
PROGRESS

MAKING PROGRESS

 **Farm Credit Services**
OF MID-AMERICA

2002 ANNUAL REPORT

2002 ANNUAL REPORT
LETTER FROM THE PRESIDENT'S AND
CHAIRPERSON'S LETTER



Gordon Carter



Donald W. Winters

2002 was a good year for the association. As the title of this report indicates, the association experienced continued steady growth throughout all areas of our business. This balanced success positions us for continued success into 2003 and the coming years.

During 2002, our assets topped \$7 billion. A steady 10% improvement in loan volume was the result of growth in the Agribusiness portfolio — up 34% to \$678 million — combined with further penetration of the agri-consumer and part-time farmer segments. The historic lows in interest rates led many to refinance real estate debt which significantly attributed to our growth. It's important to note that while we were growing our business in 2002, we still managed to keep our operating expenses flat.

Current customers took advantage of the opportunity to convert to lower interest rates. Our simple conversion process allowed customers to avoid the costs and hassle of refinancing mortgage loans. In 2002, over \$2.3 billion in loans was converted to lower rates or more desirable terms. This resulted in interest savings of more than \$111 million to our customers. While new loan originations were down from 2001, it was still a very busy year for new business. By year-end, our mortgage loans totaled \$1.25 billion in new lending for land purchases, refinancing and rural development.

Another growth area was new product introductions. We expanded our product lineup with a new series of convertible loans to the farmer market. Previously available only for consumer loans, these loans proved popular with farmers, giving them a mid-range fixed period along with the savings of a very low rate typically associated with an adjustable loan. Similarly, we improved standards for pricing home loans to farm customers and broadened the options available to them.

Improvements were also made in our internal processes. Most important was the launching of Consumer Trac II, a product for residential loans. Now, all loans can be processed through the system along with all necessary paperwork and documentation to support the loan.

Our marketing efforts for the year resulted in improved numbers as well. In the first quarter, we reached milestones with more than 600 farmers signing up for crop insurance and more than 5,500 customers using internet banking. In the fourth quarter, we undertook a major advertising campaign focusing on farmers and agri-consumers. This successful multi-media blitz produced a spike in loan requests, a near doubling of activity on our 1-800 numbers, and a favorable book of business for the new year. We also added 700 automatic pay customers in the 4th quarter growing our usage to more than 9,000.

In the following pages, you'll find greater details about these initiatives along with financial details. Of course, numbers alone do not tell the whole story. To build on the successes of the year, and grow for the near and long term future, we must focus upon the kind of company we are now and who we want to become. With this focus in mind, the association introduced a new mission statement, along with a clear set of corporate values on how we are to go about accomplishing that mission. We believe strongly that a clear mission, vision, and values are crucial to our, and your, success.

As you read this report, we think you'll agree that this year of steady progress demonstrates our commitment to rural America both now and in the future.

Donald W. Winters
President and Chief Executive Officer

Gordon Carter
Chairperson, Board of Directors

PROGRESS

PROGRESS IN FINANCIAL STRENGTH AND DIVERSITY

PROGRESS

2002 A YEAR OF STEADY GROWTH

Our association continued its steady financial growth in 2002. Most significant was our reaching an all-time high asset base of \$7 billion, which makes us the largest Farm Credit association in the United States. Our 10% increase in loan volume over 2001 was the primary reason we pushed past the \$7 billion mark. Loan volume increased due to the favorable interest rate environment, the high rate of conversions, and a good portfolio of products and services for the ag and agri-consumer markets.

Our permanent capital figures were also extremely positive, ending the year at 15.37%. This percentage is a very strong sign of just how financially strong and stable we are. That's because the banking industry and the Farm Credit System only require capital levels of 7% to ensure stability.

Earnings for the year were \$146 million, an \$18 million decrease from 2001, but \$54 million over budget. More than \$30 million of our earnings came from a special stock patronage from AgriBank as a result of restructuring their capital plan.

Enterprise and geographic diversity

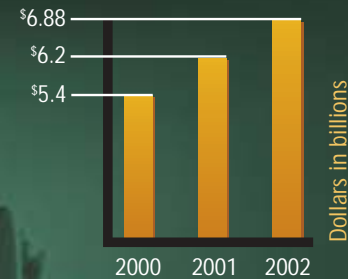
The financial strength of our association is due in large part to our enterprise and geographic diversity. Throughout our four-state area, we are engaged in a wide spectrum of farming operations and enterprises, including a diverse mix of ag commodities. If one commodity is suffering a bad year, this diversity helps cushion the impact. In our current mix, grain represents 24% of our total portfolio, livestock (including cattle, dairy and pork) represents 27%, housing 13% and tobacco 5%.

Another example of favorable diversity is our involvement in both ag-related and rural home lending. For 2002, rural home lending offered an element of security since it is dependent on off-farm income. Similarly, monthly payments offered a steady and dependable cash flow.

Customer benefit

Our customers also benefit greatly from our financial strength and diversity in that we are able to offer and sustain favorable rates and programs in good times and bad. In late 2002, for example, we offered a drought relief program for victims of weather-related disasters that will extend into 2003. In addition to low rates, the program included streamlined loan-servings and more flexible options.

Our six-month Hot Deals equipment promotion gave customers the chance to take advantage of very attractive rates (many below Prime Rate) to purchase equipment for their farms. Customers also received a free coupon to a number of BBQ restaurants throughout our association. The program netted \$84 million in new business with 3,562 loans made at an average size of \$23,500.



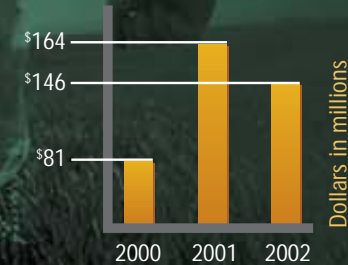
Loan volume reached a new high

2002 was a landmark year in which the association grew to \$6.88 billion, a 10% increase over 2001. Total assets and volume surpassed the \$7 billion mark in 2002. Farm and home mortgage lending grew by 11.3%. Commercial volume, which is comprised of operating and short-term equipment loans, increased 6.7%.



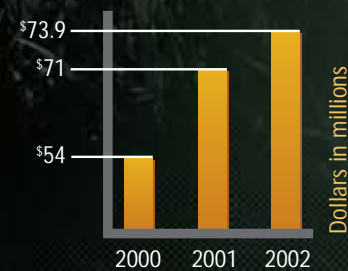
Operating expenses even

Expenses remained steady for 2002, even while the association grew the business to an all-time high. This reflects the staff's and management's dedication to being good stewards of our member/stockholders' organization. We still have one of the lowest net operating rates in the entire Farm Credit System.



Earnings were good

Considering that 2001 earnings reflected a \$71.5 million federal tax refund, this year's total earnings of \$146 million is quite good, and \$54 million above budget. Over \$30 million of our earnings was the result of a special stock patronage from AgriBank as a result of revising their capital plan.



Non-accrual volume remained at 1% of portfolio

2002 non-accrual volume totaled \$73.9 million, just \$2.9 million above the \$71 million reported in 2001. While non-accrual volume increased slightly, the percentage of non-accrual loans still remained at a very reasonable 1% of the loan portfolio.

PROGRESS IN CREDIT QUALITY AND MARKETPLACE PERFORMANCE

For 2002, the association continued to abide by the sound underwriting standards we've established for loan quality and acceptable risk. As a result, our growth in loan volume for 2002 was achieved without deterioration of credit quality. In fact, adverse credit quality declined to less than 3% for 2002. Our non-accrual loan volume for the year totaled \$73.9 million, a \$2.9 million increase above last year, but still remained at a very reasonable 1% of the loan portfolio.

Advances in back-end systems

Significant improvements were also made in the way in which we handled loans in 2002. We launched a streamlined processing system for use in all residential loans. Known as Consumer Trac II, this system provides all the necessary paperwork and supporting documentation to allow all residential loans to move through the automated system. We also extended the threshold of our on-the-spot mortgages to \$250,000, up from \$100,000 when the program was first introduced. With a balance sheet and one year's tax records, more customers will now be able to receive virtually instant loan approvals. As we move forward in the integration of these loan origination systems, we will be able to offer more timely loans at less operational cost, giving us fuller, more robust loan products.

Other marketplace initiatives

Revenue from crop insurance was flat compared to 2001 results. Although actual acres and numbers of customers covered by our crop insurance services increased, revenues fell slightly due to several reasons. Support prices were lower which resulted in less dollar value per acre covered. In addition, one of our primary crop insurance carriers – American Agrisure (AmAg) – paid no bonus income as a result of their collapse. Revenues from AmAg lagged as the Risk Management Agency worked through the dissolution of the AmAg business. Some revenue earned in 2002 will not be booked until 2003.

Revenue from our life insurance programs was off 5% from previous year due to declining sales in group life products. Total death benefit coverage fell almost \$16 million by year-end with 440 fewer policies. The association has made a commitment to improve life insurance results in 2003 and several initiatives are under way. Premier Life, a term life product that offers very competitive rates, has been a growing line for the association.

The association continues to offer leasing for equipment and facilities as an alternative to loans when this option benefits the customer. At year end, we held over 1,620 leases representing \$178 million.



PROGRESS IN PROVIDING CONVENIENT ACCESS AND DELIVERY

For 2002, Farm Credit Services continued its ongoing improvements in the ways products are delivered to customers — and the ways customers can access them. We now offer many services that weren't even available 15 years ago. Services like website access, farm cash management and automatic payment plans . . . all designed to make doing business with us easier. And unlike 15 years ago, when our staff waited in offices for business to come in, today we'll meet with customers anywhere it is convenient, on the farm, on the phone, or online.

Personal contact

Many of our improvements started in the mid 90s, when we launched an initiative call PACE (performance above customer expectations). We learned then that customers want service where it's convenient to them, whether that's at our office, their office, home or farm. And they want service when it's convenient to them, at hours they choose. In response, we consolidated and upgraded our sales offices to incorporate state-of-the-art technology and computer networking. We equipped our sales staff with the tools they needed to make on-farm decisions.

We now have 81 sales offices throughout Kentucky, Ohio, Indiana and Tennessee. Even so, according to our customer response surveys, well over half the transactions conducted in 2002 occurred at the customer's location. In fact, our financial services officers average almost 15 personal sales calls a week delivering products. And for the year, we completed almost 110,000 personal sales calls.

Ebanking

Our investment in computer technology is likewise showing results in terms of providing better customer access to products. We average 600 applications a year on our website (e-farmcredit.com), capturing around \$48 million in volume. Almost 10%, or just under 10,000, of our customers take advantage of our convenient automatic payment plan program rather than mailing in checks. Over 5,500 customers have signed up to access their accounts online and by year-end, online account activity was up to almost 3,000 a month. That's a whopping 114% increase over 2001.

Our convenient phone line at 1-800-444-FARM offers not only quick access to a customer's office, but access to account information and the ability to perform transactions. In 2002, we averaged over 2,000 calls a month on this line.

More and more customers are starting to take advantage of Farm Cash Management. Money placed in the account is available when needed, whether it's for operating, living or other expenses. Incidentally, interest paid on the account is exempt from state and local taxes, too. Customers with operating loans can sign up for free. Those without an operating loan simply need to open an account with a minimum balance and the service is free. In 2002, almost 1,200 customers have used this account reaching a volume of \$7.7 million.

As we look forward to future improvements in product access and delivery, we eagerly await the implementation of our 3rd generation website in the spring of 2003. Our first website was information based. Gradually we added account information and the online loan application, then transactional capabilities (i.e.: move money, make payments online, etc.). Our new site will be more streamlined, easier to navigate, and offer more financing tools and information to help us internally, while making it easier still for our customers.



PROGRESS IN COMMITMENT TO BUSINESS VALUES

Recognizing that the culture in which we work affects our ability to perform just as much as technology, products, and planning, we reviewed the intangibles that define our culture: our mission, our vision and our values. We saw that our old mission statement no longer accurately defined our role and marketplace strategy.

A new mission

After considerable deliberation and discussion, we rewrote the mission statement to read:

“To be a dependable source of constructive credit and high quality service at the best possible value for farmers and rural residents.”

This statement contains four key phrases which together truly define who we are and how we position ourselves in the marketplace:

“**Dependable source**” states our dedication to serving farmers through both the good and bad times. This means we must maintain the needed financial strength and asset quality that allows us to be a predictable lender through the inevitable agricultural cycles.

“**Constructive credit**” means that we will provide the sound underwriting and loan terms that allow us to meet our customers needs without exposing either them or us to unacceptable risk.

“**High quality service**” asserts our commitment to being timely, knowledgeable and easy to do business with.

“**Best possible value**” means we offer low rates, a wide product array, and service options that are better than our competitors over time.

We are committed to the challenge of finding the right balance of these four traits for the good of the customer — even at those times when two traits may appear to be in conflict.

Affirmation of the Vision Statement

While developing a new mission statement, we also reexamined our vision statement. Based on feedback we received from members, we kept it the same:

“To be the lender and employer of choice in our marketplace.”

We feel that it still fits well with our mission statement and appropriately challenges us as leaders and as staff. We are, however, committed to doing a better job of communicating our vision on a continuing basis.



Corporate values

As a final significant step to define our corporate culture, we developed a statement of corporate values. Our culture has always been one of strong values, but until this year we had never fully articulated and documented them. These stated values do not set us out in a new direction. Rather, they make clear and definable the expectations and practices we currently follow.

More important, they give us a written set of values with which to measure decisions and practices. With a written statement, we can be more intentional in committing to and practicing these values. We can now consistently communicate our values as we bring new people into the association. And, we can take pride in and celebrate the fact that we work in a corporate culture that reinforces “doing what’s right.”

What’s more, we have a written tool we can use for recruitment, orientation, promotions, and as a standard for testing corporate decisions.

Of course, any set of words is subject to interpretation. As a way of insuring as much consistency as possible within our organization, here is a brief definition of what we mean by our six corporate values:

“**Integrity**” is an absolutely non-negotiable core value in a financial institution such as ours. We define it as being honest, fair and consistent, living up to both the letter and spirit of honorable conduct.

“**Respect**” means that we value the differences in people and encourage each one of us to challenge each other in a manner that maintains mutual trust and dignity.

“**Commitment**” as a value means that we have a strong work ethic and are dedicated to excellence in everything we do, while maintaining a proper balance between work and our personal lives.

“**Customer focus**” is another core value of a financial company such as ours. It means that we will constantly seek to identify and understand the needs of both our external and internal customers — and to exceed their expectations in a way that will help them achieve success.

“**High performance**” is the attitude that each of us will take the initiative to continually enhance our skills and maintain a sense of urgency to perform above expectations. As individuals and as a group, we must remain committed to challenge ourselves to meet this value.

“**Team focus**” is based on the belief that the best results are achieved through people working together in an atmosphere of open communication and cooperation. It means, also, that focus on the success of our organization and our customers should supercede personal ambitions.

When added to a new clearly defined mission and a rededication to our vision, these corporate values will go a long way toward building a culture that we can all be proud to work in and be associated with.

PROGRESS IN COOPERATIVE MEMBERSHIP VALUE

The association ended 2002 with a strong capital base of 15.37%, which exceeds the optimum permanent capital target of 15%. This target is the ratio needed to ensure that not only will member needs be met and interests protected but that future growth and investment in new products and services is provided.

This strong capital position allowed us to expand our range of fixed-rate loan products for 2002. We were able to offer farmer members a wide-array of financing solutions including a new series of convertible loans. The convertible products offer a blend between savings and rate security allowing customers to choose a fixed rate period but receive the savings of a shorter term loan. For example, a 5/30 Convertible provides customers a 30-year amortization period, but an interest rate of a shorter term loan. Best of all, interest rate rises are controlled by a cap protection.

Other customer member programs

Another example of our association's commitment to our member owners is our community support to young, beginning, and small farmers in our four-state area. Last year, we provided more than \$300,000 to FFA, 4-H and a variety of other programs supporting farm youth and young farmers. We also participated with Purdue University in offering young farm couples intensive class-room training on farm and financial management at no cost to them. Over three years, our commitment to this program, called The Executive Institute for Commercial Producers (EICP), has neared \$700,000. At the end of 2002, the course materials for this program were turned over to 17 land grant universities for use in their extension programs.

We also supported the Kentucky Beef Network in financing their feeder-calf program. This program helps give small beef producers an opportunity to pool and sell their calves at a higher market value.

Through our advisory committees, we have received valuable feedback and support from more than 800 local advisors. Based on their input to become more visible in the local communities, we initiated an intensive fall advertising campaign that logged an increase of 73% more phone calls on our 1-800 line. In total, our message was heard on radio, viewed online, or seen in print over 33 million times.

Website tools and resources

As we have continued to upgrade the content and ease-of-use of our website at e-farmcredit.com, more and more people have visited us. Last year, more than 75,000 people logged on for information about interest rates, loan applications, and available products. Additionally we have added valuable financial tools and resources like the following:

The Payment Calculator lets users enter their interest rate, the amount to be borrowed and the length of the loan to arrive at what the payments will be. They can then compare a variety of scenarios to choose the loan that fits their needs. Over 2,000 people each month use the calculator to determine their loan payments.

The Rate Alert function lets customers tell us what rate they want on their loan. When rates fall to that level, we send an email notifying them of the rate. More than 8,000 people visited the Rate Alert site in 2002, and 75% of those who requested a rate received notification that it was reached.

Many people wanting to make informed loan decisions rely on our Interest Rate Trends Analysis report. Updated monthly by our vice president - finance, this report offers information and charts showing long term interest rates in a historic context along with charts comparing the difference between long- and short-term rates. Nearly 1,000 people a month have taken advantage of this helpful tool.



2002 Annual Report to Stockholders

NOTICE TO CUSTOMERS CONCERNING INVESTMENT

Farm Credit Services of Mid-America, ACA

This notice contains information about your stock investment in Farm Credit Services of Mid-America, ACA (Association). Please read it carefully and make sure you understand both the benefits and risks of an investment in the Association.

Association Capitalization Bylaws (a copy of which is included as part of this publication) require an investment in stock or participation certificates in the amount of 2% of the loan amount or \$1,000, whichever is less, when obtaining a loan from either of its wholly owned subsidiaries, the Farm Credit Services of Mid-America, FLCA (FLCA) or the Farm Credit Services of Mid-America, PCA (PCA). The Association Board of Directors (Board) has the discretion to apply the stock requirement on a per customer basis or a per loan basis. Currently, the stock requirement is on a per customer basis.

The Association also sells stock or participation certificates to any eligible customer of the FLCA or PCA as a condition of obtaining a lease and as a condition for purchasing related services. The amount of stock or participation certificates required may range from one share to no more than the requirement for obtaining a loan, at the discretion of the Board. At this time, the Board has decided to require one share for both leasing and related services.

The voting stock issued by the Association is called "Class D Stock" (Stock) and is issued only to farmers, ranchers and producers or harvesters of aquatic products. Other persons who are eligible to borrow or lease from or purchase financially related services with the FLCA or PCA, but who are not eligible to own Stock, must purchase "Participation Certificates" (Certificates), which are issued on essentially the same terms as Stock except as described below.

Stock and Certificates issued as a condition of doing business with the Association (which may include stock issued in connection with loan renewals, assumptions, refinancing, etc.) are an investment in the Association that is at risk and not a compensating balance.

How Stock and Certificates are Purchased

Shares of Stock (and units of Certificates) are sold for their par value (or face amount) of \$5 each and can be paid for either with cash or with the proceeds of a loan.

When the purchase price is borrowed, the amount of the FLCA and/or PCA loan includes the cost of the Stock or Certificates and interest is charged on the entire loan. The portion of the FLCA or PCA loan proceeds attributable to the purchase price of the Stock or Certificates is withheld and applied to the purchase price of the Stock or Certificates. The total amount of the loan, including the portion used to pay for the Stock or Certificates, is a legally enforceable obligation that must be repaid in full.

The Association does not issue physical certificates for Stock or Certificates. Instead, the ownership of Stock or Certificates is evidenced by entries recorded on the combined books of the Association as reflected in periodic account statements sent to each customer.

Certain important characteristics of Stock and Certificates

The principal difference between Stock and Certificates is that the Stock entitles its holder to one vote (regardless of how many shares are owned) with respect to the election of Association directors and other matters on which stockholders are entitled to vote. Holders of Certificates have no voting rights. In all other respects, Stock and Certificates have substantially the same rights and restrictions.

Association bylaws provide that dividends may be paid on Stock or Certificates with the approval of the Board. Dividends may not be paid if, after or due to such action, the permanent capital of the Association would thereafter fail to meet the minimum capital adequacy standards established by FCA.

The FLCA or PCA takes a lien on the Stock or Certificates held by a customer as additional security for the customer's loan. If the customer defaults, the value

of the customer's investment (not to exceed par value, or face amount) may be applied against the balance due on the loan. If the customer's Stock or Certificates are transferred, they are still subject to this lien. In any event, Stock and Certificates are transferable only to persons eligible to purchase such equities.

Stock and Certificates do not appreciate in value. Any retirement or conversion will be at their original issue price or, if less, their book value. The possibility that this investment may result in a loss is discussed below under the heading "Impairment."

Retirement of Stock and Certificates

Under Association bylaws, Stock and Certificates are retired only at the discretion of the Board. Stock is retired at the lower of book value or par value, while Certificates are retired at the lower of book value or face amount. Book value will be determined in accordance with generally accepted accounting principles (GAAP).

Under Federal Law, there is no automatic right to have Stock or Certificates retired upon repayment of the customer's loan or when the customer ceases to conduct other business with the FLCA and/or PCA.

Under the Association's existing Equity Policy, equity is on a customer basis and is required on existing fixed, adjustable or variable rate loans originated after July 1, 1995, in an amount not less than two percent or \$1,000, whichever is less, according to the customer's total loan balances (when the customer is the same on each loan).

Equity of one share is required on a lease or for a non-customer to qualify for related services.

The Equity Policy may be amended by the Board at any time at their sole discretion and in accordance with the Act, Regulations and Bylaws.

Effective 01/01/03, the Board's policy permits the retirement of customer equity only if the association's permanent capital percentage is above the Board's stated minimum, established annually. The Board allows stock to be retired by management provided that retirements are in accordance with the association's capital plan; the association's permanent capital ratio will be in excess of 13 percent after any such retirements; the association meets and maintains all applicable minimum surplus and collateral standards; and the aggregate amount of stock purchases and retirements are reported to the board of directors monthly.

Except for loans in default, customer equity may be retired under any of the following conditions: 1) the customer's indebtedness for a loan or a lease is totally paid off; 2) a non-borrower is no longer a purchaser of related services; or 3) the customer's loan is sold into the secondary market without recourse.

The retirement policy may be suspended or modified at any time at the discretion of the Board in order to protect the financial condition of the Association.

The Association is prohibited from retiring Stock or Certificates if such retirement results in the Association's failure to satisfy the minimum capital adequacy standards established by the FCA.

Of course, even though you may be given the opportunity to have your stock retired, you are not required to retire your Stock or Certificates after repaying your FLCA and/or PCA loan and may continue to hold this investment. However, if you do not borrow from the FLCA and/or PCA during the following two years, your Class D Stock will be converted into non-voting Class C Stock.

Impairment

Your ownership of Stock or Certificates in the Association is an investment and is subject to certain risks that could result in a partial or complete loss of investment. You are responsible for repayment of the entire amount of the FLCA

and/or PCA loan, including the amount borrowed to pay for your Stock or Certificates, regardless of the value of your Stock or Certificates. These risks include:

- 1) Loan losses experienced by the FLCA and/or PCA as a result of inadequate evaluation of credit risks or adverse trends in agriculture, such as loss of international markets, over-production, weather conditions or disease,
- 2) Increases in the amount of non-accrual FLCA and/or PCA loans and properties acquired from borrowers that reduce revenues,
- 3) Impairment of AgriBank, FCB's (Bank) stock owned by the Association due to losses in other associations within the district, loan losses and operating expenses of the Bank and the Bank's joint and several liability on Systemwide debt securities issued by other Banks in the national Farm Credit System. As a result of these or any other risks, the capital of the Association could become impaired. Impairment means that the book value of the Stock or Certificates has declined below par value (or face value), which is \$5 per share or unit. (For example, if the Association were to suffer loan losses which exceeded its other income, its bad debt reserve and its surplus accounts, the Stock and Certificates could have a book value less than \$5 and thus would be impaired.) So long as the capital of the Association is impaired, its customers would receive less than they had paid for their stock upon retirement. If the Association were to be liquidated at the time when its capital is impaired, holders of Stock or Certificates would receive less than the par value or face amount of their investment and may suffer a total

Information on FCS Funds Held Program

Farm Credit Services of Mid-America, ACA

The association offers a Funds Held Program (Funds Held) that provides for customers to make uninsured advance payments on loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the association and the customer provide for other limitations.

Payment Application

Loan payments received by the association before the loan has been billed will normally be placed into Funds Held and applied against the next installment date. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the customer has specified the funds to be applied as a special prepayment of principal.

When a loan installment becomes due, moneys in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the customer must pay the difference by the installment due date.

Account Maximum

The amount in Funds Held may never exceed the unpaid principal balance of the loan. Many loans have a further limit equal to the total payments due for the next year. In addition, Funds Held on loans with certain prepayment penalties may not exceed 10% of the original principal balance. Funds Held is generally not available on revolving lines of credit loans.

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. But the rate will not exceed the interest rate charged on the related loan except in rare cases. The current interest rate is based upon the following criteria:

- Real estate loans closed under the loan program in effect prior to October 1, 1994 are paid a rate of interest equal to the loan rate.
- Real estate loans closed under the loan program in effect on October 1, 1994 and later are paid a rate of interest similar to short term money market rates. The rate was 1.35% as of 3/1/2003.
- Commercial loans, with the exception of lines of credit, closed before October 1, 1994 are paid a rate of interest equal to the loan rate.

loss of their investment in the Association. However, in any event, customers would remain liable for the full amount of their loan from the FLCA and/or PCA, including the portion used to pay for the purchase of Stock or Certificates.

Of course, the Association will take all feasible action to prevent its capital from becoming impaired. The FLCA and PCA maintain loss reserves (and surplus accounts) to protect against this possibility.

The Farm Credit Act provides a mechanism for providing financial assistance to distressed Farm Credit System entities. This mechanism is described in the Association's 2002 Annual Report. However, the assistance mechanisms in the Farm Credit Act provide no assurance to customers that Stock and Certificates will be protected. Therefore members are advised to review the financial statements of the Association and of the Bank and other available information about the Farm Credit System. Copies of the Association and the Bank's Annual and Interim Reports to Investors are available from the Association upon request.

Association Permanent Capital Standards

The Association presently meets its minimum permanent capital standard. The Association does not know of any reason it will not meet its permanent capital standard on the next earnings distribution date.

Interest rates are currently reported on customers' statement of account.

- Commercial loans, with the exception of lines of credit, closed or renewed after 9/1/1999 are paid a rate of interest similar to short term money market rates. The rate was 1.35% as of 3/1/2003.

Withdrawals

Money in Funds Held may be withdrawn for the following items, depending on the customer's loan program.

- Customers may request that Funds Held or interest on Funds Held be applied to their loan balance at any time.
- Customers with real estate loans closed under the loan programs in effect to October 1, 1994 may use Funds Held for future installments or insurance. No other withdrawals are permitted.
- Customers with real estate loans closed under the loan programs in effect on October 1, 1994 and later, and all commercial loans, may use Funds Held for future installments or insurance. In addition, customers may make up to four additional withdrawals per calendar year for other approved purposes in lieu of increasing the loan amount. These four withdrawals have a minimum size limit of the lesser of \$500 or the remaining balance in Funds Held.

Association Options

In the event of default on any loan, or 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 balance and other amounts dues, and shall return any excess funds to the customer.

If the customers sell, assign or transfer any interest in the underlying collateral, the association may apply the funds in the account against the remaining loan balance.

If all customers who are party to the loan are deceased, the association may apply the funds in the account to the remaining loan balance.

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 FCA regulations then in effect.

Questions

Please direct all questions regarding Funds Held to your local FCS representative by calling 1-800-444-FARM (3276).

CAPITALIZATION BYLAWS of the FARM CREDIT SERVICES OF MID-AMERICA, ACA

November 1, 2000

ARTICLE VIII - CAPITALIZATION

800 Authorized Shares

The Association is authorized to issue:

(a) one million (1,000,000) shares of Class C Preferred Stock with a par value of \$5 per share to be issued as provided in Section 810.3 of these Bylaws;

(b) an unlimited number of shares of Class D Common Stock with a par value of \$5 per share to be issued as provided in Sections 810.4 and 845.2 of these Bylaws;

(c) the outstanding number of Participation Certificates as of the Merger Date, of FLBA 4th, FLBA B and FLBA M and PCA 4th issued prior to October 6, 1988, which were converted by book entry at the par, face or stated value of \$5 per unit into a like number of Class A Participation Certificates of the Association;

(d) an unlimited number of Class B Participation Certificates, with a face value of \$5 per unit to be issued as provided in Section 810.6 of these Bylaws; and

(e) such number of shares of such other classes of Capital Stock as may be provided for in an amendment or amendments to these Bylaws as adopted pursuant to Article XIV, provided, however, if the class being proposed in any amendment or amendments is for Preferred Stock other than Preferred Stock to be issued to the Farm Credit System's Financial Assistance Corporation, it shall be approved by 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.

805 Ownership

Evidence of ownership of Capital Stock and Participation Certificates may be by book entry or in definitive form as prescribed by the Board.

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 MidAm, PCA or MidAm, FLCA, as the case may be. Accordingly, upon an Authorization Event, all references to loans and outstanding loan balances in this Article shall refer to aggregate loans held or originated by Association, MidAm, PCA and MidAm, FLCA.

810 Issue, Rights, Preferences and Limitations of Classes of Stock

810.1 Class A Preferred Stock

(a) Issue
There shall be no Class A Preferred Stock issued other than those shares issued as a result of the conversion on Merger Date of PCA 4th's Class A non-voting stock or a conversion in accordance with Section 845.2 of these Bylaws.

(b) Voting Rights
Class A Preferred Stock shall have no voting rights.

(c) Rights
Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Stock Protection
When retiring Class A Preferred Stock in accordance with the Act, Regulations and these Bylaws, the stock shall be retired at par value.

(e) Fractional Shares
No fractional shares of Class A Preferred Stock shall be issued or paid.

810.2 Class B Common Stock

(a) Issue
There shall be no Class B Common Stock issued other than those shares issued as a result of the conversion of FLBA 4th, FLBA B and FLBA M's voting stock and PCA 4th's Class B voting stock as of the Merger date.

(b) Voting Rights
Class B Common Stock shall have voting rights.

(c) Rights
Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Stock Protection
When retiring Class B Common Stock in accordance with the Act, Regulations and these Bylaws, the stock shall be retired at par value.

(e) Fractional Shares
No fractional shares of Class B Common Stock shall be issued or paid.

810.3 Class C Preferred Stock

(a) Issue
This stock may be issued in accordance with the Act and Regulations:
1. To the bank and to investors;
2. In such amounts and to such persons as may be permitted under a plan adopted by the Board;
3. For allocated surplus distributions, dividend payments, and patronage distributions; and
4. In accordance with Section 845.2 of these Bylaws.

(b) Voting Rights
Class C Preferred Stock shall have no voting rights.

(c) Rights
Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Fractional Shares
No fractional shares of Class C Preferred Stock shall be issued or paid.

810.4 Class D Common Stock

(a) Issue
Class D Common Stock may only be issued to borrowers who are farmers, ranchers or producers or harvesters of aquatic products and other requirements of such borrowers as specified in the Act and Regulations.

(b) Voting Rights
Class D Common Stock shall have voting rights.

(c) Rights
Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Fractional Shares
No fractional shares of Class D Common Stock shall be issued or paid.

(e) Condition to Borrowing
1. Any borrower who is entitled to own Class D Common Stock shall acquire voting stock in the Association as a condition for obtaining a loan from the Association, MidAm, PCA or MidAm, FLCA. The amount of Class D Common Stock which a borrower shall be required to acquire shall be two (2) percent of the loan amount or \$1,000, whichever is less. The Board shall establish from time to time whether the stock requirement shall apply to each loan to a borrower or apply to a borrower's aggregate outstanding loan balance on all borrower's loans (as used in this section shall only include those loans, including the new loan, where the borrowers are the same on each loan).

2. If the Association fails to meet the minimum permanent capital standards the Class D Common Stock shall be purchased from the Association.

3. Loan origination fees may be charged as a condition of borrowing from the Association, MidAm, PCA or MidAm, FLCA as the Board from time to time may determine.

(f) Condition to Lease
As a condition of obtaining a lease from Association, MidAm, PCA or MidAm, FLCA any lessee who is entitled to own Class D Common Stock shall be required to acquire Class D Common Stock in an amount as determined by the Board from time to time. The equity requirement to be not less than one share or the minimum requirement as set out in the Act and Regulations, if any, and not to exceed the equity requirement for obtaining a loan.

810.5 Class A Participation Certificates

(a) Issue
There shall be no Class A Participation Certificates issued other than those units issued as a result of the conversion of FLBA 4th, FLBA B, FLBA M and PCA 4th's Participation Certificates as of the Merger Date.

(b) Voting Rights
Class A Participation Certificates shall have no voting rights.

(c) Rights
Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Protection of Participation Certificates
When retiring Class A Participation Certificates in accordance with the Act, Regulations and these Bylaws, the units shall be retired at par value.

(e) Fractional Units
No fractional units of Class A Participation Certificates shall be issued or paid.

810.6 Class B Participation Certificates

(a) Issue
Class B Participation Certificates may be issued in accordance with the Act and Regulations:
1. To borrowers who are rural residents to capitalize their rural housing loans.

- To borrowers who are persons or organizations furnishing to farmers and ranchers farm related services directly related to their agricultural production, to capitalize their loans.
- To other persons or organizations who are eligible to borrow or participate in loans from Association, MidAm, PCA or MidAm, FLCA but are not eligible to hold voting stock.
- For allocated surplus distributions, dividend payments, and patronage distributions.
- To any person who is not a stockholder but who is eligible to borrow from Association, MidAm, PCA or MidAm, FLCA for the purpose of qualifying such person for technical assistance, financially related services, and leasing services offered by Association, MidAm, PCA or MidAm, FLCA.

(b) Voting Rights
Class B Participation Certificates shall have no voting rights.

(c) Rights
Rights of a holder to dividends, to patronage refunds, to transfer, to retirement, upon loss and upon impairment shall be subject to the Act, Regulations and in accordance with provisions of Section 815 (Application of Earnings and Losses), Section 830 (Dividends), Section 835 (Patronage Refunds), Section 840 (Transfer), Section 845 (Conversion), Section 850 (Retirement), Section 855 (Impairment) and Section 860 (Liquidation) of these Bylaws.

(d) Fractional Units
No fractional units of Class B Participation Certificates shall be issued or paid.

(e) Condition to Borrowing
1. Any borrower who is entitled to own Class B Participation Certificates shall acquire Participation Certificates as a condition for obtaining a loan from Association, MidAm, PCA or MidAm, FLCA. The amount of Class B Participation Certificates which a borrower shall acquire shall be two (2) percent of the loan amount or \$1,000, whichever is less. The Board shall establish from time to time whether the certificate requirement shall apply to each loan to a borrower or apply to a borrower's aggregate outstanding loan balance on all borrower's loans (as used in this section shall only include those loans, including the new loan, where the borrowers are the same on each loan).

2. If the Association fails to meet the minimum permanent capital standards, the Class B Participation Certificates shall be purchased from the Association.

3. Loan origination fees may be charged as a condition of borrowing as the Board from time to time may determine.

(f) Condition to Lease or Purchase of Financially Related Services
As a condition of obtaining a lease or purchasing financially related services from Association, MidAm, PCA or MidAm, FLCA any lessee or purchaser of financially related services who is entitled to own Class B Participation Certificates shall be required to acquire Class B Participation Certificates in an amount as determined by the Board from time to time. The equity requirement to be not less than one share or the minimum requirement as set out in the Act and Regulations, if any, and not to exceed the equity requirement for obtaining a loan.

815 Application of Earnings or Losses

815.1 At the end of each fiscal year, the Association shall apply its earnings (including patronage allocations and refunds received from the FCB) for such fiscal year in the following order:

- to cover operating expenses, including additions to loan valuation reserves as provided by law;
- to restore the amount of any impairment of Stock and Participation Certificates as prescribed in Section 855.2 of these Bylaws;
- to restore the amount of any impairment of allocated surplus;
- to restore the amount of any impairment of paid-in surplus;

(e) to create and maintain an unallocated surplus account as provided in Section 820 of these Bylaws;

(f) to pay dividends on Stock of the Association if authorized pursuant to Section 830 of these Bylaws;

(g) to make patronage distributions if authorized pursuant to Section 835 of these Bylaws; and

(h) to transfer any remaining earnings to the reserved surplus account.

815.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 815.1 above, such loss shall be absorbed by, first, charges to the unallocated surplus account; second, impairment of paid-in surplus; third, impairment of the allocated surplus account; fourth, impairment of Class B Common Stock, Class D Common Stock, Class A Participation Certificates, Class B Participation Certificates, concurrently; and fifth, impairment of Class A Preferred Stock and Class C Preferred Stock, concurrently. Notwithstanding this Section, Class B Common Stock and Class A Participation Certificates shall be retired in accordance with Section 4.9A of the Act.

820 Surplus Accounts

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. Except as provided in Section 815, the unallocated surplus account may not be reduced and no part thereof may be transferred to the allocated surplus account.

825 Allocated Surplus Accounts

825.1 The Association may, subject to the Act and the Regulations, create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis in accordance with Section 835 of these Bylaws. 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 815.2 of these Bylaws, and on the basis of latest allocations first.

825.2 Association, MidAm, PCA and MidAm, FLCA shall have a first lien on all surplus account allocations owned by any borrower, and all distributions thereof, as additional collateral for such borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

825.3 When the debt of a borrower is in default or is in the process of final liquidation, the Association may, upon notice to the borrower, order any and all surplus account allocations owned by such borrower to be applied against the indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be. Any such retirement and application against indebtedness of surplus account allocations shall be before similar retirement and application of Stock or Participation Certificates owned by the borrower.

825.4 At the Board's discretion and subject to the Act, Regulations, and any other restrictions, when all of the Stock and Participation Certificates of the Association owned by a borrower are retired or otherwise disposed of, any surplus account allocations owned by such borrower may also be retired, upon request by the borrower and subject to the approval of the Board, and the proceeds paid to the borrower. Alternatively, if the Board so directs, upon notice to the borrower such surplus account applications may be applied against any of the borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be. As a condition, however, to the approval of a former borrower's application for an advance within two (2) years after retirement hereunder, the applicant must first repay any allocated surplus proceeds resulting from such retirement which would not otherwise have been paid through normal distributions.

825.5 Subject to the Act and the Regulations, allocated surplus may be distributed, oldest allocations first, in Class C Preferred Stock of the Association or 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 amount prescribed by the Act and the Regulations.

Distributions of less than the full amount of all allocations issued as of the same date shall be on a pro rata basis. If any part of a distribution in Class C Preferred Stock to one borrower is less than \$5, such distribution may be held by the Association and accumulated with subsequent partial distributions to equal one whole share of Class A Preferred Stock or Class C Preferred Stock.

830 Dividends

830.1 In accordance with the Act and the Regulations, the Board may declare dividends on the Stock and Participation Certificates of the Association. Such dividends may be paid on Class A Preferred Stock and Class C Preferred Stock alone or on all classes of Stock and Participation Certificates. No dividends may be paid on Class B Common Stock, Class D Common Stock, Class A Participation Certificates or Class B Participation Certificates during any fiscal year with respect to which the Association has obligated itself to distribute earnings on a patronage basis pursuant to Section 835 of these Bylaws. The rate of dividends paid on Class A Preferred Stock and Class C Preferred Stock for any fiscal year may not be less than the rate of dividends paid on Class B Common Stock, Class D Common Stock, Class A Participation Certificates or Class B Participation Certificates for such year and, similarly, the rate of dividends on Class B Common Stock and Class D Common Stock may not be less than the rate paid on Class A Participation Certificates and Class B Participation Certificates.

830.2 Dividends may be paid to holders of record on the effective date of the declaration, provided the Stock or Participation Certificates were outstanding for at least sixty (60) calendar days prior to the effective date of the declaration.

830.3 Dividends on Stock and Participation Certificates may be paid in cash, Class C Preferred Stock, or partly in cash and partly in Stock, except that dividends on Stock held by the FCB shall be paid in cash. If any part of such dividends payable in Stock to one borrower are less than \$5, the dividends may be distributed in cash or held by the Association and accumulated with subsequent dividends until the retained dividends equal \$5, so that the dividends may be distributed as one whole share of Class C Preferred Stock.

830.4 Dividends shall be noncumulative.

835 Patronage Refunds

835.1 Prior to the beginning of any fiscal year, the Board may adopt a resolution in accordance with the Act and the Regulations, so as to obligate the Association to distribute to borrowers on a patronage basis all or any portion of available net earnings of Association for such fiscal year, or for that and subsequent fiscal years. However, no patronage distribution will be paid if the earnings available for distribution do not exceed \$500,000.

835.2 All patronage distributions shall be in the proportion that the amount of interest earned by Association, MidAm, PCA or MidAm, FLCA on its loans to each borrower bears to the total interest earned by Association, MidAm, PCA or MidAm, FLCA on all such loans outstanding during the fiscal year, except that another proportionate patronage basis may be used upon approval by the Board in accordance with the Act and the Regulations.

835.3 Net earnings of any fiscal year shall be available for patronage distribution only after making the applications as required in (a) through (e) of Section 815 and paying dividends on Class A Preferred Stock and Class C Preferred Stock. Patronage allocations and refunds received from the FCB in the form of stock shall be excluded from net earnings available for patronage distributions and dividends. The amount available for patronage distributions for any fiscal year shall in no event exceed the net earnings from patronage from Association, MidAm, PCA and MidAm, FLCA borrowers and from the patronage received from the FCB in the form of cash for such year.

835.4 Patronage distributions may be in cash, Class C Preferred Stock, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution, except that at least twenty percent of the total patronage distributions to any borrower for any fiscal year shall always be in cash. Cash distributions may not exceed twenty percent of the patronage distribution if such distribution would cause the surplus account at the end of the fiscal year for

which the distribution is paid to be less than the minimum amount prescribed by the Act and the Regulations. Any part of a patronage distribution in Class C Preferred Stock to one borrower that is not a multiple of \$5 may be distributed in cash or held by the Association for the borrower and included in a subsequent distribution.

835.5 Each holder of Class B Common Stock or Class D Common Stock of this Association shall, by such act alone, consent that the amount of any distributions with respect to patronage which are made in written notices of allocation, as defined in 26 U.S.C. 1388 (i.e. patronage allocations of surplus account and patronage refunds paid in Class C Preferred Stock of the Association, and which are received by him or her from the Association), will be taken into account as income by such person at the stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received. Such holder of Class B Common Stock or Class D Common Stock also consents by such act alone, to take into account as income in the same manner the amount of any distributions with respect to patronage provided he or she receives written notice from the Association that such amount has been applied on his or her indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be.

835.6 The Association shall obtain the written consent of each holder of Class A Participation Certificates or Class B Participation Certificates that the amount of any distributions with respect to the holder's patronage, which are made in written notices of allocations as defined in 26 U.S.C. 1388 (i.e., patronage allocations of surplus account, patronage refunds paid in Class C Preferred Stock, or distributions with respect to patronage that have been applied to the holder's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be, and for which the holder has received written notice), will be taken into account as income by the holder at the stated dollar amounts in the manner provided for in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received. The form of consent shall be prescribed by the Board, except that it shall be continuing in effect until revoked by the Class A Participation Certificate or Class B Participation Certificate holder, and it may be included as part of the loan application or other appropriate form signed by borrowers. Consent may also be obtained by use of a qualified check in the manner provided for in 26 U.S.C. 1388.

835.7 In the event of an Authorization Event under Section 210 hereof, the Association's net earnings for purposes of computing and paying patronage dividends shall include the net earnings of MidAm, PCA and MidAm, FLCA (computed on a consolidated basis).

840 Transfer

840.1 Stock and Participation Certificates may be transferred to persons or organizations eligible to receive or to hold such Stock or Participation Certificates as provided in Section 810 of these Bylaws.

840.2 The Association shall be its own transfer agent in all matters relating to its Stock and Participation Certificates.

845 Conversion

845.1 Each class of Stock and Participation Certificates may be converted into any other class of Stock or Participation Certificates for which the holder is eligible as provided in Section 810.

845.2 Class B Common Stock shall be converted into Class A Preferred Stock within two years after the holder thereof ceases to be a borrower from Association, MidAm, PCA or MidAm, FLCA. Class D Common Stock shall be converted into Class C Preferred Stock within two years after the holder thereof ceases to be a borrower from Association, MidAm, PCA or MidAm, FLCA.

850 Retirement

850.1 Class A Preferred Stock, Class B Common Stock, and Class A Participation Certificates

Retirement may be upon repayment of a loan or under a retirement plan in effect prior to January 6, 1988, and for such equities issued after that date, a retirement plan in effect at the time the loan was made. Such equities shall be retired at par, even if book value is less than par. Such equities may also be retired under other conditions approved by the Board with prior approval of the FCA.

850.2 Class C Preferred Stock, Class D Common Stock and Class B Participation Certificates

Subject to the Act, Regulations and any other restrictions, such equities shall be retireable only at the discretion of the Board and not on a date certain or upon the happening of an event such as repayment of a loan or pursuant to an automatic retirement or revolvment plan. Such equities shall be retired at their book value and shall not exceed their par value. No such equities shall be retired unless after the retirement the institution would continue to meet the minimum permanent capital standards or the interim permanent capital standards, as the case may be.

850.3 Mandatory Retirement

At the Board's discretion and subject to the Act, Regulations and any other restrictions (including minimum permanent capital standards), the Board may order the retirement of such amounts of Class A Preferred Stock or Class C Preferred Stock as it may determine in accordance with procedures which assure equitable treatment of all holders of Class A Preferred Stock or Class C Preferred Stock.

850.4 Retirement in the Event of Default

When the debt of a borrower is in default, the Association may, upon notice to such borrower, order the retirement of any Stock or Participation Certificates held by the borrower and the proceeds thereof applied against the borrower's indebtedness to Association, MidAm, PCA or MidAm, FLCA, as the case may be. Any such retirement and application of Stock or Participation Certificates shall be after similar retirement and application of surplus account allocations owned by the borrower.

855 Impairment

855.1 Any losses which result in an impairment of the Association's capital shall be borne ratably by, first, each share of Class B Common Stock and Class D Common Stock, and each unit of Class A Participation Certificates and Class B Participation Certificates outstanding; and second, each share of Class A Preferred Stock and Class C Preferred Stock outstanding. Notwithstanding this Section, Class B Common Stock and Class A Participation Certificates shall be retired in accordance with Section 4.9A of the Act.

855.2 Impaired Stock and Participation Certificates shall be restored in the reverse of the sequence set forth in Section 855.1 until each share of Stock and unit of Participation Certificates has a book value equal to the par value or face value, respectively.

860 Liquidation

In the event of a voluntary or involuntary liquidation of the Association, following the payment of all claims in accordance with the Act and Regulations, the remainder of the assets of the Association shall be distributed to the holders of Stock and Participation Certificates. In the event there are insufficient funds to pay the holders of Stock and Participation Certificates at par value, then distribution should be made in accordance with the priorities for impairment set forth in Section 855.1 of these Bylaws. In the event funds are sufficient to pay all holders of Stock and Participation Certificates at par value, any excess funds shall be distributed, insofar as practicable, to the holders of Class B Common Stock, Class D Common Stock, Class A Participation Certificates and Class B Participation Certificates in the proportion that the aggregate interest paid by each holder over the prior two years bears to the total interest paid by all holders of stock and participation certificates.

Indiana

Anderson
1-800-878-0195

Bluffton
1-800-477-4737

Columbia City
1-888-823-2719

Columbus
1-800-231-2747

Corydon
1-800-835-2501

Crawfordsville
1-800-875-5531

Evansville
1-800-345-2835

Franklin
1-800-327-5099

Greencastle
1-800-446-0306

Greensburg
1-877-850-6488

Huntingburg
1-800-752-7429

Kokomo
1-888-956-5666

Lafayette
1-888-232-9000

LaGrange
1-888-823-2718

Marion
1-800-327-9887

Martinsville
1-800-372-3276

Muncie
1-800-647-0299

Rensselaer
1-888-290-0936

Rochester
1-800-508-9873

Rushville
1-800-797-0002

Scottsburg
1-800-742-9930

South Bend
1-888-208-5603

Sullivan
1-800-952-6171

Valparaiso
1-888-212-5308

Vincennes
1-800-288-9348

Williamsport
1-888-898-3276

Kentucky

Bowling Green
1-800-264-0310

Campbellsville
1-800-880-2396

Danville
1-800-880-1114

Dry Ridge
1-800-880-6785

Elizabethtown
1-800-880-7288

Glasgow
1-800-880-9425

Grayson
1-800-880-6453

Hardinsburg
1-800-444-3276

Henderson
1-800-783-9776

Hopkinsville
1-800-489-5626

Lexington
1-800-880-2741

London
1-800-880-6598

Maysville
1-800-880-5931

Mt. Sterling
1-800-261-3071

Owensboro
1-800-844-1148

Shelbyville
1-800-880-1420

Somerset
1-800-880-4311

Ohio

Alliance
1-800-327-2551

Archbold
1-800-232-1660

Bellefontaine
1-800-589-6118

Cambridge
1-888-713-4293

Celina
1-800-953-8330

Circleville
1-888-515-5626

Delphos
1-800-522-7728

Eaton
1-800-686-4146

Lucasville
1-800-325-3086

Mansfield
1-888-200-1380

Oberlin
1-800-454-2072

Orwell
1-800-638-9390

Springfield
1-800-633-4135

Utica
1-800-937-6050

Versailles
1-800-206-3001

Washington CH
1-800-334-9325

Winchester
1-800-321-3013

Wooster
1-800-216-9651

Tennessee

Athens
1-423-745-1683

Columbia
1-800-665-9242

Cookeville
1-800-346-2190

Dandridge
1-800-524-0932

Dickson
1-800-227-7414

Dresden
1-800-346-2191

Greeneville
1-800-218-1040

Johnson City
1-800-444-3276

Knoxville
1-800-524-0931

Lawrenceburg
1-800-273-0260

Lebanon
1-800-765-7172

McMinnville
1-800-444-3276

Murfreesboro
1-800-444-3276

Oneida
1-800-226-7017

Ripley
1-800-635-5003

Shelbyville
1-800-444-3276

Somerville
1-800-469-2794

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1-800-894-9998

Tazewell
1-800-444-3276

Three Way
1-888-855-0631



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1-800-444-FARM

865 Lien

Except with respect to Stock or Participation Certificates held by other System institutions, each of Association, MidAm, PCA and MidAm, FLCA shall have a first lien on all Stock and Participation Certificates in the Association owned by its borrowers as additional collateral for any indebtedness of such borrower. Upon an Authorization Event, all Stock and Participation Certificates shall be pledged to MidAm, PCA or MidAm, FLCA, as the case may be, as additional collateral for any indebtedness of the borrower to MidAm, PCA or MidAm, FLCA, respectively. Stock and Participation Certificates may not be pledged or hypothecated to third parties.

870 Paid-In Surplus

The Association is authorized to receive paid-in surplus from the FCB in accordance with the Act and the Regulations.

875 Secondary Market Loans

Borrower Privacy at FCS

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 your consent. We do not sell or trade our customers' personal information to marketing companies or information brokers.

- FCS rules allow us to disclose information to others only in these situations:
 - We may give it to another Farm Credit institution that you do business with.
 - We can be a credit reference for you with other lenders and provide information to a credit bureau or other consumer reporting agency.
 - We can provide information in certain types of legal or law enforcement proceedings.

Involvement in your cooperative

One of the advantages of belonging to a cooperative is that by being a member, you have a voice in the organization. Because you own stock in Farm Credit, you have a say in how it is run. You, and more than 65,000 other members like you, can use the power of your vote to shape the course we will follow in the future, and elect the leadership of today.

Like most members, you may be content to exercise your membership privileges simply by voting in the annual election of directors and board members, as well as the occasional bylaw change that may be proposed. Look for ballot information in the mail in September.

If, on the other hand, you wish to become more actively involved in your FCS organization, there are a number of ways you may do so.

FCS Advisory Committee

The 800-plus members of our Advisory Committee serve as grassroots advisors to the Farm Credit Board of Directors. Acting on the local level, members meet quarterly to provide input. By serving as the eyes and ears of the Directors, the members of the Advisory Committee help direct the governance of the Farm Credit cooperative by making the concerns of the general membership known to its elected officials.

Contact your local Farm Credit office if you would like to become a part of the Advisory Committee.

875.1 Equity Retirement

On or after 12-01-96 no stock or participation certificate is required to be purchased as a condition for obtaining a 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 shall be subject to the equity requirement for loans as stated in bylaw 810.4(e) or 810.6(e).

875.2 Retirement

The Board is authorized to retire stock or participation certificates on those loans sold to a secondary market prior to 12-01-96 and on those loans designated for sale to the secondary market but not sold within the 180 day time period, provided however that the Association shall not retire such stock or participation certificates if the action would result in the failure of the Association to meet the minimum permanent capital adequacy standard established in the FCA regulations

- FCA examiners may review loan files during regular examinations of our association.
- If one of our employees applies to become a licensed real estate appraiser, we may give copies of real estate appraisal reports to the State agency that licenses appraisers when required. We will first remove as much personal information from the report as possible.

As a member/owner of this institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs.

Nominating Committee

Membership in the Farm Credit Services Nominating Committee demands that one be knowledgeable in the needs of the organization and a good judge of other peoples' abilities to serve those needs in an executive capacity. As a member of the Nominating Committee, your responsibility would be to select and place before the membership, candidates for election to the Farm Credit Board of Directors.

Call your local office if you're interested in being considered as a candidate for the Nominating Committee.

Board of Directors

The Board of Directors, whose responsibility is to govern Farm Credit Services, answers to the members of our cooperative. They are members elected to their office because they have demonstrated the ability to understand and direct the organization in the best interests of its membership. It's a position that demands leadership, hard work and a keen understanding of the rural financial marketplace.

If you have the abilities, the energy, the time and the desire to serve as a member of the Board and are interested in being considered as a potential candidate, please contact Dianna Ragan, the association's election officer at 502-420-3729. She will supply you with a recommendation form and a copy of the eligibility requirements.

Board of Directors/Leadership



Your Board of Directors (from left, seated) Wayne Specht, Sue Welch, Gordon Carter, David Bates, and Bert Holsapple. (from left, middle row) Bob Barton, Daryl Rowe, Roger Earley, Jimmie Tyson, Art Timberlake, and John A. Peterson. (from left, top row) Jimmy Mays, Ed Yanos, David Wilson, Barney Barnett, Daryl Greenfield, and Roger Robertson.

Executive Leadership Team

Donnie Winters
President and Chief Executive Officer

Paul Bruce
Senior Vice-President Accounting and Chief Financial Officer

Jim Garrison
Senior Vice President Credit

Jim Kenney
Senior Vice President Corporate Services

Phil Kimmel
Senior Vice President Business Development

David Lynn
Senior Vice President Financial Services

Dianna Ragan
General Counsel/ Corporate Secretary

Tom Schlenker
Senior Vice President Financial Services

Indiana

Gordon Carter
Chairperson
10910 N. CR 925 W
Gaston, IN 47342

Bert Holsapple
6565 East Weeks Rd.
Orleans, IN 47452

Art Timberlake
11550 River Rd., SW
Mauckport, IN 47142

Ed Yanos
Vice Chairperson
8839 S. 675 E
Cambridge City, IN 47327

Ohio

Roger Earley
5741 Runk Lane
Hillsboro, OH 45133

John A. Peterson
500 W. Fork Rd. NW
Washington Court House, OH
43160

Wayne Specht
3680 Bair Road NW
Dover, OH 44622

David Wilson
10485 County Rd. 10
East Liberty, OH 43319

Kentucky

Bob Barton
4095 Huffman Mill Rd.
Lexington, KY 40511

David Bates
894 Pecan Lane
Shepherdsville,
KY 40165

Daryl Greenfield
455 Butler Rd.
Elkton, KY 42220

Jimmy Mays
199 Cemetery Rd.
Scottsville, KY 42164

Tennessee

Roger Robertson
539 County Rd. 422
Englewood, TN 37329

Daryl Rowe
174 Jarrett Rd.
Limestone, TN 37681

Jimmie Tyson
315 Providence Road
Denmark, TN 38391

Sue Welch
Secretary
268 Patrick Road
Fayetteville, TN 37334

Outside Director

Barney Barnett
1175 McMakin Rd.
Shelbyville, KY 40065