

**FARM CREDIT MID-AMERICA, ACA  
2025 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 Equityholders (as such term is defined in Association Bylaws. Under Section 835.1 of the Association’s Bylaws, 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 Bylaws, FCA regulations, and cooperative principles, the Association shall make a distribution to Equityholders and other eligible patrons in proportion to the net earnings from their respective Patronage Business. 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 equity in the Association, 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; and
3. Loan participations for which the lease between an Eligible Patron and Farm Credit Leasing is pledged as collateral.

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 unless (a) the contract with the originating institution specifically provides for the payment of patronage or (b) the Eligible Patron is a lessee in a lease from Farm Credit Leasing, which lease is pledged as collateral for a loan in which the Association participates.
3. Syndications unless the debt facility in which the Association participates is an all Farm Credit System debt facility; any debt facility that is part of a multi-lender debt facility with

any non-Farm Credit System institutions will not be Patronage Business unless otherwise specifically identified as such in the applicable agreement with the borrower.

4. Loans financed through the Association's consumer products program.
5. Any loan or lease specified in advance as not eligible for patronage or for which the borrower has expressly waived patronage in advance.
6. 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 Equityholders and Farm Credit System institutions and other financial institutions 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: An Eligible Patron shall not be eligible for a patronage distribution if any loan or lease to that Patron on the Association's books is classified as nonaccrual, non-performing, 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 in proportion to an Eligible Patron's Net Interest Income and origination fees and buydown fees ("Fee Income") from their Patronage Transactions as a percentage of the total Net Interest Income and Fee Income of all Eligible Patronage Transaction. The amount so allocated to a particular Eligible Patron may be reduced pursuant to any limitation set forth in the contract with such Eligible Patron.

Net patronage earnings shall be determined by taking into account the net interest income and origination fees and buydown fees ("Fee Income") from the Patronage Transaction. Net Interest Income for a loan or lease that is a Patronage Transaction 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 Eligible Patron on escrow accounts shall be subtracted; (ii) loans that receive payment assistance, including those known as "interest assist" payments, from Federal or state agencies shall be excluded; and (iii) if the Eligible 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 an Eligible Patron below one hundred dollars (\$100.00) may be retained by the Association and transferred to surplus or applied against the Eligible 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 cost and administrative burden, the total patronage for customers whose cash patronage payment would be less than five dollars (\$5.00) shall be retained by the Association and transferred to unallocated surplus.
- To minimize costs and administrative burden, the patronage for customers whose patronage payment would be greater than five dollars (\$5.00) but less than one hundred dollars (\$100.00) shall be applied against the Eligible Patron's loan balance, unless they have no loan balance. In such case, the Association will mail the patronage payment to the Eligible Patron at their last known address according to Association records.
- At the Association's option, the cash patronage amount may be applied against the Eligible 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.
- At the Association's option, and as determined by management using reasonable judgment, the cash patronage payment may be issued to an obligor on the loan who is not the primary borrower. Such circumstances include, but are not limited to, when the primary borrower is deceased or is no longer a customer of the Association and the patronage check is returned to sender.

## **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 Eligible Patron, such Eligible Patron must receive a copy of the Association's capitalization Bylaws, which Bylaws include the Eligible Patron's consent to include qualified written notices of allocation in their taxable income.

### *Resolution Declaring Patronage Distribution*

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 Association must send a notification to Eligible Patrons, which informs them of their patronage distribution, encloses the patronage check (unless the Eligible Patron has received their patronage distribution in another manner, such as ACH transfer or hand-delivery) 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 Association will announce the patronage program and adoption of an obligating resolution in the Annual Report.