

**FARM CREDIT MID-AMERICA, ACA
2020 PATRONAGE PROGRAM**

OBLIGATION

Farm Credit Mid-America, ACA (the “Association”) is a cooperative operating with and through its PCA and FLCA subsidiaries for the mutual benefit of its stockholders. Under Section 835.1 of the Association’s By-Laws, the Board is authorized to pass resolutions legally obligating the Association to distribute part or all of its earnings in the form of patronage distributions.

Consistent with these By-Laws, FCA regulations and cooperative principles the Association shall make a distribution to stockholders and other eligible patrons on a patronage basis. The patronage distribution shall equal the Association’s “Patronage-Sourced Net Earnings” (as defined below), after first making the applications required in Sections 815 and 835.3 of the Association’s bylaws, including the setting aside of an addition to unallocated surplus to provide for the sound capitalization of the Association, and provided the earnings available for distribution exceed \$500,000.

PATRONAGE-SOURCED NET EARNINGS

Patronage-Sourced Net Earnings is the Association’s consolidated net earnings, as computed under Generally Accepted Accounting Principles (GAAP), from or directly related to the following transactions outstanding during the Association’s fiscal year (each of which is a “Patronage Transaction”):

1. Loans fully capitalized by ACA stock, subject to the exclusions noted in the “Non-Patronage Sourced Net Earnings” section of this document
2. Loan participations capitalized by ACA stock and purchased pursuant to a contract that provides for the payment of patronage to the originating institution (“Capital Markets Patrons”).

Patronage-Sourced Net Earnings shall include patronage dividends received from other cooperatives attributable to Patronage Transactions.

NON-PATRONAGE SOURCED NET EARNINGS (INELIGIBLE FOR PATRONAGE)

The following are non-patronage sourced net earnings (ineligible for patronage):

1. Purchase money mortgages and sales contracts.
2. Acquired loan and lease participations and syndications unless the contract with the originating institution specifically provides for the payment of patronage.
3. Loans financed through the Association's Consumer Products program.
4. Any loan or lease specified in advance as not eligible for patronage and for which the borrower has expressly waived patronage in advance
5. Net earnings from the Association's insurance services or other business services transactions.

Net earnings from non-patronage sourced transactions, shall be computed separately and shall not be made available for patronage distribution. Expenses will be allocated equitably in computing Patronage-Sourced Net Earnings and non-patronage earnings.

PATRON AND PATRONAGE ELIGIBILITY

Subject to the following exceptions, eligible Patrons shall include holders of Common Stock, Farm Credit System institutions and other financial institutions, and other borrowers and lessees, with or for whom the Association conducts Patronage Business during the year and who have positively contributed to the Association's income as reflected on its financial records prepared in accordance with GAAP with respect to such transaction in the amount described below in the Patronage Basis Allocation Methodology section.

Exception: A Patron shall not be eligible for a patronage if any loan or lease to that Patron on the Association's books is classified as nonaccrual, non-performing, restructured, or is subject to litigation or formal collection action at the end of the fiscal year, unless all such Patron's loan(s) and lease(s) are current in due payments and not subject to any formal restructuring involving a material compromise at the end of the fiscal year.

PATRONAGE BASIS ALLOCATION METHODOLOGY

The patronage distribution shall be allocated/distributed to eligible Patrons in proportion to the net earnings (described below) from their respective Patronage Transactions. The amount so allocated to a particular Patron may be reduced pursuant to any limitation set forth in the contract with such Patron.

Net earnings shall be determined by taking into account the net interest income and net fee income (origination fees and buydown fees) from the Patronage Transaction. Net interest income for a loan or lease shall be the annual interest accrued at the applicable interest rate less the marginal cost of debt on the Patronage Transaction for the year, subject to the following adjustments: (i) interest earned by the Patron on funds held accounts or escrow accounts shall be subtracted; (ii) "interest assist" payments from Federal or state agencies shall be excluded; and, (iii) if the Patron's loan or lease was in non-accrual status at any time during such year, interest earned during the current year that was accrued in prior years shall be subtracted. Any allocation to a Patron below one hundred dollars (\$100.00) may be retained by the Association and transferred to surplus or applied against the Patron's loan balance.

FORM OF DISTRIBUTION

The patronage distribution shall be in the form of cash. The amount of patronage sourced earnings distributed will be determined at the discretion of the Board of Directors.

The following special rules shall apply to the distribution:

- To minimize costs and administrative burden, the patronage for customers whose patronage payment would be below one hundred dollars (\$100.00) may be transferred to unallocated surplus or applied against the Patron's loan balance.
- At the Association's option, the cash patronage amount may be applied against the Patron's loan balance(s) if:
 - (a) the customer is not in compliance with their loan agreement at the end of the fiscal year; or
 - (b) the customer has not cashed their patronage check within 180 days of the date the check is issued.

IMPACT OF CHARGE-OFFS AND BANKRUPTCIES

It is the Association's policy that if the Association incurs a charge-off on a borrower's loan that is not subsequently fully recovered or if the borrower is a party to a voluntary or involuntary bankruptcy or similar proceeding that results in an interest or principal concession, subsequent loans to such borrower for a seven-year period commencing from the date of such charge-off or the date of discharge from such bankruptcy or similar proceeding and concluding at the end of the patronage year in which the seven year period expires, shall be made on a non-patronage basis.

OTHER MATTERS

Patron Consent to Include Patronage Into Taxable Income

Prior to transacting business with any Patron, such Patron must receive a copy the Association's capitalization bylaws, which bylaws include the patron's consent to include qualified written notices of allocation in their taxable income.

Resolution Declaring Patronage Dividend

No later than 60 days after the end of the fiscal year, the Board shall adopt a resolution declaring the cash patronage distribution. The resolution shall provide the timing of the patronage distribution, which shall occur no later than 8 1/2 months after the end of the fiscal year.

Patronage Notification

Within 8 1/2 months after the end of the fiscal year, the ACA must send a notification to Patrons, which informs them of their patronage distribution, encloses the patronage check and informs them of their obligation to include any qualified written notices of allocation in their taxable income.

COMMUNICATION TO MEMBERS

After Board approval of the patronage program, the ACA will announce the patronage program and adoption of an obligating resolution through a communication to all stockholders.