UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

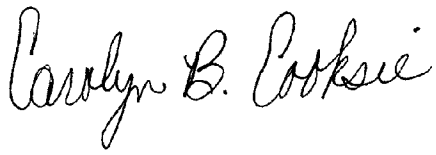
Notice FLP-118

1941-A, 1943-A, 1945-D

For: State and County Offices

Limited Liability Companies (LLC) Eligibility for FLP Loans

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

FSA is authorized to make direct farm loans to the following entities:

- cooperatives
- corporations
- partnerships
- joint operations.

Several States have enacted legislation to recognize LLC's as a form of business organization. LLC's combine tax benefits of a traditional partnership with the limited civil liability of a corporation. Many farm operations are organizing as LLC's.

B Purpose

This notice clarifies that LLC's are eligible entities for FLP loans.

C Contact

State Offices shall direct questions about this notice to the Direct Loans and Funds Management Branch, LMD at 202-720-1472.

Disposal Date	Distribution
March 1, 2001	State Offices; State Offices relay to County Offices

2 Implementation

A Treatment of LLC's

In States where LLC's are recognized entities, LLC's with more than 1 member may be treated as joint operations under appropriate FmHA Instructions. When processing loan applications:

- LLC must meet all eligibility criteria applying to entities
- the members of LLC must sign the debt instruments:
  - for LLC
  - as individuals to evidence personal liability for the debt
- the loan applicants must provide evidence that the organization is recognized as LLC under the laws of the States in which LLC will operate.

B OGC Consultation

State Offices should consult with their regional OGC about any special requirements when lending to LLC, such as signatures on promissory notes or security instruments, and any unique characteristics of State LLC statutes.