

Approved _____

Date

Fred Kerr 1/27/83

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Senator Fred A. Kerr at _____
Chairperson

10:00 a.m./~~p.m.~~ on Wednesday, January 26, 1983, 19__ in room 423-S of the Capitol.

All members were present ~~except~~

Committee staff present: All were present

Conferees appearing before the committee:

Robert Stephan, Attorney General
Gary Warden, Liberal
Charles Johnson, Republic County Farm Bureau
Bill Morand, Grain Advisory Committee and Task Force
Larry Matlack, Burrton--American Ag Movement
Daryl Meyer, Kansas Coop Elevator, Hiawatha

Senator Karr moved the minutes of January 25, 1983, be approved, seconded by Senator Allen. Motion carried.

SENATE BILLS 1 through 6

Senator Kerr called on Attorney General Stephan who presented his testimony. (Note Attachment 1)

Answering Senator Gannon's inquiry, Mr. Stephan stated he feels S.B. 4 sets out a high enough penalty--a Class D felony is certainly better than a misdemeanor.

In response to Senator Montgomery's question, Mr. Stephan stated he does believe the bankruptcy procedure could be speeded up if it could be handled by his office rather than the county attorney since his office does have more resources.

Mr. Stephan stated he was pleased to endorse each measure but stated that criminal laws and careful audits will not prevent thefts or failing businesses entirely. "To protect depositors of grain against losses due to theft or bankruptcy, reform of bonding and insurance requirements may be in order, including investigation of an indemnity fund or blanket bond..."

Gary Warden stated he has suffered losses which have been pending for over a year. He feels subsection (b) of S.B. 1 should be removed and under subsection (c) he feels the net worth should be greatly increased to at least a minimum of \$100,000. He also feels an elevator should provide a bond for the actual amount of open stored grain they have received two weeks after each harvest. He feels grain stored in elevators is a savings and should be covered as savings in banks. (Note Attachment 2). He feels the Grain Inspection Department is knowledgeable and should be able to perform the duties of grain disposal which would then be done more rapidly.

Charles Johnson presented his testimony (Note Attachment 3). "In the event of an elevator failure, probably the simplest and quickest solution for the settlement of debt created by the failure would be to maintain an indemnity fund to pay those storage customers having warehouse receipts or scale tickets for stored grain on the day of bankruptcy. The funds for the indemnity program should be provided from the general revenues of the State unless stored grain is exempted from Section 84-2-403 (3) of the UCC and Section 84-7-205 is repealed. If

(MORE)

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,

room 423-S, Statehouse, at 10:00 a.m. ~~pm~~ on Wednesday, January 26, 1983, 19 .

the UCC is changed, then possibly the indemnity funds should come from a producer check-off on those bushels of grain covered by the fund.

"In the event of a bankruptcy of an elevator, all parties receiving funds from the sale of Company assets should pay part of the bankruptcy costs. Even the State should contribute by not charging for the services of the Grain Inspection Department whose job it was to check for financial instability in the first place.

"Kansas grain warehousing laws should be patterned after our banking laws with similar criminal penalties for violations.

"Lastly, increased auditing of public grain warehouses by the State Grain Inspection Department would help lessen the incidents of elevator insolvencies regardless of changes made in applicable laws."

Bill Morand said he supports this package of legislation and feels it is positive and helpful, (Note Attachment 4) pointing out S.B. 1 is parallel to federal government requirements for CCC stored grain. If the KBI cannot check all renewals, they should do a minimum number, but check all new applicants.

In S. B. 2, a specific date might be beneficial. Under S.B. 3, he would just as soon prosecute in state court as in the Attorney General's office.

He has no objections to S. B. 4, 5 and 6.

Larry Matlack stated he feels something is wrong with the system when it takes so long to receive a settlement from a bankruptcy case. He knows of one which has been pending more than 18 months which means the grain is out of condition and interest on receipts has been lost. He feels if the Grain Inspection Department could dispose of grains they would do the job much quicker and better. Also, a state insurance policy which would cover losses would be beneficial. (Note Attachment 5).

Daryl Meyer stated he manages a Coop elevator in Hiawatha where they handle some 2½ million bushels owned and operated by farmers in the community. They notify the farmers of grain stored and they have an annual audit done by a CPA firm which results are given to members and the public, as well as competitors. He feels that the Kansas laws are good, but feels we could strengthen the bankruptcy laws. (Note Attachment 6)

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SENATE

AGRICULTURE AND SMALL BUSINESS COMMITTEE

10:00 a.m., Room 423-S

Wednesday, Jan. 26, 1983
Date

NAME	ADDRESS	ORGANIZATION
Dale Busby	Concordia	Intern / B. Fuller
Pam Swanson	Lawrence	Governors office
Hra Johnson	LPA -	2 Pat. And
Gary M. Bothwell	KSGID	Topeka
Lance Ross	KSN TV	Statehouse
Jack Staath	Junction City	AAM
S J Reda	KSGID	Topeka
Marvin R. Wap	"	"
Mary Harper	Healy	AAM
Neil Woorman	Topeka	Atty. Gen. Office
TERRY WOUTEN	TOPEKA	WICHITA EAGLE
HAI PALENSKE	Strong City	AAM
Larry Matlack	Burnton	AAM
MIKE FRANCIS	TOPEKA	AIA
Jan Jink	Lawrence	Intern/attorney general
Frank McBride	Salina	KGFDA
Nancy Kantola	Topeka	Ks Co-op Council
Gary Meyer	Lawrence	Brown County Cooperative
Gary Warden	Liberal	Farmer-Co Comm-AAM
John K. Blytho	Manhattan	K. F. B.
Gerald Riley	Highway	K.A.W.C.
Sam Vacek	Topeka	KSCPA
Ivan W. Wyatt	McPherson	Ks Farmers Union
John Laenbach	Lewis, Mo	
Fred Bentley	Whiting	Kan Rural Center
Chris Walker	Marjette	NFD
Jim Sizer	Topeka	Top. Capital Journal
Charles B. Johnson	Concordia	Republic County Farm Bureau
DAVID CALOVICH	TOPEKA	KIN NEWS
New Ferdism	"	PRESS

Attachment, 1/26/83



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612

ROBERT T. STEPHAN
ATTORNEY GENERAL

MAIN PHONE: (913) 296-2215
CONSUMER PROTECTION: 296-3751

January 26, 1983

The Honorable Fred A. Kerr
Chairman, Senate Agriculture and
Small Business Committee
Room 143-N, State Capitol
Topeka, Kansas 66612

Dear Mr. Chairman and Members:

Thank you for the opportunity to address this Senate Committee regarding grain warehousing laws. As many of you know, we have consulted with the interim committee and recommended the strengthening of criminal statutes, reporting and auditing procedures, and changes in bonding and insurance requirements. I also went to Washington before the U.S. Senate Judiciary Committee to address the issue of the impact of federal bankruptcy laws on the Kansas farmer and our grain industry. My office has a keen and continuing interest in the Kansas grain warehouse industry.

Warehouse failures and shortages work an inevitable hardship on Kansas communities. They damage the economy; even destroying individual businesses and farming operations. It is imperative that we do all we can to prevent such losses and failures, to discover and prosecute criminal activity in the industry and to guarantee the depositor against loss of his grain.

In this regard, I commend the interim committee in its efforts to address many of these issues. Senate Bills Nos. 1 through 6 are designed to provide greater assurances of safety from theft or loss to those who deposit grain in licensed Kansas warehouses.

Senate Bill No. 1 details the financial statement which would be necessary for licensing of a grain warehouse. The details of what financial information is pertinent to a determination of an applicant's qualifications for licensure would no longer be left to an administrative agency. The bill also would prohibit the granting of licenses to persons previously

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Fred A. Kerr
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January 26, 1983

convicted of certain embezzlement crimes or who lack the financial strength to cover the obligations inherent in operating a grain warehouse. Other amendments to existing law seem to be technical in nature. I urge support for Senate Bill No. 1.

Senate Bill No. 2 would require grain warehouse operators to provide a verified statement of grain deposited and stored for every depositor. We think the bill is a fine idea but are concerned that it appears to include no enforcement provisions. We support Senate Bill No. 2 also.

Senate Bill No. 3 would grant new emergency powers to the director of the State Grain Inspection Department for the taking and preserving of troubled elevators, their records and grain, until normal court receivership procedures become operative. We support Senate Bill No. 3 and think it would prevent losses due to court delays. We caution, however, that this provision may have little or no effect where the elevator in question has filed for federal bankruptcy and the bankruptcy trustee has taken control of the facility. The need for changes in the federal bankruptcy laws to speed up the preservation and delivery of grain stored in failed elevators continues, and there is little we can do about this at the state level except to encourage such change.

Senate Bill No. 4 deals primarily with changes in the criminal statutes affecting public warehouse operations. Some of these changes increase the penalties for persons convicted of these crimes. New Section 14 of the Bill creates the crime of grain embezzlement with stiff penalties. I hope that the new crime and stiffer penalties would act as a deterrent to criminal activity and make prosecution and punishment more likely when the law is violated. I support strong and useful penalties for embezzlers and thieves of Kansas grain.

Senate Bill No. 5 would charge the Attorney General with first responsibility to prosecute violations of criminal laws under the public warehouse statutes. This is a change from present law where the burden has rested on county attorneys. I welcome this change. Our KBI is experienced in investigation of grain warehouse frauds and our office would be glad to accept a lead role in this area of criminal prosecution. I strongly support Senate Bill No. 5.


Senate Bill No. 6 merely would change the law relative to the tenure of the director of the State Grain Inspection Department. Officials who answer directly to the electorate or who serve at the pleasure of an officer who answers directly to the electorate are likely to prompt greater responsiveness from their agencies. Senate Bill No. 6 is also worthy of your consideration.

Fred A. Kerr
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January 26, 1983

Each of the above steps address a different aspect of the problem. I am pleased to endorse each measure. But I would be remiss in my duty if I did not remind the committee that criminal laws and careful audits will not prevent thefts or failing businesses. To protect depositors of grain against losses due to theft or bankruptcy, reform of bonding and insurance requirements may be in order, including investigation of an indemnity fund or blanket bond. Absolute protection of the farmer/depositor is the ultimate goal, and I believe that such protection might be provided at little or no additional cost to the elevator operators or their depositors. At least I believe it is worth careful study by professional actuaries to determine the cost of such protection. I encourage the legislature to consider alternatives to the present bonding system which has cost individual farmers hundreds of thousands of dollars in unprotected losses over the years.

Thank you for your invitation and attention. If there are any questions, I would be happy to answer them.

Sincerely,


ROBERT T. STEPHAN
Attorney General

Attachment 2, 11/26/83
Gary Warden
Liberal

Mr. Chairman and Members of the Committee,

Senate Bill #5 is not really all that necessary a law because the Attorney General already represents the grain department. The only thing new in this law is that in any criminal prosecution against a warehouseman it is the duty of the Attorney General to prosecute it and I think, therefore, this is a good law because most counties don't have the expertise or the money to hire accountants that are necessary to prove an embezzlement case. I think Senate Bill No. 5 would be a worthwhile piece of legislation because the state certainly is the first to know about a grain shortage from their examiners and, therefore, they would be on top of it long before any county attorney would. I think that the Attorney General should have to prosecute on any shortage rather than the county attorney.

As to Senate Bill No. 6, I don't think that this is necessarily a good law because on every change of Governor you're going to have a change of Director. I think the term of a grain inspection director should be a flat four years or something of that nature, perhaps even six years, because it takes a while to get orientated to this type of work.

I really don't care about this one - one way or the other - I don't think it's that important.

Senate Bill No. 2 is a joke. Anytime you allow the public warehouseman to have a verified statement to a depositor that's

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not helping the situation at all. Any depositor generally knows that he's got on storage without this type of garbage and I think it puts an expensive burden on an elevator to have to do this. Most depositors know what they've got on open storage anyway.

Senate Bill No. 3 I thin is a good modification of the existing law. The important changes that I think are necessary and that make this a good change in the law, are that it requires the Director to file a petition of receivership within 48 hours of determining that there is an insolvency by an elevator. The other thing that I like about this law is that it requires the receiver to wrap it up within six months and I think that's a very good change in the law. And I also think the other most important change is in Paragraph E. It allows the Director to appoint the person to act as a receiver rather than the District Court and I think this is the biggest change in the law that should be made.

In other words, what we're going through in Seward County right now is a receiver appointed by a District Court that, frankly, couldn't care less whether the job gets done. This change in the law puts the burden where it should be - on the State Grain Inspection Department to act as the Receiver and they should be the ones running the job. I think it would all get done a whole lot quicker and a whole lot better. In all, I think No. 3 should be passed if at all possible.

On Senate Bill No. 1, the major change in the first section is to require a public warehouseman to have a certified financial

statement submitted at the time he applies for a license. I think there ought to be a change in there to require that that financial statement has to be accompanied with the license application for a license or a renewal of the license so that there is no confusion about that. In the second paragraph of subsection (b) where it says "The Director upon request may grant a waiver....", I think that ought to be taken out. Why create a law and then make exceptions to it right in the law itself. If we're going to require a person to have a license and they have to give us a financial statement in order to get the license, why let them operate for six months without that requirement? In other words, that second paragraph of (b) ought to be completely taken out.

In Subsection (c), I think that net worth ought to be greatly increased. It should be increased to at least a minimum of \$100,000. I can't imagine anyone going into an elevator without a \$100,000 net worth anyway. \$25,000 is ridiculous. The big joke in Senate Bill No. 1 is in Section 2. Senate Bill No. 1 is just an amendment of the existing law and its real flaw is in Section 2. In Section 2 they are creating the formula for the amount of the bond to be maintained by an elevator. I think that it's ridiculous to set up the formula by taking the price of wheat on the first Monday in April and then deducting 25 cents and then multiplying that times 15% of the capacity. Why not multiply it by 100% of the capacity and that way you know that the warehouse is going to be able to provide the depositors with complete insurance. In other words,

the present formula takes the price of wheat, subtracts 25 cents from it, multiplied by 15% of the warehouse insured. If any elevator has storage capacity for 500,000 bu. of grain, we all know that they store far more than 500,000 because they ship the grain out to terminal storage.

($3.25 - .25 \times 500,000 \times 15\%$) = \$225,000.00 on a \$1,500,000.00 capacity elevator.)

Either multiply the amount of storage by the price of wheat on April 1 and make that the amount of the bond, or simply make the elevator provide a bond for the actual amount of open stored grain that they have received.

In Dighton Grain, the elevator actually had a rather small capacity. They took the grain in and shipped it out to terminal storage so that they had on their books far more grain than their capacity would have allowed them to hold at any one time. This is the biggest flaw in the State Grain Inspection Department's proposed law. Right now the present law devalues the amount of the bond and this proposal is doing the same thing. It still comes around that if you don't make a warehouseman insure the amount of grain that he has, then the bond law is almost meaningless.

As a common sense matter, we all know that an elevator is going to pass the cost of the bond on to the farmer as a cost of doing business and in this way really the farmer is paying for his own insurance, which is OK because it's done everywhere else in

business and at least if there's an adequate bond then the farmers are assured of being paid from the grain that they've deposited.

The rest of the changes in Senate Bill No. 1 are very minor and actually don't mean a whole lot because there's nothing substantial in it. The real problem with the law has always been in Section 2, which is the same as the existing law except they're somewhat increasing the amount of the bond. I think that if I were a farmer wanting to be assured, I would fight for 100%, 75% or even 50% of the capacity to be insured rather than 15%. That's the whole flaw in the Kansas law now; it's why Pittman Grain can come up with \$1.6 million shortage and yet only have approximately \$300,000 or \$400,000 worth of bond to cover that shortage. How many of you on this Committee would put your money in a bank or savings account and have it 15% insured?

On Senate Bill No. 4, I don't know that we need any of this because all it does is add a criminal penalty for keeping false books. It would make criminal prosecution easier of a warehouseman but I think that the Legislature should know that in cases where an elevator goes broke, we're not really all that hot to put anybody in jail because that doesn't solve the economic problems. It's good that they're changing the law to make it easier to prosecute a warehouseman who keeps phoney books but quite honestly it's real hard to ever find those books when an elevator goes broke so I don't really think that's going to make a whole lot of difference. I really don't have any other comments on Senate Bill No. 4 because

it adds a bunch of criminal penalties that I think would be very hard to prove anyway and you always have theft charges if you have an elevator that's gone under for causing shortages anyway. So why worry about an additional crime?

I think the Legislature ought to really concentrate on Senate Bill No. 1, Section 2. Once they've make the change to require a warehouse to adequately insure a farmer's deposited grain, our problems will be solved.

Attachment 3, 1/26/83

REPUBLIC COUNTY FARM BUREAU ASSOCIATION

1323 18th Street • Box 525

(913) 527-5664

Belleville, Kansas 66935

STATEMENT OF
REPUBLIC COUNTY FARM BUREAU
TO THE
KANSAS SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS
CONCERNING
PUBLIC GRAIN WAREHOUSE FAILURES
JANUARY 26, 1983

Mr. Chairman and Committee members;

I am Charles B. Johnson, President of the Republic County Farm Bureau. I want to express to this Committee the appreciation of the Republic County Farm Bureau for the opportunity to present their views about the effect of Kansas' grain warehousing laws on the grain producers using public grain warehouses when such warehouses fail financially and, about the regulation, by the State, of licensed public grain warehouses.

During the past fifteen years the citizens of Republic County have been involved in the failure of at least six State regulated farm commodity storage or sales companies; four livestock sales companies and two grain warehouse failures, with a third elevator closing before any producer loss was incurred.

Considering public grain warehouse laws and regulations, Republic County Farm Bureau feels that two sections of the Uniform Commercial Code pertaining to the ownership of grain stored in public warehouses should be changed or eliminated.

It is felt that privately owned grain stored in a public warehouse should be exempt from statute KSA 84-2-403 (3) which allows a public grain warehouseman to sell grain entrusted to him for storage without the consent of the depositor owning the grain.

Also, it is our opinion that KSA 84-7-205 should be repealed. This section of the U.C.C. allows a grain merchant to purchase grain from a public grain warehouseman free of any claim of any grain depositor holding a warehouse receipt on any grain stored in that warehouse.

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REPUBLIC COUNTY FARM BUREAU ASSOCIATION

1323 18th Street • Box 525

(913) 527-5664

Belleville, Kansas 66935

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The application of these two sections of the U.C.C. by the District Court of Republic County in the settlement of the Kackley, Kansas elevator failure allowed the shipment of approximately 10,000 bushels of grain that was on the rail siding at Kackley at the time of the elevator bankruptcy even though there was a substantial shortage of stored grain and, then blocked any attempt by the grain depositors to claim that grain, utilizing warehouse receipts as evidence of ownership. The continued enforcement of these two sections of the U.C.C. provides a better title to stored grain for the grain merchant or public warehouseman ^{than the original owners had even with a warehouse} receipt and, also continues to be an enticement to unscrupulous grain merchants to extend too much credit to inexperienced and underfinanced public warehousemen; knowing that if the warehouseman delivers someone else's grain in payment of a debt, the grain merchant will not have to repay or surrender the grain to the original owners. KSA 34-238 and KSA 34-239 provide for warehouse receipts and the form and content of the receipt so as to adequately identify grain for depositors using public grain warehouses; then, when these grain depositors need an instrument showing ownership of stored grain, that instrument is voided in favor of another party by the U.C.C.

In the event of an elevator failure, probably the simplest and quickest solution for the settlement of debt created by the failure would be to maintain an indemnity fund to pay those storage customers having warehouse receipts or scale tickets for stored grain on the day of bankruptcy and should include customers who had sold stored grain but whose checks had not cleared the elevator's bank by the day of bankruptcy or customers who had sold stored grain and had received a check that the elevator's bank would not honor.

The funds for the indemnity program should be provided from the general revenues of the State unless stored grain is exempted from section 84-2-403(3) of the U.C.C. and section 84-7-205 is repealed. If the U.C.C. is changed then possibly the indemnity funds should come from a producer check-off on those bushels of grain covered by the fund. The amount of the check-off and the size of the fund will have to be determined using the production histories of the State for the covered crop and the available data showing the amount of financial loss to elevator storage customers. Some relationship among the various grain check-offs would have to be determined to compensate for the differences in value per bushel. The available data showing the financial loss to elevator storage customers in an elevator

REPUBLIC COUNTY FARM BUREAU ASSOCIATION

1323 18th Street • Box 525

(913) 527-5664

Belleville, Kansas 66935

(3)

failure as provided by the Kansas State Grain Inspection Department does not include the loss sustained by persons holding bad checks. This amount of loss would have to be determined and included in the data used to determine the amount of indemnity fund required to cover all losses to elevator storage customers.

The idemnity fund should be collected by those local elevators receiving the grain to be insured and be paid to a trust fund established by the State of Kansas and administered by the State Grain Inspection Department. Interest monies generated by the investment of the indemnity fund should be applied to the fund so that the per bushel check-off might be reduced or stopped in the future. Only a minimum administration charge should be made against the fund for its maintenance by the State Grain Inspection Department as opposed to the 20% or \$200,000 maximum the State now charges check-off funds.

For the Kansas farmer, the storage of grain in a public warehouse is no different than depositing money in a bank and these farmers should be provided no less protection for the value of their deposited grain than bank customers are provided for their deposited cash assets. Grain storage laws should provide this level of protection for grain depositors and the result of any infraction of the law should be criminal prosecution with penalties comparable to those of Kansas banking laws. It would also be helpful if it were a criminal violation for an elevator manager or owner to list stored grain as an asset of the company in the event of a bankruptcy.

When considering the conditions of settlement of an elevator bankruptcy, one factor that could be advantagous for farmers would be to allow the grain depositor to remove his share of the stored grain from the facility as grain instead of letting the trustee or receiver sell the grain and pro rate the proceeds of the sale. There are reasons for this consideration. One reason is that forced sales of grain rarely bring top prices. Another reason for removal of grain would be that selling at that particular time may force grain depositors into a disadvantagous tax position. Markets might be at seasonal lows at the time of settlement causing farmers to suffer additional economic loss. In addition, if the grain depositor is a livestock feeder and had planned on using the stored grain as feed in his livestock operation having to sell and then repurchase would just add to his operational expense.

REPUBLIC COUNTY FARM BUREAU ASSOCIATION

1323 18th Street • Box 525

(913) 527-5664

Belleville, Kansas 66935

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Marketing techniques using delayed payment contracts and deferred pricing contracts are often accused of being prime contributing factors to elevator insolvencies and statements are made that farmers need to be educated as to their position of ownership when using these methods of marketing grain so they won't be losers in bankruptcy cases. These statements are true but, if the use of these marketing contracts is a major contributing factor to elevator insolvencies; then, it has to be the mis-management of the funds derived from the sale of the grain by the elevator operator between the day of sale and the day of payment to the farmer that causes the insolvency. To correct this problem of mis-management of funds derived from the use of deferred payment and pricing contracts the State might place definite limits on how these funds can be handled by the elevator management. One accepted method of protection for the seller while still meeting IRS criteria for deferring income from one taxing period to another is for the seller to require a letter of credit from the elevator's bank covering the proceeds of the sale of grain. Another method of protecting the sell might be for the State of Kansas to require a custodial bank account for these funds; however, it would have to be investigated as to whether the IRS would approve.

The Kansas State Grain Inspection Department as well as the Kansas Grain and Feed Dealers Association have stated that farmers should investigate the financial condition of the public warehouse with which they do business and avoid the financially unsound operations. As a farmers organization, the Republic County Farm Bureau agrees that farmers should be cognizant of the financial conditions of their business partners, but they also believe that the Kansas farmer should have the same protection under Kansas law as any other Kansas citizen or business for the ownership of private property. The right to own and store grain in a public Kansas warehouse and retain title to such stored grain until the owner of record decides to sell, should not depend on easing the burden on the courts in determining title in cases of contested ownership or, provide a more secure position in a lawsuit over ownership of grain for a grain merchant than that of the owner of record.

In summary, I would reiterate that, for farmers to have an equitable position in an elevator bankruptcy, stored grain should be exempted from the U.C.C. public warehousing statutes.

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1323 18th Street • Box 525

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Belleville, Kansas 66935

(5)

In the event of a bankruptcy of an elevator, all parties receiving funds from the sale of Company assets should pay part of the bankruptcy costs. Even the State should contribute by not charging for the services of the Grain Inspection Department whose job it was to check for financial instability in the first place.

Some type of controlled accounting should be required for the funds derived from deferred payment and deferred pricing contracts sales.

Kansas grain warehousing laws should be patterned after our banking laws with similar criminal penalties for violations.

Lastly, increased auditing of public grain warehouses by the State Grain Inspection Department would help lessen the incidences of elevator insolvencies regardless of changes made in applicable laws.

Attachment 4, 1/26/83
Bill Moran

SPECIAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

SEPTEMBER 9 - 10, 1982

ROOM 519-S STATE HOUSE

In America everyone has the right to fail or succeed. With all the attention to schooling - seminars - laws - banking and news, we still experience reports of financial failure by individuals, corporations, privately held companies and maybe even countries. We have recently read of major corporations and even banks failing. This has all taken place with laws, control and best efforts to protect the public. One thing that should be apparent to all of us is, that we cannot legislate against thievery or mismanagement and be completely successful.

The shadow of business, farmer, bank and consumer failure does promote more efficiency and better management practices to the survivor.

The task force committee of the Kansas Grain Inspection Department has had two working meetings. We covered many different types of material as we tackled the problem of preventing failures of grain elevators. We were all in agreement that Kansas has a model warehouse law and we were all in agreement that the Kansas Grain Inspection Department has performed with excellence. We must all profit from the most recent experience with the shortages at Haynes and Plains, Kansas. We must find out how the shortages were concealed and what can be done to the future to correct such concealment. Kansas has an excellent record, however, any failure is big to those involved.

The task force has prepared a concise list of recommendations. It addresses two areas.

1. How to avoid bankruptcy and financial problems in elevators.
2. How to protect the farmer.

SPECIAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

SEPTEMBER 9 - 10, 1982

TASK FORCE RECOMMENDATIONS

Avoid Financial Problems in Elevators

1. Remove the double jeopardy of the UCC (84-9-307) in purchasing grain.

84-9-307. Protection of buyers of goods. (1) A buyer in ordinary course of business (subsection (9) of section 84-1-201) other than a person buying farm products from a person engaged in farming operations takes free of a security interest created by his seller even though the security interest is perfected and even though the buyer knows of its existence. For purposes of this section only, "farm products" does not include milk, cream and eggs.

2. Without the removal of double jeopardy, we must have central filing of financing statements in Topeka.

The dual filing of security agreements with the Secretary of State and with county register of deeds is intended to make it easier for grain companies to check on liens against farmers' grain to insure they pay for the grain only once. One problem with dual filing is that the new procedure would take five years to fully implement since this is the length of time a perfected security interest is valid unless a continuation statement is filed. A dual filing, however, could be mandated on and after a certain date.

3. Remove the one year requirement on issue of Warehouse Receipts.
4. Inform depositors of grain on hand within 30-60 days of the close of the company's fiscal year by verification letter.
5. Two exams per year (people in departments needed to do the job). Grain Inspection and Warehousing funds be appropriated to finance extra people.
6. To insure bondability of elevator, remove cumulative clause of bond and write bond as a continuous bond. The loss can be no greater than the penal sum of the bond. With no less than 90 day cancellation time.
7. Embezzlement must be prosecuted within 4 months by AG office in state court.
8. Support financial requirements of the Uniform Grain Agreement by Commodity Credit.

SPECIAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

SEPTEMBER 9 - 10, 1982

TASK FORCE RECOMMENDATIONS

Protect The Farmer

1. Enact recommendations for elevator stability.
2. Prompt handling of elevator shortages (complete within 4 months).
3. Indemity fund is a risk taking adventure, it should be put to a vote of the farmers by referendum. The grain industry will support the farmer's vote.
4. Without a farmer vote the grain industry will support an indemity fund that protects farmers from grain companies and grain companies from farmers.
5. All licensed elevators in Kansas must meet minimum financial requirements as determined by Kansas law.
6. To determine that all grain depositories are notified of shortage and to come forward with evidence of deposits, an ad for such information should be placed in local newspapers by the Grain Inspection Department immediately after they take over an elevator.

SPECIAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

SEPTEMBER 9 - 10, 1982

ROOM 519-S STATE HOUSE

The task force (if asked) is prepared to address any assigned projects with detail and recommendations.

I have distributed some additional information that will be of interest to you including information on the Oklahoma Indemnity Fund.

We are all interested in positive results, however, we must be realistic in our solutions. The task force for example does not feel comfortable with the licensing of truckers and brokers. These people generally do not operate warehouses for grain and we do not know how to afford consumer protection on buy and sell.

We also must recognize that control of Grain Elevators is competitive. Operators have a choice of a federal or state license. Fees collected and services provided must be competitive. Financial data required must be confidential and not a public file. Working together - farmer - grain elevator - grain inspection and legislature, we should be able to address each others responsibility on a reasonable basis with as positive a posture as can competitively be had.

It is good that a state with envied accomplishments is trying to do an even better job of control and regulation. The task force pledges its help and cooperation.

William R. Morand
Chairman
Task Force Committee
Kansas Grain Inspection Department

Extension Service Fact Sheet

Producer Grain Marketing

Grain Elevator Bankruptcies: Understanding Your Legal Rights

Five farmers near a small midwest town use the same country grain elevator. It appears to be a reputable business, operating a Commodity Credit Corporation (CCC) approved warehouse for grain handling and storage.

Farmer One delivered his grain to the elevator for storage last fall. After he unloaded the grain, he asked for and got a warehouse receipt. He thought he might need to prove ownership of the grain. And besides, if he needed a loan next spring for seed and fertilizer, the warehouse receipt could be used for collateral. After all, the CCC and his local bank require a warehouse receipt as collateral for a loan.

Farmer Two also delivered his grain to the elevator for storage. He was satisfied with a scale ticket, which only says he delivered grain to the elevator. It may not say he owns the grain or why it was delivered. The scale ticket cannot be used as collateral for a loan.

Farmer Three delivered his grain for sale and delayed pricing without a contract. He did not demand payment, choosing rather to use the elevator as a bank.

Farmer Four delivered, priced and sold his grain with a verbal understanding that he would not receive payment until the next tax year (commonly known as deferred payment) and Farmer Five delivered

and sold his grain with the verbal understanding that he could set the price at a future date (commonly known as delayed price).

When the Elevator Declares Bankruptcy

About 3 months later, the owner of the elevator filed for bankruptcy, and the federal marshal impounded the elevator and its contents.

When bankruptcy proceedings come up, the farmer with a valid warehouse receipt can prove the grain is his. He will be able to take possession of it again or have a claim against the bond. The farmer with only the scale ticket may not be able to prove ownership of the grain, and may have to wait with other unsecured creditors for his share of the proceeds after the remaining elevator assets are sold.

The other farmers, who delayed the payment for their grain, and in the absence of written contracts with the elevator operator, may not be able to support their claims. In most States, these farmers are no more than unsecured creditors. Even a written contract will only help support their claim against the assets of the elevator. They cannot claim against grain in storage.

During 1980 and 1981, some 26 grain elevators declared bankruptcy. That's not many elevators when you consider the thousands of elevators that dot the rural areas of our

nation. But, losses at these 26 elevators involved several million bushels of grain, several million dollars, and many hundreds of farmers.

If you were one of the less cautious farmers who dealt with an elevator that declared bankruptcy, it may have meant a big loss for you. If you have not met with an elevator bankruptcy before, the information here may help you avoid such a situation. Dealing with an elevator that might become bankrupt gives you another concern that you do not need.

Why Do Grain Elevators Go Bankrupt?

Grain elevators are similar to other businesses in your community. Most are financially sound, well-managed and operated efficiently. But, with the economic climate that now exists, even the good managers are challenged to maintain a healthy business. Adverse basis movements, declining volumes, high interest rates, and shifts in transportation rate structures can inflict heavy financial burdens on well-run elevator operations.

Under such conditions, poor management can result in a financially weak or insolvent elevator. Symptoms may or may not be obvious such as undercapitalization, speculation in the futures market, kiting (issuing checks without sufficient funds to cover them to raise money or maintain credit temporarily), improper hedging of grain purchased with delayed price and deferred-payment contracts, and other poor management decisions.

You Can Protect Yourself

Here are some things to watch for when you consider doing business with any elevator. If you answer

yes to any of the following questions, think about marketing your grain through other elevators.

1. Does the grain buyer or warehouseman consistently offer prices higher than other buyers in your area without a valid reason for doing so? Some buyers or warehousemen may do this occasionally to increase their volume, increase cash-flow and operating money, or to cover commitments already made for the grain.

2. Does the buyer or warehouseman offer economic incentives not usually offered in the purchase of grain, like little or no discount for high damage, dockage, or moisture?

3. Does the buyer or warehouseman have a history of slow payment, issuing bad checks, or recurring financial problems?

4. Does the buyer or warehouseman ask you to hold a check for a few days before depositing it or until he receives payment for the grain?

5. Does the buyer or warehouseman urge you to leave your grain money on deposit, even promising interest?

6. Does the buyer or warehouseman give you an oral promise instead of a written contract?

7. Does the buyer or warehouseman try to persuade you not to ask for your stored grain; and does he want to pick up your receipt without paying for it?

Here are some things you can do to minimize your risk:

1. Know to whom you sell! Learn all about your buyer. Is it a well-established business? How well financed is he? Does he run a "business-like" operation? Does he have a fixed facility? Can you reach him at a place of business? What does your bank think of him?

2. Where licensing laws are in effect, deal only with State and federally licensed and bonded ele-

vators and warehousemen. Know the laws that can protect you. Report dissatisfactions promptly. When in doubt, inquire.

3. Demand accurate weights and grade. Settle for a fair price. Don't be greedy -- the market will bear only so much. Don't ask a dealer to do something for you, you wouldn't want him to do for others.

4. Demand payment for sale grain when due -- cash your checks promptly.

5. Don't risk crop after crop. Never let your contracts or moneys due extend beyond one year.

6. Request written documents for all transactions. Read thoroughly - if you don't understand, ask for clarification.

7. Understand the risks associated with delayed pricing (DP) and deferred crop payment contracts (DCPC). (You are extending credit and you lose title to your grain. You do not have the same rights as storage depositors.)

8. When there is any doubt about DP or DCPC or about getting paid, look for another buyer.

9. Insist on a warehouse receipt for stored grain. Do not rely on a scale ticket only. The value of a warehouse receipt over a scale ticket cannot be overemphasized. It is one of the keys to avoiding risks you face.

A valid warehouse receipt, which is a written storage contract, defines the rights and responsibilities of the parties involved and is an indicator of sound business practice. If you have a valid warehouse receipt, you have some protection if the elevator goes bankrupt. Warehouse receipts generally are issued by licensed and bonded grain dealers for grain stored in their elevators.

10. Do business only with a licensed and bonded warehouse. Laws require that warehouses meet certain standards and undergo periodic examinations. Most States require elevators that store grain for the

public to be licensed and bonded either under State or federal warehouse laws.

11. If you sell grain to a buyer or warehouseman and agree to a deferred payment, you are extending credit to the buyer. Ask yourself if you would loan the buyer a like amount of cash without security.

In Summary--

You cannot protect yourself completely from elevator bankruptcies, but you can minimize your risk of loss by following good business practices. Investigate the financial condition and reputation of the buyer before selling or storing your grain; demand payment for sale grain, get a warehouse receipt for storage grain, enter into DP contracts only if you are willing to accept the risks which come with extending credit. The choice is yours.

Prepared by the Extension Service
U. S. Department of Agriculture
Washington, D. C. 20250
June 1982

State Protects Its Farmers From Elevator Bankruptcy

Had Wayne Cryts lived in Oklahoma, his chances for becoming a folk hero by defying a federal judge would have been considerably decreased, a high of the Oklahoma Department of Agriculture contends.

Cryts is the Missouri farmer who went to jail in Russellville, Ark. rather than obey a judge who told him he couldn't remove his soybeans from a bankrupt Missouri grain elevator.

The chance that someone like Cryts might lose his soybeans to a bankrupt dealership are substantially less in Oklahoma because the likelihood of elevator insolvency here is less, Clyde Bower argues.

An assistant agriculture commissioner, Bower said Oklahoma pioneered a way to keep its elevators from going bankrupt. It did so more than two years ago when the Oklahoma legislature adopted the Grain Indemnity Act in 1980 to ensure against bankruptcies.

"All elevators in Oklahoma, state or federal, large or small, come under the act's provisions, which are aimed at protecting wheat growers from any monetary loss of stored grain while it is in the hands of a licensed dealer," Bower said.

The law requires an assessment of 2 cents per 1,000 bushels of grain to be

charged against grain dealers or elevator operators on all grain going into elevators. Bower describes the levy as "a sort of self-insurance," a one-time fee paid to the state Agriculture Department.

The agency places the money in an interest-drawing indemnity fund and earmarks it for farmers who lose wheat in a grain

elevator bankruptcy.

Bower said the fund currently contains about \$410,000 and the 2-cent-per-thousand-bushels levy will remain in force until it reaches a goal of \$10 million. The assessment will be dropped at that point, but should the fund fall below \$10 million, the grain levy would be automatically reinstated, he said.

The levy applies to all grain, whether stored or bought by the elevator operator or not, Bower said.

Under the act, loss payments can begin when the fund reaches a minimum operating level of \$1 million, a milestone expected at end of the 1983 wheat harvest.

The law requires grain dealers and elevator oper-

ators to file quarterly reports and to be audited once a year by Agriculture Department accountants. In addition, Bower said Oklahoma has a warehouse law which requires grain dealers to be licensed and bonded and to post financial statements proving a worth of at least \$25,000.

Once the Grain Act is triggered — at the point the fund reaches \$1 million

— Bower said an Oklahoma farmer who should fall victim to elevator bankruptcies would fare far better than those in other states.

"If the wheat producer has a valid claim, his money will be available much quicker than if he waited for a bankruptcy settlement," he said.

A veteran of 40 years with the agency, Bower said the Department of Agriculture has handled only one elevator bankruptcy in those four decades. That was the celebrated Robert Johnson case in Wichita Falls, Texas, during 1976-77, which affected a number of Oklahoma wheat farmers. Johnson is now in a federal prison.

Bower credits the trauma which that case caused Oklahoma wheat growers for influencing adoption of the Grain Indemnity Act. That was the most publicized grain elevator case until the more recent James Brothers' elevator chain in Arkansas and Missouri. Bankruptcy of that dealership caused farmer Wayne Cryts of Puxico, Mo., to remove a volume of soybeans he considered his own.

Bower said farmers should bear some responsibility for protecting their own harvests. They can, by taking note of signs that

forewarn of possible trouble at an elevator. A us-signal, he said, is for troubled elevators to underprice elevators to underprices of their competitors. Such signs were apparent in both the Wichita Falls and Missouri failures, agency officials said.

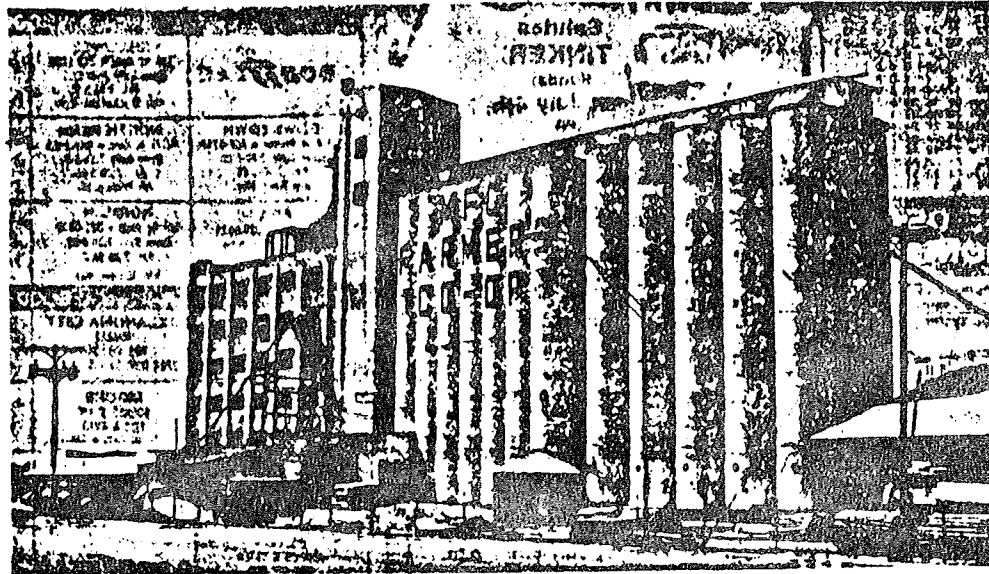
Bowers said there is long-time persistent not that farmers' grain pooled with all other assets whenever an elevator collapses financially. That not the case, he said.

Instead, in both Johnson and James Brothers bankruptcies, farmers were not forced to wait line with other creditors

"They were treated third parties with first right to all the grain," said. In the Wichita Falls case, the bankruptcy co-

sold grain owned by farmers and put the proceeds into a separate escrow account. But even with it and their share of all Johnson assets, farmers received only about half the value of their grain. The losses stemmed directly from grain that had been illegally sold or was simply missing and uncounted for, Bower said.

Under Oklahoma's indemnity act, growers only have less probability of elevator bankruptcy, but they also stand to reap a far greater percentage of any losses should grain dealer fail.



—Staff photo by Roberta Barnett

Farmers storing grain at this Yukon elevator have much less chance of ending up losers if the elevator

goes bankrupt than farmers using facilities in many states, Department of Agriculture officials say.

GRAIN INDEMNITY FUND (QUARTERLY REPORT) GRAIN RECEIVED (HB 1451, 1980 LEGISLATURE)

To: State Department of Agriculture
Marketing Industry Division
122 State Capitol
Oklahoma City, OK 73105

From: COLLINGWOOD GRAIN INC. Guymon
300 Wilcox Bldg. P.O. Box 2150
(Firm Name) Hutchinson, Kansas 67501 (Elevator Location)

(Mailing Address) (Elevator Storage Capacity)

(City) (State) (Zip)

For 2ND Quarter - APRIL 1982 through JUNE 1982. (2)

Received
During
Period-Not Paid
Bushels

Wheat	\$ 294.83
Corn	8.84
Rye	—
Oats	.95
Barley	9.83
Sorghums	137.01
Soybeans	17.29

Acct. NO.
2420
7-27-82

Dennis Britz

Total Received 234,375.00 x .002 per bushel = \$ 468.75 (2)

- (1) Report to be filed for each calendar quarter beginning July 1, 1980.
(Except - less than 10,000 bushels received for quarter, then file for six months,
i.e. July 1 - December 31, 1980.)
- (2) Remit check for total assessment due for the period to the Oklahoma Department of Agriculture. Pay on all grain received from producers.
- (3) If no assessment is due, return this form showing "NONE".



STATE DEPARTMENT OF AGRICULTURE
MARKETING INDUSTRY DIVISION

GEORGE M. PARKER
DIRECTOR

March 19, 1981

JACK D. CRAIG
COMMISSIONER

TO: Oklahoma Grain Dealers

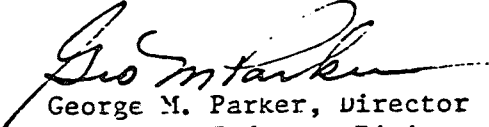
In accordance with Section 4 of the Oklahoma Grain Storage Act which became effective July 1, 1980, and which states:

"There shall be an assessment of 1 mill per bushel upon all grain delivered by grain producers to grain dealers. The assessment shall be imposed on the grain dealer at the time of receipt and shall be remitted to the Oklahoma Department of Agriculture by the grain dealer within 15 days following each calendar quarter."

Enclosed you will find your First Quarter Report. Please report all grain received from producers starting January 1 through March 31. Return the report and remittance to the Oklahoma Department of Agriculture (Grain Indemnity Fund) prior to April 15, 1981.

Your promptness in handling this matter will be greatly appreciated. IF NO FEE IS DUE, PLEASE RETURN THIS FORM ANYWAY, SHOWING "NONE".

Sincerely,


George M. Parker, Director
Marketing Industry Division

GMP/dj
enc.



STATE DEPARTMENT OF AGRICULTURE
MARKETING INDUSTRY DIVISION

Feb. 8, 1982

GEORGE M. PARKER
DIRECTOR

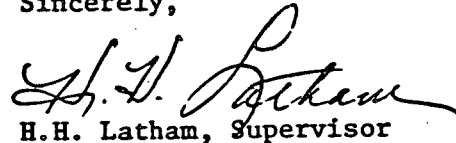
JACK D. CRAIG
COMMISSIONER

TO ALL STATE AND FEDERALLY LICENSED WAREHOUSES IN OKLAHOMA:

There has been some question as to the millage payment on the grain by the warehouseman. The legal interpretation by this office is that ALL grain delivered by a Producer to a Grain Dealer is subject to the 2 mill levy, regardless of the disposition of that grain.

If you have any questions concerning this ruling, please feel free to contact this office.

Sincerely,



H.H. Latham, Supervisor

Marketing Industry,

Warehouse Section

HHL:vde

REGULATORY SERVICES
(405) 521-3861

GRADING SERVICES
(405) 521-3861

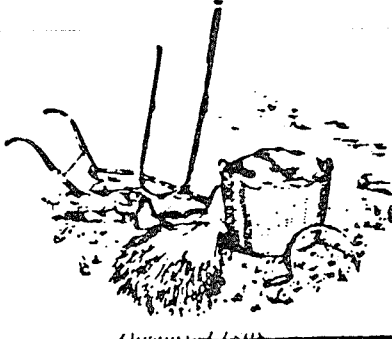
DAIRY SERVICES
(405) 521-3886

MARKETING DEVELOPMENT
(405) 521-3881

OFFICE - 310 N E 28TH STREET, OKLA CITY, OK

MAIL ADDRESS - 122 STATE CAPITOL, OKLA CITY, OK 73105

AN EQUAL OPPORTUNITY EMPLOYER



OKLAHOMA GRAIN AND FEED ASSOCIATION

2309 N. 10th
P. O. BOX 1747
PH. 405 233-9516
ENID, OKLAHOMA 73701

*2001
Kerr
Waver
Zony
None* } *fill out
question sheet*

Ice Hampton

BULLETIN #32
August 19, 1980

JOHN CRANOR
KANSAS GRAIN & FEED DEALERS ASSOCIATION EXECUTIVE V.P.
PASSED AWAY JULY 8, 1980

It is with deep sadness that we report that John Cranor, Executive V.P. of the Kansas Association for some 17 years, passed away July 8, 1980. John served the Kansas grain industry well, and his vast knowledge will be greatly missed. Our Association has contributed to a scholarship fund through the Kansas Association in memory of John. His presence will be sorely missed, especially by your Executive Secretary. Our sympathy goes out to his wife Cozy, sons Tim and John, and daughter Mary Chris.

CCC RESCINDS TWO TIER UGSA POLICY

As we correctly speculated in our previous bulletin, CCC has officially dropped their requirement for uninsured storage. They have returned to the type of contract in effect during the past year.

Under the new contract, the rates will become effective July 1, 1980. The warehouseman now has the option as to whether or not to insure CCC owned grain. CCC has destroyed the contract warehousemen sent in earlier, so it is important you re-submit a new contract, which should have been done by August 1, 1980.

METHOD OF PAYMENT OF INDEMNITY FUND

*↓
CHECK
TO*

Inquiries have been made to our office regarding the method of payment to the Oklahoma Grain Storage Indemnity Fund via Oklahoma Department of Agriculture. It is our interpretation of the law that there are no restrictions as to how the grain dealer chooses to pay the one mill per bushel fee on all grain delivered to him by the producer.

The grain dealer has the opportunity to make the payment in a couple of different ways, i.e. (A) Treat payment to the fund as merely another operating expense, or (B) Set up an account within your firm whereby you deduct the one mill per bushel from the price paid to the producer and then you would consequently make payment directly to the O.D.A.

Remember, collection for the indemnity fund by the Oklahoma Department of Agriculture is a different concept than collection for the Oklahoma Wheat Commission. The Oklahoma Department of Agriculture collects the indemnity fund directly from the grain dealer. The Oklahoma Wheat Commission, in theory, collects their fee directly from the producer.

The Oklahoma Department of Agriculture also agrees with our interpretation.

A Synopsis of the

OKLAHOMA GRAIN STORAGE INDEMNITY FUND

The Oklahoma Grain Storage Indemnity Fund will become effective July, 1, 1980. Terms used in describing the details of the fund are as follows:

(a) "grain" means corn, wheat, rye, oats, barley, sorghum, and soybeans.

(b) "Grain dealer" means any person, association, dealer, copartnership or corporation, or their agents or representatives, who is licensed by the state or federal government and engaged in the buying, receiving, selling, exchanging, warehousing, negotiating or soliciting the sale, resale, exchange or transfer of any grain purchased from a producer, or his agent or representative, or has received grain on consignment from a producer, or his agent or representative, or has received grain to be handled on a net return basis from the producer, or his agent or representative.

(c) "Loss" means any monetary loss to a producer which is of an extraordinary nature and which shall include, but not be limited to, bankruptcy, embezzlement, theft, or fraud.

(d) "Board" means the Oklahoma State Board of Agriculture

There shall be an assessment of one mill per bushel upon all grain delivered by grain producers to grain dealers, and shall be imposed on the grain dealer at the time of receipt from the producer. The grain dealer shall collect and remitt this assessment to the Oklahoma Department of Agriculture, who shall administer the fund.

The grain dealer shall submit a report to the Oklahoma Department of Agriculture, by the 15th day of each calendar quarter following any calendar quarter in which the grain dealer has accepted 10,000 or more bushels of grain. If he accepts less than 10,000 bushels in any calendar quarter, the assessment may be reported with the following quarter's return, except that all assessments collected must be remitted at least once every 6 months.

* When the fund reaches \$4 million, the one mill assessment shall cease. The assessment will be reconstituted as necessary to maintain a \$4 million balance. Payments from the fund shall commence when it reaches the amount of \$250,000.

* When the producer incurs a loss, he shall present his claim to the Oklahoma Department of Agriculture. Further details of the claim process can be obtained from the O.D.A. or our office.

A state license to operate a public warehouse remains at \$25, and will have to be renewed each May 1. However, no license shall be issued until the applicant has filed with the State Board of Agriculture a financial statement having a net worth of at least \$10,000, provided that if the net worth of the license is less than

Oklahoma Grain Storage Indemnity Fund cont.

\$1 million of assets, the financial statement shall be submitted each 6 months.

When the fund reaches \$250,000, state licensed warehouses will no longer be required to submit surety bonds to the Board.

If you have any futher questions regarding the application of this new law, please call the O.D.A. or your Association Office.

* * * * *

Attachment 5, 1/26/83
Larry Matlack

IN RE: GLEN LAVON SKEEN
d/b/a Tam Ann Feed
Box 196
Council Grove, KS. 66846

Case No. 80-40829

Social Security # 514-38-2573 Debtor(s)

ORDER FOR MEETING OF CREDITORS; FIXING TIME FOR FILING
OBJECTIONS TO DISCHARGE; FILING COMPLAINTS TO DETERMINE DISCHARGEABILITY
OF CERTAIN DEBTS; SETTING DISCHARGE AND REAFFIRMATION HEARING;
COMBINED WITH NOTICE THEREOF AND OF AUTOMATIC STAY

To the debtor, his creditors, and other parties in interest:

An order for relief under 11 U.S.C. chapter 7 having been entered on a petition filed by ~~SKEEN~~ debtor whose address is shown above on October 15, 1980, IT IS ORDERED and notice is hereby given that:

1. A meeting of creditors pursuant to 11 U.S.C. §341(a) called by the United States Trustee shall be held on December 12, 1980, at 11:00 a.m. at Room 331, Federal Building, 444 SE Quincy, Topeka, Kansas.

2. The debtor shall appear in person [or, if the debtor is a partnership, by a general partner, or, if the debtor is a corporation, by its president or other executive officer] at that time and place for the purpose of being examined.

3. [If the debtor is an individual] March 12, 1981 is fixed as the last day for the filing of objections to the discharge of the debtor.

4. [If the debtor is an individual] March 12, 1981 is fixed as the last day for the filing of a complaint to determine the dischargeability of any debt pursuant to 11 U.S.C. §523(c).

You are further notified that:

The meeting may be continued or adjourned from time to time by notice at the meeting, without further written notice to creditors.

At the meeting the creditors may file their claims, elect a trustee as permitted by law, elect a committee of creditors, examine the debtor, and transact such other business as may properly come before the meeting.

As a result of the filing of the petition, certain acts and proceedings against the debtor and his property are stayed as provided in 11 U.S.C. §362(a).

[If the debtor is an individual] If no objection to the discharge of the debtor is filed on or before the last day fixed therefore as stated in subparagraph 3 above, the debtor will be granted his discharge. If no complaint to determine the dischargeability of a debt under clause (2), (4), or (6) of 11 U.S.C. §523(a) is filed within the time fixed therefore as stated in subparagraph 4 above, the debt may be discharged.

In order to have his claim allowed so that he may share in any distribution from the estate, a creditor must file a claim, whether or not he is included in the list of creditors filed by the debtor. Claims which are not filed within 6 months after the above date set for the meeting of creditors will not be allowed, except as otherwise provided by law. A claim may be filed in the office of the Clerk of Bankruptcy Court, Federal Bldg., 444 SE Quincy, Topeka, Kansas 66683, on an official form prescribed for a proof of claim.

Unless the Court extends the time, any objection to the debtor's claim of exempt property (Schedule B-4) must be filed within 15 days of the conclusion of the §341 meeting of creditors.

IT IS FURTHER ORDERED and notice is hereby given, that: (1) For individual debtors, a discharge and reaffirmation hearing pursuant to 11 U.S.C. §524 will be held in Room 492, Federal Building, 444 SE Quincy, TOPEKA, Kansas, at 10:30 clock A.M. on the 26 day of March, 1981.

- (2) At the above time and place,
 - (a) The debtor shall appear in order to be advised whether or not a discharge is to be granted.
 - (b) All creditors who have reached a reaffirmation agreement with the debtor shall appear and present the agreement to the Court for approval.

(1) Creditors of the debtor shall submit an application for reaffirmation on or before March 20, 1981. The application shall specify the nature of the debt and shall have attached thereto the proposed reaffirmation agreement.

(11) Reaffirmation agreements based upon a consumer debt not secured by real property are legally unenforceable unless approved by the Court at said hearing; other reaffirmation agreements may be legally enforceable only if filed with the Court at or before said hearing.

(3) Within thirty (30) days after the conclusion of the §341 meeting, the Trustee herein may file notice of an intended abandonment of any or all of the debtor's non-exempt property pursuant to 11 U.S.C. §554(a). Unless a creditor files an objection to such intended abandonment within forty-five (45) days after the conclusion of the §341 meeting, the property described in the notice filed by the Trustee herein shall be deemed abandoned. Any notice of intended abandonment filed by the Trustee herein subsequent to the thirtieth day after the conclusion of the §341 meeting shall be given by such Trustee to all creditors who thereby shall be provided an opportunity for objection to and hearing on such proposed abandonment.

In order to assist the Trustee in administering the estate of the debtor herein, all secured creditors should file their claims with the Clerk of the Court prior to the §341 meeting referred to above.

Jerold E. Berger whose address is 314 W. 7th, Topeka, KS. 66603

Tel: (913) 235-3477 has been appointed interim trustee of the estate of the above-named debtor.

Justice B. King whose address is 520 1st Natl Bank Tower, Topeka

Tel: (913) 232-7761 is attorney for debtor. KS. 66603

BY THE COURT

James A. Pusateri
JAMES A. PUSATERI
Bankruptcy Judge

FILED

OCT 27 1980

R. Stearns

DATED: 10/24/80

Atch. 5

Case to Judge

FILED

JAN 22 1981

Jerold E. Berger
HUMPAGE, BERGER & HOFFMAN
314 West Seventh Street
Topeka, Kansas 66603
(913) 235-3477

CLARICE
U.S. COURT
By *Sam Reda*

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS

In re:)	
)	
GLENN LAVON SKEEN)	Case No 80-40829
f/d/b/a Tam-Ann Feed)	
f/d/b/a Skeen Liquid Feed,)	
)	
Debtor.))	


MOTION

COMES NOW, the trustee, Jerold E. Berger, and moves the Court for an order permitting an immediate sale of the grain presently stored at the Tam-Ann Feed elevator. The trustee shows the Court that the grain should be sold forthwith for the following reasons:

1. That based on a statement from Sam Reda, the grain inspector, the grain will continue to deteriorate and become a lower grade of grain or could in fact be lost entirely.
2. That the trustee has sent letters to the people he believes has grain stored in the elevator. That he has only received a response to such letters from three individuals, namely Robert Taylor, Dale Suplee and Sager Wilson.
3. That the trustee has contacted the attorney for Dale Suplee and he has agreed that the items presently stored could be sold.
4. The trustee has further contacted Sager Wilson and he has also agreed that the grain could be sold and he could be paid out of the proceeds.
5. Mr. Robert Taylor alleges that he had deposited with the Tam-Ann Feed's elevator 369.45 bushels of corn. He further indicates in his letter that there is no good corn presently in the elevator and that the corn that is there is mixed with milo. Therefore, it would be impossible for the trustee to return the 369.45 bushels of corn to Mr. Taylor.

6. That the trustee has not heard from any other parties in relation to feed presently being stored in the Tam-Ann Feed's elevator.

WHEREFORE, the trustee prays the Court for an order allowing an immediate sale of all items presently stored in the Tam-Ann Feed's elevator in Council Groves, Kansas, for the above enumerated reasons.


JEROLD E. BERGER, INTERIM TRUSTEE

FILED

JAN 27 1981

CLARCE FARMER, Clerk
U.S. COURT OF BANKRUPTCY
By *[Signature]* Deputy

Jerold E. Berger
HUMPAGE, BERGER & HOFFMAN
314 West Seventh Street
Topeka, Kansas 66603
(913) 235-3477

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS

In re:)	
)	
GLENN LAVON SKEEN)	Case No. 80-40829
f/d/b/a Tam Ann Feeds,)	
Debtor.))	Adv. No. 80-0235

NOTICE OF INTENT TO SELL PROPERTY

COMES NOW, the Trustee and the Debtor and gives notice that the Trustee is in possession of certain inventory, described as grain, that is being stored in the Debtor's elevator located in Council Groves, Kansas.

It would be in the best interest of the Debtor, debtor's estate and all interested parties that the grain be sold immediately. That the Trustee has a prospective buyer, John Severe of Wichita, who has an elevator in Council Groves and is willing to buy the grain at the present market value and pick it up to satisfy the creditors.

Notice is hereby given of said sale. Any objections by interested parties will be heard on Friday, January 30, 1981 at 1:30 at the Bankruptcy Court, Federal Building, 444 S.E. Quincy, Topeka, Kansas. Should there be no objections, the Trustee will proceed with the sale.

[Signature]
JEROLD E. BERGER, INTERIM TRUSTEE

CERTIFICATE OF MAILING

I, Jerold E. Berger, hereby certify that I mailed copies of the above and foregoing Notice of Intent to Sell Property to all creditors, debtors, and debtor's attorney first class, postage prepaid on the 27 day of January, 1981.

[Signature]
JEROLD E. BERGER, TRUSTEE

Law Offices of

*Telephone (913) 235-3477
235-5351*

Humpage, Berger and Hoffman

*Humpage Building
314 West 7th Street
Topeka, Kansas 66608*

*John C. Humpage
Jerold E. Berger
Donald R. Hoffman
Adele F. Ross
Corey S. Berger*

January 27, 1981

Dear Creditor:

In reference to the Notice of Intent to Sell Property which was mailed to you earlier today, please note that the time on Friday for objecting to the sale has been amended to 1:00 Friday, January 30 instead of 1:30 as on the notice.

Sincerely yours,

Martha A. Vogel

MARTHA A. VOGEL
Trustee's Clerk

cc: Bankruptcy Court Clerk
John Pearson

RECEIVED
JAN 30 1981
AT TOPEKA
CLARICE FARMER, Clerk
U.S. BANKRUPTCY COURT

FILED

JAN 30 1981

CLARICE FARMER, Clerk
U.S. COURT OF BANKRUPTCY
By _____ Deputy

FILED

AT TOPEKA

JUN 18 1981

CLAR. C. FARMER, Clerk
U.S. COURT OF BANKRUPTCY

By R. Strobel Deputy

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS


TO: JEROLD E. BERGER, TRUSTEE
314 West 7th Street
Topeka, KS 66603

80-40829

SUMMONS AND ORDER TO APPEAR

At Topeka, Kansas on this 18th day of June, 1981,
The Honorable James A. Pusateri, Bankruptcy Judge, directs
the above-mentioned trustee to appear before him at U. S.
Bankruptcy Court, 492 Federal Building, 444 S.E. Quincy,
Topeka, Kansas 66683, on JUNE 26, 1981 at 10:30 A.M., for
a status report on all pending cases now being administered
by said trustee.

IT IS SO ORDERED.


JAMES A. PUSATERI
BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS

In re:

*CLEN LAVERN SKEEN
d/b/a TAMM AMM FEED*

Case No. *80-40829*

TRUSTEE'S INTERIM STATUS REPORT NO. *2*

1. Total receipts as of last report \$ 0
2. Additional receipts deposited since last report. \$ 0
3. Total Disbursements to date. \$ 0
(Itemize receipts and disbursements by submitting copy of on-going cash journal of receipts and disbursements as of this report.)
4. Balance on hand. \$ 0
Checking (Bank _____ Acct. No. _____)
Savings (Bank _____ Acct. No. _____)
Certificates of Deposit (Bank _____
Certificate Nos. _____
Maturity dates _____)
5. Amount of Trustee's Bond \$ Blanket
6. Progress Report:
 - a. Claims () have () have not been reviewed and objections () have () have not been filed.
 - b. Matters pending:
Bankruptcy Court () Yes () No
State or Federal Court () Yes () No
REMARKS: (Explain briefly what matters are pending and the dates these matters are set for hearing.)
 - c. Reason(s) case cannot be closed:
Grain in elevator to be sold. Maybe some excess grain for estate.
7. Date(s) of previous Interim Report(s): _____
8. Estimated date of filing Final Report _____ . If date is different from earlier Interim Reports, explain change:

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

DATED: *4-16-81*

FILED
AT KANSAS CITY

JUL 29 1981

Trustee

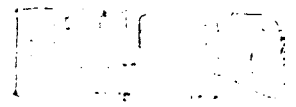
Reviewed by _____

Date: _____

CLERK
U.S. BANKRUPTCY COURT
KANSAS CITY, MISSOURI

UST-44-10-31-01
(Feb. 5, 1981)

Jerold E. Berger
HUMPAGE, BERGER AND HOFFMAN
314 West Seventh Street
Topeka, Kansas 66603
(913) 235-3477



APR 11 1988

CLERK OF COURT
U.S. DISTRICT COURT
TOPEKA, KANSAS
[Signature]
Deputy

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS

IN RE:)
)
GLEN LAVON SKEEN, d/b/a)
Tam Ann Feed,) Case No. 80-40829
)
Debtor.)
_____)

APPLICATION FOR
APPROVAL TO PAY GRAIN OWNERS

COMES NOW the trustee, and makes his Application to the Court for an Order permitting him to make payments to certain owners of grain which was stored in the debtor's elevator. The trustee shows the Court the following:

1. That he sold the grain that was in the elevator at the time of filing the bankruptcy. That the total receipt from the sale was \$8,618.21.
2. That in order to sell the grain, it cost the trustee \$390.00 for labor, and \$100.00 for trucks, for a total of \$490.00, thereby leaving a net balance of \$8,128.21.
3. That there were several people who had grain stored in the elevator at the time of filing of the bankruptcy. That in order to determine a fair distribution, the trustee totaled the amount of bushels the individuals had stored and divided that by \$9,128.00 which was the amount received. This gave the trustee a figure of 2.5242 per bushel. The trustee then multiplied this by the number of bushels each individual had stored in said elevator. Based on the above, the trustee is requesting permission to pay the following individuals the following amounts of money:

A. Sager Wilson	\$4757.49
Dale Suplee	959.19
C. Robert Taylor (less \$200.75 owed for molasses)	932.56 <u>-200.75</u>
NET:	731.81
D. Max Davis	\$1151.86
E. Robert Bacon	126.20
F. Keith Bacon	100.96
G. Sobke	99.97

WHEREFORE, the trustee prays the Court for an Order permitting him to pay out the above sums of money.


 Jerold E. Berger, Trustee

CERTIFICATE OF SERVICE

I, Jerold E. Berger, hereby certify that on the 12th day of April, 1982, a copy of the above and foregoing Application was deposited in the United States mail, first class, postage prepaid and addressed to the following individuals:

Sager Wilson Route 1 Council Grove, KS 66846	Keith Bacon Route 1 Council Grove, KS 66846
Dale Suplee c/o Charles Rayl P. O. Box 640 Cottonwood Falls, KS 66845	Sobke Route 1 Council Grove, KS 66846
Robert Taylor 900 S. Neosho Street P. O. Box 135 Council Grove, KS 66846	
Max Davis Route 3 Council Grove, KS 66846	
Robert Bacon Route 1 Council Grove, KS 66846	


 Jerold E. Berger, Trustee

United States Bankruptcy Court

For the _____ District of Kansas

In re

GLEN LAVON SKEEN
f/d/b/a Tam Ann Feed
f/d/b/a Skeen Liquid Feeds

Case No. 80-40829

Debtor

NOTICE TO CREDITORS AND OTHER PARTIES IN INTEREST

Notice is hereby given that:

A hearing in said cause will be heard at the U. S. Courthouse, 492 Federal Building, Court of Bankruptcy, in the city of Topeka, 444 S. E. Quincy, State of Kansas, on the 28th day of April, 1982, at 9:30 A. M. to consider and act upon the following matters:

Application of trustee for approval to pay grain owners.
(Copy enclosed)

and transact such other business as may come before the meeting.

Dated at Topeka, Kansas, April 13, 1982.

Copies mailed this 13th day of April, 1982, to: Glen Lavon Skeen, Box 196 Council Grove, KS 66846; Justice B. King, 520 First National Bank Building, Topeka, KS 66603; Jerold E. Berger, 314 West Seventh Street, Topeka, KS 66603; U. S. Atty., Attn: Karen Humphreys, 385 U. S. Courthouse, Topeka, KS 66683; I. R. S., Attn: Special Procedures Section, Box 2278, Wichita, KS 67201; and all creditors filed claims herein and their agents and/or attorneys.



APR 13 1982

[Handwritten signature]

CLARICE FARMER

Clerk of Bankruptcy Court

By: *[Handwritten signature]*

Deputy Clerk

[Seal of the U.S. Bankruptcy Court]

Date of issuance: April 13, 1982

Summary of remarks by Daryl Meyer,
Hiawatha, Kansas

As a co-op manager and member of the Kansas Cooperative Council, I support the legislation proposed in Senate Bills 1 through 6.

Because cooperatives already pay for unqualified audits which our lender requires, and the financial information is public information, we find the added cost to our producer owners for an "indemnity fund" to be an added burden. There are no doubt independent warehouses who feel the same way about unqualified audits.

Either method imposes costs on the grain industry which will be paid by the producer, but we feel the 6 bills before you can help prevent producer losses without undue expense.

Atch. 6