

**Subpart B—Annual Report to Shareholders**

**§ 620.4 Preparing and providing the annual report.**

(a) Each institution of the Farm Credit System must prepare and provide to its shareholders an annual report within 75 calendar days of the end of its fiscal year.

(b)(1) A bank must provide its annual report to the shareholders of all related associations if the bank experiences a significant event that has a material effect on those associations.

(2) Any bank that is required by paragraph (b)(1) of this section to provide its annual report must coordinate its distribution with its related associations.

(c) The report shall contain, at a minimum, the information required by § 620.5 and, in addition, such other information as is necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

[51 FR 8656, Mar. 13, 1986. Redesignated and amended at 56 FR 29421, 29422, June 27, 1991; 62 FR 15093, Mar. 31, 1997; 66 FR 14301, Mar. 12, 2001; 67 FR 16633, Apr. 8, 2002; 71 FR 76119, Dec. 20, 2006]

EFFECTIVE DATE NOTE: At 72 FR 68061, Dec. 4, 2007, § 620.4 was amended by revising (a), effective either 30 days after publication in the FEDERAL REGISTER or later if Congress takes certain adjournments. For the convenience of the user, the added and revised text is set forth as follows:

**§ 620.4 Preparing and providing the annual report.**

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(a) Each institution of the Farm Credit System must:

(1) Prepare and send to the Farm Credit Administration an electronic copy of its annual report within 75 calendar days of the end of its fiscal year;

(2) Publish a copy of its annual report on its Web site when it sends the report electronically to the Farm Credit Administration;

(3) Provide prior written notification to its shareholders that the institution will publish its annual report on the institution's Web site when the report is sent electronically to the Farm Credit Administration; and

(4) Within 90 calendar days of the end of its fiscal year, prepare and provide to its shareholders an annual report substantively identical to the copy of the report sent to the Farm Credit Administration under paragraph (a)(1) of this section.

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**§ 620.5 Contents of the annual report to shareholders.**

The report must contain the following items in substantially the same order:

(a) *Description of business.* The description must include a brief discussion of the following items:

- (1) The territory served;
- (2) The persons eligible to borrow;

(3) The types of lending activities engaged in and related services offered. Each bank shall also briefly describe the lending and related services offered by its related associations, as well as related services offered to the borrowers in the bank's chartered territory by any service organization in which it has an ownership interest. Each association shall briefly describe the lending and related services offered by its related organizations or incorporate by reference relevant portions of the related bank's report, if such report is provided to association shareholders;

(4) Any significant developments within the last 5 years that had or could have a material impact on earnings or interest rates to borrowers, including, but not limited to, changes in the reporting entity and financing assistance provided by or to the institution through loss-sharing or capital preservation agreements or from any other source;

(5) Any acquisition or disposition of material assets during the last fiscal year, other than in the ordinary course of business;

(6) Any material change during the last fiscal year in the manner of conducting the business;

(7) Any seasonal characteristics of the institution's business;

(8) Any concentrations of more than 10 percent of its assets in particular commodities or particular types of agricultural activity or business, and the institution's dependence, if any, upon a single customer, or a few customers,

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including other financing institutions (OFIs), the loss of any one of which would have a material effect on the institution; and

(9) A brief description of the business of any related Farm Credit institution, as described in §619.9146 of this chapter, and the nature of the institution's relationship with such organization.

(10) For associations, in a separate section of the annual report, discuss the institution's financial and supervisory relationship with its funding bank. This separate section may incorporate by reference information from other sections of the annual report. At a minimum, the separate section must include the statement required by §620.2(h)(2)(i) and the following information required elsewhere in this section, if applicable:

(i) The association's obligation to borrow only from the bank unless the bank gives the association approval to borrow elsewhere;

(ii) The major terms of any capital preservation, loss sharing, or financial assistance agreements between the association and the bank;

(iii) Any statutory or bank bylaw provisions authorizing bank access to the capital of the association;

(iv) The extent the bank assumed the association's exposure to interest rate risk; and

(v) Any other material operational and financial conditions that may affect the interdependent relationship between the association and the bank.

(b) *Description of property.* State the location of and briefly describe the principal offices, i.e., headquarters, and major facilities where the institution makes and services its loans, and other materially important physical properties (other than property acquired in the course of collecting a loan) of the institution.

(c) *Legal proceedings and enforcement actions.* (1) Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the institution is a party, of which any of its property is the subject, or which involved claims that the institution may be required by contract or operation of law, to satisfy.

(2) Describe the type of and reason for each enforcement action in effect, i.e., agreements, cease and desist orders, temporary cease and desist orders, prohibitions and removals of officers or directors, or civil money penalties, if any, imposed or assessed on the institution or its officers or directors and the amount of any civil money penalties assessed.

(d) *Description of capital structure.* (1) Describe each class of stock and participation certificates the institution is authorized to issue and the rights, duties, and liabilities of each class. The description shall include:

(i) The number of shares of each class outstanding;

(ii) The par or face value;

(iii) The voting and dividend rights;

(iv) The order of priority upon impairment or liquidation;

(v) The institution's retirement policies and restrictions on transfer;

(vi) The statutory requirement that a borrower purchase stock as a condition to obtaining a loan;

(vii) The manner in which the stock is purchased (i.e., promissory note to the issuer, or cash not advanced by issuing institution);

(viii) The statutory authority of the institution to require additional capital contributions, if any; and

(ix) The statutory and regulatory restriction regarding retirement of stock and distribution of earnings pursuant to §615.5215, and any requirements to add capital under a plan approved by the Farm Credit Administration pursuant to §§615.5330, 615.5335, 615.5351, or 615.5357.

(2) Describe regulatory minimum capital standards, and the institution's compliance with such standards. For banks, also discuss any related associations that are not currently in compliance with the standards.

(3) State whether the institution is currently prohibited from retiring stock or distributing earnings by the statutory and regulatory restrictions described in paragraph (d)(1)(ix) of this section, or knows of any reason such prohibitions may apply during the fiscal year subsequent to the fiscal year just ended.

(4) Describe the institution's capital adequacy requirements and the minimum stock purchase requirement in effect.

(e) *Description of liabilities.* (1) Describe separately the institution's insured and uninsured debt, indicating the type, amount, maturity, and interest rates of each category of obligations outstanding at the end of the fiscal year just ended. Describe the nature of the insurance provided under part E of title V of the Act. Describe any applicable statutory and regulatory restrictions on the institution's ability to incur debt.

(2) Describe fully the institution's rights and obligations under any agreement, formal or informal, between the institution and any other person or entity having to do with capital preservation, loss sharing, or any other form of financing assistance.

(3) Describe any statutory authorities or obligations to contribute to or on behalf of another institution of the Farm Credit System.

(4) Describe the statutory responsibility of Farm Credit System institutions for repayment of obligations issued by the Farm Credit System Financial Assistance Corporation.

(f) *Selected financing data.* Furnish in comparative columnar form for each of the last 5 fiscal years the following financing data, if material:

(1) *For banks and direct lender associations.*

- (i) *Balance sheet.*
- (A) Total assets.
- (B) Investments.
- (C) Loans.
- (D) Allowance for losses.
- (E) Net loans.
- (F) Other property owned.
- (G) Total liabilities.
- (H) Obligations with maturities less than 1 year.
- (I) Obligations with maturities longer than 1 year.
- (J) Protected borrower capital.
- (K) *At-risk capital.*
- (l) Stock and participation certificates.
- (2) Allocated surplus.
- (3) Unallocated surplus.
- (ii) *Statement of income.*
- (A) Net interest income.
- (B) Provision for loan losses.

- (C) Extraordinary items.
- (D) Net income.
- (iii) *Key financing ratios.*
- (A) Return on average assets.
- (B) Return on average protected borrower capital and at-risk capital.
- (C) Net interest margin as a percentage of average earning assets.
- (D) Protected and at-risk capital-to-total assets.
- (E) Net chargeoffs-to-average loans.
- (F) Allowance for loan losses-to-loans.
- (iv) *Net income distributed.*
- (A) Dividends.
- (B) *Patronage refunds.*
- (1) Cash.
- (2) Stock.
- (3) Allocated surplus.
- (2) *For associations that are not direct lender associations.*
- (i) *Balance sheet.*
- (A) Total assets.
- (B) Accrued obligation under loss-sharing agreement, if any.
- (C) Protected borrower capital.
- (D) At-risk capital.
- (ii) *Statement of income.*
- (A) Compensation from related bank.
- (B) Total operating expense.
- (C) Extraordinary items.
- (D) Provision for obligation under capital preservation or loss-sharing agreement, if any.
- (E) Net income.
- (iii) *Other.*
- (A) Loans serviced for related bank.
- (B) Dividends paid.
- (C) *Patronage refunds paid.*
- (1) Cash.
- (2) Stock.
- (3) Allocated surplus.
- (D) Payments under loss-sharing agreement.
- (3) *For all banks (on a bank-only basis):*
- (i) Permanent capital ratio.
- (ii) Total surplus ratio.
- (iii) Core surplus ratio.
- (iv) Net collateral ratio.
- (4) *For all associations:*
- (i) Permanent capital ratio.
- (ii) Total surplus ratio.
- (iii) Core surplus ratio.
- (g) *Management's discussion and analysis of financing condition and results of operations.* Fully discuss any material aspects of the institution's financing condition, changes in financing condition, and results of operations during

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the last 2 fiscal years, identifying favorable and unfavorable trends, and significant events or uncertainties. In addition to the items enumerated below, the discussion shall provide such other information as is necessary to an understanding of the institution's financing condition, changes in financing condition, and results of operations.

(1) *Loan portfolio.* (i) Describe the types of loans in the portfolio by major category (e.g., agricultural real estate mortgage loans, rural home loans, agricultural production loans, processing and marketing loans, farm business loans, and international loans), indicating the approximate percentage of the total dollar portfolio represented by each major category. Associations that make agricultural production loans shall provide the information required for such loans by major subcategory (e.g., cash grains, field crops, livestock, dairy, poultry, and timber). For each category and subcategory, discuss any special features of the loans that may be material to the evaluation of risk and any economic or business conditions that have had or are likely to have a material impact on their collectibility. For banks, also disclose separately the aggregate amount of loans outstanding to related associations and other financing institutions.

(ii) Describe the geographic distribution of the loan portfolio by State or other significant geographic division, if any.

(iii) *Purchases and sales of loans.* (A) Describe any material participation in the Federal Agricultural Mortgage Corporation program or origination of loans for resale.

(B) Disclose the amount of purchased loans, loans sold with recourse, retained subordinated participation interests in loans sold, and interests in pools of subordinated participation interests that are held in lieu of retaining a subordinated participation interest in the loans sold.

(iv) *Risk exposure.* For the periods covered by the financing statements provide:

(A) An analysis of high-risk assets and loan performance categories, to include, but not limited to, a discussion of the nature and extent of significant

potential credit risks within the loan portfolio, or other information that could adversely impact performance of the loan portfolio in the near future;

(B) An analysis of the allowance for loan losses that includes the ratios of the allowance to loans and net chargeoffs to average loans, and a discussion of the adequacy of the allowance for losses;

(C) Financial assistance given or received under districtwide or Systemwide loss-sharing or capital preservation agreements or otherwise;

(D) For banks, a description in the aggregate of the recent loss experience of related associations that are its shareholders, including the items enumerated in paragraphs (g)(1)(iv) (A), (B), and (C) of this section.

(E) Describe any material obligations with respect to loans sold and the amount of any material contributions made in connection with loans sold into the secondary market. Further disclose the amount of risk of loss associated with such obligations and the amount included in the allowance for losses to provide for such risk.

(2) *Results of operations.* (i) Describe, on a comparative basis, changes in the major components of net interest income during the last 2 fiscal years, describing significant factors that contributed to the changes and quantifying the amount of change(s) due to an increase in volume or the introduction of new services and the amount due to changes in interest rates earned and paid, based on averages for each period.

(ii) Describe any unusual or infrequent events or transactions or any significant economic changes, including, but not limited to, financing assistance received or paid that materially affected reported income. In each case, indicate the extent to which income was so affected.

(iii) Discuss the factors underlying the material changes, if any, in the return on average assets, the return on average protected borrower capital and at-risk capital, and the permanent capital ratio as determined in accordance with part 615, subpart H of this chapter. An explanation of the basis of the

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calculation of ratios relating to permanent capital and at-risk capital shall be included.

(iv) Describe, on a comparative basis, the major components of operating expense, indicating the reasons for significant increases or decreases.

(v) Describe any other significant components of income or expense, including, but not limited to, income from investments, that should be described in order to understand the institution's results of operations.

(vi) Discuss any events affecting a related organization that are likely to have a material effect on the reporting institution's financing condition, results of operations, cost of funds, or reliability of sources of funds.

(vii) Describe any known trends or uncertainties that have had, or that the institution reasonably expects will have, a material impact on net interest income or net income. Disclose any events known to management that will cause a material change in the relationship between costs and revenues.

(3) *Liquidity and funding sources.* (i) Funding sources. (A) Describe the average and yearend amounts, maturities, and interest rates on outstanding consolidated Systemwide debt obligations or other bond obligations used to fund the institution's lending operations.

(B) Describe existing lines of credit and their terms.

(C) Describe the institution's capital accounts and other sources of lendable funds.

(ii) Liquidity. (A) Discuss the institution's liquidity policy and the components of asset liquidity, including, but not limited to, cash, investment securities, and maturing loan repayments. Assess the ability of the institution to generate adequate amounts of cash to fund its operations and meet its obligations.

(B) Discuss any known trends that are likely to result in a liquidity deficiency and the course of action management intends to take to resolve it. Discuss any material increase or decrease in liquidity that is likely to occur.

(C) Discuss the institution's participation in the Federal Agricultural Mortgage Corporation secondary market programs authorized by title VIII

of the Act and the origination of loans for resale under other authorities, if any.

(iii) Funds management. (A) Discuss the institution's interest rate programs and the institution's ability to control interest rate margins.

(B) Discuss changes in net interest margin (net interest income as a percentage of average earning assets), explaining the reasons therefor.

(4) *Capital resources.* (i) Describe any material commitments to purchase capital assets and the anticipated sources of funding.

(ii) Describe any material trends or changes in the mix and cost of debt and capital resources. The discussion shall consider changes in permanent capital, core and total surplus, and net collateral requirements, debt, and any off-balance-sheet financing arrangements.

(iii) Describe any favorable or unfavorable trends in the institution's capital resources.

(iv) Discuss and explain any material changes in capital ratios, noting any material adverse variances from regulatory guidelines.

(v) Discuss the adequacy of the current capital position and any material changes in the capital plan adopted pursuant to §615.5200 of this chapter, to the extent that such changes may have an effect on the institution's minimum stock purchase requirements and its ability to retire stock and distribute earnings.

(vi) Discuss any trends, commitments, contingencies, or events that are reasonably likely to have a materially adverse effect upon the institution's ability to meet the regulatory minimum capital standards and capital adequacy requirements.

(h) *Directors and senior officers.* (1) List the names of all directors and senior officers of the institution, indicating the position title and term of office of each.

(2) Briefly describe the business experience during the past 5 years of each director and senior officer, including each person's principal occupation and employment during the past 5 years.

(3) For each director and senior officer, list any other business interest where the director or senior officer serves on the board of directors or as a

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senior officer. Name the position held and state the principal business in which the business is engaged.

(i) *Compensation of directors and senior officers*—(1) *Director compensation.* Describe the arrangements under which directors of the institution are compensated for all services as a director (including total cash compensation and noncash compensation). Noncash compensation with an annual aggregate value of less than \$5,000 does not have to be reported. State the total cash and reportable noncash compensation paid to all directors as a group during the last fiscal year. If applicable, describe any exceptional circumstances justifying the additional director compensation as authorized by §611.400(c) of this chapter. For each director, state:

(i) The number of days served at board meetings;

(ii) The total number of days served in other official activities, including any board committee(s);

(iii) Any additional compensation paid for service on a board committee, naming the committee; and

(iv) The total cash and noncash compensation paid to each director during the last fiscal year. Reportable com-

penation includes cash and the value of noncash items provided by a third party to a director for services rendered by the director on behalf of the reporting Farm Credit institution. Noncash compensation with an annual aggregate value of less than \$5,000 does not have to be reported.

(2) *Senior officer compensation.* Disclose the information on senior officer compensation and compensation plans as required by this paragraph. Farm Credit System associations may disclose the information required by this paragraph in the Annual Meeting Information Statement (AMIS) required under subpart E of this part. Associations exercising this option must include a reference in the annual report stating that the senior officer compensation information is included in the AMIS and that the AMIS is available for public inspection at the reporting association offices pursuant to §620.2(a).

(i) The institution must disclose the total amount of compensation paid to senior officers in substantially the same manner as the tabular form specified in the following Summary Compensation Table (table):

SUMMARY COMPENSATION TABLE

Annual						
Name of individual or number in group	Year	Salary	Bonus	Deferred/perquisite	Other	Total
(a)	(b)	(c)	(d)	(e)	(f)	(g)
CEO .....	20XX 20XX 20XX					
Aggregate number of senior officers:						
(X) .....	20XX					
(X) .....	20XX					
(X) .....	20XX					

(A) For each of the last 3 completed fiscal years, report the total amount of compensation paid and the amount of each component of compensation paid to the institution's chief executive officer (CEO), naming the individual. If more than one person served in the capacity of CEO during any given fiscal year, individual compensation disclosures must be provided for each CEO.

(B) For each of the last 3 completed fiscal years, report the aggregate

amount of compensation paid, and the components of compensation paid, to all senior officers as a group, stating the number of officers in the group without naming them. If applicable, include in the aggregate the amount of compensation paid to those officers who are not senior officers but whose total annual compensation is among the five highest amounts paid by the institution for the reporting period.

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(C) Amounts shown as “Salary” (column (c)) and “Bonus” (column (d)) must reflect the dollar value of salary and bonus earned by the senior officer during the fiscal year. Amounts contributed during the fiscal year by the senior officer pursuant to a plan established under section 401(k) of the Internal Revenue Code, or similar plan, must be included in the salary column or bonus column, as appropriate. If the amount of salary or bonus earned during the fiscal year is not calculable by the time the report is prepared, the reporting institution must provide its best estimate of the compensation amount(s) and disclose that fact in a footnote to the table.

(D) Amounts shown as “deferred/perquisites” (column (e)) must reflect the dollar value of other annual compensation not properly categorized as salary or bonus, including but not limited to:

(1) Deferred compensation earned during the fiscal year, whether or not paid in cash; or

(2) Perquisites and other personal benefits, including the value of noncash items, unless the annual aggregate value of such perquisites is less than \$5,000. Reportable perquisites include cash and the value of noncash items provided by a third party to a senior officer for services rendered by the officer on behalf of the reporting institution.

(E) Compensation amounts reported under the category “Other” (column (f)) shall reflect the dollar value of all other compensation not properly reportable in any other column. Items reported in this column shall be specifically identified and described in a footnote to the table. Such compensation includes, but is not limited to:

(1) The amount paid to the senior officer pursuant to a plan or arrangement in connection with the resignation, retirement, or termination of such officer’s employment with the institution; or

(2) The amount of contributions by the institution on behalf of the senior officer to a vested or unvested defined contribution plan unless the plan is made available to all employees on the same basis.

(F) Amounts displayed under “Total” (column (g)) shall reflect the sum total

of amounts reported in columns (c), (d), (e), and (f).

(ii) Provide a description of all plans pursuant to which cash or noncash compensation was paid or distributed during the last fiscal year, or is proposed to be paid or distributed in the future for performance during the last fiscal year, to those individuals described in paragraph (i)(2)(i) of this section. The description of each plan must include, but not be limited to:

(A) A summary of how the plan operates and who is covered by the plan;

(B) The criteria used to determine amounts payable, including any performance formula or measure;

(C) The time periods over which the measurement of compensation will be determined;

(D) Payment schedules; and

(E) Any material amendments to the plan during the last fiscal year.

(iii) The annual report or AMIS must include a statement that disclosure of information on the total compensation paid during the last fiscal year to any senior officer or to any other officer included in the aggregate is available and will be disclosed to shareholders of the institution and shareholders of related associations (if applicable) upon request.

(3) *Travel, subsistence, and other related expenses.* (i) Briefly describe your policy addressing reimbursements for travel, subsistence, and other related expenses as it applies to directors and senior officers. The report shall include a statement that a copy of the policy is available to shareholders of the institution and shareholders of related associations (if applicable) upon request.

(ii) For each of the last 3 fiscal years, state the aggregate amount of reimbursement for travel, subsistence, and other related expenses for all directors as a group.

(j) *Transactions with senior officers and directors.* (1) State the institution’s policies, if any, on loans to and transactions with officers and directors of the institution.

(2) *Transactions other than loans.* For each person who served as a senior officer or director on January 1 of the year following the fiscal year of which the report is filed, or at any time during the fiscal year just ended, describe

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briefly any transaction or series of transactions other than loans that occurred at any time since the last annual meeting between the institution and such person, any member of the immediate family of such person, or any organization with which such person is affiliated.

(i) For transactions relating to the purchase or retirement of preferred stock issued by the institution, state the name of each senior officer or director that held preferred stock issued by the institution during the reporting period, the current amount of preferred stock held by the senior officer or director, the average dividend rate on the preferred stock currently held, and the amount of purchases and retirements by the individual during the reporting period.

(ii) For all other transactions, state the name of the senior officer or director who entered into the transaction or whose immediate family member or affiliated organization entered into the transaction, the nature of the person's interest in the transaction, and the terms of the transaction. No information need be given where the purchase price, fees, or charges involved were determined by competitive bidding or where the amount involved in the transaction (including the total of all periodic payments) does not exceed \$5,000, or the interest of the person arises solely as a result of his or her status as a stockholder of the institution and the benefit received is not a special or extra benefit not available to all stockholders.

(3) *Loans to senior officers and directors.* (i) To the extent applicable, state that the institution (or in the case of an association that does not carry loans to its senior officers and directors on its books, its related bank) has had loans outstanding during the last full fiscal year to date to its senior officers and directors, their immediate family members, and any organizations with which such senior officers or directors are affiliated that:

(A) Were made in the ordinary course of business; and

(B) Were made on the same terms, including interest rate, amortization schedule, and collateral, as those pre-

vailing at the time for comparable transactions with other persons.

(ii) To the extent applicable, state that no loan to a senior officer or director, or to any organization affiliated with such person, or to any immediate family member who resides in the same household as such person or in whose loan or business operation such person has a material financing or legal interest, involved more than the normal risk of collectibility; provided that no such statement need be made with respect to any director or senior officer who has resigned before the time for filing the applicable report with the Farm Credit Administration (but in no case later than the actual filing), or whose term of office will expire or terminate no later than the date of the meeting of stockholders to which the report relates.

(iii) If the conditions stated in paragraphs (j)(3)(i) and (ii) of this section do not apply to the loans of the persons or organizations specified therein, with respect to such loans state:

(A) The name of the officer or director to whom the loan was made or to whose relative or affiliated organization the loan was made.

(B) The largest aggregate amount of each indebtedness outstanding at any time during the last fiscal year.

(C) The nature of the loan(s).

(D) The amount outstanding as of the latest practicable date.

(E) The reasons the loan does not comply with the criteria contained in paragraphs (j)(3)(i) and (j)(3)(ii) of this section.

(F) If the loan does not comply with paragraph (j)(3)(i)(B) of this section, the rate of interest payable on the loan and the repayment terms.

(G) If the loan does not comply with paragraph (j)(3)(ii) of this section, the amount past due, if any, and the reason the loan is deemed to involve more than a normal risk of collectibility.

(k) *Involvement in certain legal proceedings.* Describe any of the following events that occurred during the past 5 years and that are material to an evaluation of the ability or integrity of any person who served as director or senior

officer on January 1 of the year following the fiscal year for which the report is filed or at any time during the fiscal year just ended:

(1) A petition under the Federal bankruptcy laws or any State insolvency law was filed by or against, or a receiver, fiscal agent, or similar officer was appointed by a court for the business or property of such person, or any partnership in which such person was a general partner at or within 2 years before the time of such filing, or any corporation or business association of which such person was a senior officer at or within 2 years before the time of such filing;

(2) Such person was convicted in a criminal proceeding or is a named party in a pending criminal proceeding (excluding traffic violations and other misdemeanors);

(3) Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, by any court of competent jurisdiction, permanently or temporarily enjoining or otherwise limiting such person from engaging in any type of business practice.

(l) *Relationship with qualified public accountant.* (1) If a change or changes in qualified public accountants have taken place since the last annual report to shareholders or if a disagreement with a qualified public accountant has occurred that the institution would be required to report to the Farm Credit Administration under part 621 of this chapter, the information required by § 621.4(c) and (d) of this chapter must be disclosed.

(2) Disclose the total fees, by the category of services provided, paid during the reporting period to the qualified public accountant. At a minimum, identify fees paid for audit services, tax services, and non-audit related services. The types of non-audit services must be identified and indicate audit committee approval of the services.

(m) *Financial statements.* (1) Furnish financing statements and related footnotes that have been prepared in accordance with generally accepted accounting principles and instructions and other requirements of the Farm Credit Administration and that have

been audited in accordance with generally accepted auditing standards by a qualified public accountant and an opinion expressed thereon. The statements shall include the following statements and related footnotes for the last 3 fiscal years: balance sheet, statement of income, statement of changes in protected borrower capital and at-risk capital, and statement of cash flows.

(2) State that the financial statements were prepared under the oversight of the audit committee, identifying the members of the audit committee.

(n) *Credit and services to young, beginning, and small farmers and ranchers and producers or harvesters of aquatic products.* (1) Each direct lender association must describe the YBS demographics in its territory and the source of the demographic data. If there are differences in the methods by which the demographic and YBS data are presented, these differences must be described.

(2) Each direct lender association must provide a description of its YBS program, including a status report on each program component as set forth in § 614.4165(c) of this chapter and the definitions of “young,” “beginning,” and “small” farmers and ranchers. The discussion must provide such other information necessary for a comprehensive understanding of the direct lender association’s YBS program and its results.

(3) Each Farm Credit bank must include a summary report of the quantitative YBS data from its affiliated direct lender associations as described in FCA’s instructions for the annual YBS yearend report. The report must include the definitions of “young,” “beginning,” and “small” farmers and ranchers. A narrative report may be necessary for an ample understanding of the YBS mission results.

[51 FR 8656, Mar. 13, 1986, as amended at 69 FR 16471, Mar. 30, 2004; 70 FR 53909, Sept. 13, 2005; 71 FR 5764, Feb. 2, 2006; 71 FR 76119, Dec. 20, 2006; 72 FR 4414, Jan. 31, 2007]