



FARMERS' LEGAL
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Memorandum

To: Farmers and Persons interested in
Shared Appreciation Agreements

From: Karen R. Krub

Date: May 13, 2003

Subject: Federal Appeals Court Upholds Dismissal of SAA Case

On May 6, 2003, a three-judge panel of the Eighth Circuit Court of Appeals issued a decision affirming the dismissal of the *Stahl v. Veneman* case. A copy of the decision is enclosed.

As discussed in an earlier email alert, this case was brought by 108 farmers and ranchers from several states challenging FSA's interpretation of Shared Appreciation Agreements (SAAs) entered into as part of loan servicing arrangements. FSA has interpreted the SAAs to authorize recapture of a portion of the appreciated value of security property at the end of the 10-year term of the agreements. The plaintiffs argued that recapture was authorized only if certain triggering events occurred within that 10-year period. Plaintiffs also claimed that if any recapture were due at the end of 10 years, the amount FSA could collect was limited to the "equity recapture amount" indicated on the SAA form.

The federal district court had dismissed the case in May of 2002, holding that the statute and regulations governing SAAs and the language of the agreement itself require recapture at the end of the SAA term. The judge also held that there was insufficient evidence to support the plaintiffs' claim that the equity recapture amount was a limit on the recapture that FSA could collect under an SAA.

In a very brief opinion, the appeals court panel affirmed the district court's dismissal order. The panel held that the SAAs had to be interpreted in light of the statute authorizing their use and found that the statutory language unambiguously required recapture at the end of the SAA term. The panel held that this statutory language mandating recapture was controlling, even if the SAA itself was ambiguous and USDA employees had told

farmers that no recapture would be due. The panel also found that the statute unambiguously mandated the amount of recapture that is required under an SAA. The panel held that the SAA could not be interpreted to limit FSA's recapture right to a lesser amount than that mandated by the statute.

The decision can be found on the Internet at:
www.ca8.uscourts.gov/opndir/03/05/022915P.pdf; or on FLAG's SAA web site at: <http://www.flaginc.org/saa/saa.htm>.