## CHAPTER 429-S. F. No. 1726

An act to amend Chapter 225, Laws 1923, (Mason's Minnesota Statutes of 1927, Sections 6030 to 6056, both inclusive) as amended by Article XV, Chapter 426, Laws 1925, and other Acts; relating to the Department of Rural Credit, repealing certain sections of said Chapter 225, Laws 1923, and repealing Chapters 148 and 245, Laws 1931.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Definitions.—Section 1 of Chapter 225, Laws `1923 (Mason's Minnesota Statutes of 1927, Section 6030), is hereby amended so as to read as follows:

"Section 1. The following words and phrases in this act shall unless the same be inconsistent with the context be construed as follows:

"The word "Department" shall mean the "Department of Rural Credit," and the word "Conservator" shall mean the "Conservator of Rural Credit."

"The terms "bond," "certificate of indebtedness" and "tax levy certificate" shall include all such evidences of indebtedness issued under authority of this act, whenever issued.

"The term "loan" shall mean loans made by the state under authority of this act, and the term "mortgage" shall mean mortgages taken by the state to secure such loans.

"Whenever used in this act the masculine gender shall be held to include the feminine gender."

Sec. 2. Purposes.—Section 2 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6031), as amended by Article XV of Chapter 226, Laws 1925, is hereby amended so as to read as follows:

"Section 2. (a) The Department of Rural Credit created and established by this act, as amended by Article XV of Chapter 426, Laws 1925, is hereby continued. The rural credit bureau created by said article shall hereafter be known as the Conservator of Rural Credit and shall consist of a single member. The offices of chairman, secretary and assistant attorney general heretofore constituting the rural credit bureau are hereby abolished.

"(b) The Conservator shall be a person well qualified to perform the duties of the office, shall be appointed by the Governor, by and with the advice and consent of the Senate, for a term of six years at an annual salary of \$7,000 payable in semi-monthly in-

stalments, and may be removed for cause after notice and hearing on the charges made against him. He shall before entering upon his duties take and subscribe the oath prescribed by law and give a bond to the State in the sum of \$25,000 or such larger sum as the Governor may at any time determine to be necessary to indemnify the State against loss, which bond shall be conditioned, approved and filed as now provided by law."

- "(c) In all matters arising under this act the State may sue and be sued as a natural person."
- Sec. 3. Appointment of conservator.—Section 3 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6032), is hereby amended so as to read as follows:
- "Section 3. The Conservator shall have the power to provide such furniture, fixtures, stationery and supplies and to employ three assistants at annual salaries not exceeding \$3000 each and such clerks, laborers, and other employees and engage such legal assistance as are actually necessary for the conduct of the business of said Department, to fix all fees, costs and charges incident to the administration of this act, and to define the duties of the officers, agents and employees of said Department; and all such officers, agents and employees shall be under the direction and authority of said Conservator in all matters not inconsistent with the provisions of this act, and shall give such bonds for the faithful performance of their duties as the Conservator may require. The Conservator shall exercise strict economy in the operation and administration of the Department."
- Sec. 4. Conservator to provide offices and employees.—
  Section 4 of Chapter 225, Laws 1923, as amended by Chapter 270,
  Laws 1925 (Mason's Minnesota Statutes of 1927, Section 6033),
  is hereby amended so as to read as follows:
  - "Section 4. a. The Conservator shall have power
- "(1) To adopt such rules and regulations as may be necessary for the proper conduct of the business of the Department;
- "(2) To issue certificates of indebtedness and tax levy certificates subject to the limitations of Section 12 of this act;
  - "(3) In the name of the State to acquire, own, hold, lease, sell and convey such property, real, personal or mixed, as may be necessary, convenient and proper for the transaction of the business of the Department; but such property shall be taken by him only in payment of pre-existing debts owning the State;

- "(4) To sell, grant and convey to any person, firm or corporation who shall apply therefor a right of way or easement to lay, maintain, operate and keep up pipe lines for the transportation and transmission of gasoline and other petroleum products over and across lands subject to rural credit mortgages, and over and across such mortgaged lands acquired by the State by foreclosure or deed, upon such terms and conditions as he shall deem advisable;
- "(5) To insure buildings and structures upon any such mortgaged property acquired by the State against loss by fire, tornado, windstorm and/or hail, in any insurance company or association, however organized, authorized to do business in this State, and to pay the premiums, assessments an dues thereby accruing; and to make such repairs and improvements upon such property as are essential to the operation and preservation thereof;
- "(6) To do all things that may be necessary and proper in carrying out the provisions of this act.
  - "b. It shall be the duty of the Conservator
- "(1) To maintain the office of the Department at the seat of government;
- "(2) To keep such books and records as are necessary for the conduct of the business of the Department and to keep in his custody all promissory notes, mortgages, securities, evidences of indebtedness, muniments of title, and all other papers, records and instruments of every kind now in the possession of or hereafter received or acquired by the Department.
- "(3) To diligently collect all moneys due the State under this act and to sell all property acquired by it but subject to the limitations herein provided, with a view to the complete and speedy liquidation of the business of the Department.
- "(4) To promptly meet all obligations of the Department to the end that no default shall occurr in the payment of principal or interest on its bonds or certificates.
  - "(5) To submit an annual report to the Governor."
- Sec. 5. Seal.—Section 5 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6034), as amended by Section 1 of Chapter 421, Laws 1929, is hereby amended so as to read as follows:
- "Section 5. The Conservator shall provide himself with and keep a seal. The design of this seal shall be as follows: a circle within which shall appear the word "seal." Between the lower

and upper halves of the circle properly divided shall appear the words "Department of Rural Credit, State of Minnesota." Every instrument or paper heretofore executed by said Department to which has been affixed a seal either in said form or in the form prescribed by this section prior to its amendment by Section 1 of Chapter 421, Laws 1929, is hereby legalized and declared to have been duly executed."

Sec. 6. State Treasurer to be custodian of funds.—Section 7 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6036), as amended by Section 1 of Chapter 244, Laws 1925, is hereby amended so as to read as follows:

"Section 7. All moneys of the Department, whether resulting from the sale of certificates or otherwise, shall be paid into the state treasury and be disbursed by direction of the Conservator in the same manner as other state funds are disbursed. The auditor and treasurer shall keep separate account of said moneys as herein provided. Proceeds from the sale of certificates of indebtedness and tax levy certificates when issued to provide money for the payment of maturing bonds and certificates of indebtedness, and payments of principal upon loans, shall be credited to a Rural Credit Fund. The Conservator shall determine and set apart the proportion of interest collected upon loans available for operating expenses, which shall be, as near as practicable, the difference between the interest paid by the state for money borrowed on its bonds and the interest paid by the borrower. The interest set apart for such purpose, and all fees and other receipts in connection with the making of loans, shall be credited to a Rural Credit Expense Fund. All interest collected and not credited to the Expense Fund shall be credited to a Rural Credit Interest Fund. The division of interest collected as herein provided shall be made at least once each month. Premiums and accrued interest collected in connection with the sale of certificates, and proceeds from the sale of certificates of indebtedness and of tax levy certificates when issued to provide money for the payment of interest, shall be credited to the Interest Fund. All administrative expenses shall be paid out of the Expense Fund; all maturing bonds and all maturing certificates of indebtedness issued to provide money for the payment of the principal of bonds and certificates shall be paid out of the Rural Credit Fund. All interest obligations and all maturing certificates of indebtedness issued to provide money for the payment of interest shall be paid out of the Interest Fund."

Sec. 7. Foreclosure of mortgages, etc.—Section 9 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6038), as amended by Section 2 of Chapter 244, Laws 1925, and

by Section 2 of Chapter 226, Laws 1925, and by Section 2 of Chapter 421, Laws 1929, is hereby amended by repealing subdivisions a, b, c, d, e, g, h and j of said section, and by amending subdivisions f, i and k thereof, so that said section shall read as follows:

"Section 9. a. In case of the sale of the mortgaged land the Conservator may permit said mortgage of the vendor to be assumed by the purchaser or by the heirs of the deceased mortgagor. In case the mortgagor shall vacate or cease to occupy and use in good faith for the purposes specified in this act such mortgaged land without written permission of the Conservator, and the security thereby is impaired, the Conservator may at his option declare the whole amount of the loan thereon to be due and payable, provided there is a default in payment according to the terms of the loan or failure of payment of taxes on the land mortgaged.

Every borrower shall pay simple interest on defaulted payments at the rate of seven per cent per annum and by express covenant in his mortgage deed shall pay when due all taxes, liens, judgments, assessments and insurance, which may be lawfully assessed against the mortgaged land; and by such covenant shall agree to and shall keep insured against fire and the elements in any insurance company or association, however organized, authorized to do business in this state, to the satisfaction of the Conservator all buildings, the value of which was a factor in determining the amount of the loan. Insurance shall be made payable to the mortgagee, as its interest may appear at the time of loss; and at the option of the mortgagor and subject to the general regulations of the Department, sums so received may be used to pay for reconstruction of the buildings destroyed. Taxes, judgments, assessments and other liens, affecting the security of the mortgage, and not paid when due, may be paid by the mortgagee at the option of the Conservator, and, when any buildings shall not be insured or kept insured as aforesaid, the Conservator, at his option, may obtain such insurance and pay the cost thereof, and any payments by the Department for any of the purposes aforesaid shall thereupon become a part of the debt secured by the mortgage, and shall bear simple interest at the rate of seven per cent per annum. The disbursements under this subdivision prior to the date when the state acquires title to the real estate covered by mortgage under foreclosure proceedings or by deed in lieu of foreclosure proceedings shall be paid from the Rural Credit Fund, and all disbursements in connection with such real estate after such date shall be paid from the Rural Credit Expense Fund. Provided disbursements for building and other improvements of a permanent nature shall be paid from the Rural Credit Fund.

- "c. No loan or mortgage securing same shall be impaired or invalidated by reason of any act of any agent of said *Department* in excess of his powers herein granted or in any limitation thereon or in excess of the powers granted by said *Conservator*."
- Sec. 8. Satisfaction of mortgages.—Section 10 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6039), is hereby amended so as to read as follows:
- "Section 10. When the mortgagor or his successor in interest has fully paid any mortgage, it shall be the duty of the Conservator to furnish him with a proper release or satisfaction of said mortgage executed in the name of the state by him and attested by his official seal, and the mortgage papers belonging to such loan including abstract of title and insurance policies assigned shall be returned to such person. Upon payment of any sum by a borrower under the provisions of this act the Conservator shall furnish the payor with a receipt showing the nature of such payment and the date to which interest is paid and the balance of the principal remaining unpaid."
- Sec. 9. Title to property to run to the state of Minnesota,—Section 11 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6040), as amended by Section 3, Chapter 244, Laws 1925, is hereby amended so as to read as follows:
- "Section 11: a. The title to all property taken by the Department shall run to the State of Minnesota.
- The property, real, personal and mixed, acquired by the Department shall be sold by the Conservator at its fair value at time of sale, in such manner and on such terms as may be provided by the regulations adopted by him. In making sales of real estate the Conservator shall have regard for the state of the market and shall make sales thereof in such manner and at such times as not to depress unduly the market for farm lands, and shall, if in his judgment the best interests of the State and of the public will be served thereby, defer such sales until such time as they may be made without undue loss to the State or undue impairment of the market value of farm lands within the state. No land shall be sold by the conservator for an amount less than the indebtedness accrued thereon at the time of the acquistion of title by the Department, together with interest thereon at the rate of five per cent per annum until sold, less the net income derived therefrom after such acquisition of title; but if the Conservator shall determine that a sale of any such land cannot be made for the full amount accrued against it and that further loss to the state would probably result

if it be not then sold he may sell any such land for less than said amount upon the approval of such sale by the chairman of the Minnesota Tax Commission.

- "c. All contracts for the sale of property and all conveyances thereof shall be executed in the name of the State by the Conservator and attested by his official seal, and all mortgages or other socurity taken in connection therewith shall run to the State of Minnesota."
- Sec. 10. Certificates of indebtedness.—Section 12 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6041), as amended by Section 4 of Chapter 244, Laws 1925, and by Section 3 of Chapter 421, Laws 1929, is hereby amended so as to read as follows:

"Section 12. Certificates of indebtedness and tax levy certificates provided for in this act shall be issued in such denominations, mature at such times and be sold and redeemed in such manner as the Conservator shall determine, and the Conservator shall have full authority to prescribe such other rules and regulations as may be necessary or advisable in connection with the issuance of said certificates. Certificates of 'indebtedness shall be issued only when there is insufficient money in the Rural Credit Fund available for the payment of the principal of, or in the Rural Credit Interest Fund available for the payment of interest upon, outstanding bonds or certificates when due, and the issuance of certificates of indebtedness shall be limited to an amount sufficient to cover such deficiencies. The Conservator may refund any outstanding certificates of indebtedness at maturity subject to the limitations hereof. All certificates shall be sold upon competitive bids after proper notice unless they are sold to the state's trust funds. Certificates issued by the Conservator shall designate on their face the purpose for which they are issued and shall be signed by the Conservator in behalf of the Department and attested by the Secretary of State, and be in such form as shall be approved by the Attorney General and shall bind the State to pay the same according to the terms thereof. Facsimile signatures of the Conservator and Secretary of State shall be sufficient upon interest coupons. Before issuance all certificates to be issued by the Department shall be presented to the State Auditor, who shall make a record showing the number, amount, date of issue and date of maturity of each certificate and the auditor or his deputy shall certify thereon that such record has been made. If at any time there is insufficient money in the Rural Credit Fund to pay any bonds or certificates of indebtedness at maturity, or in the Rural Credit Interest Fund to pay the interest upon bonds or certificates when due, and which cannot otherwise

be paid under the limitations of this act, the Department shall issue its tax levy certificates in an amount sufficient to cover said deficiencies, but no tax levy certificates shall be issued unless and until, by reason of the condition of the securities market or for other valid reasons, the Department is unable to sell its certificates of indebtedness in amounts sufficient to cover such deficiencies, provided, however, that for the payment of \$1,250,000 in bonds and certificates of indebtedness maturing in February and March, 1935, and the interest thereon the Conservator shall during the year 1934 issue tax levy certificates in the amount of such principal and interest and the State Auditor shall levy a tax therefor payable in the year 1935. Such tax levy certificates shall mature at the earliest practicable date and be sold in the same manner as other certificates issued by the Department. Upon the issuance of such tax levy certificates the Department shall certify the amount thereof and the maturity dates to the State Auditor, who shall thereupon make a tax levy against all the taxable property of the state, in the same manner as other taxes are levied, in an amount sufficient to pay said certificates at maturity together with interest thereon. moneys derived from said tax levy shall be credited to the appropriate fund or funds and shall be applied to the payment of the deficiencies on account of which they were issued. Payment of interest falling due upon said certificates prior to the collection of said tax levy shall be made from the Rural Credit Interest Fund. The Conservator may direct the State Auditor to cancel any tax levy prior to the date of certifying same to the several county auditors, if money is available in the proper fund, or funds, for the payment of said tax levy certificates. If a tax is ordered cancelled subsequent to the issuance of tax levy certificates a sum necessary to pay said certificates at maturity shall be set aside from any available money in the proper fund, or funds, and such sums shall be used for no other purpose. Said certificates may be redeemed before maturity by consent of the holders thereof. If a tax levy is cancelled interest upon outstanding tax levy certificates shall be paid from the Rural Credit Interest Fund. After the issuance of tax levy certificates and the levy of the tax to pay said tax levy certificates, the Department shall from the first money available in the proper fund, or funds, after provision has been made for the payment of principal and interest on outstanding bonds and certificates of indebtedness repay the state the amount of money received by it from the sale of tax levy certificates with interest at four per cent from the date when interest started to run upon said certificates. Partial payments may be made upon such amount from time to time as funds become available. Such repayment shall be credited to the Revenue fund, if there are no outstanding tax levy certificates, otherwise such payment shall be credited to a Tax Levy Certificate fund and shall be available for the payment of outstanding tax levy certificates or interest thereon. The State Auditor shall credit all taxes collected under the provisions of this section to the Tax Levy Certificate fund, and all tax levy certificates and interest thereon shall be paid therefrom. Any surplus remaining after the payment of all outstanding tax levy certificates shall be transferred to the Revenue fund.

"The Conservator shall first offer to the state board of investment any certificates issued by him, and said board is requested, but not directed, to purchase such certificates."

Sec. 11. Administrative expenses.—Section 16 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6045), as amended by Section 6 of Chapter 244, Laws 1925, is hereby amended so as to read as follows:

"Section 16. The Department may transfer from the Expense Fund to the Rural Credits Interest Fund any surplus not required for administrative expenses. Temporary loans also may be made from the Expense Fund to meet maturing obligations to be paid out of the Rural Credit Fund or the Rural Credit Interest Fund, such loans to be returned as soon as practicable. The Department shall from time to time set aside from the interest or expense fund any surplus not required for the payment of operating expenses, interest, or outstanding certificates. Such surplus shall be credited to a Rural Credit Reserve fund. Said fund shall, upon request of the bureau, be invested by the state board of investment in the same class of securities in which the trust funds of the state may be invested. Said board shall have authority to sell any securities purchased for said fund, when authorized by the Conservator, for the purpose of providing funds with which to pay maturing bonds, or interest upon outstanding bonds, or to make up any loss resulting from the operations of the Department, or for purchasing other securities. All losses upon loans shall be a charge against the reserve fund and all profits resulting from the sale of real estate acquired through foreclosure proceedings or otherwise, after deducting accrued interest and expenses, shall be credited thereto. All interest earned upon the reserve fund shall be credited to such fund and become a part thereof. The Conservator may authorize the state board of investment to invest for short periods any temporary cash surplus in the Rural Credit fund, such investment to be restricted to United States Government or State of Minnesota obligations. If at any time a surplus shall accrue in the Rural Credit fund the Conservator may invest such surplus in the same manner as any money in the Reserve fund is to be invested. Any securities purchased by said board of investment with any money in the Rural Credit fund, as herein provided, shall be sold at the request of the Conservator."

- Sec. 12. Mortgages, loans and lands to be held as security for bonds.—Section 18 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6047), as amended by Section 7 of Chapter 244, Laws 1925, is hereby amended so as to read as follows:
- "Section 18. Mortgages, promissory notes and other evidences of indebtedness and titles to real estate or other property acquired by said *Department* shall be held in trust for the payment of money borrowed by the State of Minnesota for the purposes of establishing and maintaining said system of rural credits and shall never be diverted to any other purpose."
- Sec. 13. All property shall be exempt from taxation.—Section 19 of Chapter 225, Laws 1923, (Mason's Minnesota Statutes of 1927, Section 6048), is hereby amended so as to read as follows:
- "Section 19. All mortgages, real estate and other property owned and held by said *Department* in its business of loaning and all certificates or bonds issued by said *Department* in the transaction of the business shall be free from all general taxes, state, county, and municipal, and shall not be subject to State Income Tax. Such mortgages shall be exempt from any registration tax."
- Sec. 14. Foreclosure of mortgages.—Section 20 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6049), as amended by Section 4 of Chapter 421, Laws 1929, is hereby amended so as to read as follows:
- "Section 20. Any foreclosure of any of the mortgages provided for by this act shall be made in the usual manner, either by action or by advertisement, as the Conservator may direct, but it shall not be necessary to record any power of attorney and the Conservator or an employee of the Department designated by him may act in lieu of an attorney in foreclosures by advertisement. When default shall exist in the payment of amortized installments of principal and interest or either thereof, the Conservator, if he shall determine that the best interests of the state so require, may take and accept crop or chattel mortgage security or both, in lieu of present foreclosure. The Conservator, at his option, may take and accept deed to the mortgaged lands in lieu of foreclosure. All deeds which may have been heretofore so taken and accepted are hereby legalized and confirmed. In case of foreclosure the costs and expenses that are now or may hereafter be provided by law, in the foreclosure of real estate mortgages may be taxed in the foreclosure of any mortgage in like manner and to the same effect as if the State of Minnesota were a natural person, but no attorney's fee shall be collected upon any such foreclosure."

- Sec. 15. Interest on deposits.—Section 21 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6050), as amended by Section 8 of Chapter 244, Laws 1925, is hereby amended so as to read as follows:
- "Section 21. Interest shall be allowed upon any moneys in the funds of the Department at the rate received by the state from its depositories. The Conservator shall have authority to determine the amount of moneys in the Department funds which shall be kept in active depositories and the amount in inactive depositories. As soon as practicable after the state has collected interest for any stated period, the state treasurer shall credit to the Interest Fund the amount of interest due and make a statement thereof to the Department."
- Sec. 16. Clerical assistants in auditors and treasurers office.
  —Section 22 of Chapter 225, Laws of 1923 (Mason's Minnesota Statutes of 1927, Section 6051) is hereby amended so as to read as follows:
- "Section 22. If it shall become necessary to employ additional clerical assistance in the offices of the State Auditor or State Treasurer by reason of the additional duties imposed upon said offices by this act, the actual expense thereof shall be charged to and be borne by the *Department* in such amounts as from time to time may be ascertained and certified in writing by such officers and approved by the *Conservator*."
- Sec. 17. Surety bonds.—Section 23 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6052), is hereby amended so as to read as follows:
- "Section 23. Whenever a bond or undertaking is required by this act or by the *Conservator* to be given, it shall be held to mean a surety bond furnished by a surety company authorized and-qualified to do business in this state. Such bonds shall run to the State of Minnesota, shall be as nearly as applicable in the form prescribed by the laws of this State and the form thereof shall be approved by the Attorney General."
- Sec. 18. Cost to be borne by Department.—Section 24 of Chapter 225, Laws 1923 (Mason's Minnesota Statutes of 1927, Section 6053) is hereby amended so as to read as follows:
- "Section 24. The cost of surety bonds provided by this act, furnished by the officers or employees of said *Department*, shall be a part of the general expense of administration and paid by the *Department*."

- Sec. 19. Sums reappropriated.—Section 26 of Chapter 225, Laws 1923, (Mason's Minnesota Statutes of 1927, Section 6055), is hereby amended so as to read as follows:
- "Section 26. Any sums received and paid into the state treasury under any of the provisions of this act are hereby appropriated and made available for disbursement for the purposes and in the manner provided herein."
- Sec. 20. Laws repealed.—(a) Chapters 148 and 245, Laws 1931, and the following numbered Sections of Chapter 225, Laws 1923: Section 6, Section 8 as amended by Section 1, Chapter 226, Laws 1925, Sections 13 and 14, Section 15 as amended by Section 5, Chapter 244, Laws 1925, and Sections 17, 25 and 27, and all acts and parts of acts inconsistent with the provisions of this act, are hereby repealed.
- (b) All rights and obligations heretofore arising, vested or accrued under the provisions of Chapter 225, Laws 1923, or any amendment thereof, or under Chapters 148 and 245, Laws 1931, and all remedies for the enforcement thereof, shall remain unimpaired and are hereby confirmed.
- Sec. 21. Effective July 1, 1933.—This Act shall take effect and be in force from and after July 1; 1933; provided, however, that a Conservator may be appointed and the appointment confirmed prior to July 1, 1933, but he shall not assume office until that date.

Approved April 22, 1933.

## CHAPTER 430-S. F. No. 1684

An act to regulate aeronautics.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Definitions.—When used in this Act,

- (a) "Aeronautics" means the act or practice of the art and science of transportation by aircraft, and operation, construction, repair or maintenance of aircraft, airports, landing fields, emergency landing strips, air navigation facilities, or air instruction.
- (b) "Aircraft" means any contrivance now known or hereafter invented, used, or designed for navigation of, or flight in the air, except a parachute or other contrivance designed for such navigation, but used primarily as safety equipment.