



# Farm Credit Services OF MID-AMERICA

2004 Annual Report  
**Creating Value for Our Members**



A sunset scene with a large, bright yellow sun in the center-right. The sky is a mix of orange and red. In the foreground, there are dark silhouettes of industrial structures, including a tall tower with a lattice of beams and a large cylindrical tank. The overall mood is serene and industrial.

## **Mission**

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

## **Vision**

To be the lender and employer of choice  
in our marketplace

## **Values**

Integrity, respect, commitment, customer focus,  
high performance and team focus

## Bringing value to our members today and in the future

Farm Credit Services of Mid-America welcomed 9,230 new member-owners to our association in 2004. We are proud to provide them and the other 60,000 members more than \$8.2 billion in financing for farming and rural living purposes. That is an increase of nearly \$800 million during 2004 which is an extraordinary confirmation of the value your member-owned cooperative brings to our four-state marketplace.

Another significant accomplishment for your association was staff getting closer with the farm market. As the year ended, Farm Credit celebrated a 9.4 percent rate of growth overall, but more important we grew the volume related to serving the full-time farm market by 5.8 percent. This is a substantial improvement over 2003 when that segment growth was less than one-half percent.

The improvement reflected the commitment of the entire organization setting out to create change that called for:

- greater diligence in looking at ways to serve members and applying judgment on loan requests that goes beyond numbers,
- leaving no stone unturned in terms of identifying and understanding every farm customer within our territory, and
- employing new tools to serve the market better.

Growth in other market segments was impressive as well. The part-time farm segment grew 10.4 percent, driven strongly by our continuing inroad in making residential loans to members with part-time farm income. The agribusiness portfolio was up 22.3 percent, pushing past the \$1 billion mark as more and more processors and other entities found Farm Credit to be a great financial partner. The rural home segment improved 4.1 percent, a strong indicator that FCS continues to bring value to those wanting to enjoy the rural lifestyle.

In addition to growing in every market segment, we booked \$1.7 billion in new loan volume, the second highest amount in our history and overall credit quality improved to 1.57 percent adverse, the very lowest since our association was formed.

We also achieved a 0.91 percent net operating rate in 2004 – again leading the AgriBank district in productivity and efficiency. This level of net operating rate underscores our commitment to deliver value to you, our customers, even with the fact that we have more small loans than any other association in the country.

These remarkable results are punctuated with the every day efforts of a board and staff that are committed to their members and to being part of a company with high standards and strong values. Our mission, vision and values – outlined on the adjacent page – act as our moral compass for the way we work and interact with our co-workers, our members and our community.

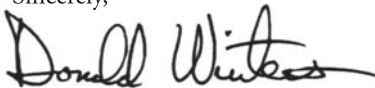
The focus on integrity is not new to Farm Credit and we took several steps during 2004 to protect our members' information and privacy. All employees have signed agreements pledging to maintain customer confidentiality and adhere to security standards designed to protect our technology systems and databases. In addition to the Standards of Conduct, the board has adopted a fraud awareness policy that applies to the board and all staff and has implemented a Code of Ethics that will be followed by all directors, leaders, financial professionals and internal auditors. And, we have implemented EthicsPoint on our Web Site enabling staff and others to anonymously report concerns about possible fraud.

We cannot forget that 2004 will be remembered as the time a Farm Credit association shocked the Farm Credit System by announcing a proposed merger with a foreign bank. That issue challenged the very heart of what we're about – which is bringing value to our cooperative membership and serving agriculture and rural America.

In many ways, it was an opportunity for us to remember why we're in business– to deliver high quality service at the best possible price. The member response to our mission– measured in terms of new growth and the rallying cry from member-owners to protect and preserve the cooperative system– is a vote of confidence in our collaborative efforts.

Thank you for another outstanding year and for your continued patronage and membership.

Sincerely,



Donald Winters  
President and Chief Executive Officer



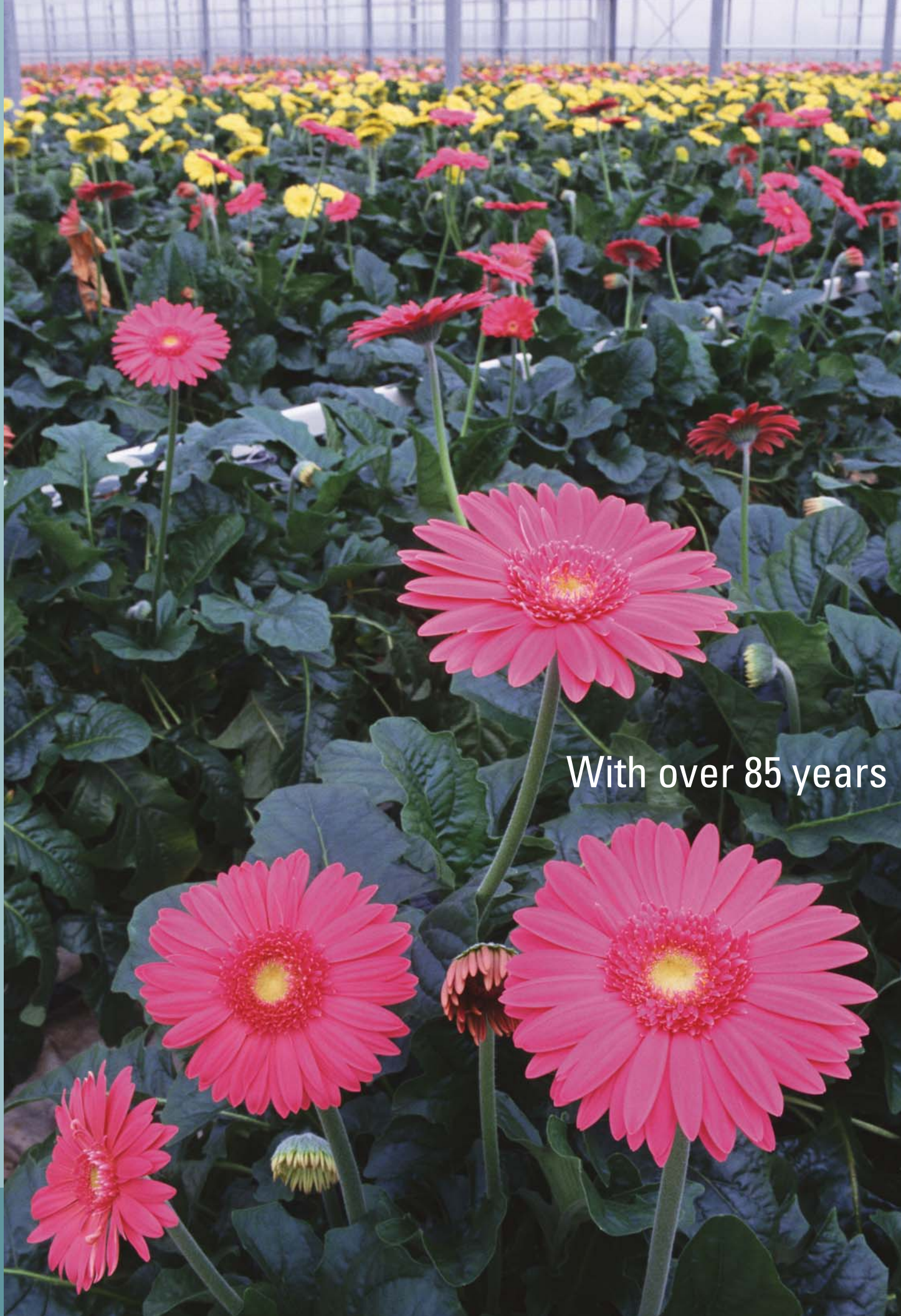
Robert Barton  
Chairman, Board of Directors



Donald Winters



Robert Barton



With over 85 years

While most businesses may claim to have a commitment to customer service, at Farm Credit Services of Mid-America, that commitment is ingrained in our culture— not by a directive from management, but from a deep, personal knowledge of agricultural life and over 85 years experience in rural financing.

Agricultural families don't merely require loans, they want a relationship— a partnership based on understanding, trust and mutual respect. As a testament to its service commitment, Farm Credit overcame a trend of lost business in the full-time farm segment by increasing our volume 5.8 percent in 2004.

But more important, in a survey of over 1,000 members, over 92 percent expressed satisfaction and answered that Farm Credit met or exceeded their expectations. That endorsement comes from our understanding that America's success depends upon the success of its rural communities and the success of the agricultural producers who live and work in those communities.

In 2005 and beyond, the focus will be to enhance our service by increasing staff and fostering relationship-based training for employees. We will strive to win the business of new members, and to examine and re-examine credit policies to ensure we continue to meet and exceed the needs of our members.

experience in ag financing, we understand the value of building relationships with our customer-members.

**“Building relationships with my customers is important to me. I guess I’ve closed as many loans over the kitchen table as I have anywhere. It’s all about trust.”**

*Gary French*



Gary is a Financial Services Officer in the Springfield, Tennessee office and has been with Farm Credit for 33 years. Gary is shown here standing with the Van der Hengst family, owners of South Central Growers, a nursery in northern Tennessee. Pictured are Sarah and Ron Van der Hengst with son Will, Maryka and Willem Van der Hengst and Alex and Rebekah Van der Hengst with daughter Mary Kate (on Willem's lap).

**“The Executive Institute provided an opportunity for me to hear the experiences of other young producers who face some of the same issues I do. The curriculum also gave me the tools and perspective to examine our operation a business. The lessons I learned will be invaluable in the years to come.”**

*Kevin Kelley*



Kevin is a 35-year-old farmer who, along with his family, operates a 2,400-acre corn and soybean operation near Lafayette, Indiana. He is a graduate of the first class of the Executive Institute for Commercial Producers, a management program developed by Farm Credit and Purdue University.

At Farm Credit, we believe it is critical to predict and understand the changing needs of agriculture and rural communities. What demographic group is more valuable to this understanding than young and beginning farmers?

You can depend on Farm Credit to support organizations such as FFA, 4-H and other young farmer groups. In 2004, we provided over \$250,000 in financial support as well as countless hours of staff time and resources to farm and youth organizations.

Another way we are fostering dialogue and interaction with young farmers is through the Executive Institute for Commercial Producers. Established in partnership with Purdue University, the program was created for younger, innovative producers and focused on management skills and networking among peers. Today this program is used at extension offices across the country.

In late 2004, we launched several programs designed for young and beginning farmers including offering special underwriting standards, FSA loan guarantee reimbursement and continuing education reimbursement. We feel a responsibility to help make sure the next generation is ready to receive the torch.

Our association has also joined with other Farm Credit associations across the nation to explore ways and means to enhance the quality of life in rural America. This long-range planning effort is called HORIZONS, and is specifically aimed at monitoring changing conditions to ensure we continue to meet the needs of future agricultural families.

**The way it's done today, might not be the way of tomorrow. At FCS, we have a commitment to**

*Farm Credit made over 5,800 home loans to new members in 2004. We'd like to say 'welcome' and hope that you are enjoying a lifestyle that generations of members have learned offers a better way of living.*



the next generation of members.



Providing our members

**“When we wrote the requirements for our new loan origination and processing system, the most important aspect was getting input from the sales staff to make sure their needs and their members’ needs would be met.”**

*Janice Smith*

Janice has been with Farm Credit for 24 years and is Director of Consumer Loan Underwriting. She is one of many team members who wrote and designed processing systems that enable staff to deliver products and services to customer-members with greater efficiency.



**with state-of-the-art conveniences is possible because of our strong commitment to the latest equipment and technology.**

*There are over half a million acres of cotton grown in our territory, primarily in Western Tennessee. Many of those cotton growers turn to FCS for financing their operations.*

In the twenty-first century, efficiency of financial relationships is gauged by technological capabilities. We continue to develop and deliver systems that make the loan process more seamless.

A new custom software application was introduced in 2004, facilitating easier access to member and loan information for the purpose of advancing loan funds and receipting payments. The application paves the way for integrating this function with other loan origination and customer servicing activities, improving the quality of how financial transactions are applied.

Also in 2004, Farm Credit raised credit scoring lending limits to \$250,000 for all types of farm loans, enabling us to deliver funds to members efficiently and quickly. Our staff can now spend more time making field visits, building relationships and growing the business of both Farm Credit and our member.

During the year, much time and effort was spent designing a new system which will provide basic loan servicing functionality, with a goal of using an integrated, real time database so that staff will be better equipped to service our members. The system will be launched in mid-2005.

Another major initiative in 2005 involves rolling out two new loan origination systems, combining such functions as appraisals and document preparation, which will provide more efficient loan processing and faster closings.

Lewis is Vice President - Agribusiness and has been with Farm Credit for 27 years. He, along with many others at Farm Credit, has worked with the extension, universities and legislators in delivering the tobacco buyout program specifics to members and tobacco farmers.



**“The tobacco buyout program is more complex than merely taking a lump sum or opting for a 10-year payout. We’re trying to make farmers aware of all their choices and the financial ramifications of each.”**

*Lewis Furnish*

## Continuously searching for innovative ways

At Farm Credit, we continuously strive to refine our products and services to provide cooperative members the highest value. In 2004, daily loan pricing was implemented, saving members nearly \$20 million annually in funding costs.

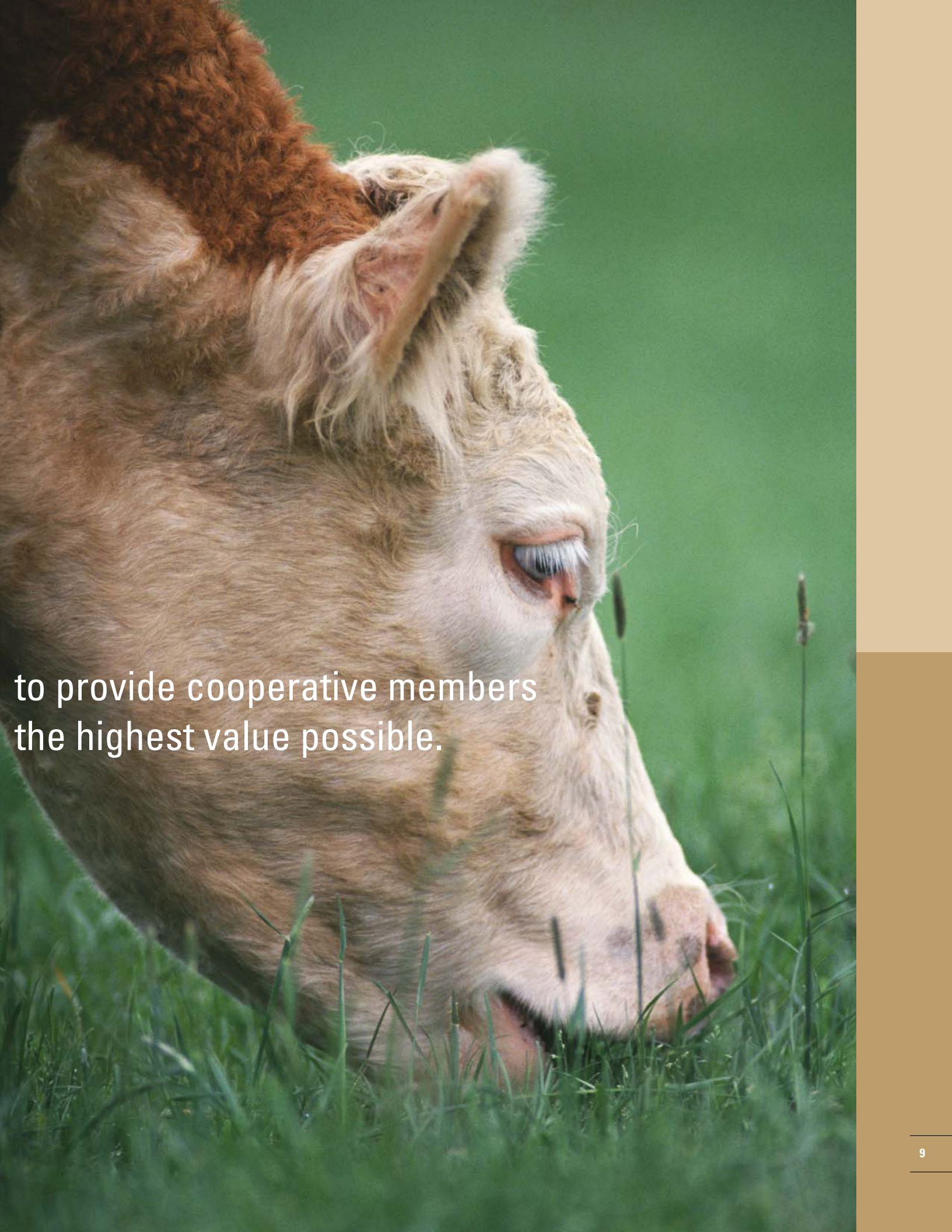
Saving members money pays dividends to the association. Our zero percent interest for 90 days is a prime example of mutual benefit. This initiative grossed \$103 million in equipment and capital financing in 2004.

Providing much needed risk protection for members through crop and life insurance programs resulted in a 6.5 percent increase in life insurance income and a 12 percent increase in crop insurance income (up to \$1.4 million in 2004).

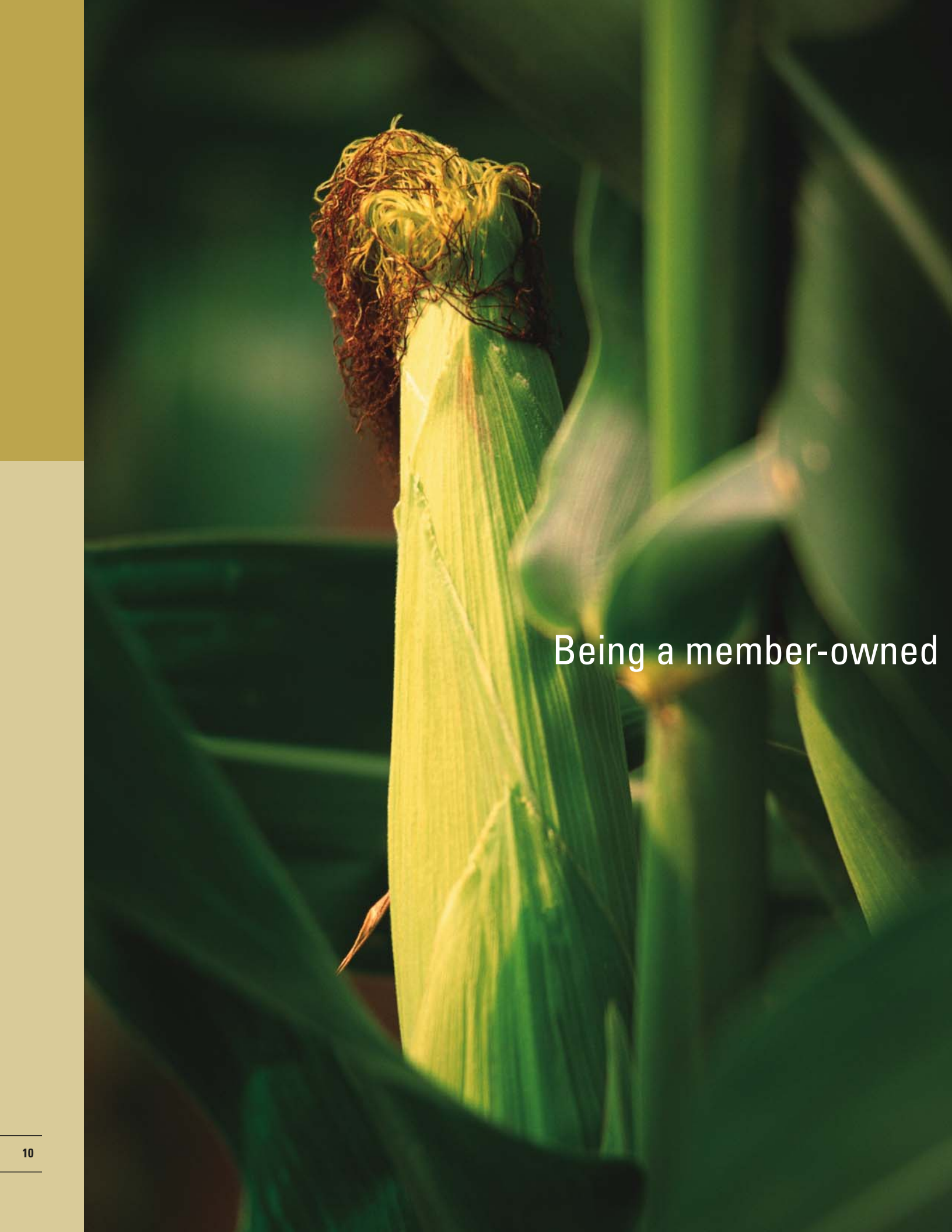
Late last year, we introduced Country Line, a revolving equity line for part-time farmers. Country Line offers fixed rate segments and disbursement card access, innovations that offer freedom and flexibility. On the day of its introduction, there were 19 applications for nearly \$1 million— testimony to its value to our members.

Since tobacco is the primary enterprise for many of our members, we have made efforts to analyze and understand the federally supported tobacco buyout and its ramifications and are prepared to offer counseling and advice to enable members to maximize the benefit of the program.

*Kentucky is the largest cattle producing state east of the Mississippi River and is home to over a million beef cows. This enterprise represents over 12 percent of the association’s loan assets.*



to provide cooperative members  
the highest value possible.



Being a member-owned

**“With all the consolidation in the lending industry today, I think cooperatives are more important than ever. Farmers need to be in a position to influence policy.”**

*Don Lamb*

Don owns and manages a farm near Lebanon, Indiana and raises specialty corn, popcorn, seed beans and soybeans. He is a member of both the Advisory and Nominating Committees. He is shown with Dustin Bernhardt (on right), Financial Services Officer from Crawfordsville.



**cooperative with opportunities for hands-on member participation in decision-making, assures that we understand the needs of today's farmers.**

Farm Credit is a member-owned cooperative with a unique structure that ensures a genuine commitment to the quality of life in rural America. There are more than 69,000 members of the cooperative, sixteen of whom are intricately involved in the leadership and decision-making process by serving on the association's Board of Directors.

The board uses an 800-plus member Advisory Committee as the grass roots “eyes and ears” of the association. The Nominating Committee is responsible for the selection of top-flight, appropriate candidates to serve on the board and future nominating committees.

Our cooperative structure and stockholder control, coupled with Farm Credit's capital strength, help guarantee that savings and value are passed along to the member-customer through lower interest rates and valuable products and services. Moreover, member involvement ensures that investment is channeled in such ways to actually help members do business more conveniently.

In summary, our mission is to provide reliable and competitive credit to agribusinesses, farmers and rural residents. We take that mission seriously and believe the best way to fuel association growth is to deepen relationships with existing members and to continually reach out to bring a wider base of rural America into the Farm Credit family.

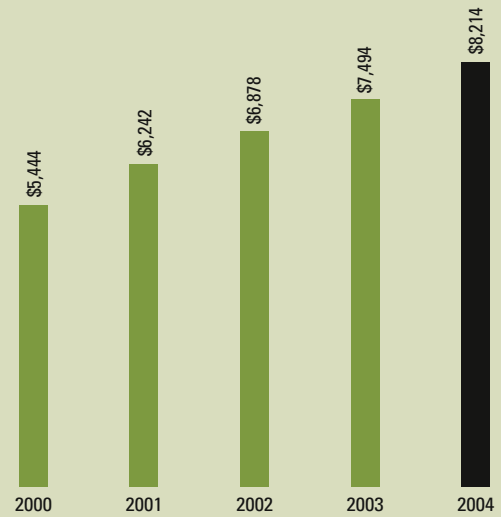
For a brochure on how you can become involved in your Farm Credit cooperative, call your local office at 1-800-444-3276.

## Financial Highlights

Total loan volume topped \$8 billion in 2004, representing a 9.6 percent increase from the previous year (9.4 percent including interest receivable and operating lease volume). The association's credit quality was a record 98.4 percent acceptable and special mention, an improvement over 2003 when credit quality was 98.1 percent. Additionally, our trend in the reduction of non accrual volume and improvement in overall portfolio quality shows we are not only counseling members today, but helping them move forward to the future.

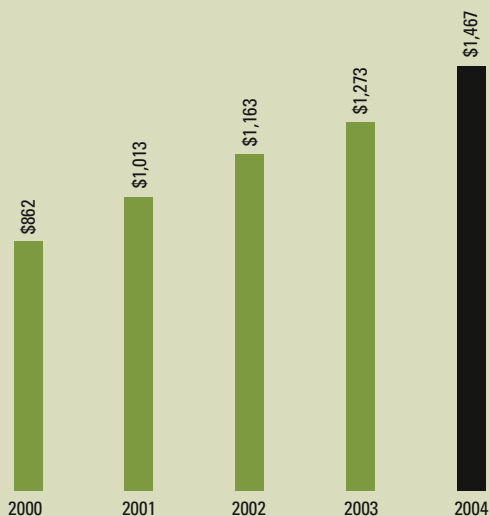
### Loan Volume

Dollars in millions



### Capital

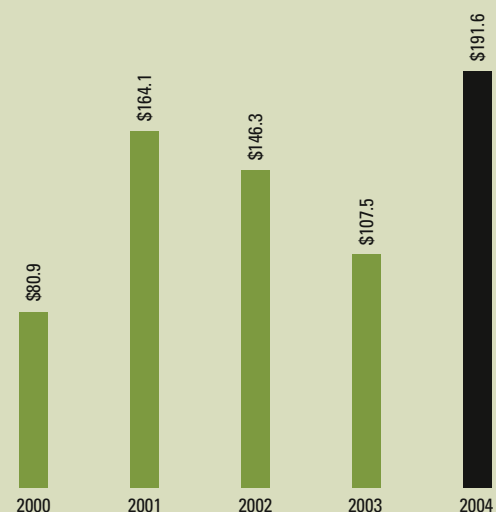
Dollars in millions



The association's capital increased 15.2 percent in 2004, while permanent capital as a percent of risk adjusted assets continued to remain above 15 percent. The increase in capital was aided by a net reversal to the provision for loan losses of \$94.6 million. Preserving capital allows us to amass resources to serve the market, bring forward new products and programs, price loans aggressively and weather financial adversity.

### Earnings

Dollars in millions



The reversal of allowance for loan losses mentioned above resulted in increased earnings in 2004. While the loan loss methodology was revised and resulted in an addition to capital, it has minimal impact on the risk-bearing capacity of the association. Our ability to withstand adversity and meet our members' needs has not changed.



## 2004 Annual Report to Member-Owners

## Consolidated Five-Year Summary of Selected Financial Data

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

	2004	2003	2002	2001	2000
<b>STATEMENT OF CONDITION DATA</b>					
Loans	\$8,214,335	\$7,493,738	\$6,878,426	\$6,241,518	\$5,444,490
Allowance for loan losses	21,139	119,105	113,683	106,570	100,897
Net loans	8,193,196	7,374,633	6,764,743	6,134,948	5,343,593
Investment in AgriBank, FCB	220,225	220,225	220,225	188,817	188,817
Other property owned	1,839	999	663	2,454	691
Other assets	253,597	246,603	261,925	355,274	297,168
Total assets	\$8,668,857	\$7,842,460	\$7,247,556	\$6,681,493	\$5,830,269
Obligations with maturities of one year or less	\$7,194,477	\$6,561,218	\$6,076,112	\$5,664,546	\$4,964,509
Obligations with maturities greater than one year	7,030	7,835	8,575	3,754	3,806
Total liabilities	7,201,507	6,569,053	6,084,687	5,668,300	4,968,315
Protected members' equity	31	43	59	86	491
Capital stock and participation certificates	60,937	58,596	55,585	52,138	64,580
Allocated surplus	—	—	—	—	—
Unallocated surplus	1,406,382	1,214,768	1,107,225	960,969	796,883
Total members' equity	1,467,350	1,273,407	1,162,869	1,013,193	861,954
Total liabilities and members' equity	\$8,668,857	\$7,842,460	\$7,247,556	\$6,681,493	\$5,830,269
<b>STATEMENT OF INCOME DATA</b>					
Net interest income	\$ 165,528	\$ 161,625	\$ 149,265	\$ 129,802	\$ 118,575
(Reversal of) provision for loan losses	(94,594)	4,567	9,988	8,631	10,536
Patronage and dividend income	21,285	18,492	56,844	26,618	31,314
Other expense, net	66,065	60,159	43,443	31,274	51,608
Provision for (income from) income taxes, net	23,728	7,848	6,422	(47,571)	6,815
Extraordinary item	—	—	—	—	—
Net income	\$ 191,614	\$ 107,543	\$ 146,256	\$ 164,086	\$ 80,930
<b>KEY FINANCIAL RATIOS</b>					
Return on average assets	2.4%	1.4%	2.1%	2.7%	1.5%
Return on average members' equity	14.4%	8.8%	13.7%	18.4%	9.9%
Net interest income as a percentage of average earning assets	2.1%	2.3%	2.3%	2.2%	2.4%
Members' equity as a percentage of assets	16.9%	16.2%	16.0%	15.2%	14.8%
Net charge-offs (recoveries) as a percentage of average loans	—	—	0.2%	0.2%	(0.1%)
Allowance for loan losses as a percentage of loans	0.3%	1.6%	1.7%	1.7%	1.9%
Permanent capital ratio	15.2%	15.2%	15.4%	14.1%	14.5%
Total surplus ratio	14.5%	14.4%	14.6%	13.3%	13.4%
Core surplus ratio	13.6%	13.1%	12.7%	11.1%	10.7%

No income was distributed to members in the form of dividends, stock or allocated surplus during the five years presented.

## Management's Discussion and Analysis

### Farm Credit Services of Mid-America, ACA

(Dollars in thousands, except as noted)

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of Mid-America, ACA and its subsidiaries and provides additional specific information. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations.

### LOAN PORTFOLIO

Loan volume totaled \$8,214,335 at December 31, 2004. The changes in loan volume for the last two years were as follows:

Change in loan volume	2004 vs. 2003		2003 vs. 2002	
Accrual				
Mortgage	\$554,988	9.4%	\$573,155	10.7%
Commercial	166,300	11.0%	61,421	4.2%
Nonaccrual	(691)	(1.3%)	(19,264)	(26.1%)
Total loans	\$720,597	9.6%	\$615,312	8.9%

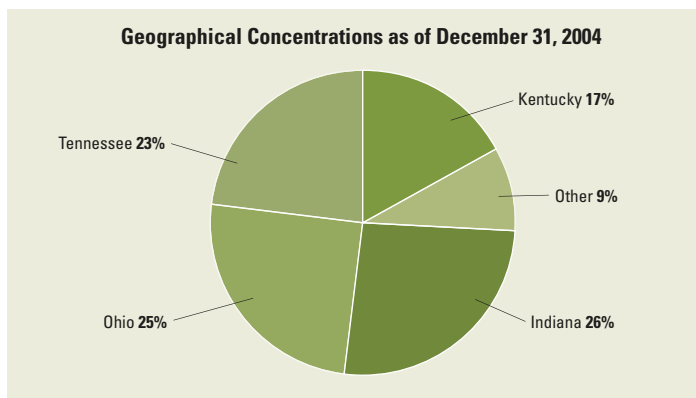
Loan volume during 2004 grew as a result of being more successful in penetrating the full-time farmer market; continuing our strong growth in making residential loans to part-time farmers; expanding our AgriBusiness participation lending programs; and continuing modest growth in the rural home segment.

Increases in lending activity can be attributed to overall profitable conditions for farmers; continued attractive interest rates; and farmers' desires to upgrade and improve equipment and operations. In agricultural consumer markets, the growth during 2004 was a factor of continuing demand for customers near urban areas to seek living space in the country, be it a home or small farm. The market continues to be driven by favorable interest rates and strong employment in our territory.

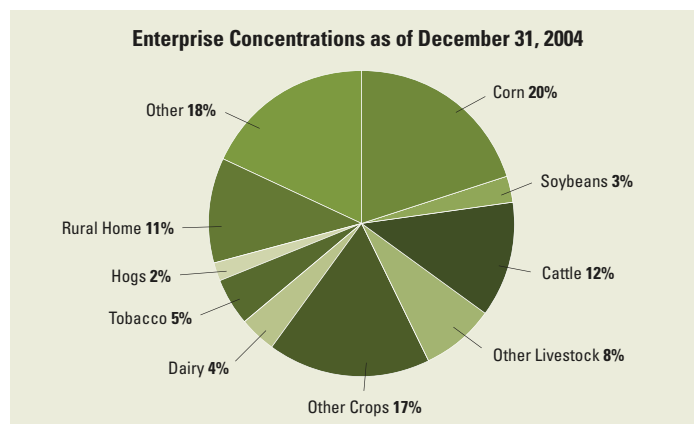
### Portfolio Distribution

The commercial loan portfolio shows some seasonality. These loans are normally at their lowest levels during the winter months because of operating repayments following harvest. They then increase throughout the year as farmers borrow for operating and capital needs.

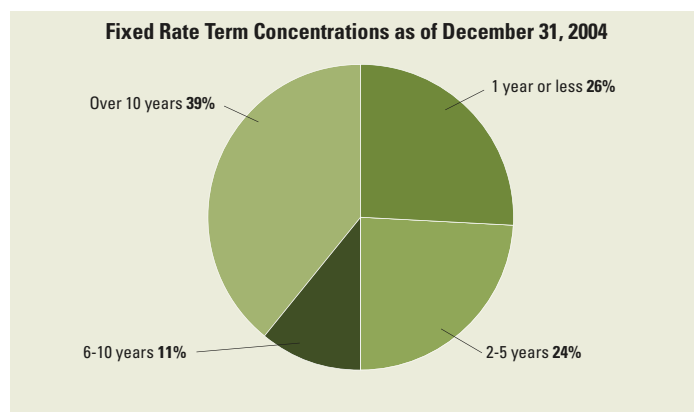
Our loan volume is distributed geographically as illustrated in the following chart:



The following chart depicts our loan volume by enterprise concentration:



We offer customers a broad spectrum of interest rate products. Those options include monthly variable, indexed adjustable, mid-range fixed and long-term fixed rates that provide interest rate security. The portfolio is broken down below based upon the remaining fixed rate term of the loans.



### Economic Conditions

The general economy is expected to have grown 4.4% in 2004, which is the strongest growth since 1999. Growth in 2005, is not expected to match that pace, but is expected to be a healthy 3.5% to 4.0%. Unemployment is expected to edge down to 5.3% in 2005 and inflation is expected to remain low (2.1%). Fed funds are expected to increase to 3.25% by the end of 2005 and long-term rates will also rise gradually.

Land and home values have continued to increase and we expect this trend to continue, but at a slower pace of increase as interest rates rise.

Agricultural earnings in 2004 were very good for most types of farm enterprises. The outlook for 2005 is mixed based on good to strong prices for meats and dairy products and low prices for crops. The government program is expected, however, to continue to provide an adequate buffer for low crop prices.

We don't expect to experience challenges in our portfolio in 2005 due to changes in commodity prices because of continued profit opportunities for most enterprises and because of the strong balance sheets most farmers have at this time.

## Management's Discussion and Analysis, cont.

### Farm Credit Services of Mid-America, ACA

(Dollars in thousands, except as noted)

#### Analysis of Risk

The following table summarizes risk assets (accruing volume includes accrued interest receivable) and delinquency information:

As of December 31	2004	2003	2002
Loans:			
Accruing restructured	\$ 1,700	\$ 2,975	\$ 3,693
Past due 90 days or more still accruing	730	43	245
Nonaccrual	53,896	54,587	73,851
Total risk loans	56,326	57,605	77,789
Other property owned	1,839	999	663
Total risk assets	\$58,165	\$58,604	\$78,452
Risk loans as a % of total loans	0.7%	0.8%	1.1%
Total delinquencies as a % of total loans	0.6%	0.6%	0.7%

Based on our analysis, loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection.

The volume of nonaccrual loans remained at an acceptable level at December 31, 2004 and represented 0.7% of our total portfolio. At December 31, 2004, 68.6% of our nonaccrual loans were current.

The credit quality of our portfolio rose during 2004. Adversely classified loans decreased from 1.9% of the portfolio at December 31, 2003 to 1.6% of the portfolio at December 31, 2004. Adversely classified loans are loans that we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, we use various government guarantee programs to reduce the risk of loss. At December 31, 2004, \$57,018 of our loans contained some level of guarantee under these government guarantee programs.

#### Analysis of the Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as:

- Loan loss history
- Portfolio quality
- Current economic and environmental conditions

We, along with other Farm Credit System institutions, conducted a study during 2004 to further refine our allowance for loan loss methodology taking into account recently issued Farm Credit Administration requirements, as well as the Securities and Exchange Commission and Federal Financial Institutions Examination Council guidelines. As a result of this analysis, we significantly reduced our allowance for loan losses during the fourth quarter of 2004, resulting in a net reversal of provision expense of \$94.6 million for the year ended December 31, 2004.

Unusually adverse economic factors affecting American agriculture had a severe impact on the financial condition of our borrowers in the mid-to-late 1980s. Consequently, we experienced significant deterioration in the credit quality of our loan portfolio during this period. Consistent

with the trend of portfolio credit quality deterioration and resulting net chargeoffs, significant loan loss provisions were recorded and resulted in an allowance for loan losses which represented a level considered adequate by management to provide for estimated losses inherent in the loan portfolio.

Our allowance for loan loss methodology was adjusted and revised in the late 1980s to take into account recent credit losses. Given the long cyclical nature of the agricultural economy, loss factors utilized to determine the allowance for loan losses subsequent to 1989 continued to reflect, to some extent, the loss history of the mid-to-late 1980s, which resulted in a conservative estimate of the allowance for loan losses. The allowance for loan losses methodology utilized throughout the period was in accordance with generally accepted accounting principles and was consistently applied.

While conservative in estimating the allowance for loan losses on the statement of condition, the methodology used over the periods resulted in annual provisions for loan losses in the statement of income that reflected changes in credit quality, loss experience and loan volume growth. Accordingly, the reserves provided in the mid-to-late 1980s had, in effect, remained as part of the allowance for loan losses. The allowance for loan losses methodology has consistently adhered to proper accounting policies, under the regulatory supervision of the Farm Credit Administration in its role as a "safety and soundness" regulator. It was the Farm Credit Administration's view that the allowance for loan losses methodology should include an assessment of probable losses, historical loss experience, economic conditions and other factors.

Accounting for loan loss allowances has recently been a particular area of focus for Bank regulators, the Securities and Exchange Commission and for those that set the accounting industry standards. The Farm Credit System is not subject to oversight by the Securities and Exchange Commission or various banking regulators. Of particular relevance to the Farm Credit System are the views of the American Institute of Certified Public Accountants and the Farm Credit Administration. The guidance proposed by those setting the accounting standards and issued by the other regulators in recent years focused on the determination of the allowance for loan losses based on current loss experience rather than a more historical view of loss experience. Thus, in November 2003, Farm Credit System institutions determined that studies should be conducted during 2004 to further refine the methodologies for calculating allowances for loan losses.

In April 2004, the Farm Credit Administration, the Farm Credit System's regulator, issued an "Informational Memorandum" to Farm Credit System institutions regarding the criteria and methodologies that would be used in evaluating the adequacy of a Farm Credit System institutions' allowance for loan losses. The Farm Credit Administration endorsed the direction provided by other bank regulators and the Securities and Exchange Commission and indicated the conceptual framework addressed in their guidance would be included as part of their examination process.

We, along with other Farm Credit System institutions, completed our study during the fourth quarter of 2004 and refined our methodologies to be consistent with the guidance in the preceding paragraph. The methodology refinement resulted in a calculated allowance for loan losses that was significantly less than the previously recorded

balance due to revised loss factors that are more indicative of actual loss experience in recent years and current borrower analysis. The factors considered in determining the revised level of allowance for loan losses is based on recent historical charge-off experience adjusted for relevant environmental factors.

Comparative allowance coverage of various loan categories follows:

As of December 31	2004	2003	2002
Allowance as a percentage of:			
Loans	0.3%	1.6%	1.7%
Nonaccrual loans	39.2%	218.2%	153.9%
Total risk loans	37.5%	206.8%	146.1%
Net charge-offs (recoveries) as a percentage of average loans	—	—	0.2%
Adverse assets to risk funds	10.1%	11.7%	15.3%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in the loan portfolio at December 31, 2004. The allowance as a percentage of loans, as a percentage of nonaccrual loans and as a percentage of risk loans as of December 31, 2004 declined as a result of the reduction of the allowance for loan losses during the fourth quarter of 2004 under the refined methodology. This reversal of allowance for loan losses moves the long-term inherent risk of lending out of the allowance for loan losses and into surplus. The ratio of adverse assets to risk funds was not negatively affected by the allowance change because the ratio represents the amount of adverse assets divided by the sum of the allowance for loan losses and permanent capital.

#### Young, Beginning and Small Farmers and Ranchers

The Board of Directors has approved a policy to serve the credit and related needs of young, beginning and small farmers and ranchers in our territory. The definitions of young, beginning and small farmers and ranchers follow:

- Young: A farmer, rancher, producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher, producer or harvester of aquatic products who normally generates less than \$250 thousand in annual gross sales of agricultural or aquatic products.

Management has developed a young, beginning and small farmer and rancher program that provides sound and constructive credit through standard or special programs targeted to this group.

The goal of the young and beginning farmer program is to maintain the percentage that young farmers represent of the total farm customers in our portfolio at a level equal to or higher than this percentage in the area we serve, according to the most recent USDA Census Data.

The goal of the small farmer program is to maintain the percentage that small farmers represent of the total farm customers in our portfolio at 60% or higher. We have also set a goal of 20% or more of new loans or leases closed to farm customers in a calendar year will be to young or beginning farmers.

In 2004, there were 15,295 young farmers, 21,205 beginning farmers and 44,068 small farmers in our portfolio. These numbers surpass the goals as follows:

	% of Customer Base	
	Actual	Goal
Young	28.1%	6.3%
Beginning	39.0%	26.8%
Small	81.0%	60.0%
New Young	24.7%	20.0%
New Beginning	32.3%	20.0%

It is the responsibility of the President and Chief Executive Officer or his designee for development of appropriate standards and procedures to support implementation of this policy and special programs approved by the Board of Directors. The Board of Directors reviews the ongoing adequacy of this policy at least annually.

In late 2004, we unveiled a new young, beginning and small farmer and rancher program with four components:

- Special underwriting program for young and beginning farmers
- FSA loan guarantee reimbursement of 50% for young or beginning farmers
- Expanded lending authority for small, part-time farmers who want to use their agricultural assets to purchase non-farm businesses in rural areas
- Reimbursement of up to \$500 dollars (one time only) to young or beginning customers who attend business, production, financial management or agricultural leadership development programs that will help them in their farm business

Results of this new program will be made available in the 2005 Annual Report, published in March, 2006.

#### Additional Loan Information

Additional loan information is included in Note 3, Note 13 and Note 14.

### RESULTS OF OPERATIONS

The following table illustrates profitability information:

For the year ended December 31	2004	2003	2002
Net income	\$191,614	\$107,543	\$146,256
Return on average assets	2.4%	1.4%	2.1%
Return on average members' equity	14.4%	8.8%	13.7%

Changes to our return on average assets and return on average members' equity related directly to the changes in income as discussed below, to the changes in assets discussed in the Loan Portfolio section, and to the changes in members' equity discussed in the Capital Adequacy section.

## Management's Discussion and Analysis, cont.

### Farm Credit Services of Mid-America, ACA

(Dollars in thousands, except as noted)

The following table summarizes the changes in components of net income:

	2004 vs. 2003	2003 vs. 2002
Increase (decrease) in net income		
Net interest income	\$3,903	\$12,360
Provision for loan losses	99,161	5,421
Patronage and dividend income	2,793	(38,352)
Financially related services and miscellaneous income, net	(630)	(180)
Operating expenses	(5,276)	(16,536)
Provision for income taxes	(15,880)	(1,426)
Total change in net income	\$84,071	(\$38,713)

#### Net Interest Income

Net interest income was \$165,528 for the year ended December 31, 2004. The following table quantifies changes in net interest income:

	2004 vs. 2003	2003 vs. 2002
Changes in net interest income due to		
Changes in volume	\$16,098	\$18,382
Changes in rates	(9,191)	(2,725)
Changes in nonaccrual and other income	(3,004)	(3,297)
Net change	\$3,903	\$12,360

Net interest income included income on nonaccrual loans that totaled \$5 million in 2004, \$7 million in 2003, and \$9 million in 2002. Nonaccrual income is recognized when:

- Received in cash
- Collection of the recorded investment is fully expected, and
- Prior charge-offs have been recovered

Net interest margin (net interest income divided by average earning assets) was 2.1% in 2004, 2.3% in 2003 and 2002. The decrease in net interest margin is due to less income on nonaccrual loans and lower loan spreads in 2004.

#### Provision for Loan Losses

The change in the provision for loan losses includes a significant fourth quarter 2004 reversal resulting from a refined allowance methodology, as discussed further in the Loan Portfolio – Analysis of the Allowance for Loan Losses section as well as Note 4. This resulted in a net reversal to the provision expense for loan losses of \$94.6 million for the year ended December 31, 2004.

#### Patronage and Dividend Income

We received patronage income based on the average balance of our note payable to AgriBank, FCB. AgriBank, FCB's Board of Directors sets the patronage rate. We recorded patronage income of \$18,919 in 2004, \$15,264 in 2003, and \$18,120 in 2002. Changes in the patronage rate and, to a lesser extent, changes in our note payable to AgriBank, FCB caused the variances in the patronage income amounts. The patronage rates paid by AgriBank, FCB were 28.3 basis points in 2004, 24.8 basis points in 2003, and 32.0 basis points in 2002.

Beginning January 1, 2003, we also received from AgriBank, FCB a component of patronage referred to as equalization. The quarterly average balance of our preferred stock investment in AgriBank, FCB is used to determine this amount. AgriBank, FCB's Board of Directors sets the equalization rate. The targeted rate equals the average cost of funds for all associations as a group. Equalization income totaled \$2,366 for 2004 and \$3,228 for 2003. Prior to 2003, we received dividends on our entire AgriBank, FCB investment. Dividend income totaled \$7,316 in 2002. We did not receive dividend income in 2004 or 2003, nor do we expect to in future years.

In addition, in December of 2002 and prior to the AgriBank, FCB merger discussed in the Relationship with AgriBank, FCB section, we recorded a special stock patronage refund of \$31,408 from AgriBank, FCB. This refund represented our share of a one-time, \$100 million distribution to provide greater surplus equalization between shareholders of AgriBank, FCB and AgAmerica, FCB. The distribution was based on the average balance of our note payable to AgriBank, FCB measured over a three-year period ending December 31, 2001.

#### Financially Related Services and Miscellaneous Income, Net

The decline in financially related services and miscellaneous income, net is primarily due to lower operating lease income, lower loan prepayment fee income and lower revenue related to liability insurance. These decreases were partially offset by an increase in commissions on the sale of crop and life insurance.

Income from financially related services (crop and life insurance) reflected a 10% increase over the previous year. Both segments of the business grew in terms of number of customers served, lives protected, and acres covered by crop insurance.

Revenue from crop insurance sales in 2004 was \$1.4 million, up 12% from 2003. Life insurance revenue was \$1.8 million, a 6.5% increase. In total we now facilitate over \$790 million in life insurance protection to our members.

#### Operating Expenses

The following presents a comparison of operating expenses by major category and the operating rate (operating expenses as a percentage of average earning assets) for the past three years:

For the year ended December 31	2004	2003	2002
Salaries and benefits	\$39,552	\$30,915	\$26,903
Purchased and vendored services	9,496	9,650	7,441
Communications	1,672	1,823	1,671
Occupancy and equipment	6,303	5,857	5,358
Advertising and promotion	4,818	3,939	5,152
Examination	2,045	1,898	1,843
Farm Credit System insurance	3,939	8,580	2,098
Other	6,839	6,726	2,386
Total	\$74,664	\$69,388	\$52,852
Operating rate	1.0%	1.0%	0.8%

The operating expense increases were primarily related to lower fee income, increased retirement benefit expense, increased salary and benefit expense due to additional headcount and general salary increases.

The increase was partially offset by the decrease in Farm Credit System Insurance expense.

### Provision for Income Taxes

We recorded tax expense of \$23,728 for the year ended December 31, 2004, compared to \$7,848 for 2003, and \$6,422 for 2002. The increase in the current year is directly related to the reversal of provision for loan losses. See Note 9 for additional discussion.

### FUNDING AND LIQUIDITY

We borrow from AgriBank, FCB under a note payable, in the form of a line of credit, as described in Note 7. During 2004, our average balance was \$6,679,350 with an average interest rate of 4.0%. Our other source of lendable funds is from unallocated surplus.

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank, FCB. At December 31, 2004, we had \$658,647 available under our line of credit. We generally apply excess cash to this line of credit.

We offer variable, fixed, capped, indexed, and adjustable interest rate loans and lease programs to our borrowers. We determine interest margins charged on each lending program based on:

- Our cost of funds
- Cost of origination and servicing
- Market conditions
- The need to generate sufficient earnings

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our market interest rate risk.

### CAPITAL ADEQUACY

Total members' equity increased \$193,943 during 2004 due to net income for the period and an increase in capital stock and participation certificates outstanding.

Members' equity position information is as follows:

As of December 31	2004	2003	2002
Members' equity	\$1,467,350	\$1,273,407	\$1,162,869
Surplus as a % of members' equity	95.8%	95.4%	95.2%
Permanent capital ratio	15.2%	15.2%	15.4%
Total surplus ratio	14.5%	14.4%	14.6%
Core surplus ratio	13.6%	13.1%	12.7%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

At December 31, 2004, our permanent capital ratio, total surplus ratio and core surplus ratio significantly exceeded the regulatory minimum requirements. See Note 8 for further discussions of these regulatory ratios.

In addition to these regulatory requirements, we establish an optimum permanent capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services.

The target is subject to revision as circumstances change. For 2004 our optimum permanent capital target was 15%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional members' equity information is included in Note 8.

### INITIATIVES

During 2004, we continued work in the areas of new loan delivery systems, new customer information systems and new products.

Early in the year, work teams completed the business design for a system to be known as SingleView CRM. This product is to be released in the second quarter of 2005 and will be a replacement to the customer service platform (CSP) which provides basic loan servicing functionality. The system is also our first step into a formal customer relationship management database (CRM). The goal is to have an integrated, real time database that provides all information on customers so that any staff member can be prepared to service the customer.

Additionally, the CRM component will feature customer as well as prospect information, providing sales staff with information needed for marketing. That effort is being integrated with already existing prospecting databases and marketplace information.

In 2004, we also completed the design of a system to be known as AgTrac which will be implemented in the fall of 2005. AgTrac is a new loan origination system for all types of farm loans and will replace what we've known as On-The-Spot. Its advantage will be full integration for all loans up to the \$250 thousand level, combining more functions such as appraisal, scoring, document preparation, and full access to all products. The payoff to customers and staff will be the ability to process and close loans faster. In the future, another phase of AgTrac will allow more automated processing for all farm loans regardless of size.

Work continued to enhance our Consumer Trac loan system – our front end loan processing tool for residential mortgages and equity loans. Consumer Trac, version 3, will be implemented in 2005. In the same area of advances in the Agricultural Consumer market, we introduced in December 2004, a product called Country Line. This equity loan to part-time farmers features a revolving line for farm and family needs. And, it offers features that include the ability to segment the loan into fixed rate pieces, with draft or disbursement card convenience.

Finally, we continued our commitment to provide a 24-7 experience to customers through our internet banking site, and our 24-hour phone system. Enrollment in internet banking increased in 2004 and other features were added to our website. For example, [www.e-farmcredit.com](http://www.e-farmcredit.com) is one of the only sites in the nation where visitors can obtain a daily radio broadcast feed of commodity markets and farm issues from a nationally known farm broadcaster. This outlet is becoming increasingly more popular and important as giant radio ownerships step away from their commitment to farm radio.

## Management's Discussion and Analysis, cont.

*Farm Credit Services of Mid-America, ACA*

*(Dollars in thousands, except as noted)*

### RELATIONSHIP WITH AGRIBANK, FCB

#### Borrowings

In accordance with the Farm Credit Act of 1971, as amended, we borrow from AgriBank, FCB to fund our lending operations. A General Financing Agreement, as discussed in Note 7, governs this lending relationship. Approval from AgriBank, FCB would be required for us to borrow elsewhere. The cost of funds on our note payable to AgriBank, FCB includes:

- A marginal cost of debt component
- A cost of servicing component
- A bank spread component
- A risk premium component, if applicable

The marginal cost of debt approach simulates match-funding the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to borrowers. This methodology substantially protects us from interest rate risk.

#### Investment

We are required to invest in AgriBank, FCB capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing previously distributed AgriBank, FCB surplus. As of December 31, 2004, we were required to maintain a common stock investment equal to 2.2% of the average quarterly balance of our note payable to AgriBank, FCB. Current projections indicate that this required percentage will increase periodically, reaching 2.5% by December 31, 2006. AgriBank, FCB's current bylaws allow the required investment to increase to 4%. At December 31, 2004, our entire investment in AgriBank, FCB consisted of stock representing distributed AgriBank, FCB surplus. Through 2002, the entire stock investment in AgriBank, FCB was dividend bearing. We received no dividend income in 2004 and 2003, and we do not anticipate any in future years.

#### Patronage

Beginning January 1, 2003, we receive, as part of AgriBank, FCB's patronage program, equalization income based on the quarterly average balance of our preferred stock investment in AgriBank, FCB. Additionally, we receive a second component of patronage income based on our average note payable to AgriBank, FCB. AgriBank, FCB's Board of Directors sets the patronage rates.

#### Purchased Services

We purchase various services from AgriBank, FCB. Purchased services include:

- Information systems
- Certain financial services
- Certain accounting and reporting services
- Selected retail product processing and support

#### Affect on Shareholder's Investment

Due to the nature of our financial relationship with AgriBank, FCB, the financial condition and results of operations of AgriBank, FCB materially affect our shareholders' investment. A copy of the combined AgriBank, FCB and Affiliated Associations' financial reports or additional copies of our report are available by contacting us at P.O. Box 34390, Louisville, Kentucky 40232-4390, (800) 444-FARM, through the website at [www.e-farmcredit.com](http://www.e-farmcredit.com) or via electronic mail to [efcsales@e-farmcredit.com](mailto:efcsales@e-farmcredit.com). The combined AgriBank, FCB and Affiliated Associations' reports are also available by contacting AgriBank, FCB, 375 Jackson Street, St. Paul, Minnesota 55101-1810, (651) 282-8800, through AgriBank, FCB's website at [www.agribank.com](http://www.agribank.com) or via electronic mail to [agribankmn@farmcredit.com](mailto:agribankmn@farmcredit.com).

#### AgriBank, FCB Merger Activity

Effective January 1, 2003, AgriBank, FCB and AgAmerica, FCB merged and retained the AgriBank, FCB name. As part of the merger transaction, one of AgAmerica, FCB's two Association shareholders, Northwest Farm Credit Services, reaffiliated from AgAmerica, FCB to CoBank, ACB on the effective date of the merger. AgriBank, FCB and AgAmerica, FCB had been operating under a joint management agreement since January 1, 2002.

## Report of Management

Farm Credit Services of Mid-America, ACA

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The consolidated financial statements of Farm Credit Services of Mid-America, ACA are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. The consolidated financial statements, in the opinion of management, fairly present the financial condition of Farm Credit Services of Mid-America, ACA. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

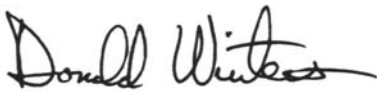
To meet our responsibility for reliable financial information, management depends on accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audits the consolidated financial statements. They also conduct a review of internal controls to the extent necessary to comply with generally accepted auditing standards in the United States of America. The Farm Credit Administration also performs an examination.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors consults regularly with management and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of the Association.

The undersigned certify that Farm Credit Services of Mid-America, ACA's annual report has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Robert E. Barton  
Chairperson of the Board  
Farm Credit Services of Mid-America, ACA



Donald Winters  
Chief Executive Officer  
Farm Credit Services of Mid-America, ACA

February 18, 2005

## Report of Audit Committee

Farm Credit Services of Mid-America, ACA

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The Audit Committee is composed of six members of the Board of Directors of Farm Credit Services of Mid-America, ACA, the Association. In 2004, the Audit Committee met four times. The Audit Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. In addition, the Audit Committee approved the appointment of PricewaterhouseCoopers, LLP (PwC) as our independent auditor for 2004. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the financial statements in accordance with generally accepted auditing standards in the United States of America and to issue their report based on the audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2004 with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees), and both PwC and the internal auditors directly provided reports on significant matters to the Audit Committee.

The Audit Committee received the written disclosures and the letter from PwC in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and discussed with PwC its independence. The Audit Committee also reviewed the non-audit services provided by PwC and concluded these services were not incompatible with maintaining the independent auditors' independence. The Audit Committee has discussed with management and PwC such other matters and received such assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Annual Report for the year ended December 31, 2004.



Barney Barnett  
Chairperson of the Audit Committee  
Farm Credit Services of Mid-America, ACA

### Audit Committee members

Barney Barnett  
Edward Yanos  
Roger Robertson  
Roger Earley  
Jimmie Tyson  
Art Timberlake

February 18, 2005

## Report of Independent Auditors

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To the Board of Directors and Members of  
Farm Credit Services of Mid-America, ACA

We have audited the accompanying consolidated statement of condition of Farm Credit Services of Mid-America, ACA, the Association, and its subsidiaries as of December 31, 2004, 2003 and 2002, and the related consolidated statements of income, of changes in members' equity and of cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Farm Credit Services of Mid-America, ACA and its subsidiaries at December 31, 2004, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

*Price Waterhouse Coopers LLP*

February 18, 2005  
Minneapolis, Minnesota

## Consolidated Statement of Condition

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

December 31	2004	2003	2002
<b>ASSETS</b>			
Loans	\$8,214,335	\$7,493,738	\$6,878,426
Allowance for loan losses	21,139	119,105	113,683
Net loans	8,193,196	7,374,633	6,764,743
Investment in AgriBank, FCB	220,225	220,225	220,225
Accrued interest receivable	75,691	73,625	79,522
Premises and equipment, net	33,958	34,672	35,480
Other property owned	1,839	999	663
Assets held for lease, net	124,889	120,238	105,377
Net deferred income tax asset	–	135	6,406
Other assets	19,059	17,933	35,140
Total assets	\$8,668,857	\$7,842,460	\$7,247,556
<b>LIABILITIES</b>			
Note payable to Agribank, FCB	\$7,071,693	\$6,459,007	\$5,980,033
Accrued interest payable	71,698	64,830	71,258
Net deferred income tax liability	21,524	–	–
Other liabilities	36,592	45,216	33,396
Total liabilities	7,201,507	6,569,053	6,084,687
Contingencies			
<b>MEMBERS' EQUITY</b>			
Protected members' equity	31	43	59
Capital stock and participation certificates	60,937	58,596	55,585
Unallocated surplus	1,406,382	1,214,768	1,107,225
Total members' equity	1,467,350	1,273,407	1,162,869
Total liabilities and members' equity	\$8,668,857	\$7,842,460	\$7,247,556

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Income

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

Year ended December 31	2004	2003	2002
<b>Interest income</b>	<b>\$435,683</b>	\$421,604	\$433,597
<b>Interest expense</b>	<b>270,155</b>	259,979	284,332
Net interest income	<b>165,528</b>	161,625	149,265
<b>(Reversal of) provision for loan losses</b>	<b>(94,594)</b>	4,567	9,988
Net interest income after provision for loan losses	<b>260,122</b>	157,058	139,277
<b>Other income</b>			
Patronage and dividend income	<b>21,285</b>	18,492	56,844
Financially related services and miscellaneous income, net	<b>8,599</b>	9,229	9,409
Total other income	<b>29,884</b>	27,721	66,253
<b>Operating expense</b>			
Salaries and employee benefits	<b>39,552</b>	30,915	26,903
Other operating expense	<b>35,112</b>	38,473	25,949
Total operating expense	<b>74,664</b>	69,388	52,852
Income before income taxes	<b>215,342</b>	115,391	152,678
<b>Provision for income taxes, net</b>	<b>23,728</b>	7,848	6,422
Net income	<b>\$191,614</b>	\$107,543	\$146,256

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes In Members' Equity

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
<b>Balance at December 31, 2001</b>	\$86	\$52,138	\$ 960,969	\$1,013,193
Net income	–	–	146,256	146,256
Capital stock/participation certificates issued	–	8,442	–	8,442
Capital stock/participation certificates retired	(27)	(4,995)	–	(5,022)
<b>Balance at December 31, 2002</b>	59	55,585	1,107,225	1,162,869
Net income	–	–	107,543	107,543
Capital stock/participation certificates issued	–	8,762	–	8,762
Capital stock/participation certificates retired	(16)	(5,751)	–	(5,767)
<b>Balance at December 31, 2003</b>	43	58,596	1,214,768	1,273,407
Net income	–	–	<b>191,614</b>	<b>191,614</b>
Capital stock/participation certificates issued	–	<b>7,860</b>	–	<b>7,860</b>
Capital stock/participation certificates retired	(12)	(5,519)	–	(5,531)
<b>Balance at December 31, 2004</b>	<b>\$31</b>	<b>\$60,937</b>	<b>\$1,406,382</b>	<b>\$1,467,350</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

Farm Credit Services of Mid-America, ACA

(Dollars in thousands)

Year ended December 31	2004	2003	2002
<b>Cash flows from operating activities</b>			
Net income	\$191,614	\$107,543	\$146,256
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	3,037	2,899	2,708
Depreciation on assets held for lease	18,450	15,062	13,901
(Reversal of ) provision for loan losses	(94,594)	4,567	9,988
Stock patronage received	—	—	(31,408)
(Increase) decrease in accrued interest receivable	(5,201)	1,196	1,447
(Increase) decrease in other assets	(991)	23,478	77,495
Increase (decrease) in accrued interest payable	6,868	(6,428)	(7,451)
Increase in other liabilities	12,900	11,820	2,975
Gain on sale of premises and equipment	(1)	(18)	(7)
Loss (gain) on sale of other property owned	1	36	(522)
Gain on disposal of assets held for lease	(127)	(28)	(13)
Total adjustments	(59,658)	52,584	69,113
Net cash provided by operating activities	131,956	160,127	215,369
<b>Cash flows from investing activities</b>			
Increase in loans, net	(720,155)	(608,043)	(634,384)
Purchases of assets held for lease	(22,974)	(29,895)	(3,805)
Sales of other property owned, net	1,103	892	3,378
Purchases of premises and equipment, net	(2,322)	(2,073)	(1,459)
Net cash used in investing activities	(744,348)	(639,119)	(636,270)
<b>Cash flows from financing activities</b>			
Increase in note payable to AgriBank, FCB	612,686	478,974	420,863
Capital stock and participation certificates (retired) issued, net	(294)	18	38
Net cash provided by financing activities	612,392	478,992	420,901
Net change in cash	—	—	—
Cash at beginning of year	—	—	—
Cash at end of year	\$ —	\$ —	\$ —
<b>Supplemental schedule of non-cash activities</b>			
Stock financed by loan activities	\$ 6,780	\$ 7,678	\$ 7,615
Stock applied against loan principal	4,157	4,701	4,233
Interest transferred to loans	3,135	4,701	3,082
Loans transferred to other property owned	1,944	1,264	1,065
<b>Supplemental information</b>			
Interest paid	\$263,287	\$266,407	\$291,783
Taxes paid	5,667	187	698

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to Consolidated Financial Statements

### Farm Credit Services of Mid-America, ACA

(Dollars in thousands, except as noted)

#### NOTE 1: ORGANIZATION AND OPERATIONS

##### Farm Credit System and District

**Farm Credit System Lending Institutions:** The Farm Credit System is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. At December 31, 2004, the Farm Credit System was comprised of four Farm Credit Banks, one Agricultural Credit Bank and numerous associations. AgriBank, FCB and its related associations are collectively referred to as the District. At December 31, 2004, the District consisted of 18 Agricultural Credit Associations that each have wholly-owned Federal Land Credit Association and Production Credit Association subsidiaries. Federal Land Credit Associations are authorized to originate long-term real estate mortgage loans. Production Credit Associations are authorized to originate short-term and intermediate-term loans. Agricultural Credit Associations are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are also authorized to provide lease financing options for agricultural purposes. AgriBank, FCB provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly, or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related service businesses.

**Farm Credit System Regulator:** The Farm Credit Administration is authorized by Congress to regulate the Farm Credit System banks and associations. We are examined by the Farm Credit Administration and certain association actions are subject to the prior approval of the Farm Credit Administration and AgriBank, FCB.

**Farm Credit Insurance Fund:** The Farm Credit Act of 1971, as amended, established the Farm Credit System Insurance Corporation to administer the Farm Credit Insurance Fund. The Farm Credit Insurance Fund is used:

- to insure the timely payment of principal and interest on Farm Credit Systemwide debt obligations
- to insure the retirement of protected borrower capital at par or stated value
- for other specified purposes

At the discretion of the Farm Credit System Insurance Corporation, the Farm Credit Insurance Fund is also available to provide assistance to certain troubled Farm Credit System institutions and for the operating expenses of the Farm Credit System Insurance Corporation. Each Farm Credit System bank is required to pay premiums into the Farm Credit Insurance Fund, based on its annual average loan principal outstanding, until the assets in the Farm Credit Insurance Fund equal 2% of Systemwide debt obligations. AgriBank, FCB, in turn, assesses the associations premiums each year based on the average principal outstanding of accrual and nonaccrual loans of the associations.

##### Association

Farm Credit Services of Mid-America, ACA and its subsidiaries, Farm Credit Services of Mid-America, FLCA and Farm Credit Services of Mid-America, PCA are lending institutions of the Farm Credit System. We are a member-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible shareholders for qualified agricultural purposes in all counties in the state of Indiana; all counties in Ohio, with the exception of Marion, Crawford, Wyandot, Hancock, Seneca, Wood, Ottawa, Lucas and Sandusky; all counties in Kentucky, with the exception of Graves, Hickman, Carlisle, Fulton, Ballard, McCracken, Callaway and Marshall; and all counties in Tennessee.

We borrow from AgriBank, FCB and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options. The PCA makes short-term and intermediate-term loans and provides lease financing options for agricultural production or operating purposes.

We offer various risk management services, including credit life, credit disability, crop hail, and multi-peril crop insurance for borrowers and those eligible to borrow. We also offer producer education services to our members.

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and the prevailing practices within the financial services industry. Preparing financial statements in conformity with accounting principles generally accepted requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements present the consolidated financial results of Farm Credit Services of Mid-America, ACA (the parent) and Farm Credit Services of Mid-America, FLCA and Farm Credit Services of Mid-America, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

The following are our significant accounting policies:

**Loans:** Long-term agricultural mortgage loan amortization terms normally range up to 25 years, while home mortgage loans range up to 30 years. Substantially all commercial loans are made for agricultural production or operating purposes and have maturities of 3 to 5 years and none more than 10 years.

Loans are carried at their principal amount outstanding. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Loan fees are recorded as an offset to the related origination costs. The net amount of these fees and expenses is not material to the financial statements taken as a whole.

We place loans in nonaccrual status when:

- Principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or
- Circumstances indicate that full collection is not expected

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When a loan is placed in nonaccrual status, we reverse accrued interest to the extent principal plus accrued interest (before the transfer) exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan asset, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior charge-offs. Nonaccrual loans may be returned to accrual status when:

- Principal and interest are current
- Prior charge-offs have been recovered
- The ability of the borrower to fulfill the contractual repayment terms is fully expected, and
- The loan is not classified as doubtful or loss

**Allowance for Loan Losses:** The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as:

- Loan loss history
- Portfolio quality
- Current economic and environmental conditions

Loans in our portfolio that are considered impaired are analyzed individually under Statement of Financial Accounting Standard No. 114 to establish a specific allowance for impaired loans. A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. We measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- Nonaccrual loans
- Formally restructured loans
- Loans that are 90 days or more past due and still accruing

Additionally, we include under collateralized accrual loans that have been adversely classified in our individual loan impairment analysis.

We record a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral. When collection is unlikely, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

We apply Statement of Financial Accounting Standard No. 5 to loans that are not individually assessed as impaired. An allowance is set up for probable and estimable credit losses as of the financial statement date.

Changes in the allowance for loan losses are recorded as "Provision for or reversal of loan losses" in the Consolidated Statement of Income.

**Investment in AgriBank, FCB:** Accounting for our investment in AgriBank, FCB is on a cost plus allocated equities basis. The investment in AgriBank, FCB is in the form of Class P common stock.

**Premises and Equipment:** The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in current operating results. Maintenance and repairs are included in operating expense and improvements are capitalized.

**Other Property Owned:** We record other property owned, which consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, at the lower of the carrying amount or the fair value less estimated selling costs. Income and expense from operations and carrying value adjustments are included in miscellaneous income, net.

**Leases:** We have finance and operating leases. Under finance leases, unearned income from lease contracts represents the excess of gross lease receivables plus residual receivables over the cost of leased equipment. We amortize net unearned finance income to earnings on the interest method. The carrying amount of finance leases is included in "Loans" on the Consolidated Statement of Condition and represents lease rent receivables net of the unearned income plus the residual receivable. We recognize operating lease revenue evenly over the term of the lease. We charge depreciation and other expenses against revenue as incurred. The carrying amount of operating leases is included in "Assets held for lease, net" on the Consolidated Statement of Condition and represents the asset cost net of accumulated depreciation.

**Employee Benefit Plans:** Our employees participate in the defined benefit retirement plan of the Seventh Farm Credit District. Effective in 2002, employees who elected and all new employees are under a cash balance formula. Other employees are on a final average pay formula. The District Plan utilizes the "Projected Unit Credit" actuarial method for financial reporting purposes and the "Entry Age Normal Cost" method for funding purposes.

We also provide certain health and life insurance benefits to eligible retired employees under District Plans. The anticipated costs of these benefits is accrued during the employees' active service period.

**Income Taxes:** The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences or temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act of 1971, as amended.

**Statement of Cash Flows:** For purposes of reporting cash flow, cash includes cash on hand.

## Notes to Consolidated Financial Statements, cont.

### Farm Credit Services of Mid-America, ACA

(Dollars in thousands, except as noted)

#### NOTE 3: LOANS

Loans consisted of the following:

As of December 31, 2004	Amount	Percentage
Long-term agricultural mortgage	\$2,739,391	33.3%
Residence loans to farmers	2,339,939	28.5%
Agricultural operating	673,792	8.2%
Agricultural intermediate term	610,908	7.4%
Marketing & Processing	87,879	1.1%
Rural home	946,059	11.5%
Finance Leases	112,525	1.4%
Participations purchased	660,231	8.0%
Other	51,657	0.6%
Subtotal	8,222,381	100.0%
Participations sold	(8,046)	
Total loans	\$8,214,335	

As of December 31, 2003	Amount	Percentage
Long-term agricultural mortgage	\$2,640,094	35.2%
Residence loans to farmers	1,994,124	26.6%
Agricultural operating	630,609	8.4%
Agricultural intermediate term	568,918	7.6%
Marketing & Processing	97,221	1.3%
Rural home	858,238	11.4%
Finance Leases	92,099	1.2%
Participations purchased	526,834	7.0%
Other	96,773	1.3%
Subtotal	7,504,910	100.0%
Participations sold	(11,172)	
Total loans	\$7,493,738	

As of December 31, 2002	Amount	Percentage
Long-term agricultural mortgage	\$2,607,463	37.8%
Residence loans to farmers	1,559,120	22.6%
Agricultural operating	707,960	10.3%
Agricultural intermediate term	598,893	8.7%
Marketing & Processing	--	0.0%
Rural home	900,760	13.1%
Finance Leases	73,512	1.0%
Participations purchased	442,088	6.4%
Other	3,505	0.1%
Subtotal	6,893,301	100.0%
Participations sold	(14,875)	
Total loans	\$6,878,426	

#### Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration Regulations or General Financing Agreement limitations. The following table presents information regarding participations purchased and/or sold:

As of December 31, 2004	Participations	
	Purchased	Sold
Participations purchased from / sold to:		
AgriBank, FCB	\$ --	\$6,193
Other Farm Credit System institutions	104,712	--
Non-Farm Credit System institutions	555,519	1,853
Total participations purchased/sold	\$660,231	\$8,046

The participation volume is largely due to participations with FCS and non-FCS lenders on loans to agribusinesses.

#### Portfolio Concentrations

We have concentrations with individual borrowers, within various agricultural commodities and within our chartered territory.

In addition to the geographic concentrations discussed in Management's Discussion and Analysis, we also have concentrations with individual borrowers. At December 31, 2004, total volume plus commitments to our ten largest borrowers represented 39.1% of total capital.

Our agricultural commodity concentrations at December 31, 2004 included: corn/soybean (23%), other crops (22%); cattle (12%) and rural homes (11%). No other single commodity exceeded 10% of loan volume. Our commodity concentrations have not changed materially from prior years.

While these concentrations represent our maximum potential credit risk as it relates to recorded loan principal, a substantial portion of our lending activities is collateralized. This reduces our exposure to credit loss associated with our lending activities. We consider credit risk exposure in establishing the allowance for loan losses.

## Risk Loans

A loan is considered a risk loan if it is probable that we will be unable to collect all principal and interest according to the loan agreement. The following table presents risk loan information:

As of December 31	2004	2003	2002
Nonaccrual loans:			
Current as to principal and interest	\$36,955	\$35,076	\$51,640
Past due	16,941	19,511	22,211
Total nonaccrual loans	53,896	54,587	73,851
Accruing restructured loans	1,700	2,975	3,693
Loans past due 90 days or more still accruing	730	43	245
Total risk loans	\$56,326	\$57,605	\$77,789
Volume with specific reserves	\$ 2,524	\$ 2,788	\$ 9,193
Volume without specific reserves	53,802	54,817	68,596
Total risk loans	\$56,326	\$57,605	\$77,789
Total specific reserves on risk loans	\$ 381	\$ 378	\$ 3,491
For the year ended December 31	2004	2003	2002
Income on accrual risk loans	\$ 184	\$ 303	\$ 416
Income on nonaccrual loans	5,208	6,652	9,002
Total income on risk loans	\$ 5,392	\$ 6,955	\$ 9,418
Average recorded investment	\$55,119	\$72,264	\$86,804

Loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection.

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2004.

Included in formally restructured loans are loans we purchased from the former Farm Credit Bank of Louisville during 1989. These loans totaled \$986 at December 31, 2004, \$1,345 at December 31, 2003 and \$1,645 at December 31, 2002. These loans, as well as certain performing loans, were purchased at fair value by us. The difference between the purchase price and the contractual amount of all loans purchased was recorded as a discount, which is being amortized over the life of the loans. Discount income earned on these loans totaled \$2,584 in 2004, \$4,147 in 2003 and \$4,774 in 2002.

### NOTE 4: ALLOWANCE FOR LOAN LOSSES

A summary of the changes in the allowance for loan losses follows:

For the year ended December 31	2004	2003	2002
Balance at beginning of year	\$119,105	\$113,683	\$106,570
(Reversal of) provision for loan losses	(94,594)	4,567	9,988
Loan recoveries	3,441	3,207	3,501
Loan charge-offs	(6,813)	(2,352)	(6,376)
Balance at end of year	\$ 21,139	\$119,105	\$113,683

Our allowance for loan losses historically has represented a conservative view of the allowance which was reflective of the loss history in the 1980s under the regulatory supervision of the Farm Credit Administration in its role as a "safety and soundness" regulator. Accounting for loan loss allowances has recently been a particular area of focus for Bank regulators, the Securities and Exchange Commission and for those that set the accounting industry standards. The Farm Credit System is not subject to oversight by the Securities and Exchange Commission or various banking regulators. Of particular relevance to the Farm Credit System are the views of the American Institute of Certified Public Accountants and the Farm Credit Administration. The guidance proposed by those setting the accounting standards and issued by the other regulators in recent years focused on the determination of the allowance for loan losses based on current loss experience rather than a more historical view of loss experience. Thus, in November 2003, Farm Credit System institutions determined that studies should be conducted during 2004 to further refine the methodologies for calculating allowances for loan losses.

In April 2004, the Farm Credit Administration, the Farm Credit System's regulator, issued an "Informational Memorandum" to Farm Credit System institutions regarding the criteria and methodologies that should be used in evaluating the adequacy of a Farm Credit System institutions' allowance for loan losses. The Farm Credit Administration endorsed the direction provided by other bank regulators and the Securities and Exchange Commission and indicated the conceptual framework addressed in their guidance would be included as part of their examination process.

We, along with other Farm Credit System institutions, completed our study during the fourth quarter of 2004 and refined our methodologies to be consistent with the guidance in the preceding paragraph. The methodology refinement resulted in a calculated allowance for loan losses that was significantly less than the previously recorded balance due to revised loss factors that are more indicative of actual loss experience in recent years and current borrower analysis. The factors considered in determining the revised level of allowance for loan loss is based on recent historical charge-off experience adjusted for relevant environmental factors. As a result of these studies, we significantly reduced our allowance for loan losses during the fourth quarter of 2004, resulting in a net reversal of provision expense of \$94.6 million on the statement of income for the year ended December 31, 2004.

### NOTE 5: INVESTMENT IN AGRIBANK, FCB

At December 31, 2004 we were required by AgriBank, FCB to maintain an investment equal to 2.20% of the average quarterly balance of our note payable to AgriBank, FCB. This is an increase over the previous requirement of 2.05% of the average quarterly balance of our note payable at December 31, 2003 and 1.75% of the average quarterly balance of our note payable at December 31, 2002. The balance of our investment in AgriBank, FCB at December 31, 2004, 2003 and 2002 was \$220.2 million.

No dividend income was received in 2004 and 2003 or is expected in future years. Dividend income on this investment totaled \$7,316 in 2002.

## Notes to Consolidated Financial Statements, cont.

Farm Credit Services of Mid-America, ACA

(Dollars in thousands, except as noted)

### NOTE 6: PREMISES, EQUIPMENT AND ASSETS HELD FOR LEASE

Premises and equipment consisted of the following:

As of December 31	2004	2003	2002
Land	\$ 3,913	\$ 3,750	\$ 3,750
Buildings and improvements	37,048	35,758	35,151
Furniture and equipment	12,808	13,321	12,835
Subtotal	53,769	52,829	51,736
Less: accumulated depreciation	(19,811)	(18,157)	(16,256)
Total	\$ 33,958	\$ 34,672	\$ 35,480

We also hold property for agricultural leasing, primarily farm equipment and livestock facilities. The following table provides a summary of our net operating lease income and property held for lease by major category:

	2004	2003	2002
<b>For the year ended December 31:</b>			
Net operating lease income	\$ 5,505	\$ 5,967	\$ 5,837
<b>As of December 31:</b>			
Farm equipment/Vehicles	\$170,354	\$154,417	\$128,820
Facilities	6,972	6,745	5,514
Subtotal	177,326	161,162	134,334
Less: accumulated depreciation	(52,437)	(40,924)	(28,957)
Total	\$124,889	\$120,238	\$105,377

The following is a schedule of expected future minimum payments on noncancelable operating leases as of December 31, 2004:

For the year ending December 31	
2005	\$ 25,978
2006	23,497
2007	19,560
2008	14,623
2009	7,086
Subsequent years	9,565
Total minimum future rentals	\$100,309

### NOTE 7: NOTE PAYABLE TO AGRIBANK, FCB

Our note payable to AgriBank, FCB represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a General Financing Agreement and almost all of our assets serve as collateral. The line of credit was \$7.8 billion and the outstanding principal under the line of credit was \$7.1 billion as of December 31, 2004. The interest rate is adjusted monthly and was 4.1% at December 31, 2004. Our note matured on December 31, 2004 and was renewed for \$8.8 billion, with a maturity date of February 28, 2006. The note will be renegotiated at that time.

The General Financing Agreement provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. We cannot exceed these limitations without approval from AgriBank, FCB. At December 31, 2004,

we were within the specified limitations and in compliance with all debt covenants.

### NOTE 8: MEMBERS' EQUITY

#### Capitalization Requirements

In accordance with the Farm Credit Act of 1971, as amended, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act of 1987 and shareholder-approved capitalization bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2% of the customer's total loans or one thousand dollars, whichever is less. The stock purchase requirement of obtaining a lease is one share of Class D common stock for those eligible to hold such stock, or one participation certificate for those not eligible to hold such stock. In addition, the purchase of one participation certificate is required of all customers who purchase financial services and are not a stockholder. If necessary to meet our capital needs, the Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The customer acquires ownership of the capital stock at the time the loan/lease is made, but usually does not make a cash investment. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

#### Protection Mechanisms

Under the Farm Credit Act of 1971, as amended, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988 as a requirement for obtaining a loan. If an association was unable to retire protected borrower equity at par value or stated value, the Farm Credit Insurance Fund would provide the amounts needed to retire this equity.

#### Regulatory Capitalization Requirements

Under capital adequacy regulations, each association is required to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7% and a core surplus ratio of at least 3.5%. The calculation of these ratios in accordance with Farm Credit Administration Regulations is discussed below:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At December 31, 2004, our ratio was 15.2%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At December 31, 2004, our ratio was 14.5%.
- The core surplus ratio is average unallocated surplus less our investment in AgriBank, FCB divided by average risk-adjusted assets. At December 31, 2004, our ratio was 13.6%.

We have an agreement with AgriBank, FCB which defines how our investment in AgriBank, FCB is allocated in calculating regulatory capital ratios. According to the agreement, we include in our ratios the amount of investment in AgriBank, FCB that is in excess of the required amount. At December 31, 2004, we included 30.6%, at December 31, 2003 we included 40.4%, and at December 31, 2002 we included 53.1% of our investment in AgriBank, FCB as capital. As discussed in Note 5, the decline in the amount included correlates to the increases in the

required amount of investment in AgriBank, FCB. These changes did not have a material impact on our regulatory capital ratios.

#### Description of Equities

The following table presents information regarding classes and number of shares of stock and participation certificates outstanding as of December 31, 2004. All shares and participation certificates were \$5.00 par value.

As of December 31, 2004	Shares Outstanding
Class A preferred stock (protected)	61
Class B common stock (protected)	2,293
Class D common stock (at-risk)	9,339,805
Class A participation certificates (protected)	3,797
Class B participation certificates (at-risk)	2,847,619

Under our bylaws, we are also authorized to issue Class C preferred stock. This stock is at-risk and nonvoting with a \$5.00 par value per share. Currently, no stock of this class has been issued.

Only holders of Class B common stock and Class D common stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared during the last three years.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of the Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2004, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution and in accordance with our bylaws, any remaining assets after the payment and retirement of all liabilities shall be distributed to:

- the holders of Class B and Class D Common Stock and Class A 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 by all holders of stock and participation certificates.

In the event of impairment, losses will be absorbed prorata by impairment based on the following order of priority:

- first, to holders of Class B and Class D common stock and Class A and Class B participation certificates
- second, to holders of Class A and Class C preferred stock

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

#### Patronage Distributions

The Farm Credit Administration prohibits the distribution of patronage refunds to the extent that such distributions would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. We do not foresee any events that would result in this prohibition in 2005. However, we do not have a patronage program to make such distributions.

## NOTE 9: INCOME TAXES

### Provision for Income Taxes

Our provision for income taxes follows:

For the year ended December 31	2004	2003	2002
Current:			
Federal	\$ 2,126	\$ 1,040	(\$ 563)
State	(57)	537	(378)
Total current	2,069	1,577	(941)
Deferred:			
Federal	19,371	5,851	6,755
State	2,288	420	608
Total deferred	21,659	6,271	7,363
Provision for income taxes, net	\$23,728	\$ 7,848	\$6,422
Effective Tax Rate	11.0%	6.8%	4.2%

The following table quantifies the differences between the provision for income taxes and income taxes at the statutory rates:

For the year ended December 31	2004	2003	2002
Federal tax at statutory rate	\$75,370	\$39,233	\$51,911
State tax, net	1,505	657	474
Effect of non-taxable entity	(54,873)	(32,209)	(46,731)
Federal tax refund	—	—	54
Other	1,726	167	714
Provision for income taxes, net	\$23,728	\$ 7,848	\$ 6,422

### Deferred Income Taxes

Deferred tax assets and liabilities are composed of the following:

As of December 31	2004	2003	2002
Allowance for loan losses	\$ 4,584	\$21,116	\$19,722
Post-retirement benefits accrual	569	557	721
Previously taxed nonaccrual interest	1,652	2,214	1,956
Net operating loss carryforward	377	434	3,511
AMT credit carryforward	—	—	311
Depreciation	(24,418)	(19,246)	(15,096)
AgriBank, FCB 2002 Allocated Stock	(2,990)	(2,959)	(2,959)
Accrued pension asset	(1,566)	(1,783)	(1,812)
Other, net	268	(198)	52
Net deferred tax (liabilities) assets	(\$21,524)	\$ 135	\$ 6,406
Gross deferred tax assets	\$ 7,463	\$24,356	\$26,280
Gross deferred tax liabilities	(\$28,987)	(\$24,221)	(\$19,874)

A valuation reserve for the deferred tax assets was not necessary at December 31, 2004, 2003 or 2002.

## Notes to Consolidated Financial Statements, cont.

### Farm Credit Services of Mid-America, ACA

(Dollars in thousands, except as noted)

As discussed in Note 4, during 2004 we reduced the allowance for loan losses resulting in a significant reduction in our deferred tax asset.

We have not provided deferred incomes taxes on approximately \$188,817 of patronage allocations received from AgriBank, FCB prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank, FCB. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of \$626,001 as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

#### NOTE 10: EMPLOYEE BENEFIT PLANS

We participate in a District-wide defined benefit retirement plan. The plan is noncontributory and includes eligible District employees. The assets, liabilities and costs of the plan are not segregated by participating entities. We were allocated 23% of the District's pension expense based on our payroll expenses.

We recorded \$1,817 of pension expense for the year ended December 31, 2004 and \$188 for the year ended December 31, 2003. We recorded \$1,392 of pension income for 2002. The increase in pension expense in 2004 and the change to pension expense during 2003 reflects losses on plan assets, the addition of a lump-sum payment option to the plan, and changes to the plan discount rate.

District employers also provide certain health and life insurance benefits to eligible retired employees. We recorded expenses of \$40 in 2004, \$38 in 2003, and \$51 in 2002 for the cost of postretirement benefits other than pensions.

The measurement date is September 30 for the District-wide defined benefit and other postretirement benefit plans. While information on the District plans is not available for our association individually, the following represents the information of the postretirement benefit plans at a District level.

#### Obligations and Funded Status

The obligations and funded status of the District's postretirement benefit plans follows:

	Pension Benefits	Other Benefits
<b>As of December 31, 2004</b>		
Fair value of plan assets	\$384,225	\$ 7,557
Benefit obligation	480,592	38,132
Funded status	<b>(\$96,367)</b>	<b>(\$30,575)</b>
Prepaid (accrued) benefit cost recognized in the District's Statement of Condition	<b>\$ 67,236</b>	<b>(\$42,644)</b>
Weighted-average assumptions used to determine benefit obligations		
Discount rate	6.00%	6.00%
Expected return on plan assets	8.75%	6.00%
Rate of compensation increase	4.50%	n/a

The accumulated benefit obligation for the pension plan was \$381,119 for the year ended December 31, 2004.

#### Benefits Paid, Contributions and Net Periodic Benefit Cost

Additional information on the District's plans follow:

For the year ended Dec. 31, 2004	Pension Benefits	Other Benefits
Benefits Paid	\$15,750	\$2,012
Employer Contributions	—	2,456
Plan Participant Contributions	—	—
Net Periodic Benefit Cost	7,430	2,515
Weighted-average assumptions used to determine net costs		
Discount rate	6.50%	6.50%
Expected return on plan assets	8.75%	6.00%
Rate of compensation increase	5.00%	n/a

#### Future Cash Flows

The amount of total District employer contributions expected to be paid during 2005 is \$10.8 million for pension benefits and \$2.3 million for other postretirement benefits.

The following benefit payments are expected to be paid by the District plans and reflect expected future service, as appropriate:

At December 31, 2004	Pension Benefits	Other Benefits
Year:		
2005	\$ 16,080	\$ 2,913
2006	16,340	2,975
2007	18,740	3,015
2008	21,160	3,034
2009	22,610	3,051
2010 to 2014	164,590	15,395

#### Assumed Health Care Cost Trend Rates

For measurement purposes, a 12% rate of increase in the per capita cost of covered health care benefits was assumed for 2004. The rate was assumed to decrease gradually to 6% by the year 2011 and remain at that level thereafter.

#### Plan Assets

The District's pension plan asset allocation by asset category as of the measurement date of September 30, 2004 was 70.6% in equity securities, 29.0% in debt securities and .4% in other. The plan assets for postretirement plans other than pensions were all held in debt securities at September 30, 2004.

The funding objective of the plans is to achieve and maintain assets adequate to cover the accumulated benefit obligation. A Board of Trustees supervises the investment assets of the plans on behalf of the employers. The Board of Trustees is comprised of certain members of senior management and certain members of the Boards of Directors of the participating employers. The Board of Trustees employs a building block approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and fixed income are preserved congruent with the widely-accepted capital market principle that

assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established via a building block approach and proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonability and appropriateness.

The Board of Trustees employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and bank financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, and small and large capitalizations. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews.

The Board of Trustees has developed an asset allocation policy based on plan objectives, characteristics of pension liabilities, capital market expectations, and asset-liability projections. The policy is long-term oriented and consistent with the risk exposure. The Board of Trustees reviews the asset mixes periodically and rebalances the portfolio mixes at any time that an asset class deviates materially from the target allocations. The current asset allocation policy of the pension plan is a target of 67%-75% of assets in equity securities, 25%-33% in debt securities and 0% to 5% in other.

#### **Retirement Savings Plan**

We participate in a District-wide retirement savings plan. We match dollar for dollar up to 2% of employee contributions and 50 cents on the dollar on the next 4% on both pre-tax and post-tax contributions. The maximum employer match is 4%. Contributions and recorded expenses were \$1,365 in 2004, \$1,352 in 2003, and \$1,264 in 2002.

#### **NOTE 11: FINANCIAL ASSISTANCE**

The Farm Credit System Financial Assistance Corporation was established in 1988 primarily to provide capital to institutions in the Farm Credit System experiencing financial difficulty. The issuance of \$1.261 billion of 15-year U.S. Treasury-guaranteed debt provided the funding for the assistance. The interest rates on this debt ranged from 8.80% to 9.45%. The repayment of this debt and related interest is the responsibility of Farm Credit System Banks. The Banks have subsequently repaid a significant portion of this debt. At December 31, 2004 only \$325 million of Farm Credit System Financial Assistance Corporation debt remains outstanding. Although these obligations of AgriBank, FCB are not our obligations, we have a significant investment in AgriBank, FCB. Accordingly, factors that affect AgriBank, FCB's financial condition affect us. We believe these matters are not likely to have a material effect on our financial condition.

#### **NOTE 12: RELATED PARTY TRANSACTIONS**

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions are subject to special approval requirements contained in

Farm Credit Administration Regulations and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with other persons.

Total related party loans at December 31, 2004, amounted to \$9,685 with \$5,308 of new loans made and repayments of \$5,486 during the year. In our opinion, none of these loans outstanding at December 31, 2004 involved more than a normal risk of collectibility.

#### **NOTE 13: CONTINGENCIES AND COMMITMENTS**

In the normal course of business, we have various contingent liabilities and commitments outstanding which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We participate in commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk not recognized in the financial statements. At December 31, 2004, we had commitments to extend credit of \$1,597,523. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the loan contract. At December 31, 2004, we had standby letters of credit of \$71,810. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies.

#### **NOTE 14: DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

Quoted market prices are generally not available for our financial instruments. Accordingly, we base fair values on:

- Judgments regarding future expected losses
- Current economic conditions
- Risk characteristics of various financial instruments
- Other factors

These estimates involve uncertainties and matters of judgment and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimating the fair value of our investment in AgriBank, FCB is not practical because the stock is not traded. As discussed in Note 2 and Note 5, the investment is a requirement of borrowing from AgriBank, FCB.

## Notes to Consolidated Financial Statements, cont.

### Farm Credit Services of Mid-America, ACA

(Dollars in thousands, except as noted)

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, for which it is practical to estimate that value, follows:

**Loans:** The estimate of the fair value of loan assets is determined by discounting the expected future cash flows using current interest rates. Current interest rates are estimated based on similar loans made or loans repriced to borrowers with similar credit risk. This methodology is used because no active market exists for the loans. Since the discount rates are based upon internal pricing mechanisms and other estimates, we cannot determine whether the fair values presented would equal the value negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of Farm Credit System borrowers, could render our portfolio unmarketable outside the Farm Credit System.

We segregate the loan portfolio into pools of loans with homogenous characteristics for purposes of determining fair value of accruing loans. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair value of nonaccrual loans, current as to principal and interest, are discounted with appropriately higher rates, reflecting the uncertainty of continued cash flows. We assume that for noncurrent nonaccrual loans, collection will result only from the sale of the underlying collateral. Fair value is estimated to equal the total net realizable value of the underlying collateral, discounted at an interest rate that appropriately reflects the uncertainty of the expected future cash flows over the average disposal period. We use the legal obligation if the net realizable value of the collateral exceeds the legal obligation for a particular loan.

**Note Payable to AgriBank, FCB:** Estimating the fair value of the note payable to AgriBank, FCB is determined by segregating the note into pricing pools according to the types and terms of the underlying loans funded. We discount the estimated cash flows from these pools using the current rate charged by AgriBank, FCB for additional borrowings with similar characteristics.

**Commitments to extend credit:** Estimating the fair value of commitments is determined by the inherent credit loss in such instruments.

The estimated fair value of our financial instruments is as follows:

As of December 31, 2004	Carrying Amount	Estimated Fair Value
<b>Financial assets:</b>		
Loans, net	\$8,193,196	\$7,986,883
<b>Financial liabilities:</b>		
Note payable to AgriBank, FCB	\$7,071,693	\$7,009,901
<b>Unrecognized financial instruments:</b>		
Commitments to extend credit		(\$2,087)
As of December 31, 2003	Carrying Amount	Estimated Fair Value
<b>Financial assets:</b>		
Loans, net	\$7,374,633	\$7,379,399
<b>Financial liabilities:</b>		
Note payable to AgriBank, FCB	\$6,459,007	\$6,465,880
<b>Unrecognized financial instruments:</b>		
Commitments to extend credit		(\$1,567)

As of December 31, 2002	Carrying Amount	Estimated Fair Value
<b>Financial assets:</b>		
Loans, net	\$6,764,743	\$6,929,509
<b>Financial liabilities:</b>		
Note payable to AgriBank, FCB	\$5,980,033	\$6,067,753
<b>Unrecognized financial instruments:</b>		
Commitments to extend credit		(\$1,230)

### NOTE 15: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly consolidated results of operations for the years ended December 31, 2004, 2003 and 2002 follow:

2004	First	Second	Third	Fourth	Total
Net interest income	\$41,926	\$41,355	\$40,682	\$ 41,565	\$165,528
(Reversal of) provision for loan losses	40	341	272	(95,247)	(94,594)
Patronage income	4,614	4,669	4,806	7,196	21,285
Other expense, net	17,092	17,047	16,398	15,528	66,065
Provision for income taxes, net	1,591	1,231	1,615	19,291	23,728
Net income	\$27,817	\$27,405	\$27,203	\$109,189	\$191,614
2003	First	Second	Third	Fourth	Total
Net interest income	\$40,478	\$40,480	\$39,270	\$41,397	\$161,625
Provision for loan losses	1,267	3,300	—	—	4,567
Patronage income	4,949	4,928	4,597	4,018	18,492
Other expense, net	12,290	14,906	16,497	16,466	60,159
Provision for (income from) income taxes, net	618	(2,696)	(590)	10,516	7,848
Net income	\$31,252	\$29,898	\$27,960	\$ 18,433	\$107,543
2002	First	Second	Third	Fourth	Total
Net interest income	\$37,203	\$37,393	\$35,970	\$ 38,699	\$149,265
Provision for loan losses	445	3,699	2,627	3,217	9,988
Patronage and dividend income	2,007	1,835	1,819	51,183	56,844
Other expense, net	11,578	10,805	5,802	15,258	43,443
Provision for (income from) income taxes, net	1,881	(765)	591	4,715	6,422
Net income	\$25,306	\$25,489	\$28,769	\$ 66,692	\$146,256

The (reversal of) provision for loan losses includes a significant fourth quarter 2004 reversal resulting from a refined methodology, as discussed in Note 4.

## Disclosure Information Required by Regulations

Farm Credit Services of Mid-America, ACA

### DESCRIPTION OF BUSINESS

General information regarding the business is discussed in Note 1 of this annual report.

The description of significant business developments, if any, is discussed in the "Management's Discussion and Analysis" portion of this annual report.

### DESCRIPTION OF PROPERTY

There are 94 offices located throughout our territory making and servicing long and short-term loans. We own 67 buildings and lease 16 buildings. In addition to our central office facility, there are 81 full-time offices, 7 special account units and 5 central processing units. A single building may house multiple offices. We own 12 facilities that are leased to third parties. Currently, there are no buildings being held for resale. The owned facilities have book values ranging between \$65,912 and \$7,276,320. During 2004, we purchased the Celina, OH building that we were leasing. Purchase price was \$450,062.

### LEGAL PROCEEDINGS

Information regarding legal proceedings is discussed in Note 9 and Note 13 of this annual report. We were not subject to any enforcement actions at December 31, 2004.

### DESCRIPTION OF CAPITAL STRUCTURE

Information regarding our capital structure is discussed in Note 8 of this annual report.

### DESCRIPTION OF LIABILITIES

Information regarding liabilities is discussed in Note 7 and Note 13 of this annual report.

### SELECTED FINANCIAL DATA

The "Consolidated Five-Year Summary of Selected Financial Data" is presented at the beginning of this annual report.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the "Management's Discussion and Analysis" portion of this annual report.

### BOARD OF DIRECTORS

Information regarding directors who served as of December 31, 2004, including business experience in the last five years follows:

Name	Position	Term of Office	Business experience and employment during past five years
Robert E. Barton	Chairperson	Third year of a four year term	Self-employed farmer (tobacco, corn, wheat, soybeans; background cattle operation; country grain elevator)
David E. Wilson	Vice Chairperson	Second year of a four year term	Self-employed farmer (corn, soybeans, wheat and cattle)
Sue Welch	Secretary	First year of a four year term	Tax preparer, Secretary of Lemuel, Inc. and self-employed farmer (hay, livestock, timber, sheep, beans and corn)
Barney Barnett	Outside Director	Third year of a four year term	Retired (formerly president/owner of management recruiting business)
David A. Bates, III	Director	Fourth year of a four year term	Self-employed farmer (dairy, beef and tobacco)
Gordon E. Carter	Director	Fourth year of a four year term	Self-employed farmer (beef, grain and sheep)

Name	Position	Term of Office	Business experience and employment during past five years
Roger D. Earley	Director	Third year of a four year term	Self-employed farmer (wheat, tobacco, corn, hay, soybeans, cattle) and seed dealer
Daryl R. Greenfield	Director	Second year of a four year term	Self-employed farmer (corn, soybeans, wheat and tobacco)
Bert E. Holsapple	Director	First year of a four year term	Self-employed farmer (beef, wheat, corn, hay and soybeans)
Jimmy D. Mays	Director	First year of a four year term	Self-employed farmer (cattle and tobacco) and employee of Tri County Electric
James William Patterson	Director	First year of a four year term	Manager, Fruit Farm Market (apples, strawberries and peaches); and Vice President of Patterson Farms, Inc. (family farm operation)
William Roger Robertson	Director	Second year of a four year term	Self-employed farmer (livestock and row crops)
Daryl B. Rowe	Director	Fourth year of a four year term	Self-employed farmer (corn, alfalfa, tobacco and dairy)
Wayne E. Specht	Director	Fourth year of a four year term	Self-employed farmer (corn, wheat, alfalfa, and dairy)
Arthur R. Timberlake	Director	Third year of a four year term	Self-employed farmer (cattle, corn, soybeans, tobacco and hay)
James G. Tyson, Jr.	Director	Third year of a four year term	Self-employed farmer (cotton, corn and soybeans)
J. Edward Yanos	Director	Second year of a four year term	Self-employed farmer (corn and soybeans)

**Gordon Carter** is a Director of Eastern Indiana Livestock Breeders Association (breeding organization); and is also a director of the National Farm Credit Council (National trade association of the Farm Credit System).

**Daryl Greenfield** is a Director of Hopkinsville Elevator Company, Inc. which handles grain and supplies and is a Director of Todd County Farm Bureau (agricultural association).

**Bert Holsapple** is Director of Orange County Indiana REMC which provides electricity to rural communities.

**James William Patterson** is a Director of Geauga County Farm Bureau (agricultural association).

**William Roger Robertson** is a Director of the Southeastern United Dairy Association (dairy production) and Tennessee Milk Producers (milk production).

**Daryl Rowe** is a Director of Farmer's Mutual Fire Insurance Company, a provider of casualty insurance.

**Arthur Timberlake** is a Director of the Indiana and Kentucky Polled Hereford Associations (Hereford breeders) and the Harrison County, Indiana Cattleman's Association (beef cattle organization).

**James Tyson** is a Director of the Madison County, Tennessee Farmers Co-op (agricultural association).

**Sue Welch** is a Director of the Lincoln County Fair Association (fair board) and Fayette-Lincoln County Industrial Development Board (development).

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors has adopted a rate of \$300 per day, effective November 2004. Board of Director members also receive a monthly retainer of \$500. In addition, the Board Chairperson receives \$500 per month, the Vice-Chairperson \$100 per month and the Secretary \$250 per month retainer for the additional time commitments of their positions. Board Audit Committee members also receive a \$300 retainer for quarterly meeting attendance.

## Disclosure Information Required by Regulations, cont.

### Farm Credit Services of Mid-America, ACA

Information regarding compensation for each director who served during 2004 follows:

	Number of Days Served		Total Compensation Paid in 2004
	Board Meetings	Other Official Activities	
Bob Barton	28.0	13.5	\$ 22,449
David A. Bates, III	27.5	10.0	15,624
Barney Barnett	28.0	19.5	17,374
Gordon E. Carter	28.0	30.0	19,249
Roger D. Earley	28.0	22.0	18,149
Daryl R. Greenfield	27.5	9.5	14,874
Bert E. Holsapple	30.5	11.5	16,799
Jimmy D. Mays	28.0	8.5	14,774
James William Patterson	7.5	2.0	4,199
John A. Peterson	20.5	16.0	12,024
Roger Robertson	28.0	18.0	17,449
Daryl B. Rowe	28.0	14.0	15,949
Wayne E. Specht	25.5	16.5	16,249
Arthur R. Timberlake	28.0	25.0	18,849
James G. Tyson, Jr.	25.5	11.5	15,624
Sue Welch	25.5	19.5	18,999
David Wilson	28.0	16.5	17,349
Ed Yanos	28.0	13.5	16,374
<b>Total</b>	<b>470.0</b>	<b>277.0</b>	<b>\$292,360</b>

The number of board meeting days and per diem totals include travel time to and from meetings.

### SENIOR OFFICERS

The following summarizes the positions held and the business experience in the last five years for all the senior officers:

Name	Position	Business experience and employment during past five years
Donald W. Winters	President and Chief Executive Officer	President and Chief Executive Officer from October 1989 to present
James D. Kenney, III	Senior Vice President – Corporate Services	Senior Vice President – Corporate Services from November 1997 to present
David Lynn	Senior Vice President – Financial Services	Vice President – Financial Services from July 1996 through September 2002; Senior Vice President – Financial Services from October 2002 to present
Thomas S. Schlenker	Senior Vice President – Financial Services	Senior Vice President – Financial Services from July 1996 to present
James K. Garrison	Senior Vice President – Credit	Senior Vice President – Credit from November 1997 to present
Philip W. Kimmel	Senior Vice President – Business Development	President & CEO of Keystone Farm Credit, from September 1992 to February 2000; Senior Vice President – Business Development from April 2000 to present
Dianna R. Ragan	General Counsel & Corporate Secretary	General Counsel & Corporate Secretary from November 1997 to present
Paul Bruce, Jr.	Senior Vice President – Financial Operations and Chief Financial Officer	Vice-President – Loan Accounting from June 1994 to February 2003; Senior Vice President – Financial Operations and Chief Financial Officer from March 2003 to present

A summary of compensation paid to the most highly compensated officers including the eight senior officers previously noted follows (in thousands):

Name of Individual	Year	Salary	Bonus	Deferred/Perquisites	Other	Total
Donald W. Winters	2004	\$ 298	\$131	\$4	\$ –	\$ 433
	2003	288	112	2	–	402
	2002	273	106	2	–	381

Aggregate Number of Individuals (including CEO):

	Year	Salary	Bonus	Deferred/Perquisites	Other	Total
Eight	2004	\$1,358	\$495	\$7	\$ –	\$1,860
Eight	2003	1,287	404	6	–	1,697
Eight	2002	1,219	371	7	10	1,607

The amount included in “Other” in the preceding table represents relocation expenses paid to one senior officer in 2002.

Shareholders may request information on the compensation paid during 2004 to the individuals listed in the preceding table whose compensation exceeded \$50 thousand.

The CEO’s incentives are based in part on an individual performance rating established by the Board of Directors. Senior officers’ incentives are based in part on individual performance ratings established by the CEO. The remainder of the CEO and Senior officers’ incentives are based on corporate performance criteria established by the Board of Directors. The corporate criteria includes: loan growth rate, credit quality, credit administration and net operating rate. The incentives are calculated after the end of the plan year (the plan year is the calendar year) and are paid out in a lump sum within 90 days of year-end.

### TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is discussed in Note 12 of this annual report.

### TRAVEL, SUBSISTENCE AND OTHER RELATED EXPENSES

Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at the address listed on page 47 of this annual report.

The total directors’ travel, subsistence and other related expenses were \$150 thousand in 2004, \$144 thousand in 2003 and \$156 thousand in 2002.

### INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No material events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2005 or at any time during 2004.

### SHAREHOLDER PRIVACY

Farm Credit Administration Regulations protect shareholders’ nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our association or our shareholders not normally contained in published reports or press releases.

### RELATIONSHIP WITH INDEPENDENT AUDITORS

There were no changes in independent auditors since the last annual report to shareholders and we are in agreement with the opinion expressed by the independent public auditors.

### FINANCIAL STATEMENTS

The “Report of Management”, “Report of Independent Auditors,” “Consolidated Financial Statements”, and “Notes to Consolidated Financial Statements” are presented prior to this portion of the annual report.

### EQUAL EMPLOYMENT OPPORTUNITY

We are an equal opportunity employer. It is our policy to provide equal employment opportunity to all persons regardless of race, national origin, religion, age, sex, disability, marital status, veteran status, public assistance status, or any other condition or status covered by law. We comply with all state and local equal employment opportunity regulations. We conduct all personnel decisions and processes relating to our employees and job applicants in an environment free of discrimination and harassment.

## Notice to FCS Customers Concerning Investment

### *Farm Credit Services of Mid-America, ACA*

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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 percent 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's 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

## Notice to FCS Customers Concerning Investment, cont.

*Farm Credit Services of Mid-America, ACA*

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 issues 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 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 2004 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, though no earnings distribution date is scheduled.

## Important Information on FCS's Funds Held Program

*Farm Credit Services of Mid-America, ACA*

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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 percent 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 2.43 percent as of 1/1/2005.
- Commercial loans, with the exception of lines of credit, closed or renewed after September 1, 1999 are paid a rate of interest similar to short term money market rates. The rate was 2.43 percent as of 1/1/2005.

### 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 and 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 due, 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 4<sup>th</sup> 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.

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#### 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.
2. 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.
3. 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.
4. For allocated surplus distributions, dividend payments, and patronage distributions.
5. 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:
- (a) to cover operating expenses, including additions to loan valuation reserves as provided by law;
  - (b) to restore the amount of any impairment of Stock and Participation Certificates as prescribed in Section 855.2 of these Bylaws;
  - (c) to restore the amount of any impairment of allocated surplus;
  - (d) 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

## Capitalization Bylaws of the Farm Credit Services of Mid-America, ACA, cont.

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 revolvement 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.

### 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

#### 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.

## 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 members' personal information to marketing companies or information brokers.

FCA rules allow us to disclose customer 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.
- 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 appraisal 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.

## Obtaining District Annual Report Information

The financial condition and results of operations of AgriBank, FCB materially affect shareholders' investment in the Association. A copy of the combined AgriBank, FCB and Seventh District Associations' financial reports may be requested free of charge by contacting:

Farm Credit Services of Mid-America  
P.O. Box 34390  
Louisville, KY 40232-4390  
800-444-3276  
efcsales@e-farmcredit.com  
www.e-farmcredit.com

AgriBank, FCB  
P.O. Box 64949  
St. Paul, MN 55164-1810  
651-282-8800  
agribankmn@farmcredit.com  
www.agribank.com

## Obtaining Association Annual or Quarterly Report Information

Copies of the Association's annual or quarterly reports may be requested free of charge by contacting the Association as stated above. The quarterly reports are available 45 days after the end of each calendar quarter.

## Farm Credit Services Board of Directors

### Indiana

Gordon Carter  
10910 N CR 925 W  
Gaston, IN 47342

Bert Holsapple  
6565 East Weeks Road  
Orleans, IN 47452

Art Timberlake  
11550 River Road SW  
Mauckport, IN 47142

Ed Yanos  
8839 South County Road 675 E  
Cambridge City, IN 47327

### Kentucky

Bob Barton, Chairman  
4095 Huffman Mill Road  
Lexington, KY 40511

David Bates  
894 Pecan Lane  
Shepherdsville, KY 40165

Daryl Greenfield  
455 Butler Road  
Elkton, KY 42220

Jimmy Mays  
199 Cemetery Road  
Scottsville, KY 42164

### Ohio

Roger Earley  
5741 Runk Lane  
Hillsboro, OH 45133

Bill Patterson  
12598 Ward Drive  
Chesterland, OH 44026

Wayne Specht  
3680 Bair Road NW  
Dover, OH 44622

David Wilson, Vice-Chairman  
10485 County Road 10  
East Liberty, OH 43319

### Tennessee

Roger Robertson  
539 County Road 422  
Englewood, TN 37329

Daryl Rowe  
174 Jarrett Road  
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 Road  
Shelbyville, KY 40065

## Farm Credit Services Executive Leadership Team

Donnie Winters  
President and Chief Executive  
Officer

Paul Bruce  
Senior Vice President – Financial  
Operations 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 and Corporate  
Secretary

Tom Schlenker  
Senior Vice President – Financial  
Services

## Farm Credit Services Offices

### Indiana

Anderson 800-878-0195  
Bluffton 800-477-4737  
Columbia City 888-823-2719  
Columbus 800-231-2747  
Corydon 800-835-2501  
Crawfordsville 800-875-5531  
Evansville 800-345-2835  
Franklin 800-327-5099  
Greencastle 800-446-0306  
Greensburg 877-850-6488  
Huntingburg 800-752-7429  
Kokomo 888-956-5666  
Lafayette 888-232-9000  
LaGrange 888-823-2718  
Marion 800-327-9887  
Martinsville 800-372-3276  
Muncie 800-647-0299  
Rensselaer 888-290-0936  
Rochester 800-508-9873  
Rushville 800-797-0002  
Scottsburg 800-742-9930  
South Bend 888-208-5603  
Sullivan 800-952-6171  
Valparaiso 888-212-5308  
Vincennes 800-288-9348  
Williamsport 888-898-3276

### Kentucky

Bowling Green 800-264-0310  
Campbellsville 800-880-2396  
Danville 800-880-1114  
Dry Ridge 800-880-6785  
Elizabethtown 800-880-7288  
Glasgow 800-880-9425  
Grayson 800-880-6453  
Hardinsburg 800-212-8616  
Henderson 800-783-9776  
Hopkinsville 800-489-5626  
Lexington 800-880-2741  
London 800-880-6598  
Maysville 800-880-5931  
Mt. Sterling 800-261-3071  
Owensboro 800-844-1148  
Shelbyville 800-880-1420  
Somerset 800-880-4311

### Ohio

Alliance 800-327-2551  
Archbold 800-232-1660  
Bellefontaine 800-589-6118  
Cambridge 888-713-4293  
Celina 800-953-8330  
Circleville 888-515-5626  
Delphos 800-522-7728  
Eaton 800-686-4146  
Lucasville 800-325-3086  
Mansfield 888-200-1380  
Oberlin 800-454-2072  
Orwell 800-638-9390  
Springfield 800-633-4135  
Utica 800-937-6050  
Versailles 800-206-3001  
Washington CH 800-334-9325  
Winchester 800-321-3013  
Wooster 800-216-9651

### Tennessee

Athens 800-734-1802  
Columbia 800-665-9242  
Cookeville 800-346-2190  
Dandridge 800-524-0932  
Dickson 800-227-7414  
Dresden 800-346-2191  
Greeneville 800-218-1040  
Johnson City 800-444-3276  
Knoxville 800-524-0931  
Lawrenceburg 800-273-0260  
Lebanon 800-765-7172  
McMinnville 800-444-3276  
Murfreesboro 800-444-3276  
Oneida 800-226-7017  
Ripley 800-635-5003  
Shelbyville 800-444-3276  
Somerville 800-469-2794  
Springfield 800-894-9998  
Tazewell 866-630-5017  
Three Way 888-855-0631

For calls to the Louisville central office dial 800-333-3276, wait for the tone then dial 333-3700.

### Board of Directors >

(from left, front row)

Bill Patterson, Barney Barnett,  
Roger Robertson, Bob Barton,  
David Wilson, Ed Yanos,  
Daryl Greenfield and David Bates.

(from left, back row)

Bert Holsapple, Jimmie Tyson,  
Wayne Specht, Gordon Carter,  
Sue Welch, Jimmy Mays, Daryl Rowe,  
Roger Earley and Art Timberlake.

THIS BOARD OF DIRECTORS HAS

## A HEAD FOR FINANCE, A HEART FOR FARMING.

They may look like members of any other board, but this board is different. It's steeped in agriculture and focused on the needs of farmers and rural people in Kentucky, Indiana, Tennessee and Ohio.

This board governs Farm Credit Services of Mid-America, the \$8 billion cooperative that is the nation's largest agricultural lender. Under its guidance, FCS provides lower interest rates and more lending products than any other farm lender in America.

In the 1990s, when no farm lender offered long-term fixed rate loans, FCS stepped up to the plate.

In 1999, the board rolled back rates by 30 basis points on every loan, saving customers millions.

Then, FCS invented "conversion," a simple process that allowed customers to trade their old rates for lower ones. More than 55,000 customer-members converted more than \$6.3 billion in loans and saved \$320 million.

As one customer noted: "That's the first time in my life my banker ever called me and told me he could lower my interest rate."

You can be assured FCS will continue to look out for your best interests.



With 81 offices to serve  
you in Indiana, Kentucky,  
Ohio and Tennessee.  
1-800-444-FARM  
[www.e-farmcredit.com](http://www.e-farmcredit.com)



**Farm Credit Services**  
OF MID-AMERICA

A head for finance. A heart for farming.™