



**GreenStone Farm Credit Services, ACA**  
**GreenStone Farm Credit Services, FLCA**  
**GreenStone Farm Credit Services, PCA**

**Capitalization Disclosures**  
**Questions and Answers Regarding Stock**  
**Funds Held Disclosure**  
**Privacy Notice**  
**Loan Program Disclosures**

# **Section I**

## **Capitalization Disclosures**

**Notice to Borrowers Concerning the Terms and  
Conditions of Your Investment in GreenStone Farm  
Credit Services, ACA**

**Capitalization and Earnings/Distribution Bylaws**

## **Other Disclosures**

**Funds Held Disclosure  
Questions and Answers  
Borrower Privacy Notice**

**GreenStone Farm Credit Services, ACA**  
**NOTICE TO BORROWERS CONCERNING THE TERMS AND CONDITIONS OF YOUR INVESTMENT IN**  
**GREENSTONE FARM CREDIT SERVICES, ACA**  
**July 1, 2000**

This disclosure is required by regulation and relates to the nature of the equity investment in GreenStone Farm Credit Services, ACA (the "Association") required as a condition to an extension of credit. Please read these materials carefully to aid in evaluating the proposed credit terms and equity investment requirements.

You have previously received, or the Association has made available to you in conjunction with this Notice, the Association's most recent annual report, the most recent quarterly report, and a copy of the stockholder-approved capitalization bylaws. The Association owns GreenStone Farm Credit Services, FLCA, and GreenStone Farm Credit Services, PCA. Therefore, any equity investment required for loans made by either the FLCA or the PCA will be satisfied by the purchase of equity in GreenStone Farm Credit Services, ACA.

As a condition to the extension of credit, Borrowers are required to own equity in the Association. Equity ownership requirements are established by the Board of Directors as set forth in the Association's capital plan and bylaws. Currently, the minimum capital requirement is an amount from each borrower equal to two (2%) percent of the borrower's aggregate outstanding balances, or \$1,000, whichever is less. The capital plan may be amended from time to time by the Board of Directors. Such amendments may increase or decrease the amount of capital required to be purchases to maintain a loan or loans.

Equity will be retired in accordance with the bylaws and financial performance of the Association. Both the bylaws and the capital plan, in accordance with applicable law and regulations, provide that stock can be retired only if such retirement does not prevent the Association from satisfying prescribed minimum capital requirements and an adequate capital position in the judgment of the Board of Directors. Under the customer-level stock provisions outlined above, stock normally will be retired only when all loan obligations with the Association and/or GreenStone Farm Credit Services, FLCA, and/or GreenStone Farm Credit Services, PCA, are paid off in full.

Your Association presently meets the minimum capital adequacy standards established by the Farm Credit Administration pursuant to the law, and the Association is not currently aware of any reason that it may not meet its minimum permanent capital standard on the next distribution date. All stock acquired is an investment in the Association that is at risk and should not be considered equivalent to a compensating balance.

**GreenStone Farm Credit Services, ACA**  
**Bylaws Pertaining to Capitalization and Earnings**

**ARTICLE VIII - CAPITAL STOCK, PARTICIPATION CERTIFICATES AND EQUITY CERTIFICATES**

800 Authorization, Classes, Par or Face Value

The Association is authorized to issue and have outstanding such amounts of stock as are necessary to meet the capital adequacy standard established under regulations of the FCA and is specifically authorized to issue:

- 800.1 35 shares of Class A Common Stock with a par value of \$5.00 per share;
- 800.2 An unlimited number of shares of Class B Common Stock with a par value of \$5.00 per share;
- 800.3 An unlimited number of shares of Class C Common Stock with a par value of \$5.00 per share;
- 800.4 50,000,000 shares of Class D Common Stock with a par value of \$5.00 per share;
- 800.5 An unlimited number of Class E Participation Certificates with a face value of \$5.00 per share;

- 800.6 62,173 Class F Participation Certificates with a face value of \$5.00 per share;
- 800.7 Reserved
- 800.8 Reserved
- 800.9 Such number of shares of such other classes of capital stock including preferred stock, as may be provided for in an amendment or amendments to these Bylaws adopted from time to time, as provided in Article XV. Issuance of classes of preferred stock shall be approved by a majority of the shares of each class of stock affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.
- 800.10 In the event the Board of Directors shall determine to implement a mode of operation for the Association by which the net earnings of the Association shall be distributed based upon a cooperative plan, as provided in Article IX, paragraph 940, then the Association is authorized to issue and have outstanding an unlimited amount of Patronage Allocation Certificates. Patronage Allocation Certificates shall have no voting rights.

810 Minimum Capital Requirement for Borrowing

810.10 Loan: At any time that a borrower obtains a loan from the Association, such borrower shall be required to own Class B Common Stock or Class E Participation Certificates having an aggregate par value or face amount equal to at least two percent (2%) of such borrower's aggregate outstanding loan balance (including the amount of the new loan) or \$1,000, whichever is less, or such greater amount not to exceed ten percent (10%) of such borrower's aggregate outstanding loan balance as may be determined by the Board from time to time.

810.20 Lease: As a condition of obtaining an equipment lease, facility lease, or other lease from the Association, the lessee shall be required to own Class B Common Stock or Class E Participation Certificates in an amount as may be determined by the Board from time to time.

810.30 Secondary Market Loans. On or after February 10, 1996, no Association stock or participation certificate is required to be purchased by a borrower when such borrower obtains an Association loan which is designated, at the time the loan is made, for sale to a secondary market. Designated loans not sold within the 180 day period beginning on the date of designation shall be subject to the stock or participation certificate requirement for loans as stated in Bylaw 810.10.

The Board is authorized to retire stock on Association loans made prior to February 10, 1996, but thereafter sold to a secondary market, and on those Association loans made on or after February 10, 1996, and designated for sale to a secondary market but not sold within the 180 day time period, provided, however, that the Association shall not retire such stock if the action would result in the failure of the Association to meet the minimum permanent capital adequacy standard established in the FCA regulations.

810.40 Borrowing from GreenStone FLCA and GreenStone PCA. In the event of an Authorization Event under Section 210 hereof, a borrower's required investment in Association stock/participation certificates (and the required conversion of such investment into a different class of equity) shall be determined by reference to the borrowing relationship with Association, GreenStone PCA and/or GreenStone FLCA, as the case may be. Accordingly, upon an Authorization Event, all references to loans outstanding and outstanding loan balances shall include loans held or originated by GreenStone PCA and GreenStone FLCA.

## 820 Rights, Preferences, and Limitations of Classes of Stock

820.1 Class A Common Stock shall be issued solely to Shareholders in exchange for eligible borrower stock defined in Section 4.9A. of the Act which existed prior to October 6, 1988. Class A Common Stock shall have no voting rights.

820.2 Class B Common Stock shall be issued solely to a farmer, a rancher, or a producer or harvester of aquatic products, who is a borrower or about to become a borrower. Class B Common Stock shall have voting rights as approved in Article III and Section 450.1. Each holder of Class B Common Stock shall hold at least one share of such stock as long as the holder continues as a borrower with the Association. Within two years after the holder terminates its borrowing relationship with the Association, any outstanding Class B Common Stock shall be converted to nonvoting Class C Common Stock.

820.3 Class C Common Stock shall be issued to holders of Class B Common Stock in exchange for such stock within two years after the borrowing relationship is discontinued. Class C Common Stock shall have no voting rights.

820.4 Class D Common Stock may be issued for allocated surplus distributions (Section 920), dividend payments (Section 930), and patronage distributions (Section 940). Class D Common Stock shall have no voting rights.

820.5 Class E Participation Certificates shall be issued to persons or organizations furnishing farm-related services to capitalize their loans, and to other persons or organizations who are eligible to borrow or participate in loans, but are not eligible to hold voting stock. Class E Participation Certificates shall also be issued to persons or organizations who are not eligible to hold any other class of stock and are purchasing financial related services from the Association. Class E Participation Certificates shall have no voting rights.

820.6 Class F Participation Certificates shall be issued solely to Association participation certificate holders in exchange for protected participation certificates defined in Section 4.9A. of the Act which existed prior to October 6, 1988. Class F Participation Certificates shall have no voting rights.

820.7 Patronage Allocation Certificates shall be issued solely as patronage distributions (qualified or nonqualified) under Section 940.

820.8 No fractional shares of stock or cash in lieu of fractional shares shall be issued or paid.

820.9 In no election of directors or any other matter will Voting Stockholders be permitted to cumulate votes.

## 830 Ownership

Ownership of stock, participation certificates and Patronage Allocation Certificates may be by book entry or in definitive certificate form as determined by the Board.

## 840 Transferability

840.1 Class B, C, and D Common Stock and Class E Participation Certificates shall be transferable to any holder to which such respective classes may be issued in accordance with Section 820, provided that if the Association does not meet the minimum permanent capital standard enacted by the FCA pursuant to Regulations or otherwise, all equities required to be purchased pursuant to Section 810 as a condition of obtaining a loan shall be purchased from the Association, and not from other Shareholders. Class A Common Stock and Class F Participation Certificates shall be non-transferable.

840.2 The Association shall be its own transfer agent in all matters relating to its capital stock.

840.3 Patronage Allocation Certificates shall not be transferable unless specifically authorized by the Board.

## 850 Conversions

850.1 Each class of stock may be converted into any other class of stock for which the holder is eligible as enumerated in Section 820.

850.2 Class B Common Stock shall be converted into Class C Common Stock within two years after the holder ceases to be a borrower.

## 860 Retirements

860.1 Ordinary course of business retirement. Subject to Section 4.9A. of the Act and these Bylaws, the Board is authorized to retire all or any portion of any class of stock and participation certificate as it may, in its sole discretion, determine as unnecessary to meet the capital requirements of the Association and such retirement shall not be on a date certain or on the happening of an event such as repayment of a loan or pursuant to an automatic retirement or revolvement plan. All stock and participation certificates shall be retired at par or face value not to exceed book value; provided that, the Association shall not retire stock if the action would result in failure of the Association to meet minimum permanent capital adequacy requirements established under regulations issued by the FCA; and provided further, that it shall retain one share of voting stock for each Voting Stockholder continuing to do business with the Association in accordance with these Bylaws.

## 860.2 Mandatory reinvestment from retirement proceeds

If at the time of any stock retirement any Shareholder's investment is below the amount established by the minimum capital requirement, or if retirement should cause the Shareholder's investment to fall below the minimum capital requirement, the Association is authorized to use part of the retirement proceeds to increase the Shareholder's investment to such minimum requirement.

## 870 Lien

Except with regard to stock or participation certificates held by other System institutions, the Association shall have an issuer's lien upon all stock and participation certificates and a first lien upon and security interest in all stock, participation certificates, Patronage Allocation Certificates and per-unit retain certificates owned by any borrower as additional collateral for any indebtedness of the borrower to the Association. The borrower shall agree as provided in the loan documents executed to execute such financing statements or other documents or to take such other steps as may reasonably be requested by the Association in order to perfect the Association's security interest. Upon 10 days' written notice to a borrower in default of any of the borrower's obligation(s) to the Association, if the indebtedness is not sooner satisfied, the Association shall be authorized by this provision to foreclose its lien and security interest by sale or cancellation of the stock, participation certificates, patronage allocation certificates, or so much thereof as shall equal the indebtedness and any accruals thereon, or to foreclose said lien and security interest in any manner provided by law. The Association shall also have the right, exercisable at the option of the Board, to set off such indebtedness against the amount of such stock, participation certificates, patronage allocation certificates, or other interests standing on its books; provided, however, that nothing contained herein shall give the holder thereof any right to have such set off made.

Upon an Authorization Event, all stock, participation certificates and Patronage Allocation Certificates shall be pledged to GreenStone PCA and GreenStone FLCA, as the case may be, as additional collateral for any indebtedness of the borrower to GreenStone PCA and GreenStone FLCA, respectively.

## 880 Distribution Upon Liquidation

880.1 In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities shall be distributed to the holders of stock and participation certificates in the following order of priority:

880.11 Reserved

880.12 Reserved

880.13 To the holders of Class A, B, C, and D Common Stock and Class E and F Participation Certificates, pro rata in proportion to the number of shares or units of each such class of stock then issued and outstanding, until an

amount equal to the aggregate book value not to exceed par or face value of all such shares or units has been distributed to such holders;

880.14 To the holders of allocated surplus and Patronage Allocation Certificates pro rata, on the basis of oldest allocations/certificates first, until an amount equal to the total allocated surplus account and total Patronage Allocation Certificates has been distributed to the holders thereof; and

880.15 Any remaining assets shall be distributed, in so far as practicable, to the Shareholders and other patrons who were patrons of the Association during such period of time (not to exceed 10 years) as the Board determines is reasonable, in the proportion which the aggregate patronage of each such patron during said period bears to the total patronage of all such patrons during said period, unless otherwise required by law.

#### 890 Amendments to Capitalization Bylaws

Any amendment to Articles VIII and IX hereof, or to the capitalization bylaws of GreenStone PCA and GreenStone FLCA, other than those strictly of a technical nature not affecting substantive rights, shall not become effective unless approved by the Association's voting stockholders voting, in person or by proxy, at a duly authorized stockholders' meeting. Any issuance of preferred stock by the Association, GreenStone PCA and GreenStone FLCA, must be approved by a majority vote of the shares of each class of equities of the Association affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

### **ARTICLE IX — EARNINGS, SURPLUS, DIVIDENDS, PATRONAGE DISTRIBUTIONS**

#### 900 Application of Earnings or Losses

900.1 At the end of each fiscal year, the Association shall apply its earnings (including cash patronage allocations and cash refunds received from the FCB but excluding any non-cash allocations) for such fiscal year as follows and in the order listed:

900.11 To cover operating expenses, including provision for loss expense on assets as provided by law and in accordance with generally accepted accounting principles;

900.12 To restore the amount of any impairment of capital stock and participation certificates in the reverse order listed in Section 900.2;

900.13 To restore the amount of any impairment of the allocated surplus account and Patronage Allocation Certificates in the reverse order of impairment under Section 900.2;

900.14 To create and maintain an unallocated surplus account as provided in Section 910;

900.15 To pay dividends on capital stock of the Association if authorized pursuant to Section 930.

The net earnings of the Association, after the applications provided in sections 900.11-900.15 above, shall be distributed as a patronage distribution to Shareholders and other patrons of the Association based upon the quantity or value of business done with or for the respective Shareholder or patron during such fiscal year as provided in Section 940 below.

900.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 900.1, such loss shall be absorbed by:

900.21 Charges to the unallocated surplus account;

900.22 Allocated surplus and Patronage Allocation Certificates in their entirety, with application to most recent allocation/certificates first and then in reverse order until all allocated surplus and Patronage Allocation Certificates have been exhausted;

900.23 Class A, B, C and D Common Stock and Class E and F Participation Certificates, on a pro rata basis

## 910 Surplus Account

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amount of these two accounts shall be prescribed by the Bank. At the end of any fiscal year that the surplus accounts otherwise would be less than the minimum amount prescribed by the capital adequacy requirements prescribed by the FCA and the Bank, the Association shall apply earnings for the year to the unallocated surplus account in such amounts as may be necessary to meet these requirements. Except as provided in Section 900, the unallocated surplus account may not be reduced below the minimum aggregate amount prescribed by the Bank without the Bank's prior approval.

## 920 Allocated Surplus Account

920.1 Create and maintain an allocated surplus account - The Board may create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis pursuant to Section 940. In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment in the order specified in Section 900.2 on a pro rata basis.

920.2 First lien on all surplus account allocations - The Association, GreenStone PCA and GreenStone FLCA, as appropriate, shall have a first lien on all surplus account allocations owned by any borrower, and all distributions thereof, as additional collateral for the borrower's indebtedness to the Association, GreenStone PCA and GreenStone FLCA.

920.3 Default or in process of final liquidation - When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association may order any and all surplus account allocations owned by such borrower to be applied on the indebtedness. Any such retirement and application of surplus account allocations to indebtedness shall be before similar retirement and application of other stock or participation certificates owned by the borrower.

920.4 Stock and participation certificates - Whenever all of the stock and participation certificates of the Association owned by a borrower are retired or otherwise disposed of and the Association meets the requirement of Section 910, any surplus account allocations owned by such borrower may also be retired upon request of the owner and approval of the Board, and the proceeds paid to the owner. Alternatively, if the Association directs, such surplus account applications may be applied against any of the borrower's indebtedness to the Association, GreenStone PCA and GreenStone FLCA.

920.5 Minimum aggregate amount of surplus account - Provided the minimum aggregate amount of the surplus account prescribed by the FCA is maintained, allocated surplus may be distributed, oldest allocations first, in Class D stock and also in cash. The cash proceeds may be applied against the indebtedness of the borrower to the Association. In no event shall such distributions reduce the surplus account below the minimum capital amount prescribed by the capital adequacy requirements of the FCA. Distributions of less than the full amount of all allocations issued as of the same date shall be on a pro rata basis.

## 930 Dividends

930.1 Declaration of dividends - In accordance with the Act, and Regulations, non-cumulative dividends may be paid on the common stock and participation certificates of the Association, as the Board may determine by resolution. A dividend may be declared only if at the time of the declaration thereof no class of stock shall be impaired. Dividends may not be paid if the action would result in failure of the Association to meet minimum permanent capital adequacy requirements established by the FCA. Such dividends may be paid on all classes of stock and participation certificates on a per share basis without preference among the different classes. No dividend shall exceed 8% per annum of the par/face value of the stock /participation certificates on which such dividend is paid.

930.2 Paid on effective date of declaration - Dividends may be paid to holders of record on the effective date of declaration.

930.3 Paid in cash and/or Class D Stock - Dividends on capital stock and participation certificates may be paid in cash, Class D stock, or partly in cash and partly in such stock. If any part of the dividend to be paid in stock is less than \$5.00, that part may be distributed in cash or held by the Association and cumulated with subsequent dividends until such retained dividends equal \$5.00, so that the dividends may be distributed as one whole share of stock.

930.4 If a borrower's loan is in default, any part of the dividend distribution to that borrower may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association, GreenStone PCA and/or GreenStone FLCA

#### 940 Patronage Refunds

940.1 Distribution of Patronage. Subject to the provisions of the Act and Regulations, prior to the beginning of any fiscal year, the Association's Board may, by adoption of a resolution, obligate the Association to distribute as patronage dividends, as defined in 26 USC 1388, to "Patrons" (defined as Shareholders and any non-Shareholder patrons identified by the Board in the obligating resolution), on the basis of quantity or value of business done with the Association and its subsidiaries, all or any portion of the available consolidated net earnings of the Association and its subsidiaries for such fiscal year or for that and subsequent fiscal years. For this purpose, the available consolidated net earnings shall be defined as pretax income of the Association, GreenStone PCA and GreenStone FLCA before extraordinary items and cumulative effects of changes in accounting principles as determined in accordance with generally accepted accounting principles (GAAP) for such fiscal year.

940.2 Proportionate Distribution. Unless a plan using an alternative equitable and nondiscriminatory basis has been approved by the Board, all patronage distributions shall be in the proportion that the amount of income earned by the Association, GreenStone PCA and GreenStone FLCA on their loans and other transactions with each Patron bears to the total income earned by the Association, GreenStone PCA and GreenStone FLCA on all such loans and transactions during the fiscal year. Any earnings pool that may be established for the payment of patronage distributions shall be established on a rational and equitable basis and shall insure that each Patron of the Association receives its fair share of the earnings of the Association and bears its fair share of the expenses of the Association, provided that the Board shall retain discretion not to pay patronage distributions on one or more of such pools.

940.3 Restrictions on Distributions. The available consolidated net earnings shall be determined after (i) making provision for the requirements of Sections 900, including the setting aside of a portion of the net earnings in the unallocated surplus account, as deemed prudent for sound capital accumulation; and (ii) making provision for payment of the Association's federal income or related taxes for the fiscal year; provided, that, these amounts shall first come from net earnings, if any, attributable to sources other than patronage transactions with or for Patrons of the Association and any non-patronage sourced net earnings not so applied shall be set aside in the unallocated surplus account. The Board in its resolution may establish a minimum level of available earnings and if the available earnings fall below this level no patronage distribution will be made.

940.4 Payment of Distributions. Patronage distributions may be in cash, Class D Common Stock of the Association, allocations of earnings retained in an allocated surplus account, Patronage Allocation Certificates, or any one or more of such forms of distribution. Any portion of a patronage distribution made in the form of Class D Common Stock which is not a multiple of \$5.00 may be distributed in cash or held by the Association for the borrower and included in subsequent distributions. Allocations in Class D Common Stock, allocated surplus or Patronage Allocation Certificates may be in qualified or nonqualified form.

In the event that the total patronage distribution to a patron is less than \$100, such distribution may be paid entirely in cash notwithstanding the fact that distributions of \$100 or more are paid partially in cash and partially in stock, allocated surplus or Patronage Allocation Certificates.

In the event that the cash distribution to a member borrower is less than \$100, such distribution may, at the discretion of the board, be applied against the patron's indebtedness.

In the event that the cash distribution to a patron is less than \$20, such cash distribution may, at the discretion of the board, be retained by the Association. In such cases, the aggregate amounts so retained shall be subject to income tax to the same extent as other undistributed income.

If the Association distributes patronage to a Patron who (1) does not consent to include the patronage refund in his or her income as provided below; (2) is unable to receive the distribution; or (3) cannot be located for redemption of patronage refunds, such patronage refunds shall forfeit to the Association and be added to the unallocated surplus.

940.5 Application to Debt - Any part of the patronage allocated to a borrower, except any portion required to be allocated in cash, may, in the sole discretion of the Association, be applied to such borrower's indebtedness to the Association. If the debt of a borrower is in default, any part of the patronage distribution to that borrower may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association, GreenStone PCA and/or GreenStone FLCA.

940.6 Patron's Consent to Take Patronage Distribution into Income - Each holder of stock or participation certificates of the Association consents to take into account, as income, at its stated dollar amount as provided in 26 U.S.C. §1385, the amount of his or her respective distribution paid as a qualified written notice of allocation, which may include stock, allocated surplus, Patronage Allocation Certificates, and/or the amount of any distribution that has been applied to the patron's indebtedness as provided in Section 940.4 and 940.5 of these bylaws.

In the case of any distribution to Patrons who do not hold stock or participation certificates, the Association shall obtain from each such Patron consent by which the patron agrees to take into account, as income, at its stated dollar amount as provided in 26 U.S.C. §1385, the amount of his or her respective distribution paid in qualified written notices of allocation. Consent shall be in a form prescribed by the Board and shall comply with the requirements of 26 U.S.C. §1388. Consent may be by qualified check as described in 26 U.S.C. §1388.

Consent under this section shall be continuing in effect, provided that consent pursuant to the first paragraph of this section shall cease to be effective with respect to patronage of a distributee occurring after the distributee has ceased to hold stock or participation certificates of the Association. Consent obtained under the second paragraph of this section (other than consent by qualified check) may be revoked in writing, provided that such revocation shall become effective only with respect to patronage occurring on or after the first day of the first fiscal year of the Association beginning after the revocation is filed with the Association.

940.7 Capital Adequacy Standards - Notwithstanding other provisions of this section, the Association may not obligate itself to distribute earnings on a patronage basis if the permanent capital of the Association would be reduced to the extent that the Association would not meet its capital adequacy standards as determined from time to time in accordance with the Regulations.

940.8 Discretionary Retirement - If, at any time, the Board in its sole discretion shall determine that the financial condition of the Association shall not be impaired thereby, the patronage allocated to the accounts of Patrons (whether in the form of stock, allocated surplus or Patronage Allocation Certificates and whether qualified or nonqualified) may be retired in full or in part. No legal or equitable right to payment or redemption shall exist unless and until the Board shall have determined that funds are available and until the holder of allocated patronage shall have responded to a call for payment duly issued by the Board. Any such retirement of allocated patronage shall be made in such order of priority as shall be determined by the Board of Directors in its sole discretion.

Notwithstanding any other provision of these bylaws, the Board, in its sole discretion, shall have the power to retire the patronage allocated to any individual Patron's account in such events as death or bankruptcy, or to settle a dispute, on such terms and conditions as may be deemed appropriate by the Board, or in any instance in which the interests of the Association and its stockholders are deemed to be furthered thereby; and funds are determined by the Board to be available for such purpose.

940.9 GreenStone PCA and GreenStone FLCA - In the event of an Authorization Event under Section 210 hereof, where the Association arranges for the provision of credit and/or related services to its Patrons through GreenStone PCA and/or GreenStone FLCA, and such Patrons avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from GreenStone PCA and/or GreenStone FLCA, all net earnings or loss attributable to such provision of credit and/or related services shall be treated as net earnings or loss of the Association from business done with its Patrons and all business done with GreenStone PCA and GreenStone FLCA shall be treated as business done with the Association.

# GreenStone Farm Credit Services, ACA

## Association Funds Held Program

The Association and its subsidiaries offer a Funds Held Program ("Funds Held") that provides customers the opportunity to make advance payments on designated long-term and short- and intermediate-term loans.

**PAYMENT APPLICATION:** Loan payments received by the Association before the loan installment has been billed normally will be placed into funds Held and applied against the next installment when due.

**ACCOUNT MAXIMUM:** the amount in Funds Held may not exceed the unpaid principal balance of the loan.

**INTEREST RATE:** Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan. For real estate loans and short and intermediate-term loans, Funds Held interest is paid at a rate equal to 2%, (200 basis points) less than the loan rate.

**WITHDRAWALS:** Money in Funds Held may be withdrawn for the following items: Customers with real estate loans and short and intermediate-term loans may use funds for future installments, insurance, and real estate taxes on collateral for the respective loan. Customers may make additional withdrawals for eligible loan purposes in lieu of increasing the loan amount.

**ASSOCIATION OPTIONS:** In the event of default on any loan, if Funds Held exceeds the maximum limit as established above or if the Association discontinues its Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due and shall return any excess funds to the customer.

**UNINSURED ACCOUNT:** Funds Held is not a depository account and is not insured. In the event of Association liquidation, customers having balances in Funds Held shall be notified according to regulations.

# GreenStone Farm Credit Services, ACA

## QUESTIONS AND ANSWERS

Stock purchased in Farm Credit System banks and associations helps provide permanent capital for those institutions. It is the equity or investment you have made in your association. The Agricultural Credit Act of 1987 made a number of changes in how these institutions are structured and operate. The Act also mandated changes in how FCS institutions are capitalized. Regulatory changes also have resulted in changes in the levels of capitalization required. Finally, changes in Association structure within GreenStone Farm Credit Services have resulted in changes in how capitalization is accomplished. The following questions and answers explain some of these items.

### Why buy stock in your Association?

Stock provides borrowers with an opportunity to participate as a voting member in the affairs of their lender. As a voting member, a borrower's advice and recommendations often are sought by the Board of Directors and management. Members vote to select the directors that will be providing direction and developing policies for the Association

The most important reason to buy stock and/or participation certificates in your Association is that without them, Farm Credit could not exist. Other financial institutions enter and leave the agricultural market according to the profits they can make there. Farm Credit is dedicated to providing financial services to agriculture on a continuing and consistent basis. The purchase of stock and participation certificates by its borrowers provides the permanent capital needed by the Association to continue those services.

### How does the purchase of stock work since the July 1, 2000, consolidation?

The stockholders approved a consolidation effective July 1, 2000, which resulted in GreenStone Farm Credit Services, ACA, owning two subsidiary associations, GreenStone Farm Credit Services, FLCA, and GreenStone Farm Credit Services, PCA. The ACA owns all of the stock of the FLCA and the PCA. Each of these associations may make loans to eligible customers. All stock required to be purchased to obtain credit will be stock in the ACA, and generally will be retired only when all obligations to all of the associations have been paid off in full.

### **Are stock and participation certificates in my Association guaranteed?**

Prior to January 6, 1988, all stock and participation certificates purchased in Farm Credit were -at risk." Some or all of the investment could have been lost if the Association had failed. The Agricultural Credit Act of 1987 assured members that their existing investment and any stock or certificates purchased prior to October 6, 1988, would be provided and would continue to be retired.

Congress determined, however, that even members with a protected equity should have a financial investment in their Associations. The Act required that some portion of a borrower's existing stock or participation certificates should be placed "at risk." This is the case with any new stock or participation certificates purchased on or after October 6, 1988. Final bylaws as approved by voting stockholders will determine what portion of protected stock must move back to "at risk" status.

### **What amount of stock or participation certificates is required for loans from my Association?**

Your Farm Credit Association bylaws, as amended from time to time, determine the level of stock or certificates to be purchased by members when new loans or new disbursements from partially disbursed loans are made. The amount will be determined as part of the Association's plan to meet federally required minimum permanent capital adequacy standards. The financial strength and capital position as a result of the recent January 1, 2000, merger, and the July 1, 2000, consolidation, is such that the Association is able to meet those standards while requiring each customer to have stock in an amount equal to 2% of the customer's total aggregate loan balances with GreenStone Farm Credit Services, ACA, and its subsidiaries, or \$1,000, whichever is less.

### **What is permanent capital?**

Federal regulations require that permanent capital consist of earnings and capital stock and do not allow protected stock to be counted as permanent capital. Stock and participation certificates purchased after October 6, 1988, and equities owned prior to that date which have been returned to "at risk," when combined with net income and accumulated as surplus, will build capital to meet the revised federal standards.

### **Is retired when loans are repaid?**

Protected stock and participation certificates will continue to be retired as the loan is repaid during the term of the loan or when it is paid off. Where "customer level stock" is in place at a minimum level of 2% of aggregate balances or \$1,000, stock will not be retired until all loans with the Association and/or its subsidiaries are paid off. "At risk" stock and participation certificates may be needed by the Association as capital even if the loan for which it was purchased has been repaid. The Association's Board of Directors determines through specific board action when "at risk" stock or participation certificates are retired. Retirement may occur periodically during the term of the loan or at a later date at the discretion of the Board of Directors.

### **Are dividends paid on stock purchased in Farm Credit Services?**

Some Associations have paid dividends; others have used earnings to reduce the cost of borrowing for members. Your Association may choose to distribute earnings as patronage refunds and dividends. Decisions will be based on financial strength and capitalization requirements of the Association.



## Borrower Privacy

Modern technology - computers, the Internet, the World Wide Web and other advances - has created a proliferation of businesses that specialize in collecting and redistributing personal financial information. "Information brokers" are able to access and distributed (for a profit) personal financial information without a consumer's knowledge or consent.

You may have questions about how your Farm Credit Services lender handles the personal and financial information you provide as part of your loan application and your lending relationship with us. This notification is provided to answer those questions.

Your privacy is important to us. We want you to know that we hold your financial and other personal information in strict confidence.

Since 1972, Farm Credit Administration regulations have forbidden the directors and employees of Farm Credit institutions from disclosing personal borrower information to others without borrower consent.

**We do not sell or trade our customers' financial and personal information to marketing companies or information brokers.**

The rules of the Farm Credit Administration, our federal regulator, permit us to disclose customer information to others only in the following situations:

- ❖ We may provide such information to another Farm Credit institution that you do business with.
- ❖ We can be a credit reference for you with other lenders.
- ❖ We can provide information to a credit bureau or other consumer reporting agency.
- ❖ We can provide information in certain types of legal or law enforcement proceedings.
- ❖ FCA examiners may review loan files, which include personal and financial information, during regular examinations of our association.
- ❖ If an employee of the association applies for licensing as a real estate appraiser, we may provide copies of real estate appraisal reports to the state licensing agency. We would remove as much personal information as possible prior to providing the reports.

Our commitment to your right of privacy is part of our commitment to customer service and customer satisfaction. You are a member/owner of this institution, and the protection of your privacy and the security of your personal and financial information is vital to our continued ability to serve your ongoing credit needs.

Please contact your Financial Services Officer if you have any questions.