

MAKING THE INVESTMENT IN A COOPERATIVE



THE ADVANTAGES OF STOCK OWNERSHIP

WHAT IS THE IMPACT OF STOCK ON MY INTEREST RATE?

Typically, your stock investment is set up as part of the loan proceeds versus being paid for in cash. Based on the stock requirement of 2%, or not more than \$1,000, the following table demonstrates how stock changes the effective interest rate on a loan.

REPRESENTATIVE EXAMPLE:

Loan Amount:	Borrowing Rate:	Rate with Stock:
\$50,000	6.5%	6.63%
\$100,000	6.5%	6.56%
\$200,000	6.5%	6.53%

 **Farm Credit Services**
OF MID-AMERICA

1-800-444-FARM
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Member-15K-1008



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Farm Credit Services of Mid-America is a financial lending cooperative serving farmers, agribusiness and rural residents. When you borrow from FCS, you automatically become a member of our cooperative association through the purchase of stock or participation certificates.

WHAT IS COOPERATIVE STOCK AND WHY IS IT REQUIRED?

The United States Congress established the Farm Credit System almost a century ago with the purpose of guaranteeing farmers a dependable source of funds to keep agriculture growing. At the time, many other lenders were reluctant to make loans to farmers, fearing the inherent risks of production and having few mechanisms to support longer repayment terms to farmers.

Over the years, FCS has provided a source of long- and short-term credit to farmers for their mortgage needs, their crop production and living expenses and their capital needs like new equipment and farm improvements.

As a cooperative, FCS issues stock and participation certificates, which members purchase with their loan obligations. Your stock purchase helps FCS raise the capital required to support its lending operations. Today, FCS is strongly capitalized (almost double our regulatory requirement). Therefore, we are able to hold your stock investment to a minimal level. The stock

requirement is a maximum amount of \$1,000 per member, or not more than 2% of your total loan amounts with FCS. Once you have a \$1,000 stock investment, you are no longer required to purchase additional stock regardless of how many loans or how much money you borrow. Our stock investment rule is customer-specific. You are required to purchase more stock if you create additional, different partnerships or corporations (with unique individuals).

WHAT ARE THE BENEFITS OF FCS COOPERATIVE STOCK?

Stock ownership gives you a voice in our cooperative and provides for other rights and privileges as a member of our association. As a voting member, you are eligible to serve on our board of directors, cast votes in any board election, serve on the advisory board or vote on important organizational decisions where bylaws require a vote of the membership.

PARTICIPATION CERTIFICATES

Many of our customers are rural residents who borrow for the purpose of financing a home in the country, but do not have any farm income. We welcome your membership in our cooperative. However, because you do not have farm income, we issue what is called a Participation Certificate versus voting stock. Although you do not have voting privileges with participation certificates, you are always welcome to provide input and participate in the events of our association such as our advisory boards, membership events and annual meetings.

WHAT KIND OF RETURN WILL I RECEIVE FROM MY STOCK?

Stock ownership is a membership fee versus a financial investment. When you buy stock, you are entitled to access the lending programs and benefits of the cooperative.

Our member stock and participation certificates do not pay dividends, nor do they appreciate in value like other mutual funds or stock investments. Additionally, our policy is to retire or return your stock at the time your loan(s) are paid off. Although stock is at risk, we have never failed to return stock at par value over the entire history of our cooperative. Over recent years, customers have received many benefits made possible through their stock investment and the strength of our cooperative.

- We lowered interest rates across the board and gave all stockholders in good standing a 0.30% reduction on their loan rates.
- We implemented a conversion policy that allowed all customers to swap or convert loan products to take advantage of lower interest rates. Since that time, more than 48,000 loans have been converted, saving customers \$382 million in future costs.

These are examples of how your stock investment works for you. Although a nominal investment, it is at the root of our cooperative system. It is your vote, your cooperative, your commitment to sustaining a reliable source of funds for agriculture.