

**INFORMATION CONCERNING YOUR INVESTMENT**  
in  
***FARM CREDIT EAST, ACA***

Each borrower of the Association is required by law to purchase Association Stock or Participation Certificates. Subject to the provisions of the Farm Credit Act of 1971, as amended, and under the Bylaws of this Association, the Board of Directors may change the required minimum capitalization at any time by a change in the Association's Capitalization Plan.

Class B Stock and Class B Participation Certificates are purchased at their par or face value of \$5 per share or unit. The borrower may purchase the Stock or Participation Certificates with cash or out of loan proceeds. The total amount borrowed, including the amount borrowed to purchase these equities, is a legally enforceable obligation that the borrower is required to repay according to the terms of the loan documentation.

Class B Voting Stock is issued only to borrowers who are eligible under the Association's Bylaws to hold such Stock. Holders of this class of Stock may vote in the election of stockholder-elected Directors and other matters requiring stockholder approval. Other borrowers are issued Participation Certificates, which do not carry voting rights. Holders of Stock and Participation Certificates may be entitled to receive patronage distributions, if declared by the Board as provided in the Association's Bylaws and in accordance with FCA Regulations.

**Issuance of Stock and Participation Certificates** The Board has adopted, in its Capitalization Plan, the following policy for the issuance of Association Class B stock and Class B participation certificates:

- a) *For all loans (except where indicated below) Class B stock and Class B Participation Certificates shall be issued equal to \$1,000 per customer as a condition of borrowing from this Association. For the purposes of Borrower Stock, customer is defined as the primary borrower on a loan..*

*Exceptions to this policy are noted below:*

- *Certain small borrowers (customers with total commitment less than \$10,000 initially) will be issued stock at 10% of the initial commitment, consistent with By-Law limitations,*
- *Certain interests in loans sold to other financial institutions,*
- *Loans to be sold into the secondary market*

- b) *The amount of Class B stock and Class B participation certificates relative to loan balance required and issued as a condition of borrowing shall be the same for all new borrowers, except where noted above.*

**All Stock and Participation Certificates are at risk** and are not a compensating balance. When retired, these equities are retired at the lesser of par (face) value or book value. If the book value at the time of retirement has fallen below the par (face) value as a result of Association losses or otherwise, the borrower will receive less than was paid to purchase these equities. In addition, the borrower will remain liable to repay the full amount borrowed to purchase these equities.

**Retirement of Stock and Participation Certificates** Under the Bylaws of the Association, all Stock and Participation Certificates can retired only at the discretion of the Board, subject to regulatory minimum capital adequacy standards and the Association's Capitalization Plan. Further, any retirement of Stock and Participation Certificates shall be governed by Sections 810 and 830 of the Association's Bylaws.

The Board has adopted, in its Capitalization Plan, the following policy for the retirement of Association Class B stock and Class B participation certificates:

*The Association President or his delegate may retire Class B stock and Class B participation certificates under the following conditions:*

- a) No stock or participation certificates may be retired if the Association is below the regulatory minimum permanent capital standard or if the retirement would cause the Association to fall below such standard.*
- b) Decisions to retire stock should be consistent with the Association's overall financial and capitalization plan*
- c) Retirements may be made periodically as customers terminate their borrowing relationship with Farm Credit East.*
- d) The proceeds from the retirement may be applied to the borrower's indebtedness to reduce the obligation or may be applied as the final payment on loan payoffs. If there is no loan balance outstanding, stock could be retired in cash.*
- e) Association management must report to the Association Board, no less frequently than quarterly, the results of all retirements done according to this policy and the Association's resulting financial position regarding the minimum permanent capital standards.*
- f) The stock or participation certificates on loans sold into the Secondary Market, upon retirement, may be applied as a credit toward any loan origination fees or other fees charged on this loan.*

The Association currently complies with its permanent capital standards, including any interim standards. The Association knows of no current reason why it would not meet its permanent capital standard requirement on the next earnings distribution date.

The Association's bylaws as well as annual and quarterly reports to stockholders provide additional information regarding borrower equity in the Association and the rights associated with it.