

**AGSOUTH FARM CREDIT, ACA
AGSOUTH FARM CREDIT, FLCA
AGSOUTH FARM CREDIT, PCA**

**GENERAL AND PARTICIPATION
2016 OBLIGATING RESOLUTION**

December 9, 2015

WHEREAS, AgSouth Farm Credit, ACA (“Association”) is a cooperative organization chartered by the Farm Credit Administration to provide lending and related services to parties engaged in agricultural production and to residents of rural communities;

WHEREAS, Section 860.1 of the Association’s bylaws authorizes the Board of Directors, prior to the beginning of any fiscal year, to adopt a resolution obligating the Association to distribute to borrowers and other customers, on a patronage basis, its consolidated patronage-sourced net earnings of such fiscal year less reasonable reserves;

WHEREAS, the business of the Association is conducted with and through the operation of itself and its wholly-owned, federally chartered subsidiaries, AgSouth Farm Credit, PCA and AgSouth Farm Credit, FLCA;

WHEREAS, it is anticipated that consolidated net earnings for calendar 2016 will exceed a necessary and appropriate addition to unallocated surplus; and

WHEREAS, as a cooperative, it is the objective of the Association to refund earnings not required for unallocated surplus additions to the patrons of the Association as patronage allocations in the form of cash and/or written notices of allocation consistent with Subchapter T of the Internal Revenue Code.

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. Obligation. The Association shall distribute to “Patrons” (as defined below), on a patronage basis, its consolidated net earnings attributable to patronage business done with or for Patrons for the calendar year 2016 as computed under generally accepted accounting principles (“Patronage-Sourced Net Earnings”), after first making the applications required in Section 840 of the Association’s bylaws, including the setting aside of a necessary and appropriate addition to unallocated surplus. Notwithstanding the foregoing, Patronage-Sourced Net Earnings shall not include any extraordinary income resulting from a change in accounting procedure or method.
2. Patrons. Patrons shall include individuals or entities who borrow or purchase services from the Association, and other financial institutions who participate/sell loans to the Association with or for whom the Association conducts patronage business during the year 2016 and who have contributed to the Association’s income as reflected on its financial records prepared in accordance with GAAP.
3. Patronage Business. “Patronage Business” encompasses all transactions done with or for a Patron except for: (i) secondary mortgage market business, (ii) insurance

business (see separate patronage resolution for Crop Insurance Patronage Program), and (iii) any loan or loans specified in advance as not eligible for patronage and for which the patron has expressly waived patronage in advance.

4. Form of Patronage. Patronage will be allocated/distributed in the form of cash, qualified written notices of allocation and/or nonqualified written notices of allocation as determined by the Board of Directors by resolution prior to the end of the fiscal year, subject to revision from the audit after the closing of the Association's books.
5. Allocation Methodology. Except with respect to net earnings from Participation Volume (as defined below), Patronage-Sourced Net Earnings shall be allocated to, and distributed from, the "General Pool." The Patronage-Sourced Net Earnings of the General Pool shall be allocated/distributed to Patrons in proportion to the gross interest earned on each Patron's Transaction(s) during 2016, provided that interest earned on Transaction that was in nonaccrual status and that was either liquidated or reinstated to accrual status at any time during such year shall be determined based upon only the interest accrued and recorded in earnings in such year.

With respect to participation in Patronage Transactions sold to AgFirst, FCB or another System FCB ("Participation Volume"), the Board hereby establishes a separate patronage pool (a "Participation Patronage Pool"). This Participation Patronage Pool shall be credited with patronage dividends received from the corresponding Purchasing Institution and will be charged an equitable amount of expenses as determined by Board policy. The net earnings of each Participation Patronage Pool shall be allocated/distributed to the Patrons whose loans comprise the Participation Volume of such pool. Each such Patron's share shall be proportionate to the patronage dividend credited to the pool with respect to that Patron's loan.

6. Minimum Earnings for Distribution. If total Patronage-Sourced Net earnings is below \$100,000, no patronage dividend shall be made to Patrons and such earnings shall be transferred to the unallocated surplus account and memo accounted to the Patrons.
7. Impact on Prior Resolutions. All previously adopted resolutions relative to the payment of patronage are hereby rescinded.

I, Darlene Ellis, Corporate Secretary, AgSouth Farm Credit, ACA, do hereby certify that the foregoing is a true and complete copy of the Resolution adopted by the Board of Directors of AgSouth Farm Credit, ACA, at a meeting of such Board on December 9, 2015.

Date: December 9, 2015

Signed: 
Corporate Secretary