

Farm Credit of Florida Capitalization Bylaws¹

Article VIII **Capital Stock and Participation Certificates**

800 Authorization, Classes and Par or Face Value

The Association is authorized to have outstanding stock and participation certificates designated as Class A Common Stock, Class B Common Stock, Class C Common Stock, Class D Preferred Stock, Class B Participation Certificates and Class C Participation Certificates, in the amounts as authorized herein and as may be necessary to conduct its business. Each share of Stock and unit of Participation Certificates shall have a par or face value of \$5, except for Class D Preferred Stock which shall have a par value of \$.01 per share. Fractional shares of Stock or units of Participation Certificates shall not be issued. All transfers, exchanges, conversions and retirements of Stock and Participation Certificates shall be at book value not to exceed par (unless otherwise provided herein).

810 Evidence of Ownership

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

820 Issue

820.1 Up to 50 million shares of Class A Common Stock may be issued for the following purposes: (i) in exchange for allocated surplus distributions; (ii) for dividend payments; (iii) for patronage refunds in accordance with Article IX of these bylaws; (iv) in exchange for outstanding equities which the Association wishes to redeem where the holder thereof cannot be located; and (v) to investors in such amounts as may be permitted under a plan adopted by the Board in accordance with the Act and Regulations. Shares of Class A Common Stock may be issued in an unlimited amount in exchange for Class C Common Stock within two years after the holder thereof ceases to be a borrower from the Association, PCA and FLCA. Class A Common Stock is non-voting.

820.2 Shares of Class B Common Stock are “protected” as defined in the Act and were originally issued in exchange for equities of a like designation in the Association’s predecessor production credit association or federal land bank association. No further shares of this class of stock may be issued. Class B Common Stock is non-voting.

820.3 An unlimited amount of Class C Common Stock may be issued to bona fide farmers, ranchers, producers or harvesters of aquatic products, who are borrowers or are about to become borrowers from the Association, PCA or FLCA. Class C Common Stock is voting.

¹ The Capitalization Bylaws are an excerpt from the Farm Credit of Florida, ACA Bylaws.

- 820.4 Class B Participation Certificates are “protected” as defined in the Act and were originally issued in exchange for equities of a like designation in the Association’s predecessor production credit association or federal land bank association. No further Class B Participation Certificates may be issued. Class B Participation Certificates are non-voting.
- 820.5 An unlimited amount of Class C Participation Certificates (hereinafter referred to, along with any Class B Participation Certificates, as “Participation Certificates”) may be issued to borrowers or applicants who are (a) rural residents for housing financing; (b) persons or organizations furnishing to farmers farm-related services and (c) persons or organizations who are eligible to borrow or participate in loans from the Association, PCA or FLCA but are not eligible to hold voting stock. Participation Certificates also may be issued for allocated surplus distributions, dividend payments and patronage distributions in accordance with Article IX of these bylaws. In addition, Class C Participation Certificates may be issued to any person who is eligible to be a Voting Stockholder for the purpose of qualifying such person for technical assistance, financially related services and leasing services offered by the Association, PCA or FLCA. Holders of Class C Participation Certificates shall not be entitled to vote.
- 820.6 Up to 1 billion shares of Class D Preferred Stock (\$.01 par value) may be issued as follows: (i) to any person pursuant to a plan adopted by the Board in accordance with the Act and Regulations; (ii) in exchange for allocated surplus distributions (Section 930); and (iii) for dividend payments (Section 950) and patronage distributions (Section 960). Additional Class D Preferred Stock may be issued to investors in accordance with the Act, the Regulations, and the bylaws, when authorized by a majority of the shares of each class of Stock and Participation Certificates affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote. Class D Preferred Stock is non-voting.
- 820.7 Class C Common Stock and Class C Participation Certificates shall be purchased by borrowers eligible to hold such equities as a condition for obtaining a loan from Association, PCA and FLCA in an amount as may be determined by the Board at its discretion within a range between a minimum of two percent (2%) of the loan amount (or aggregate loan balances) or \$1,000.00, whichever is less, and a maximum not to exceed ten percent (10%) of the loan amount; provided, however, the Board may require new borrowers to purchase more Class C Common Stock or Class C Participation Certificates if the Association is deemed not to be in compliance with the capital requirements of the Act and Regulations.
- 820.8 Dividends on any of the foregoing classes of Stock shall be payable solely at the discretion of the Board and shall be non-cumulative, except that dividends on Class D Preferred Stock may be cumulative.
- 825 Loans Designated for Sale or Sold Into the Secondary Market
- 825.1 Notwithstanding any other provision of these bylaws, no voting stock or participation certificate purchase requirement shall apply with respect to a loan that is made on or after February 10, 1996, and is designated at the time made for sale into a secondary market; provided that, if a loan designated for sale into a secondary market is not sold within 180 days following the date of such designation, the voting stock or participation certificate requirement otherwise applicable to the loan in the absence of this bylaw provision shall apply.

825.2 Notwithstanding any other provision of these bylaws, all outstanding voting stock or participation certificates held by a borrower with respect to a loan shall be retired if: (a) the loan is made prior to February 10, 1996, it is sold into a secondary market, and the permanent capital of the Association, would not, after or due to such retirement, fail to meet the applicable minimum capital adequacy standards established by the Act or Regulations; or (b) the loan is made on or after February 10, 1996, it is designated at the time made for sale into the secondary market, it is sold into such market after the 180 day period beginning on the date of such designation, and the permanent capital of this Association would not, after or due to such retirement, fail to meet the applicable minimum capital adequacy standards established by the Act or Regulations.

830 Transfer

830.1 All Common 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 820 of these bylaws, subject to the following conditions: (a) transfer shall not be effectuated prior to notification of and acknowledgement by the Association, if no indebtedness is due by the transferor to the Association, PCA or FLCA; and (b) transfer shall be not effectuated prior to notification of and written consent of the Association if indebtedness is due by the transferor to the Association, PCA or FLCA. Class D Preferred Stock may be transferred in the manner set forth in the resolution authorizing the issuance of such stock. Until such time as the Association meets the minimum permanent capital standards established by the FCA, all stock required to be purchased as a condition for obtaining a loan shall be purchased from the Association.

830.2 The Association shall serve as its own transfer agent in all matters relating to its Stock and Participation Certificates.

840 Conversion

840.1 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 820.

840.2 Class C Common Stock shall be converted into Class A Common Stock within two years after the holder thereof ceases to be a borrower from the Association, PCA and FLCA.

840.3 Class C Common Stock may be converted to Class C Participation Certificates of equivalent value, subject to the following conditions: (i) the borrower shall have previously borrowed money from the Association and purchased Class C Common Stock as required by the Bylaws; (ii) the borrower shall apply to the Association for a new loan of one of the types set forth in Section 820.5, requiring him to purchase Class C Participation Certificates in accordance with the Bylaws; (iii) at the time of application for the new loan, the borrower is no longer engaged in the occupation which previously made him eligible under the Act and the Bylaws as a voting stockholder of the Association; (iv) if the Association makes the new loan to the borrower, the Association shall convert all Class C Common Stock then held in the borrower's name to Class C Participation Certificates; conversion to be at book value of the Class C Common Stock, not to exceed par value; (v) in connection with the conversion, the Association shall provide the borrower with disclosure required by Section 615.5250(a)(3) & (4) of the Regulations; and (vi) simultaneously with the conversion and issuance of Class C Participation Certificates, the

borrower shall relinquish his voting rights under Section 450.1 of the Bylaws and the borrower's name shall be removed from the voting stockholder list maintained by the Association pursuant to Section 450.3 of the Bylaws.

- 840.4 Class C Participation Certificates may be converted to Class C Common Stock of equivalent value, subject to the following conditions: (i) the borrower shall have previously borrowed money from the Association and purchased Class C Participation Certificates as required by the Bylaws; (ii) the borrower shall apply to the Association for a new loan requiring him to purchase Class C Common Stock in accordance with the Bylaws; (iii) if the Association makes the new loan to the borrower, the Association shall convert all Class C Participation Certificates then held in the borrower's name into Class C Common Stock; (iv) conversion shall be at book value of the Class C Participation Certificates, not to exceed face value; (v) in connection with conversion, the Association shall provide the borrower with the Disclosure set forth in Section 615.5250(a)(3) & (4) of the Regulations; and (vi) simultaneously with the conversion, the borrower shall have voting rights as provided in Section 450.1 of the Bylaws and the borrower's name shall be added to the voting stockholder list maintained by the Association pursuant to Section 450.3 of the Bylaws.

850 Retirements

- 850.1 Except as provided in Section 850.3, Stock and Participation Certificates may be retired at the sole discretion of the Board of the Association in accordance with statutory and regulatory requirements. No express or implied right is hereby granted to have Stock or Participation Certificates retired at the end of a revolvment cycle or any other time. No Stock or Participation Certificates or other similar equities may be retired if it would result in a reduction of the permanent capital of the Association below the minimum capital adequacy standards established by Farm Credit Administration capitalization regulations. If Stock or Participations Certificates are retired, they shall be retired at book value not to exceed par. The proceeds thereof shall be paid to the holder or applied against the borrower's indebtedness to the Association, PCA and FLCA.
- 850.2 Subject to the Act and Regulations, when 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 the Association, PCA and FLCA.
- 850.3 Subject to the Act and Regulations, Class B Common Stock and Class B Participation Certificates shall be retired at par value in ways that come within the meaning of the "ordinary course of business" as defined by the Regulations.

860 Impairment

- 860.1 Any losses which result in an impairment of the Association's capital shall be borne ratably by, first, each share of Class A Common Stock, Class B Common Stock, Class C Common Stock, and unit of Participation Certificates outstanding; second, each share of Class D Preferred Stock outstanding, all as of the date such losses are determined.

860.2 Impaired Stock and Participation Certificates shall be restored in the reverse of the sequence set forth in Section 860.1 until each share of Stock and unit of Participation Certificates has a book value equal to the par value or face value respectively.

870 Lien

Except with respect to Stock or Participation Certifications held by other system institutions, the Association, PCA and FLCA, as applicable, shall have a first lien on all Stock and Participation Certificates in the Association owned by any borrower as additional collateral for any indebtedness of such borrower to the Association, PCA and FLCA.

880 Distribution on Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities, shall be distributed in the following order of priority:

- a. First, to the holders of Class D Preferred Stock until an amount equal to the aggregate par value of all shares of said stock then issued and outstanding has been distributed to such holders,
- b. Second, to the holders of Class A Common Stock, Class B Common Stock, Class C Common Stock and Participation Certificates, pro rata in proportion to the number of shares or units of each such class of stock or participation certificates then issued and outstanding, until an amount equal to the aggregate par value or face amount of all such shares or units has been distributed to such holders;
- c. Third, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of the year of issuance, until the total amount of such account has been distributed;
- c. Fourth, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of the year of issuance, until the total amount of such account has been distributed; and
- e. Fifth, any remaining assets of the Association shall be distributed to present and former Patrons on a patronage basis to the extent practicable.

All distributions to the holders of any class of stock and/or participation certificate holders shall be made in proportion to the number of shares or units of such classes of stock or participation certificates held by such holders. All distributions to holders of allocated surplus shall be pro-rata by year of issuance.

890 Amendment to Capitalization Bylaws and Issuance of Preferred Stock

Any amendment to Articles VIII and IX of these Bylaws or to the capitalization bylaws of PCA or FLCA, other than those of a strictly technical nature not affecting substantive rights, shall not become effective unless approved by Voting Stockholders at a duly authorized meeting of Members. Any amendment authorizing the issuance of preferred stock shall not become effective unless approved by a majority of the shares of each class of equities affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

Article IX Earnings, Surplus, Dividends and Patronage Distributions

900 Capitalization Plan

The Board shall adopt, maintain and amend from time to time, as Board deems appropriate, a consolidated capitalized plan for the Association, PCA and FLCA. The capitalization plan shall be designed to enable the Association to meet the capital adequacy standards established in the Regulations. Subject to these bylaws, the capitalization plan shall provide for, among other things, the manner in which the Association's Stock and Participation Certificates and allocated equities shall be issued, transferred and retired. In connection with the Capitalization Plan, no dividends may be cumulated, except with respect to Class D Preferred Stock.

910 Application of Earnings or Losses.

910.1 As soon as practicable after the end of each accounting period, the Association shall (i) determine the net earnings of the Association, PCA and FLCA for such period before the provision for income taxes ("Net Earnings"); (ii) the amount thereof which constitutes net earnings from Patronage Business (as defined below); and (iii) the amount thereof which constitutes net earnings from other business ("other business").

910.2. Any Net Earnings determined pursuant to Section 910.1 shall be applied in the following order of priority:

- 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 860.2 of these bylaws;
- c. to restore the amount of any impairment of allocated surplus in the reverse order of impairment;
- d. to create and maintain an unallocated surplus as provided in Section 920 of these bylaws;
- e. to pay dividends on Stock of the Association if authorized pursuant to Section 940 of these bylaws;
- f. to make patronage distributions if authorized pursuant to Section 950 of these bylaws.

The amounts so applied under subsections (a) through (d) above shall be treated as coming first from Net Earnings from other business and then from Net Earnings from Patronage Business. The amount so applied under subsection (e) shall be treated as coming from Net Earnings from Patronage Business and Net Earnings from other business on a pro-rata basis. After the applications above, any remaining Net Earnings (to the extent attributable to Patronage Business) may be distributed as patronage refunds under Section 950 hereof, which refunds may be paid in the form of allocated surplus, stock, cash or any combination of the above; any remaining Net Earnings from "other business" may be utilized to pay or provide for income taxes or credited to unallocated surplus.

910.3. If the Association has a net loss ("Net Loss") for an accounting period, then the Association shall apply such Net Loss to reduce unallocated surplus and then, except as may be otherwise provided in the Act, treat such Net Loss as impairing capital in the following order:

- a. First, allocated surplus evidenced by nonqualified written notices of allocation in its entirety, with application to most recent allocations first and then in reverse order until all such allocated surplus has been exhausted;
- b. Second, allocated surplus evidenced by qualified written notices of allocation in its entirety, with application to most recent allocations first and then in reverse order until all such allocated surplus has been exhausted;
- c. Third, Class A Common Stock, Class B Common Stock, Class C Common Stock and Participation Certificates issued and outstanding, pro rata, until such stock and participation certificates are fully impaired;
- d. Fourth, Class D Preferred Stock issued and outstanding, if any.

Impairments shall be considered as being applied pro rata to each share and/or unit outstanding in the class. Impairments of allocated surplus shall be considered as being applied pro rata by year of issuance.

920 Surplus Accounts

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amounts of these two accounts shall be as prescribed by the Board of Directors. Except as provided in Section 910, the unallocated surplus account may not be reduced and no part thereof may be transferred to the allocated surplus account.

930 Allocated Surplus Account

930.1 As set forth in the Capitalization Plan, the Association may create, and subject to the Act and Regulations, and Association policy, may maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis. Allocated surplus may be issued as either "qualified written notices of allocation" or "non-qualified written notices of allocations," or both, as those terms are defined under Internal Revenue Code ("Code") Section 1388:

(a) All allocations in the form of qualified written notices of allocation shall be issued in annual series and shall be identified by the year of issuance. Each such series shall be retired fully or on a pro rata basis, only at the discretion of the Board, in order of issuance by year as funds are available.

(b) All allocations in the form of non-qualified written notices of allocation shall be issued in annual series and identified by the year of issuance. Each annual series may be subdivided between two or more classes. Each such series, or class thereof, shall be retired at the discretion of the Board.

In the event of a net loss for any fiscal year, such allocated surplus shall be subject to impairment on the basis of most recent allocations first as provided in Section 910. Only those persons to which allocated surplus may be issued may own such allocated surplus. Notice of allocations to evidence the amount of earnings distributed to Members shall be given to all participants.

- 930.2 The Association, PCA and FLCA, as applicable, shall have a first lien and security interest on all surplus account allocations owned by any borrowers, and all distributions thereof, as additional collateral for such borrower's indebtedness to the Association, PCA and FLCA.
- 930.3 When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all surplus account allocations owned by such borrower to be applied against the indebtedness based on its fair value.
- 930.4 Any surplus allocated to a borrower shall be retired at the sole discretion of the Board. There is no express or implied right granted to a Member to have such allocated surplus retired upon request.
- 930.5 Upon approval of the Board, any retirement of surplus allocated may be paid, oldest allocations first, in cash, in other forms of available equities or applied against any of the holder's indebtedness to the Association, PCA or FLCA in accordance with Section 930.3. In no event shall such retirement reduce the Association's permanent capital below the minimum required by Regulations. Retirements of less than the full amount of allocations issued in the same series shall be on a pro rata basis. Any part of an allocated surplus distribution in stock to one Member that is less than the par amount of one share may be held by the Association and included with subsequent shares of stock.
- 930.6 A record of the holders of allocated surplus shall be kept and maintained by the Association. Allocations of "qualified" amounts will be maintained separately from the allocations of "non-qualified" amounts. Such surplus accounts shall be transferable only to the Association or to an eligible Member of the Association in the manner established by the Board, and no transfer thereof shall be binding upon the Association unless so transferred on the books of the Association.

940 Dividends

- 940.1 The Board, at its sole discretion, may declare dividends on Common Stock and Participation Certificates of the Association; provided, however, that no dividend shall exceed eight percent (8%) per annum of the par value of the respective Common Stock and Participation Certificates. No dividends may be paid on Common Stock and Participation Certificates during any fiscal year with respect to which the Association has obligated itself to distribute earnings on a patronage basis pursuant to these bylaws. The rate of dividends paid on Class A Common Stock, Class B Common Stock, Class C Common Stock and Participation Certificates shall be the same for any fiscal year. Dividends on common stock and participation certificates shall be noncumulative.
- 940.2 Dividends on Class D Preferred Stock shall be paid in accordance with, and subject to, the resolution authorizing the issue of such Class D Preferred Stock; provided that such dividend shall

not exceed 8% per annum of the par value of such stock. Dividends on Class D Preferred Stock may be paid in the form of additional shares of Class D Preferred Stock.

940.3 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 thirty calendar days prior to the effective date of the declaration.

940.4 Dividends on Common Stock and Participation Certificates may be paid in cash, Class A Common Stock, Class D 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 Class A Common 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 A Stock.

950 Patronage Dividends

950.1. Prior to the beginning of each fiscal year, the Board, by resolution, may obligate the Association to distribute to "Patrons" the Association's consolidated net earnings from business done with or for Patrons on a patronage basis ("Patronage Business"). Consolidated net earnings shall mean the net earnings of the Association, PCA and FLCA. For purposes of this Article IX and Section 880, Patrons include those individuals or entities who borrow or purchase services from the Association, and other financial institutions who participate/sell loans to the Association. All business and transactions done with or for Patrons shall be presumed to be Patronage Business unless the Association identifies the particular business or transaction in advance as not being done with the Patron on a patronage basis. Business and transactions so identified shall be included among "other business." All Patronage Business between the Association and Patrons shall be subject to and shall include as part of its terms, whether the same has been expressly referred to in said transaction or not, the provisions of this Article IX of the Bylaws of this Association. The patronage resolution referred to herein shall establish an irrevocable, binding, legal obligation to distribute patronage in accordance with the provisions hereof.

950.2. All patronage distributions shall be in the proportion that the amount of interest and other income earned from each Patron with respect to Patronage Business bears to the total interest and other income earned from all Patronage Business during the fiscal year, except that another proportionate basis consistent with cooperative principles may be used with approval of the Board. The Association may establish earnings pools for the payment of patronage distributions on a rational and equitable basis such that each Patron receives that Patron's fair share of the earnings of the Association and bears that Patron's fair share of the expenses of the Association. The Board shall retain discretion not to pay patronage distributions on one or more of such earnings pools, provided that all Patrons are treated fairly and equitably.

950.3. Net Earnings from Patronage Business available for patronage distributions shall include those earnings remaining after first making the applications as required in Section 910.2, including (i) allocating an amount for the payment of dividends on Association preferred stock as authorized by these Bylaws and the Board, (ii) the transfer to unallocated surplus of the amount, if any, established by the capitalization plan, and (iii) the provision of an amount for income taxes (if necessary). The Board, in its resolution, may establish a minimum level of available earnings and if the available earnings fall below this level, no patronage distribution will be made.

- 950.4. If the Association will meet its capital adequacy standards after making the patronage distributions, the patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. All qualified notices of allocated surplus shall satisfy the definition of a "qualified written notice of allocation" as defined in Section 1388 of the IRC. All nonqualified notices of allocated surplus shall satisfy the definition of a "nonqualified written notice of allocation" as set forth in Section 1388 of the IRC. Any part of a patronage distribution in Class A Common Stock to one borrower that is not a multiple of \$5.00 may be distributed in cash or held by the Association for the borrower and included in a subsequent distribution.
- 950.5. If a borrower is in default, any part of the patronage distribution to that borrower, except for the minimum required cash portion, may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association, PCA or FLCA.
- 950.6. Each holder of Class C Common Stock as of the effective date of this bylaw and each person who thereafter applies for and receives Class C Common Stock shall, by such act alone, consent that the amount of any distributions with respect to his patronage, which are made in or evidenced by qualified written notices of allocation (as defined in 26 U.S.C. 1388), including patronage allocations of surplus account and patronage refunds paid in Stock, and which are received by the holder from the Association, will be taken into account (as income) by the holder at their stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such qualified written notices of allocation are received by the holder. Such holder of Class C 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 if the holder receives written notice that such amount has been applied against the holder's indebtedness to the Association, PCA or FLCA. Each holder of Class C Common Stock further consents that the amount of any distributions with respect to his patronage which are made in or evidenced by nonqualified written notices of allocation (as defined in 26 U.S.C. 1388) will be taken into account (as income) by the holder in the taxable year in which such nonqualified written notices of allocation are redeemed.
- 950.7. The Association may obtain the written consent of each Patron that the amount of any distributions with respect to the Patron's patronage, which are made in or evidenced by qualified written notices of allocation (as defined in 26 U.S.C. 1388), including patronage allocations of surplus account and patronage refunds paid in Stock, and which are received by such Patron from the Association, will be taken into account (as income) by such Patron at their stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such qualified written notices of allocation are received by the Patron. The Association may also obtain the consent of each Patron that the amount of any distributions with respect to patronage that has been applied to the Patron's indebtedness to the Association, PCA or FLCA and for which such Patron has received written notice, will be taken into account (as income) by such Patron in the same manner. The Association may further obtain the written consent of each Patron that the amount of any distributions with respect to the Patron's patronage, which are made in or evidenced by nonqualified written notices of allocation (as defined in 26 U.S.C. 1388), will be taken into account (as income) by the Patron in the taxable year such nonqualified written

notices of allocation are redeemed. The form of consent shall be prescribed by the Board, except that it shall be continuing in effect until revoked by the Patron, 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.

950.8 Where the Association arranges for the provision of credit and/or related services to its Patrons through PCA and/or FLCA, and such Patrons avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from PCA and/or FLCA, all net earnings or loss attributable to such provision of credit and/or related services shall be treated as net earnings or loss of the Association from business done with its Patrons and all business done with PCA and FLCA shall be treated as business done with the Association.