

GreenStone FCS Patronage Program Questions and Answers

What is the Patronage Program?

Patronage is a sharing of earnings with eligible customer-owners. The patronage program is comprised of two components: a cash payment to the customer (a "qualified" distribution) and a non-cash ("non-qualified") portion that remains in GreenStone's retained earnings. A qualified cash patronage distribution is a way to reduce your cost of borrowing from GreenStone FCS by sharing in the profits. The non-taxable, non-qualified distribution will be reported to you at the same time that cash patronage is distributed. The Board has no plans to redeem the non-qualified patronage.

Why is GreenStone offering a Patronage Program?

Patronage is one of the special benefits of doing business with a customer-owned financial institution. Also, GreenStone is able to offer a cash patronage program because of the financial strength we have achieved. This strength helps us remain financially strong to overcome unexpected changes in the agricultural economy while supporting future business growth.

Will patronage payments be distributed every year?

The GreenStone FCS Board of Directors is required to analyze and approve patronage payments each year, including if patronage will be distributed and the total amount of payout.

How is a customer's patronage payment determined?

The patronage payment is based on the amount of net interest income earned on each eligible customer's loan during each year.

Who is eligible for the Patronage Program?

All customer loans that are capitalized by stock are eligible for patronage, except when:

- A loan is in non-accrual and past due at the end of the year.
- Any of a customer's loans have been partially or fully charged-off.
- The cash patronage payment is less than \$10.

In addition, the net interest income for the portion of a customer's loan that is purchased from or sold to other entities is excluded from patronage unless the participation agreement between lenders specifically provides for payment of patronage. Also, at GreenStone's discretion, the cash patronage amount may be applied against a customer's loan balance if the customer is not in compliance with their loan agreement at the end of the calendar year or at the time the cash patronage checks are issued.

When will the patronage checks be distributed?

The cash patronage checks are expected to be distributed by March of each year.

Who will be the payee on the patronage check?

The patronage check payee will be the person whose taxpayer identification number appears on any IRS reporting associated with the account.

Do insurance-only customers qualify for patronage?

No. Customers who only have crop insurance relationships with GreenStone FCS do not qualify for patronage. Insurance regulations prevent us from distributing insurance income directly to the customers that generate that income.

Do lease customers qualify for patronage?

No. Patronage is not paid on leases.

Is the cash patronage payment taxable?

Yes. The qualified cash patronage distribution is taxable and eligible customers should generally include the cash patronage payment in their taxable income. We encourage you to consult with your tax advisor about your specific situation. Non-corporate customers will receive an IRS Form 1099-PATR for the qualified cash patronage paid each year. IRS regulations do not require distribution of 1099-PATR forms for corporations.

Is the non-qualified patronage distribution taxable?

The non-qualified patronage distribution is not taxable unless it is redeemed. The Board has no plans to redeem the non-taxable, non-qualified patronage except in the unlikely event of liquidation.

Will GreenStone continue to offer competitive interest rates?

Yes. GreenStone has the financial strength to offer competitive rates and offer a patronage program all while sustaining its ability to grow and continue serving customers through all economic cycles.

Why doesn't GreenStone distribute all of its earnings in cash?

Retaining earnings not distributed for cash patronage helps GreenStone build the necessary capital to fund future growth and the development of new products and services our customers need to succeed in the future.