANS TO REFINANCE AN
20 OBLIGATION, IN ACCORDANCE WITH SUBSECTION (A), AN APPLICANT MUST
21 DEMONSTRATE TO THE SATISFACTION OF THE BOARD:

22 (1) THAT HE IS A RESIDENT OF THE COMMONWEALTH, OR THAT
23 ITS PRINCIPAL OPERATING OR MANAGING MEMBERS OR SHAREHOLDERS
24 IN THE CASE OF EITHER A FAMILY FARM PARTNERSHIP OR A FAMILY
25 FARM CORPORATION ARE PENNSYLVANIA RESIDENTS AND IF A
26 CORPORATION, THAT IT IS A PENNSYLVANIA CORPORATION OR SHOW
27 SUFFICIENT EVIDENCE THAT HE OR THEY INTEND TO BECOME A
28 RESIDENT OR RESIDENTS.

29 (2) THAT THE APPLICANT OR THE PRINCIPAL OPERATING OR
30 MANAGING MEMBERS OR SHAREHOLDERS THEREOF HAVE SUFFICIENT

1 EDUCATION, TRAINING OR EXPERIENCE IN THE TYPE OF FARMING
2 BEING CONDUCTED AND WILL PARTICIPATE IN A FARM MANAGEMENT
3 PROGRAM, APPROVED BY THE BOARD, FOR THE DURATION OF THE LOAN
4 SOUGHT FOR REFINANCING.

5 (3) THAT THE APPLICANT, PARTNERS OR SHAREHOLDERS THEREOF
6 TOGETHER WITH HIS OR THEIR SPOUSES AND DEPENDENTS HAVE A
7 TOTAL NET WORTH VALUED AT LESS THAN \$100,000 AND HAVE A NEED
8 FOR REFINANCING BECAUSE OF AN INSUFFICIENT CASH FLOW WHICH
9 WOULD OTHERWISE SERIOUSLY THREATEN THE ABILITY OF THE
10 APPLICANT TO CONTINUE IN BUSINESS.

11 (4) THAT THE APPLICANT IS CREDIT WORTHY ACCORDING TO
12 STANDARDS PRESCRIBED BY THE BOARD.

13 Section 9 10. Eligibility for loans and loan guarantees and
14 limitations thereon. <—

15 (a) Publications.--To be eligible an applicant must
16 demonstrate to the satisfaction of the board:

17 (1) That he is a resident of the Commonwealth, or that
18 its principal operating or managing members or shareholders
19 in the case of either a family farm partnership or a family
20 farm corporation are Pennsylvania residents and if a
21 corporation, that it is a Pennsylvania corporation or show
22 sufficient evidence that he or they intend to become a
23 resident or residents.

24 (2) That the applicant or the principal operating or
25 managing members or shareholders thereof have sufficient
26 education, training or experience in the type of farming for
27 which he or they wish the loan and will participate in a farm
28 management program, approved by the board, for the duration
29 of the family farm loan or loan guarantee.

30 (3) That the applicant, partners or shareholders thereof

1 together with his or their spouses and dependents have a
2 total net worth valued at less than \$100,000 and have a need
3 for the loan or loan guarantee.

4 (4) That the applicant will use the loan proceeds for
5 the agricultural purposes set forth in the application.

6 (5) That the applicant is credit worthy according to
7 standards prescribed by the board.

8 ~~(6) That the applicant has been refused a loan by two~~ <—
9 ~~lending institutions for the same purpose for which he is~~
10 ~~applying under this act.~~

11 (b) Loan limit for family farm enterprise.--The authority
12 may make or guarantee a loan or loans not to exceed ~~\$150,000~~ <—
13 \$200,000 for each family farm enterprise for a term not to
14 exceed 20 years if the loan is made or is guaranteed for the
15 purpose of acquiring farmland. In no case, however, shall the
16 authority's guarantee exceed 90% of a loan for this purpose.

17 (c) Loan limit for agricultural enterprise.--The authority
18 may make or guarantee a loan or loans not to exceed ~~\$50,000~~ <—
19 \$100,000 for each agricultural enterprise for a term not to
20 exceed seven years if the loan made or guaranteed is for the
21 purchase of equipment, ~~livestock,~~ OR LIVESTOCK OR FOR A TERM NOT <—
22 TO EXCEED ONE YEAR IF THE LOAN MADE OR GUARANTEED IS FOR THE
23 PURCHASE OF fertilizer, seed, livestock feed or other supplies
24 normally used for farm operations.

25 Section ~~10~~ 11. Special provisions for loan guarantees and <—
26 further limitations thereon.

27 (a) Payments to lender.--Upon the application by the
28 borrower and the approval of the authority, the authority may,
29 during the first ten-year term of a loan pay to the lender an
30 amount equal to the lesser of:

1 (1) half of the annual interest due on the loan; or

2 (2) four percent of the unpaid balance of the loan.

3 Any sums so paid to the lender shall constitute a debt of the
4 borrower to the authority bearing interest at the same rate as
5 the guaranteed loan and shall be repaid with such interest upon
6 the final termination of such loan or any renewal thereof with
7 the privilege to the borrower to prepay in whole or in part at
8 any time or from time to time without penalty.

9 (b) Eligibility for payment adjustment.--To be eligible for
10 payment adjustment a family ~~farm security~~ FARMLAND loan shall <—
11 have a maximum term of 20 years and shall provide for payments
12 at least annually so that the loan shall be amortized over its
13 term with equal annual payments of principal and interest.

14 ~~During~~ IF, DURING the first ten years of a family ~~farm security~~ <—
15 FARMLAND loan, the authority ~~shall annually pay~~ DETERMINES TO <—
16 PAY ANNUALLY to the lender 4% of the outstanding balance due at
17 the beginning of that year ~~and~~, OR HALF OF THE ANNUAL INTEREST <—
18 DUE, the applicant shall pay the remainder of the payment due.
19 After the tenth year, the applicant shall make payments
20 according to the stated interest rate.

21 (c) Renewal.--The applicant may petition the authority for
22 one ten-year renewal of the payment adjustment. If a renewal is
23 granted, in the 21st year the applicant shall reimburse the
24 authority for the sums paid on the applicant's behalf under this
25 subsection. If no renewal is granted, the applicant shall
26 reimburse the authority in the 11th year for the sums paid on
27 the applicant's behalf under this subsection. The obligation to
28 repay the payment adjustment shall be a lien against the
29 property.

30 (d) Annual statement of net worth.--The applicant,

1 dependents and spouse shall annually submit to the authority a
2 statement of their net worth. If their net worth in any year
3 exceeds the sum of \$125,000, the applicant shall be ineligible
4 for a payment adjustment in that year.

5 (e) Guarantees and adjustments for certain loans.--The
6 authority may provide a guarantee to the lenders on a seller-
7 sponsored loan or a purchase money loan when the buyer satisfies
8 the eligibility criteria in section 9. The authority may also
9 provide a payment adjustment on behalf of the applicant in the
10 case of seller-sponsored loans.

11 (f) Security.--A seller-sponsored loan shall be secured by a
12 purchase money ~~first~~ real estate mortgage evidenced by a bond <—
13 and mortgage. The authority must be notified in writing within
14 30 days after a ~~family-farm~~ FARMLAND security loan mortgage is <—
15 sold or exchanged.

16 Section ~~11~~ 12. Sale or conveyance by applicant. <—

17 (a) Obligation due on sale.--Any applicant who sells or
18 conveys the property for which a family farm loan was issued
19 shall immediately return the entire indebtedness still owed to
20 the authority or to the lender, if any. The new owner may
21 negotiate a family farm loan in his own right, but under no
22 circumstances may the original loan be assumed by the new owner.
23 This subsection is not intended to prohibit an applicant from
24 granting a security interest in the property for the purposes of
25 securing an additional loan.

26 (b) Default.--Any applicant who fails to maintain the land
27 covered by a family farm security loan in active agricultural
28 production for a period of time longer than one year shall be in
29 default. Such a default may be waived by the authority in the
30 event of a physical disability or other extenuating

1 circumstances.

2 Section ~~12~~ 13. Rules and regulations. <—

3 The authority shall have the right to adopt rules and
4 regulations to carry out the provisions of this act in
5 accordance with the provisions of the act of July 31, 1968
6 (P.L.769, No.240), referred to as the Commonwealth Documents
7 Law.

8 Section ~~13~~ 14. Moneys of the authority. <—

9 All moneys of the authority from whatever source derived
10 shall be paid to the treasurer of the authority. Said moneys
11 shall be deposited in the first instance by the treasurer in one
12 or more banks or trust companies, in one or more special
13 accounts, and each of such special accounts shall be
14 continuously secured by a pledge of direct obligations of the
15 United States of America or of the Commonwealth, having an
16 aggregate market value, exclusive of accrued interest, at all
17 times at least equal to the balance on deposit in such account.
18 Such securities shall either be deposited with the treasurer or
19 be held by a trustee or agent satisfactory to the authority. All
20 banks and trust companies are authorized to give such security
21 for such deposits. The moneys in said accounts shall be paid out
22 on the warrant or other order of the treasurer of the authority,
23 or of such other person or persons as the authority may
24 authorize to execute such warrants or orders.

25 Section ~~14~~ 15. Agricultural Development Fund. <—

26 (a) Establishment.--There is hereby created a special
27 account in the State Treasury to be known as the Agricultural
28 Development Fund to which shall be accredited the appropriation
29 provided by this act and any subsequent appropriations made by
30 the General Assembly to the authority as well as such other

1 deposits and contributions as may be received from any other
2 source by the authority, as well as such other deposits as this
3 section provided.

4 (b) Administration of act.--As often as may be necessary,
5 the authority shall requisition from the Agricultural
6 Development Fund such amounts as may be necessary to provide
7 adequate funds for the payment of the administration of the
8 purpose of this act.

9 (c) Procedure.--The authority shall also requisition, from
10 time to time, from the Agricultural Development Fund, such
11 amounts as shall be allocated and appropriated by the authority
12 for loans or other financial assistance to agricultural
13 enterprises. When and as the amounts so allocated and
14 appropriated by the authority as loans or other financial
15 assistance are repaid to the authority pursuant to the terms of
16 the bonds or notes or other agreements made and entered into by
17 the authority, the authority shall pay such amounts into the
18 Agricultural Development Fund, it being the intent of this act
19 that the Agricultural Development Fund shall operate as a
20 revolving fund whereby all appropriations, deposits,
21 contributions and payments made thereto may be applied and
22 reapplied for the purposes of this act.

23 (d) Credits to funds.--All appropriations, deposits and
24 contributions made to the Agricultural Development Fund shall be
25 immediately credited in full to said fund, and earnings on the
26 moneys held in said fund shall also be credited to the fund for
27 the purposes of this act.

28 (e) Transfer to General Fund.--At any time that the
29 authority shall determine that funds held for the credit of the
30 Agricultural Development Fund are in excess of the amount needed

1 by the authority to carry out the purposes of this act, the
2 authority shall take such action as shall be required to release
3 such excess from the Agricultural Development Fund and transfer
4 the same to the General Fund of the State Treasury.

5 Section ~~15~~ 16. Limitation on amount of loans made or guaranteed. <—

6 The sum of all outstanding family farm loans granted or
7 guaranteed by the authority at any time shall not exceed ten
8 times the amount of money in the special accounts credited in
9 section ~~14~~ 15. <—

10 Section ~~16~~ 17. Conflict of interest prohibited. <—

11 No member of the authority or officer or employee thereof
12 shall either directly or indirectly be a party to or be in any
13 manner interested in any contract or agreement with the
14 authority for any matter, cause or thing whatsoever by reason
15 whereof any liability or indebtedness shall in any way be
16 created against such authority, PROVIDED THAT NOTHING HEREIN <—
17 SHALL PROHIBIT A COMMERCIAL LENDING INSTITUTION OR A FARM CREDIT
18 ASSOCIATION FROM EITHER DIRECTLY OR INDIRECTLY BEING A PARTY TO
19 OR BEING IN ANY MANNER INTERESTED IN ANY SUCH CONTRACT OR
20 AGREEMENT WITH THE AUTHORITY IF ONE OF ITS OFFICERS IS A MEMBER
21 OF THE AUTHORITY AS LONG AS SUCH OFFICER DECLARES HIS CONFLICT
22 OF INTEREST AND REFRAINS FROM PARTICIPATING IN ANY DELIBERATION
23 OR VOTE BY THE AUTHORITY ON, OR OTHER ACTION BY THE AUTHORITY
24 REGARDING, SUCH CONTRACT OR AGREEMENT. If any contract or
25 agreement shall be made in violation of the provisions of this
26 section the same shall be null and void and no action shall be
27 maintained thereon against such authority.

28 Section ~~17~~ 18. Examination and audit of authority affairs. <—

29 The accounts and books of the authority, including its
30 receipts, disbursements, contracts, investments and other

1 matters relating to its finances, operation and affairs shall be
2 examined and audited from time to time by the Auditor General as
3 provided in the act of April 9, 1929 (P.L.177, No.175), known as
4 The Administrative Code of 1929.

5 Section ~~18~~ 19. Bonds. <—

6 (a) Form and terms of bonds.--The bonds of the authority
7 shall be authorized by resolution of the board thereof and
8 approved by the ~~Budget-Secretary~~ GOVERNOR of the Commonwealth or <—
9 by the terms of a trust indenture authorized by such board, and
10 approved by the ~~Budget-Secretary~~ GOVERNOR and shall be of such <—
11 series, shall bear such date or dates, shall mature at such time
12 or times, not exceeding the life of the authority, shall bear
13 interest at such rate or rates, shall be in such denominations,
14 shall be in such form, either coupon or fully registered without
15 coupons, shall carry such registration, exchangeability and
16 interchangeability privileges, shall be payable in such medium
17 of payment and at such place or places, shall be subject to such
18 terms of redemption, not exceeding 105% of the principal amount
19 thereof and shall be entitled to such priorities in the revenues
20 or receipts of the authority as such trust, indenture,
21 resolution or resolutions may provide with the approval of the
22 ~~Budget-Secretary~~ GOVERNOR, PROVIDED THAT NO BONDS SHALL BE <—
23 AUTHORIZED WHICH WOULD INCREASE THE TOTAL OUTSTANDING
24 INDEBTEDNESS OF THE AUTHORITY TO MORE THAN \$200,000,000 AT ANY
25 ONE TIME. The bonds shall be signed by such officers, either
26 manually or by facsimile as the authority shall determine, and
27 coupon bonds shall have attached thereto interest coupons
28 bearing the facsimile signature of the treasurer of the
29 authority, all as may be prescribed in such resolution or
30 resolutions. Any such bonds may be issued and delivered,

1 notwithstanding that one or more of the officers signing such
2 bonds or the treasurer whose facsimile signature shall be upon
3 the coupons or any thereof, shall have ceased to be such officer
4 or officers at the time when such bonds actually shall be
5 delivered. Said bonds may be sold at public or private sale for
6 such price or prices as the authority shall determine. The net
7 interest cost of maturity of the money received for any issue of
8 bonds, whether sold at public or private sale, shall be
9 determined by the authority.

10 (b) Interest.--For the purposes of this section, net
11 interest cost shall be determined by ascertaining the total
12 amount of interest payable with respect to the bonds, computed
13 from the date of the bonds to the stated maturity dates thereof,
14 plus the amount of any discount from the principal amount of the
15 bonds or less the amount of any premium in excess of the
16 principal amount of the bonds, PLUS THE AMOUNT OF ANY ISSUANCE <—
17 COSTS. Pending the preparation of the definitive bonds, interim
18 receipts may be issued to the purchaser or purchasers of such
19 bonds, and may contain such terms and conditions as the
20 authority may determine.

21 (c) Bonds as securities.--Such bonds are hereby made
22 securities in which all officers of the State and its political
23 subdivisions and municipal officers and administrative
24 departments, boards and commissions of the Commonwealth, all
25 banks, bankers, savings banks, trust companies, saving and loan
26 associations, investment companies and other persons carrying on
27 a banking business, all insurance companies, insurance
28 associations, and other persons carrying on an insurance
29 business, and all administrators, executors, guardians,
30 trustees, and other fiduciaries, and all other persons

1 whatsoever who now or hereafter may be authorized to invest in
2 bonds or ~~other~~ obligations of the Commonwealth, properly and <—
3 legally may invest any funds, including capital, belonging to
4 them or within their control, and said bonds or other securities
5 or obligations hereby are made securities which properly and
6 legally may be deposited with, and received by, any State or
7 municipal officers or agency of the Commonwealth for any purpose
8 for which the deposit of bonds or ~~other~~ obligations of the <—
9 Commonwealth now is or hereafter may be authorized by law.

10 (d) Terms of bond authorization.--Any trust indenture,
11 resolution or resolutions authorizing any bonds may contain
12 provisions which shall be part of the contract with the holders
13 thereof as to:

14 (1) Pledging all or any of the revenues or receipts and
15 contract rights of the authority.

16 (2) The terms and provisions of the bonds.

17 (3) Limitations on the purposes to which the proceeds of
18 the bonds, then or thereafter to be issued, under such
19 indenture or resolution, or of any loan or grant by the
20 United States may be applied.

21 (4) Limitations on the issuance of additional bonds.

22 (5) The terms and provisions of any deed of trust or
23 indenture securing the bonds, or under which the same may be
24 issued.

25 (6) Any other or additional agreements with the holders
26 of the bonds.

27 (e) Security agreements.--The authority may enter into any
28 deeds of trust, indentures or other agreements with any bank or
29 trust company, or other person or persons in the United States
30 having power to enter into the same, including any Federal or

1 other governmental agency, as security for such bonds, and may
2 assign and pledge all or any of the revenues, receipts, and
3 contract rights of the authority thereunder. Such deed of trust,
4 indenture or other agreement may contain such provisions as may
5 be customary in such instruments, or as the authority may
6 authorize.

7 (f) Bonds as negotiable instruments.--Said bonds shall have
8 all the qualities of negotiable instruments under the law
9 merchant, and the negotiable instruments law of the
10 Commonwealth.

11 Section ~~19~~ 20. Refunding bonds.

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12 The authority is hereby authorized to provide, by resolution
13 of the board, for the issuance of refunding bonds for the
14 purpose of refunding any bonds of the authority issued under the
15 provisions of this act and then outstanding, either by voluntary
16 exchange with the holders of such outstanding bonds ~~or~~ to
17 ~~provide~~ PROVIDING funds to redeem and retire such outstanding
18 bonds, with accrued interest, and any premium payable thereon at
19 maturity or at any call date. The issuance of such refunding
20 bonds, the maturities and other details thereof, the rights of
21 holders thereof, and the duties of the authority in respect to
22 the same, shall be governed by the foregoing provisions of this
23 act in so far as the same may be applicable. Refunding bonds may
24 be issued by the authority to refund bonds originally issued or
25 to refund bonds of the authority previously issued for refunding
26 purposes.

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27 Section ~~20~~ 21. Remedies of bondholders.

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28 (a) Actions.--The rights and the remedies herein conferred
29 upon, or granted to the bondholders, shall be in addition to,
30 and not in limitation of, any rights and remedies lawfully

1 granted to such bondholders by the resolution or resolutions
2 providing for the issuance of bonds, or by any deed of trust,
3 indenture or other agreement under which the same shall be
4 issued. In the event that the authority shall default in the
5 payment of principal of, or interest on any of the bonds after
6 said principal or interest shall become due, whether at maturity
7 or upon call for redemption, and such default shall continue for
8 a period of 30 days, or in the event that the authority shall
9 fail or refuse to comply with the provisions of this act, or
10 shall default in any agreement made with the holders of the
11 bonds, the holders of 25% in aggregate principal amount of the
12 bonds then outstanding, by instrument or instruments filed in
13 the office of the recorder of deeds of the county, and proved or
14 acknowledged in the same manner as a deed to be recorded may
15 (except as such right may be limited under the provisions of any
16 deed of trust, indenture or other agreement as aforesaid),
17 appoint a trustee to represent the bondholders for the purposes
18 herein provided. Such trustee and any trustee under any deed of
19 trust, indenture or other agreement may, and upon written
20 request of the holders of 25% (or such other percentage as may
21 be specified in any deed of trust, indenture or other agreement
22 aforesaid) in principal amount of the bonds then outstanding,
23 shall, in his or its own name:

24 (1) By mandamus or other suit, action or proceeding at
25 law or in equity, enforce all rights of the bondholders,
26 including the right to require the authority to collect
27 charges and other pledged assets adequate to carry out any
28 agreements as to, or pledge of the revenues, receipts and
29 contract rights of, the authority, and to require the
30 authority to carry out any other agreements with or for the

benefit of the bondholders, and to perform its and their duties under this act.

(2) Bring suit upon the bonds.

(3) By action or suit in equity, require the authority to account as if it were the trustee of an express trust for the bondholders.

(4) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the bondholders.

(5) By notice in writing to the authority, declare all bonds due and payable, and if all defaults shall be made good, then with the consent of the holders of 25% (or such other percentage as may be specified in any deed of trust, indenture or other agreement aforesaid) of the principal amount of the bonds then outstanding, to annul such declaration and its consequences.

(b) Rights of trustee.--Any trustee, whether appointed as aforesaid or acting under a deed of trust, indenture or other agreement, and whether or not all bonds have been declared due and payable, shall be entitled, as of right, to the appointment of a receiver, who (to the same extent that the authority itself could do so) may enter and take possession of the facilities of the authority or any parts thereof, the revenues, receipts or pledges from which are, or may be, applicable to, the payment of the bonds so in default, and operate and maintain the same and collect and receive all revenues thereafter arising therefrom in the same manner as the authority might do, and shall deposit all such moneys in a separate account and apply the same in such manner as the court shall direct. In any suit, action or proceeding by the trustee, the fees, counsel fees and expenses

1 of the trustee, and of the receiver, if any, and all costs and
2 disbursements allowed by the court, shall be a first charge on
3 any revenues and receipts derived from the facilities of the
4 authority, the revenues, receipts or pledges from which are or
5 may be applicable to the payment of the bonds so in default.
6 Said trustee, in addition to the foregoing, shall have and
7 possess all of the powers necessary or appropriate for the
8 exercise of any functions specifically set forth herein or
9 incident to the general representation of the bondholders in the
10 enforcement and protection of their rights.

11 (c) Further remedies.--In addition to all other rights and
12 all other remedies, any holder of bonds of the authority shall
13 have the right by mandamus or other suit, action or proceeding
14 at law, or in equity, to enforce his rights against the
15 authority, including the right to require the authority to
16 collect fees and other charges adequate to carry out any
17 agreement as to, or pledge of, such fees or other charges or
18 income, revenues and receipts, and to require the authority to
19 carry out any of its covenants and agreements with the
20 bondholders and to perform its and their duties under this act.

21 Section ~~21~~ 22. Issuance of bonds.

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22 The bonds of the authority may be issued pursuant to one or
23 more resolutions or one or more trust indentures and, as
24 provided in such resolution or trust indenture, the moneys set
25 aside in any fund or funds pledged for any particular bonds or
26 series of bonds shall be held for the sole benefit of such
27 bonds, separate and apart from the moneys pledged for any other
28 bonds of the authority issued under any other resolution or
29 trust indenture.

30 Section ~~22~~ 23. Exemption from taxation.

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1 The effectuation of the authorized purposes of the authority
2 created under this act in all respects shall and will be for the
3 benefit of the people of the Commonwealth, and since the
4 authority will be performing essential public functions in
5 effectuating such purposes, the authority shall be exempt from
6 payment of any taxes or assessments upon any property acquired,
7 held, owned, leased or used by it for such purposes, and the
8 bonds issued by the authority, their transfer and the income
9 therefrom (including any profits made on the sale thereof) at
10 all times shall be free from taxation, other than inheritance
11 and estate taxation, within the Commonwealth.

12 Section ~~23~~ 24. Appropriation.

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13 The sum of ~~\$10,000,000~~ \$3,000,000 is hereby appropriated to
14 the Agricultural Development Authority for the purposes set
15 forth in this act. THE APPROPRIATION MADE HEREBY TO THE
16 AGRICULTURAL DEVELOPMENT AUTHORITY SHALL BE A CONTINUING
17 APPROPRIATION.

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18 SECTION 25. SUNSET.

19 THE AUTHORITY SHALL NOT ISSUE NEW BONDS OR MAKE NEW LOANS OR
20 NEW LOAN GUARANTEES AFTER JANUARY 1, 1993, UNLESS SPECIFICALLY
21 EMPOWERED TO DO SO BY A STATUTE ENACTED PRIOR TO THAT DATE.

22 Section ~~24~~ 26. Effective date.

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23 This act shall take effect immediately.