

For: State and County Offices

System 36 Subsidiary Software for 2009 and Future Years

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

Notice PL-192 was issued to provide procedure for software modifications to the 2009 System 36 entity and joint operation file software.

B Purpose

This notice:

- clarifies member contribution flags
- updates System 36 screens to reflect 2010 options.

Note: The procedure in this notice will be issued in a future 2-PL amendment.

2 System 36 Changes to Eligibility Screens

A Introduction

Changes were made to the 2009 and 2010 System 36 Eligibility Maintenance Screen MAD40504 to include the following fields:

- “PERSON 2002 FARM BILL”
- “ACTIVELY ENGAGED 2002 FARMBILL”
- “AGI 2002 FARM BILL”.

| | |
|----------------------|--|
| Disposal Date | Distribution |
| December 1, 2010 | State Offices; State Offices relay to County Offices |

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2 System 36 Changes to Eligibility Screens (Continued)

B Example of Screen MAD40504

The following is an example of Screen MAD40504. Access Screen MAD40504 according to 2-PL, paragraph 37, and PRESS "Roll=Page" on Screen MAD40503.

| Common Provisions | | 027-COAHOMA | | DISPLAY | | | MAD40504 | |
|---|-------------|-------------|---|--|--------|-------|----------|--|
| Eligibility Maintenance Screen | | | | Version: AF93 10/22/2009 08:17 Term J1 | | | | |
| ----- | | | | | | | | |
| Eligibility Display | | | | | | | | |
| ID Number | XXX-XX-XXXX | Type | S | Year | Year | Year | ST/CTY | |
| Name | Betty Boop | | | 2010 | 2009 | 2008 | 28/027 | |
| SDA-2003 ACT-INCLUDES GENDER | | | | N | N | N | | |
| SDA-1990 ACT-No GENDER INCLUDED | | | | N | N | N | | |
| BEGINNING FARMER/RANCHER | | | | N | N | N | | |
| LIMITED RESOURCE FARMER/RANCHER | | | | N | N | N | | |
| FRAUD - INCLUDING FCI FRAUD | | | | Y | Y | Y | | |
| FCI | | | | I | I | N | | |
| PERSON 2002 FARM BILL | | | | | | | | |
| ACTIVELY ENGAGED 2002 FARBILL | | | | | | | | |
| AGI 2002 FARM BILL | | | | N | N | N | | |
| NAP GROSS INCOME | | | | | | N | | |
| CROPLAND-FACTOR | | | | 1.0000 | 1.0000 | .0000 | | |
| HELC Year of Violation 0 | | | | WL Year of Violation | | 0 | | |
| Cmd4=Previous Screen Cmd7=End Roll=Page | | | | | | | | |

3 System 36 Entity File

A Introduction

Software has been updated to provide options in the 2009 and future year entity files to enter the following:

- permitted entity designations (2002 Farm Bill)
- determinations for contributions of active personal labor and/or active personal management by a member of an entity according to 4-PL, subparagraph 147 A. The field provided will be called "Member Contribution".

Changes made to the entity file must be uploaded to the Kansas City mainframe before it is available to web payment processes. Web payment processes will read the entity file from the county identified as the multi-county recording county ("Rc St & Cty") on MABDIG. Web payment processes residing on the System 36 will continue to read the entity file from the local county system.

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3 System 36 Entity File (Continued)

B Accessing Entity File

Access the entity file according to this table.

| Step | Action |
|------|---|
| 1 | On Application Selection Menu FAX07001, ENTER "9", "Common Provisions". |
| 2 | On Common Management Menu MA0000, ENTER "4", "Subsidiary Files Maintenance". |
| 3 | On Subsidiary Main Menu MAD000, ENTER "7", "Entity File and Payment Limitation Register". |
| 4 | On Entity/Pay Limit Register Menu MAB440B, ENTER "1", "Create/Revise/Delete Entity Record". |

When option 1 on Menu MAB440B is selected, Select Entity Year Menu MAB44000 will be displayed.

```
Common Provisions      027-COAHOMA      Selection      MAB44000
Entity Record          Version: AG01  11/18/2009 13:48 Term J2
-----
                S E L E C T   E N T I T Y   Y E A R

                1.  2010 Create/Revise/Delete Entity Record

                2.  2010 Update Member Contribution Flag

                3.  2009 Create/Revise/Delete Entity Record

                4.  2009 Update Member Contribution Flag

                5.  2008

                6.  2007

                7.  2006

                Enter the number of your selection
                and press the "ENTER" key

Cmd7-End
```

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3 System 36 Entity File (Continued)

B Accessing Entity File (Continued)

Use this table to select the appropriate option on Menu MAB44000.

| Option | Description |
|--------|---|
| 1 | Select this option to: <ul style="list-style-type: none">• create, revise, or delete a 2010 entity record• update 2010 permitted entity flags. |
| 2 | Select this option to update 2010 member contribution flags. |
| 3 | Select this option to: <ul style="list-style-type: none">• create, revise, or delete a 2009 entity record• update 2009 permitted entity flags. |
| 4 | Select this option to update 2009 member contribution flags. |

Note: See 2-PL, Part 6 for procedure to update 2008 and prior year entity files and permitted entity flags.

C Updating Member Contribution

The member contribution flag is only provided for members of entities loaded in the 2009 and future year entity files. Update the member contribution flag to reflect COC determinations of:

- active personal labor and/or active personal management according to 4-PL, subparagraph 147 A
- landlord exemption according to 4-PL, paragraph 62.

The member contribution flag:

- must be updated for **individuals** at all levels within an entity
- **shall not** be updated for embedded entities and joint operations at any level within an entity. There are no validations to prevent entry of a member contribution flag for embedded entities and joint operations; however, County Office users shall only update member contribution flags for individuals.

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3 System 36 Entity File (Continued)

C Updating Member Contribution (Continued)

This table provides a description of the member contribution flags.

| Flag | Description | | |
|-------------|--|--|--|
| “Blank” | Indicates a determination has not been made. Note: This is the default value. | | |
| “Y” | Shall be entered when 1 of the following conditions are met. | | |
| | WHEN landowner provision is... | AND... | AND... |
| | not applicable | all of the land is either cash-rent or share lease | the member meets member contribution provisions according to 4-PL, subparagraph 147 A. |
| | applicable | none of the land is cash-rented or share leased. | |
| | | some of the land is cash-rent or share lease | the member meets member contribution provisions according to 4-PL, subparagraph 147 A. |
| “N” | Shall be entered when 1 of the following conditions are met. | | |
| | WHEN landowner provision is... | AND... | AND... |
| | not applicable | all of the land is either cash-rent or share lease | the member does not meets member contribution provisions according to 4-PL, subparagraph 147 A. |
| | applicable | some of the land is cash-rent or share lease | |

When an individual has an interest in more than 1 entity, separate determinations of active personal labor and/or active personal management must be made for each entity. Therefore, the determination must be recorded separately for each entity. The member contribution flag recorded in 1 entity has no association to a member contribution flag recorded in another entity.

3 System 36 Entity File (Continued)

C Updating Member Contribution (Continued)

Example: John is a member of ABC Corp and is also a member of XYZ Corp. COC determines that John:

- provides active personal labor and/or active personal management as a member of ABC Corp

Note: Access ABC Corp and update John's member contribution flag to "Y".

- does **not** provide active personal labor and/or active personal management as a member of XYZ Corp.

Note: Access XYZ Corp and update John's member contribution flag to "N".

Note: The "Y" member contribution flag for John as a member of ABC Corp has no connection to the "N" member contribution flag for John as a member of XYZ Corp.

Member contribution flags are **not** applicable to the following entities as they are **not** loaded in the entity file or do **not** have members with an ownership interest in the entity:

- revocable trust with a Social Security number
- church, charity, or nonprofit organization
- public school
- Indians represented by BIA
- Indian tribal venture
- LLC with a Social Security number.

Notes: This is applicable when the entity is a direct payment entity or embedded within another entity.

Changes made to member contribution flags and updated in the entity file must be uploaded to the Kansas City mainframe before it is available to web payment processes. Web payment processes will read the entity file from the county identified as the multi-county recording county ("Rc St & Cty") on MABDIG. Web payment processes residing on the System 36 will continue to read the entity file from the local county system, if applicable to the program. For those producers who are multi-county and participating in programs processed on the System 36, all counties (recording and nonrecording) must update member contribution flags. CCC-527 shall be used to communicate COC determinations between counties.

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3 System 36 Entity File (Continued)

C Updating Member Contribution (Continued)

Update member contribution flags for individuals according to the following table. For entities with members at multiple levels, print an Entity Ownership Report according to 2-PL, subparagraph 414 L as a reference tool for updating member contribution flags.

Note: Exhibit 1 provides an example of the Entity Ownership Report for an entity. Exhibit 2 provides an example of the screens displayed when updating member contribution flags.

| Step | Action | Result |
|------|--|---|
| 1 | On Menu MAB44000, enter the applicable option: <ul style="list-style-type: none"> • “2”, “2010 Update Member Contribution Flag” • “4”, “2009 Update Member Contribution Flag”. | Select Entity Screen MAD54001 will be displayed. |
| 2 | On Screen MAD54001, enter 1 of the following: <ul style="list-style-type: none"> • last 4 of ID • ID number and type • last name. | Select Effective Date to Revise Screen MAD54002 will be displayed. |
| 3 | Verify the information is correct on Screen MAD54002. | |
| | IF... | THEN... |
| | entity and the date the entity was formed are correct | PRESS “Enter”. |
| | entity and/or the date the entity was formed are not correct | PRESS “Cmd3”. |
| | | Members of the Entity Screen MAD541E1 will be displayed. |
| | | Screen MAD54001 will be redisplayed. <ul style="list-style-type: none"> • Select another entity if the entity was not correct. • PRESS “Cmd3” again to display Menu MAB440B. |
| 4 | Screen MAD541E1 will display the first level members of the entity. Verify that the members and actual shares are correct. | Member Information Screen MAD543E1 will be displayed. |
| | IF the information is... | THEN... |
| | correct | in the “Enter # to modify” field, enter the line number of the member to update and PRESS “Enter”. |
| | not correct | exit the application and ENTER “1” on Menu MAB440B. |
| | | <p>Note: To update member contribution flags for individuals at the next level, enter the line number for the embedded entity or joint operation and continue with the next step.</p> |

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3 System 36 Entity File (Continued)

C Updating Member Contribution (Continued)

| Step | Action | | Result |
|--------------------------------|--|---|--|
| 5 | On Screen MAD543E1, the member contribution flag will default to "Blank". | | |
| | IF the member is... | THEN... | |
| | an individual | <ul style="list-style-type: none"> • update the member contribution flag with "Y" or "N", as applicable • PRESS "Enter". | Screen MAD543E1 will be redisplayed reflecting the updated flag. |
| | an entity or a joint operation | <ul style="list-style-type: none"> • do not update the member contribution flag (leave the flag blank) • PRESS "Enter" to display the members of the entity or joint operation. | Members of the Embedded Entity Screen MAD544E1 will display the members of the embedded entity. |
| 6 | On Screen MAD544E1, the member contribution flag will default to "Blank". | | |
| | Recommend: Select entities and joint operations on this screen before updating individuals. | | |
| | IF the member is... | THEN... | |
| | an individual | <ul style="list-style-type: none"> • update the member contribution flag with "Y" or "N", as applicable • ENTER "U" and PRESS "Enter" to retain changes made. <p>Caution: If "U" is not taken after changes are made on each screen, changes will not be retained.</p> | Either of the following screens will be displayed: <ul style="list-style-type: none"> • MAD541E1 • MAD544E1 for the next highest level within the parent entity. |
| an entity or a joint operation | <ul style="list-style-type: none"> • do not update the member contribution flag for the entity or joint operation • in the "Enter # to modify" field, enter the line number for the entity or joint operation • PRESS "Enter" to display the members of the entity or joint operation. | Screen MAD544E1 will be redisplayed with the members or the embedded entity for the entity or joint operation selected on the previous screen. | |

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3 System 36 Entity File (Continued)

C Updating Member Contribution (Continued)

| Step | Action | Result |
|------|---|---|
| 7 | Repeat step 6 until member contribution flags have been updated for individuals at all levels within the entity. | |
| 8 | Once member contribution flags have been updated for all individuals at the lowest level, ENTER "U" and PRESS "Enter" on Screen MAD544E1. | Screen MAD541E1 will be redisplayed. |
| 9 | On Screen MAD541E1, ENTER "U" and PRESS "Enter". | Screen MAD541E1 will be redisplayed with the message, "Permitted Entity file has been updated". |

Note: Currently, the only way to verify the flags have been updated is to access the entity file after updating. Plans are being made to:

- update MABDIG to display member contribution flags
- provide a new report to identify member contribution flags with a value of "Blank" and "N".

4 System 36 Changes to Joint Operation File

A Introduction

Software has been updated to provide options in the 2009 and future year joint operation files to enter the following:

- permitted entity designations (2002 Farm Bill)
- determinations for substantive change according to 4-PL, paragraphs 54 through 58.

Changes made to the joint operation file must be uploaded to the Kansas City mainframe before it is available to web payment processes. Web payment processes will read the joint operation file from the county identified as the multi-county recording county ("Rc St & Cty") on MABDIG. Web payment processes residing on the System 36 will continue to read the joint operation file from the local county system.

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3 System 36 Changes to Joint Operation File (Continued)

B Accessing Joint Operation File

Access the joint operation file according to this table.

| Step | Action |
|------|---|
| 1 | On Menu FAX07001, ENTER "9", "Common Provisions". |
| 2 | On Menu MA0000, ENTER "4", "Subsidiary Files Maintenance". |
| 3 | On Menu MAD000, ENTER "6", "Joint Operations". |
| 4 | On Joint Operation File Menu MAB440A, ENTER "1", "Create/Revise/Delete Joint Operation Record". |

When option 1 on Menu MAB440A is selected, Select Joint Operation Year Menu MAB44000 will be displayed.

```
Common Provisions      027-COAHOMA      Selection      MAB44000
Joint Operation Record      Version: AG01  11/20/2009 10:19 Term J2
-----
                S E L E C T  J O I N T  O P E R A T I O N  Y E A R

                    1.  2010 Create/Revise/Delete Joint Operation Record

                    2.  2010 Update Substantive Change Flag

                    3.  2009 Create/Revise/Delete Joint Operation Record

                    4.  2009 Update Substantive Change Flag

                    5.  2008

                    6.  2007

                    7.  2006

                                Enter the number of your selection
                                and press the "ENTER" key

Cmd7-End
```

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3 System 36 Changes to Joint Operation File (Continued)

B Accessing Joint Operation File (Continued)

Use this table to select the appropriate option on Menu MAB44000.

| Option | Description |
|--------|--|
| 1 | Select this option to: <ul style="list-style-type: none">• create, revise, or delete a 2010 joint operation record• update 2010 permitted entity flags. |
| 2 | Select this option to update 2010 substantive change flags for members of joint operations. |
| 3 | Select this option to: <ul style="list-style-type: none">• create, revise, or delete a 2009 joint operation record• update 2009 substantive change flags for members of joint operations. |
| 4 | Select this option to update 2009 member contribution flags. |

Note: See 2-PL, Part 7 for procedure on updating 2009 joint operation files and permitted entity flags.

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4 System 36 Changes to Joint Operation File (Continued)

C Updating Substantive Change

The substantive change flag is only provided for members of joint operations loaded in the joint operation file. A joint operation is a general partnership or a joint venture. Update the substantive change flag to reflect COC determinations made according to 4-PL, paragraphs 54 through 58.

The following are values for the substantive change flag:

- “U”, when a determination is **not** required

Note: This is the default value.

- “Y”, when COC has determined the producer meets substantive change requirements according to 4-PL, paragraphs 54 through 58
- “N”, when COC has determined the producer does **not** meet substantive change requirements according to 4-PL, paragraphs 54 through 58.

When substantive change is applicable according to 4-PL, paragraphs 54 through 58, and COC has made a determination, the substantive change flag shall:

- be updated for individuals and entities that are first level (direct) members of a parent joint operation

Exception: If the first level (direct) member of the parent joint operation is another joint operation, then substantive change provisions also apply to members (individuals and entities) of the first level embedded joint operation. Within the embedded joint operation, update the second level members (individuals and entities) of the embedded joint operation.

Note: Continue updating members (individuals and entities) of embedded joint operations until there are no more embedded joint operations. See Exhibits 3 and 4 for examples of embedded joint operations.

- **not** be updated for:
 - embedded joint operations
 - members of an entity when the entity is embedded within a joint operation.

Note: Even though substantive change flags are displayed for members of an entity and embedded joint operations, substantive change flags are **not** applicable to members of an entity or embedded joint operations and **shall not** be updated.

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4 System 36 Changes to Joint Operation File (Continued)

C Updating Substantive Change (Continued)

When an individual or entity has an interest in more than 1 joint operation and substantive change provisions are applicable to all of the joint operations, separate substantive change determinations must be made for each joint operation. The determination must be recorded separately for each individual or entity. The substantive change flag recorded in 1 joint operation has no association to a substantive change flag recorded in another joint operation.

Example: Laura is a member of ABC General Partnership and is also a member of XYZ Joint Venture. COC determines that Laura:

- meets substantive change provisions as a member of ABC General Partnership

Note: Access ABC General Partnership and update Laura's substantive change flag to "Y".

- does **not** meet substantive change provisions as a member of XYZ Joint Venture.

Note: Access XYZ Joint Venture and update Laura's substantive change flag to "N".

Note: The "Y" substantive change flag for Laura as a member of ABC General Partnership has no connection to the "N" substantive change flag for Laura as a member of XYZ Joint Venture.

Changes made to substantive change flags and updated in the joint operation file must be uploaded to the Kansas City mainframe before it is available to web payment processes. Web payment processes will read the joint operation file from the county identified as the multi-county recording county ("Rc St & Cty") on MABDIG. Web payment processes residing on the System 36 will continue to read the joint operation file from the local county system. For those producers who are multi-county and participating in programs processed on the System 36, all counties (recording and nonrecording) must update substantive change flags. CCC-527 shall be used to communicate COC determinations between counties.

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4 System 36 Changes to Joint Operation File (Continued)

C Updating Substantive Change (Continued)

Update substantive change flags for members of joint operations according to the following table. For joint operations with members at multiple levels, print an Entity Ownership Report according to 2-PL, subparagraph 414 L as a reference tool for updating substantive change flags.

Note: Exhibit 3 provides an example of the Entity Ownership Report for a joint operation. Exhibit 4 provides an example of the screens displayed when updating substantive change flags.

| Step | Action | Results | |
|------|--|--|---|
| 1 | On Menu MAB44000, enter the applicable option: <ul style="list-style-type: none"> • “2”, “2010 Update Substantive Change Flag” • “4”, “2009 Update Substantive Change Flag”. | Select Joint Operation Screen MAD54001 will be displayed. | |
| 2 | On Screen MAD54001, enter 1 of the following for the joint operation: <ul style="list-style-type: none"> • last 4 of ID • ID number and type • last name. | Select Effective Date to Revise Screen MAD54002 will be displayed. | |
| 3 | Verify the information is correct on Screen MAD54002. | | |
| | IF... | THEN... | |
| | joint operation and the date the joint operation was formed are correct | PRESS “Enter”. | Members of the Joint Operation Screen MAD541J1 will be displayed. |
| | joint operation and/or the date the joint operation was formed are not correct | PRESS “Cmd3”. | Screen MAD54001 will be redisplayed. <ul style="list-style-type: none"> • Select another entity if the entity was not correct. • PRESS “Cmd3” again to display Menu MAB440A. |

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3 System 36 Changes to Joint Operation File (Continued)

C Updating Substantive Change (Continued)

| Step | Action | | Results |
|-------------------|---|---|---|
| 4 | Screen MAD541J1 will display the first level members of the joint operation. Verify that the members and actual shares are correct. | | Member Information Screen MAD543J1 will be displayed. |
| | IF the information is... | THEN... | |
| | correct | in the "Enter # to modify" field, enter the line number of the member to update and PRESS "Enter". Note: To update substantive change flags for embedded members of joint operations at the next level, enter the line number for the embedded entity or joint operation and continue with the next step. | |
| | not correct | exit the application and ENTER "1" on Menu MAB440A. | |
| 5 | On Screen MAD543J1, the substantive change flag will default to "U". | | |
| | IF the member is... | THEN... | |
| | an individual or entity | <ul style="list-style-type: none"> • update the substantive change flag with "Y" or "N", as applicable • PRESS "Enter". | Screen MAD541J1 will be redisplayed with the substantive change flag updated for the selected member. |
| a joint operation | <ul style="list-style-type: none"> • do not update the substantive change flag for the joint operation (leave the flag set to "U") • PRESS "Enter" to display the member of the joint operation. | Members of the Embedded Entity Screen MAD544J1 will be displayed. | |

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4 System 36 Changes to Joint Operation File (Continued)

C Updating Substantive Change (Continued)

| Step | Action | | Results |
|-------------|---|--|--|
| 6 | On Screen MAD544J1, the substantive change flag will default to "U". | | |
| | IF the member is... | THEN... | |
| | an individual or entity | <ul style="list-style-type: none"> • update the substantive change flag with "Y" or "N", as applicable • PRESS "Enter". | Screen MAD541J1 will be redisplayed. |
| | a joint operation | <ul style="list-style-type: none"> • do not update the substantive change flag • PRESS "Enter" to display the members of the joint operation. | |
| 7 | Repeat step 6 until substantive change flags have been updated for members of the joint operation until there are no more joint operations. | | |
| 8 | Once substantive change flags have been updated, ENTER "U" and PRESS "Enter" on Screen MAD544J1. | | |
| 9 | On Screen MAD541J1, ENTER "U" and PRESS "Enter". | | Screen MAD541J1 will be redisplayed with the message, "Joint Operation file has been updated". |

Note: Currently, the only way to verify the flags have been updated is to access the joint operation file after updating. Plans are being made to provide a report identifying substantive change flags with a value of "N".

5 Action

A State Office Action

State Offices shall ensure that County Offices are immediately informed of the contents of this notice.

B County Office Action

County Offices shall thoroughly review the provisions in this notice.

Example of Entity Ownership Report for an Entity

A Background

The Entity Ownership Report in this exhibit identifies the following for Anna Farms LLC:

- first level members are Barbara S Goode, Larry Goodey, embedded entity K C Farms (a general partnership), and embedded entity Barbara S Goode Trust (an irrevocable trust)
- second level members Tyler Farms Inc. and Trans Agri Inc. (both corporations) are embedded within K C Farms
- third level member Homer Creswell is embedded within Tyler Farms Inc.
- third level members Kenneth Creswell and Homer Creswell are embedded within Trans Agri Inc.
- second level member Barbara S Goode is embedded within Barbara S Goode Trust.

B 2009 Entity Ownership Report for Anna Farms LLC

The following is an example of the 2009 Entity Ownership Report for Anna Farm LLC.

| MISSISSIPPI LEFLORE Report ID: MAB469-R001 | | U.S. Department of Agriculture Farm Service Agency Entity Ownership Report for 2009 | | Prepared: 06-05-2009 Page: 1 | | |
|--|--------------------------------|---|-----------------------|---------------------------------|--------------|----------------------|
| ID and Type | Entity Name Embedded Entity | ID and Type | Member Name | Member | | |
| | | | | Eff Date | Actual Share | Permitted Share Flag |
| XXXX E | ANNA FARMS LLC | XXXX S | BARBARA S GOODE | 01-01-96 | 1.0000 | 0.0000 Y |
| | | XXXX S | LARRY GOODEY | | 0.2500 | 0.0000 |
| | | XXXX E | K C FARMS | | 0.2500 | 0.0000 |
| | K C FARMS | XXXX E | BARBARA S GOODE TRUST | | 0.2500 | 0.0000 |
| | | XXXX S | KENNETH CRESWELL | | 0.0834 | 0.0000 |
| | | XXXX E | TYLER FARMS INC | | 0.0833 | 0.0000 |
| | TYLER FARMS INC | XXXX E | TRANS AGRI INC | | 0.0833 | 0.0000 |
| | | XXXX S | HOMER CRESWELL | | 0.0833 | 0.0000 |
| | TRANS AGRI INC | XXXX S | KENNETH CRESWELL | | 0.0417 | 0.0000 |
| | | XXXX S | HOMER CRESWELL | | 0.0416 | 0.0000 |
| | BARBARA S GOODE TRUST | XXXX S | BARBARA S GOODE | | 0.2500 | 0.0000 |

Example of Updating Member Contribution Flags

A Background

This exhibit is an example of recording member contribution flags for the entity Anna Farms LLC. Member contribution flags will be updated for **individuals** starting at the lowest level.

The purpose of this example is to illustrate how to update member contribution flags for individuals at different levels within the entity. See 4-PL, subparagraph 147 A for policy to determine member contribution.

B Example of Screen MAD54002 for Anna Farms LLC

After selecting Anna Farms LLC on Screen MAD54001, Screen MAD54002 will be displayed.

```

Common Provisions      083-LEFLORE      Selection      MAD54002
Entity file            Version AA01  05/26/2009  13:28 Term J2
-----
                S E L E C T   E F F E C T I V E   D A T E
                   T O   R E V I S E

ID:   XX-XXXXXXX E   ANNA FARMS LLC
                   XXX HIGHWAY 6
                   LYON                MS 38645- 0000

                Entity - Type: Corporation
                Effective Year: 09

Effective date from CCC-502 on entity file  01 / 01 / 96

Cmd3-Previous Screen                                     Enter-Continue
    
```

The following options are available:

- PRESS “Enter” to continue to Screen MAD541E1
- PRESS “Cmd3” to return to Screen MAD54001.

In this example, the user shall PRESS “Enter” to continue.

Example of Updating Member Contribution Flags (Continued)

C Example of Screen MAD541E1 for Anna Farms LLC

Screen MAD541E1 will display the first level members of Anna Farms LLC. Member contribution flags are defaulted to “Blank”.

| | | | | | |
|-------------------------------------|---------|-----------------------|---------------|--------------------------|----------|
| Common Provisions | | 083-LEFLORE | Update | | MAD541E1 |
| Permitted Entity Update | | | Version AA01 | 05/26/09 13:29 | Term J2 |
| ----- | | | | | |
| M E M B E R S O F T H E E N T I T Y | | | | | |
| Name: | | ANNA FARMS LLC | | ID: XXXXXXXXXE | |
| Type: | | Corporation | | Effective Date: 01/01/96 | Year: 09 |
| Mem | | | | | Shares |
| # | Contrib | Member Name | ID Number | Entity | Actual |
| 001 | | BARBARA S GOODE | XXX-XX-XXXX S | 01 | 0.2500 |
| 002 | | GARY F GOODE | XXX-XX-XXXX S | 01 | 0.2500 |
| 003 | | K C FARMS | XX-XXXXXXXX E | 02 | 0.2500 |
| 004 | | BARBARA S GOODE TRUST | XX-XXXXXXXX E | 17 | 0.2500 |
| Total: 1.0000 | | | | | |
| Enter # to modify: 003 | | | | | |
| (U) pdate: | | | | | |
| Cmd7=End Cmd4=Previous Screen | | | | | |

The following options are available:

- enter the line number of the first level member and PRESS “Enter” to access:
 - the member contribution flag for individuals who are first level members
 - embedded members when the first level member is an entity or joint operation
- ENTER “U” and PRESS “Enter” to update
- PRESS “Cmd4” to return to Menu MAB44000
- PRESS “Cmd7” to end and return to Menu MAB440B.

In this example, the user shall ENTER “003” and PRESS “Enter” to access second level members embedded within K C Farms. This member was selected first because it is an embedded entity and contains members at multiple levels.

Example of Updating Member Contribution Flags (Continued)

D Example of Screen MAD543E1 for K C Farms

Screen MAD543E1 will display for K C Farms.

```

Common Provisions      083-LEFLORE      Update      MAD543E1
Entity Update          Version AA01  05/26/09 13:33 Term J2
-----
                M E M B E R      I N F O R M A T I O N
Name: ANNA FARMS LLC
Type: Corporation                      ID: XX-XXXXXXX E      Share: 1.0000
                Effective Date: 01/01/96      Year: 09

MEMBER  ID and Type:      XX-XXXXXXX E
        Entity Type:      Partnership
        Name & Address:    K C FARMS
                           RR XX
                           COILA                MS 38923-

MEMBER  Actual Share:      .2500

        Member Contrib:    █

Cmd4-Previous Screen          Press Enter to continue
    
```

In this example, the user shall PRESS “Enter” to access the members of K C Farms.

Reminder: Do not update the member contribution flag for K C Farms. The member contribution flag is only updated for individuals as only individuals contribute active personal labor and/or active personal management.

Example of Updating Member Contribution Flags (Continued)

E Example of Screen MAD544E1 for K C Farms

Screen MAD544E1 will display the second level members of Anna Farms LLC embedded within K C Farms.

```

Common Provisions      083-LEFLORE          Modify      MAD544E1
Entity Update          Version AA01  05/26/09 13:34 Term J2
-----
                M E M B E R S   O F   T H E   E M B E D D E D   E N T I T Y
Name: K C FARMS                ID: XX-XXXXXXX E      Share: 0.0000
Type: Partnership             Effective Date: 01/01/96      Year: 09
  Mbr
  # Cntrb   Name                ID Number      Entity Share
001 . . .  KENNETH CRESWELL      XXX-XX-XXXXXS  01   0.0834
002 . . .  TYLER FARMS INC       XX-XXXXXXX E   04   0.0833
003 . . .  TRANS AGRI INC       XX-XXXXXXX E   04   0.0833

                                          Total: 0.2500

Enter # of Entity to Process 003
or (U)pdate to record changes .

Cmd4=Previous Screen
    
```

In this example, the user shall ENTER “003” and PRESS “Enter” to access the third level members embedded within Trans Agri Inc.

Example of Updating Member Contribution Flags (Continued)

F Example of Screen MAD544E1 for Trans Agri Inc.

Screen MAD544E1 will display the third level members of Anna Farms LLC embedded within Trans Agri Inc.

```

Common Provisions      083-LEFLORE          Modify      MAD544E1
Entity Update          Version AA01  05/26/09 13:34 Term J2
-----
                M E M B E R S   O F   T H E   E M B E D D E D   E N T I T Y
Name: TRANS AGRI INC          ID: XX-XXXXXXX E      Share: 0.0000
Type: Corporation            Effective Date: 01/01/96      Year: 09
  Mbr
  # Cntrb  Name                    ID Number      Entity Share
005  Y    KENNETH CRESWELL          XXX-XX-XXXX S 01  0.0417
006  Y    HOMER CRESWELL           XXX-XX-XXXX S 01  0.0416

                                          Total: 0.0833

Enter # of Entity to Process . . . . .
or (U)pdate to record changes U

Cmd4=Previous Screen
    
```

In this example, the user shall:

- ENTER “Y” member contribution flags for Kenneth Creswell and Homer Creswell
- ENTER “U” and PRESS “Enter” to update and save the flags entered on this screen.

Example of Updating Member Contribution Flags (Continued)

G Example of Screen MAD544E1 for K C Farms After Updating Flags for Members of Trans Agri Inc.

After updating the record, the system will return to Screen MAD544E1, which will display the second level members of Anna Farms LLC embedded within K C Farms.

Note: The member contribution flag for Trans Agri Inc. is blank. This flag is **not** updated by the system and the user shall **not** update this flag because this is **not** an individual. The flags updated for Kenneth Creswell and Homer Creswell will only display on Screen MAD544E1 for members of the embedded entity Trans Agri Inc.

```

Common Provisions      083-LEFLORE          Modify      MAD544E1
Entity Update          Version AA01  05/26/09 13:34 Term J2
-----
                M E M B E R S   O F   T H E   E M B E D D E D   E N T I T Y
Name: K C FARMS          ID: XX-XXXXXXX E      Share: 0.0000
Type: Partnership      Effective Date: 01/01/96      Year: 09
  Mbr
  # Cntrb  Name
001 . . . KENNETH CRESWELL      XXX-XX-XXXXS  01  0.0834
002 . . . TYLER FARMS INC      XX-XXXXXXX E  04  0.0833
003 . . . TRANS AGRI INC      XX-XXXXXXX E  04  0.0833

                                          Total: 0.2500

Enter # of Entity to Process 002
or (U)pdate to record changes █
Cmd4=Previous Screen
    
```

In this example, the user shall ENTER “002” and PRESS “Enter” to access the third level members of Anna Farms LLC embedded within Tyler Farms Inc.

Example of Updating Member Contribution Flags (Continued)

H Example of Screen MAD544E1 for Tyler Farms Inc.

Screen MAD544E1 will display the third level members of Anna Farms LLC embedded within Tyler Farms Inc.

```

Common Provisions      083-LEFLORE          Modify      MAD544E1
Entity Update          Version AA01  05/26/09 13:34 Term J2
-----
                M E M B E R S   O F   T H E   E M B E D D E D   E N T I T Y
Name: TYLER FARMS INC          ID: XX XXXXXXXX E      Share: 0.0000
Type: Corporation             Effective Date: 01/01/96      Year: 09
  Mbr
  # Cntrb  Name                    ID Number      Entity Share
004  Y    HOMER CRESWELL          XXX-XX-XXXX S  01    0.0833

                                          Total: 0.0833

Enter # of Entity to Process . . . .
or (U)pdate to record changes U
Cmd4=Previous Screen
    
```

In this example, the user shall:

- ENTER “Y” member contribution flag for Homer Creswell
- ENTER “U” and PRESS “Enter” to update and save the flag entered on this screen.

Example of Updating Member Contribution Flags (Continued)

I Example of Screen MAD544E1 for K C Farms After Updating Flags for Tyler Farms Inc.

After updating the record, the system will return to Screen MAD544E1, which will display the second level members of Anna Farms LLC embedded within K C Farms.

Note: The member contribution flag for Tyler Farms Inc. is blank. This flag is **not** updated by the system and the user shall **not** update this flag because this is **not** an individual. The flag updated for Homer Creswell will only display on Screen MAD544E1 for members of the embedded entity Tyler Farms Inc.

```

Common Provisions      083-LEFLORE      Modify      MAD544E1
Entity Update          Version AA01  05/26/09 13:34 Term J2
-----
MEMBERS OF THE EMBEDDED ENTITY
Name: K C FARMS          ID: XX-XXXXXXX E      Share: 0.0000
Type: Partnership      Effective Date: 01/01/96      Year: 09
Mbr
# Cntrb  Name          ID Number  Entity  Share
001  Y  KENNETH CRESWELL  XXX-XX-XXXXS  01  0.0834
002  .. TYLER FARMS INC  XX-XXXXXXX E  04  0.0833
003  .. TRANS AGRI INC  XX-XXXXXXX E  04  0.0833

Total: 0.2500

Enter # of Entity to Process . . . .
or (U)pdate to record changes U

Cmd4=Previous Screen
    
```

In this example, the user shall:

- ENTER “Y” member contribution flag for Kenneth Creswell
- ENTER “U” and PRESS “Enter” to update and save the flag entered on this screen.

Note: All of the member contribution flags for third level members of Anna Farms LLC embedded within Tyler Farms Inc. and Trans Agri Inc. have been updated. Now Kenneth Creswell, the second level member of Anna Farms LLC embedded within K C Farms, is being updated.

Example of Updating Member Contribution Flags (Continued)

J Example of Screen MAD541E1 for Anna Farms LLC After Updating Members Embedded Within K C Farms

After updating the record for second and third level members of Anna Farms LLC embedded within K C Farms, the system will return to Screen MAD541E1.

Note: The member contribution flag for K C Farms is blank. This flag is **not** updated by the system and the user shall **not** update this flag because this is **not** an individual. The flag updated for Kenneth Creswell will only display on Screen MAD544E1 for members of the embedded entity K C Farms.

| | | | | | |
|-------------------------------------|---------|-----------------------|---------------|-----------------|---------------|
| Common Provisions | | 083-LEFLORE | Update | | MAD541E1 |
| Permitted Entity Update | | | Version AA01 | 05/26/09 13:49 | Term J2 |
| ----- | | | | | |
| M E M B E R S O F T H E E N T I T Y | | | | | |
| Name: | | ANNA FARMS LLC | | ID: | XXXXXXXXXE |
| Type: | | Corporation | | Effective Date: | 01/01/96 |
| | | | | Year: | 09 |
| Mem | Contrib | Member Name | ID Number | Entity | Shares Actual |
| 001 | | BARBARA S GOODE | XXX-XX-XXXX S | 01 | 0.2500 |
| 002 | | GARY F GOODE | XXX-XX-XXXX S | 01 | 0.2500 |
| 003 | | K C FARMS | XX-XXXXXXXX E | 02 | 3.2500 |
| 004 | | BARBARA S GOODE TRUST | XX-XXXXXXXX E | 17 | 0.2500 |
| Total: | | | | | 1.0000 |
| Enter # to modify: | | | | | 004 |
| (U)pdate: | | | | | |
| Cmd7=End Cmd4=Previous Screen | | | | | |

In this example, the user shall ENTER “004” and PRESS “Enter” to access the second level members of Anna Farms LLC embedded within Barbara S Goode Trust.

Example of Updating Member Contribution Flags (Continued)

K Example of Screen MAD543E1 for Barbara S Goode Trust

Screen MAD543E1 will display for Barbara S Goode Trust.

| | | | |
|---------------------------------------|-----------------|--------------------------|------------------------|
| Common Provisions | 083-LEFLORE | Update | MAD543E1 |
| Entity Update | | Version AA01 | 05/26/09 13:51 Term J2 |
| ----- | | | |
| M E M B E R I N F O R M A T I O N | | | |
| Name: | ANNA FARMS LLC | | |
| Type: | Corporation | ID: XX-XXXXXXX E | Share: 1.0000 |
| | | Effective Date: 01/01/96 | Year: 09 |
| MEMBER | ID and Type: | XX-XXXXXXX E | |
| | Entity Type: | Irrevocable Trust | |
| | Name & Address: | BARBARA S GOODE TRUST | |
| | | XXXX DAWN DR | |
| | | SUNSET | LA 70584- |
| MEMBER | Actual Share: | .2500 | |
| | Member Contrib: | █ | |
| Cmd4-Previous Screen | | Press Enter to continue | |

In this example, the user shall PRESS “Enter” to access the second level members of Anna Farms LLC embedded within Barbara S Goode Trust. **Do not** update the member contribution flag for the trust. The member contribution flag is only updated for individuals.

Example of Updating Member Contribution Flags (Continued)

L Example of Screen MAD544E1 for Barbara S Goode Trust

Screen MAD544E1 will display members of second level members of Anna Farms LLC embedded within Barbara S Goode Trust.

```

Common Provisions      083-LEFLORE          Modify      MAD544E1
Entity Update          Version AA01  05/26/09 13:52 Term J2
-----
                M E M B E R S   O F   T H E   E M B E D D E D   E N T I T Y
Name: BARBARA S GOODE TRUST          ID: XX-XXXXXXX E      Share: 0.0000
Type: Irrevocable Trust          Effective Date: 01/01/96      Year: 09
    Mbr
    # Cntrb   Name                    ID Number      Entity Share
007  Y      BARBARA S GOODE          XXX-XX-XXXX S 01  0.2500

                                                    Total: 0.2500

Enter # of Entity to Process .....
or (U)pdate to record changes U
Cmd4=Previous Screen
    
```

In this example, the user shall:

- ENTER “Y” member contribution flag for Barbara S Goode
- ENTER “U” and PRESS “Enter” to update and save the flag entered on this screen.

Example of Updating Member Contribution Flags (Continued)

M Example of Screen MAD541E1 for Anna Farms LLC After Updating Members Embedded Within Barbara S Goode Trust

After updating the record for second level members of Anna Farms LLC embedded within Barbara S Goode Trust, the system will return to Screen MAD541E1 for Anna Farms LLC.

Note: The member contribution flag for Barbara S Goode Trust is blank. This flag is **not** updated by the system and the user shall **not** update this flag because this is **not** an individual. The flag updated for Barbara S Goode will only display on Screen MAD544E1 for members of the embedded entity Barbara S Goode Trust.

| | | | | | |
|-------------------------------------|---------|-----------------------|---------------|----------------|----------|
| Common Provisions | | 083-LEFLORE | Update | | MAD541E1 |
| Permitted Entity Update | | | Version AA01 | 05/26/09 13:55 | Term J2 |
| ----- | | | | | |
| M E M B E R S O F T H E E N T I T Y | | | | | |
| Name: ANNA FARMS LLC | | | | | |
| Type: Corporation | | | | | |
| ID: XXXXXXXXXE | | | | | |
| Effective Date: 01/01/96 | | | | | |
| Year: 09 | | | | | |
| Mem | | | | | Shares |
| # | Contrib | Member Name | ID Number | Entity | Actual |
| 001 | | BARBARA S GOODE | XXX-XX-XXXX S | 01 | 0.2500 |
| 002 | | GARY F GOODE | XXX-XX-XXXX S | 01 | 0.2500 |
| 003 | | K C FARMS | XX-XXXXXXXX E | 02 | 0.2500 |
| 004 | | BARBARA S GOODE TRUST | XX-XXXXXXXX E | 17 | 0.2500 |
| Total: 1.0000 | | | | | |
| Enter # to modify: 001 | | | | | |
| (U)pdate: | | | | | |
| Cmd7=End Cmd4=Previous Screen | | | | | |

In this example, the user shall ENTER “001” and PRESS “Enter” to access the member contribution flag for Barbara S Goode as a first level member of Anna Farms Inc.

Example of Updating Member Contribution Flags (Continued)

N Example of Screen MAD543E1 for Barbara S Goode

Screen MAD543E1 will display for Barbara S Goode.

```

Common Provisions      083-LEFLORE      Update      MAD543E1
Entity Update          Version AA01 05/26/09 13:58 Term J2
-----
                M E M B E R      I N F O R M A T I O N
Name: ANNA FARMS LLC
Type: Corporation          ID: XX-XXXXXXX E      Share: 1.0000
                          Effective Date: 01/01/96      Year: 09

MEMBER  ID and Type:      XXX-XX-XXXX S
        Entity Type:      Individual
        Name & Address:    BARBARA S GOODE
                          XXXX DAWN DR
                          SUNSET              LA 70584-

MEMBER  Actual Share:      .2500

        Member Contrib:    Y

Cmd4-Previous Screen          Press Enter to continue
    
```

In this example, the user shall:

- ENTER “Y” member contribution flag for Barbara S Goode
- ENTER “U” and PRESS “Enter” to update and save the flag entered on this screen.

Example of Updating Member Contribution Flags (Continued)

O Example of Screen MAD541E1 for Anna Farms LLC After Updating Flag for Barbara S Goode

Screen MAD541E1 will display reflecting the updated member contribution “Y” flag for Barbara S Goode. This flag is brought forward because Barbara S Goode is an individual and a first level member of Anna Farms LLC.

| | | | | | | | |
|-------------------------------------|---------|-----------------------|---------------|-------------------------------------|------------------------|----------|--|
| Common Provisions | | 083-LEFLORE | | Update | | MAD541E1 | |
| Permitted Entity Update | | | | Version AA01 05/26/09 13:59 Term J2 | | | |
| ----- | | | | | | | |
| M E M B E R S O F T H E E N T I T Y | | | | | | | |
| Name: ANNA FARMS LLC | | | | | | | |
| Type: Corporation | | | | | | | |
| ID: XXXXXXXXXE | | | | | | | |
| Effective Date: 01/01/96 | | | | | | | |
| Year: 09 | | | | | | | |
| Mem | | | | | | Shares | |
| # | Contrib | Member Name | ID Number | Entity | Actual | | |
| 001 | Y | BARBARA S GOODE | XXX-XX-XXXX S | 01 | 0.2500 | | |
| 002 | | GARY F GOODE | XXX-XX-XXXX S | 01 | 0.2500 | | |
| 003 | | K C FARMS | XX-XXXXXXXX E | 02 | 0.2500 | | |
| 004 | | BARBARA S GOODE TRUST | XX-XXXXXXXX E | 17 | 0.2500 | | |
| | | | | | Total: 1.0000 | | |
| | | | | | Enter # to modify: 002 | | |
| | | | | | (U)pdate: .. | | |
| Cmd7=End Cmd4=Previous Screen | | | | | | | |

In this example, the user shall ENTER “002” and PRESS “Enter” to access the member contribution flag for first level member Gary F Goode.

Example of Updating Member Contribution Flags (Continued)

P Example of Screen MAD543E1 for Gary F Goode

Screen MAD543E1 will display for Gary F Goode.

```

Common Provisions      083-LEFLORE      Update      MAD543E1
Entity Update          Version AA01  05/26/09 14:00 Term J2
-----
                M E M B E R      I N F O R M A T I O N
Name: ANNA FARMS LLC
Type: Corporation                      ID: XX-XXXXXXX E      Share: 1.0000
                Effective Date: 01/01/96      Year: 09

MEMBER  ID and Type:      XXX-XX-XXXX S
        Entity Type:      Individual
        Name & Address:    GARY F GOODE
                        XXX HIGHWAY 6
                        LYON                MS 38645-

MEMBER  Actual Share:      .2500

        Member Contrib:    N

Cmd4-Previous Screen          Press Enter to continue
    
```

In this example, the user shall:

- ENTER “N” member contribution flag for Gary F Goode
- ENTER “U” and PRESS “Enter” to update and save the flag entered on this screen.

Example of Updating Member Contribution Flags (Continued)

Q Example of Screen MAD541E1 for Anna Farms LLC After Updating Flag for Gary F Goode

Screen MAD541E1 will display reflecting the updated member contribution “N” flag for Gary F Goode. This flag is brought forward because Gary F Goode is an individual and a first level member of Anna Farms LLC. Screen MAD541E1 will also display the previously updated “Y” flag for Barbara S Goode.

| | | | | | |
|-------------------------------------|---------|-----------------------|---------------|----------------|----------------------------|
| Common Provisions | | 083-LEFLORE | Update | | MAD541E1 |
| Permitted Entity Update | | | Version AA01 | 05/26/09 14:01 | Term J2 |
| ----- | | | | | |
| M E M B E R S O F T H E E N T I T Y | | | | | |
| Name: ANNA FARMS LLC | | | | | |
| Type: Corporation | | | | | |
| ID: XXXXXXXXXE | | | | | |
| Effective Date: 01/01/96 | | | | | |
| Year: 09 | | | | | |
| ----- | | | | | |
| | Mem | | | | Shares |
| # | Contrib | Member Name | ID Number | Entity | Actual |
| 001 | Y | BARBARA S GOODE | XXX-XX-XXXX S | 01 | 0.2500 |
| 002 | N | GARY F GOODE | XXX-XX-XXXX S | 01 | 0.2500 |
| 003 | | K C FARMS | XX-XXXXXXXX E | 02 | 0.2500 |
| 004 | | BARBARA S GOODE TRUST | XX-XXXXXXXX E | 17 | 0.2500 |
| | | | | | Total: 1.0000 |
| | | | | | Enter # to modify: |
| | | | | | (U)pdate: . . . U |
| Cmd7=End Cmd4=Previous Screen | | | | | |

Now that member contribution flags have been updated for individuals at all levels within Anna Farms LLC, ENTER “U” and PRESS “Enter”.

Example of Updating Member Contribution Flags (Continued)

R Example of Screen MAD541E1 for Anna Farms LLC With Update Message

Screen MAD541E1 will display with the message, "Permitted Entity file has been updated."

```

Common Provisions      083-LEFLORE      Update      MAD541E1
Permitted Entity Update      Version AA01  05/26/09 14:01 Term J2
-----
                M E M B E R S   O F   T H E   E N T I T Y
Name: ANNA FARMS LLC
Type: Corporation                ID: XXXXXXXXXE
                Effective Date: 01/01/96                Year: 09
Mem
#  Contrib  Member Name      ID Number      Entity Actual
001  Y  BARBARA S GOODE      XXX-XX-XXXX S   01  0.2500
002  N  GARY F GOODE      XXX-XX-XXXX S   01  0.2500
003      K C FARMS      XX-XXXXXXX E   02  0.2500
004      BARBARA S GOODE TRUST  XX-XXXXXXX E   17  0.2500

                Total: 1.0000
                Enter # to modify: █
                (U)pdate: █

Cmd7=End  Cmd4=Previous Screen
Permitted Entity file has been updated.
    
```

PRESS "Cmd4" to return to Screen MAB44000.

In this example, all individual members of Anna Farms LLC meet the member contribution provisions except Gary F Goode. As a result, payments to Anna Farms LLC will be reduced by 25 percent if member contribution provisions are applicable to the program.

Example of Entity Ownership Report for a Joint Operation

A Background

The Entity Ownership Report in this exhibit identifies the following for Downing Farms:

- first level members are Ben S Downing, Kay Downing, Tillman Farms Inc. (a corporation), and K & C Farms (a general partnership)
- second level members Christy Killebrew and Kevin Killebrew are embedded within K & C Farms.

Note: The report does **not** identify members of Tillman Farms Inc. because this is a corporation. Substantive change flags are updated at the entity level, **not** for members of an entity.

B 2009 Entity Ownership Report for Downing Farms

The following is an example of the 2009 Entity Ownership Report for Downing Farms.

| MISSISSIPPI LEFLORE Report ID: MAB469-R001 | | U.S. Department of Agriculture Farm Service Agency Entity Ownership Report for 2009 | | | Prepared: 06-05-2009 Page: 1 | | |
|--|--------------------------------|---|-------------------|----------|---------------------------------|-----------------|------|
| ID and Type | Entity Name Embedded Entity | ID and Type | Member Name | Eff Date | Actual Share | Permitted Share | Flag |
| XXXX E | DOWNING FARMS | | | 01-01-95 | 1.0000 | 0.0000 | |
| | | XXXX S | BEN S DOWNING | | 0.2500 | 0.0000 | |
| | | XXXX S | KAY DOWNING | | 0.2500 | 0.0000 | |
| | | XXXX E | TILLMAN FARMS INC | | 0.2500 | 0.0000 | Y |
| | | XXXX E | K & C FARMS | | 0.2500 | 0.0000 | |
| | K & C FARMS | XXXX S | CHRISTY KILLEBREW | | 0.1250 | 0.0000 | |
| | | XXXX S | KEVIN KILLEBREW | | 0.1250 | 0.0000 | |

Example of Updating Substantive Change Flags

A Background

This exhibit is an example of recording substantive change flags for members of the general partnership Downing Farms. Substantive change flags are applicable to first level members of a joint operation. If the first level member is another joint operation, substantive change flags are applicable to second level members of the embedded joint operation. Substantive change is applicable to members of joint operations until there are no more members that are joint operations.

Note: Even though substantive change flags are displayed for members of an entity, substantive change flags are **not** applicable to members of an entity; therefore, the flag shall remain “U”.

The purpose of this example is to illustrate how to update substantive change flags for members of joint operations at different levels. See 4-PL, paragraphs 54 through 58 for policy to determine substantive change.

B Example of Screen MAD54002 for Downing Farms

After selecting the producer on Screen MAD54002, the following screen will be displayed.

```

Common Provisions      083-LEFLORE      Selection      MAD54002
Joint Operation file      Version AA01  05/27/2009 11:37 Term J2
-----
                S E L E C T   E F F E C T I V E   D A T E
                   T O   R E V I S E

ID:   XX-XXXXXXX E   DOWNING FARMS
                        BOX 193
                        MORGAN CITY           MS 38946-

Joint Operation - Type: Partnership
Effective Year: 09

Effective date from CCC-502 on entity file  01 / 01 / 95

Cmd3-Previous Screen                                     Enter-Continue
    
```

Example of Updating Substantive Change Flags (Continued)

B Example of Screen MAD54002 for Downing Farms (Continued)

The following are available options:

- PRESS “Enter” to continue to Screen MAD541E1
- PRESS “Cmd3” to return to Screen MAD54001.

In this example, the user shall PRESS “Enter” to continue.

C Example of Screen MAD541J1 for Downing Farms

Screen MAD541J1 will display the first level members of Downing Farms. Substantive change flags are defaulted to “U”.

| | | | | | | | |
|--------------------------------|------|-------------------|-------------|-------------------------------------|------------------------|----------|--|
| Common Provisions | | 083-LEFLORE | | Update | | MAD541J1 | |
| Joint Operation Update | | | | Version AA01 05/27/09 11:49 Term J2 | | | |
| ----- | | | | | | | |
| MEMBERS OF THE JOINT OPERATION | | | | | | | |
| Name: DOWNING FARMS | | | | | | | |
| Type: Partnership | | | | ID: XXXXXXXXXE | | | |
| | | | | Effective Date: 01/01/95 | | Year: 09 | |
| Sub | | | | | | Shares | |
| # | Chng | Member Name | ID Number | Entity | Actual | | |
| 001 | U | BEN S DOWNING | XXX-XX-XXXX | S 01 | 0.2500 | | |
| 002 | U | KAY DOWNING | XXX-XX-XXXX | S 01 | 0.2500 | | |
| 003 | U | TILLMAN FARMS INC | XX-XXXXXXX | E 04 | 0.2500 | | |
| 004 | U | K & C FARMS | XX-XXXXXXX | E 02 | 0.2500 | | |
| | | | | | Total: 1.0000 | | |
| | | | | | Enter # to modify: 004 | | |
| | | | | | (U) pdate: █ | | |
| Cmd7=End Cmd4=Previous Screen | | | | | | | |

The following are available options:

- enter the line number of the first level member and PRESS “Enter” to access:
 - the substantive change flag for first level members
 - embedded members when the first level member is a joint operation

Example of Updating Substantive Change Flags (Continued)

C Example of Screen MAD541J1 for Downing Farms (Continued)

- ENTER “U” and PRESS “Enter” to update
- PRESS “Cmd4” to return to Menu MAB44000
- PRESS “Cmd7” to end and return to Menu MAB440A.

In this example, the user shall ENTER “004” and PRESS “Enter” to access second level members within general partnership K & C Farms.

D Example of Screen MAD543J1 for K & C Farms

Screen MAD543J1 will display for K & C Farms.

| | | | |
|---------------------------------------|------------------|--------------------------|------------------------|
| Common Provisions | 083-LEFLORE | Update | MAD543J1 |
| Entity Update | | Version AA01 | 05/27/09 11:51 Term J2 |
| ----- | | | |
| M E M B E R I N F O R M A T I O N | | | |
| Name: | DOWNING FARMS | | |
| Type: | Partnership | ID: XX-XXXXXXX E | Share: 1.0000 |
| | | Effective Date: 01/01/95 | Year: 09 |
| MEMBER | ID and Type: | XX-XXXXXXX E | |
| | Entity Type: | Partnership | |
| | Name & Address: | K & C FARMS | |
| | | XXXX RATHILL RD | |
| | | LEXINGTON | MS 39095- |
| MEMBER | Actual Share: | .2500 | |
| | Substantive Chg: | U | |
| Cmd4-Previous Screen | | Press Enter to continue | |

Because this is a joint operation, the substantive change flag shall remain “U”. PRESS “Enter” to display the embedded members of K & C Farms.

Example of Updating Substantive Change Flags (Continued)

E Example of Screen MAD544J1 for K & C Farms

Screen MAD544J1 will display the second level members of Downing Farms within joint operation K & C Farms.

```

Common Provisions      083-LEFLORE          Modify      MAD544J1
Joint Operations Update          Version AA01  05/27/09 11:51 Term J2
-----
                M E M B E R S   O F   T H E   E M B E D D E D   E N T I T Y
Name: K & C FARMS                      ID: XX-XXXXXXX E  Share: 0.0000
Type: Partnership                    Effective Date: 01/01/95      Year: 09
   Sbsnt
   # Chnge  Name                      ID Number      Entity Share
003  N     CHRISTY KILLEBREW          XXX-XX-XXXX S   01  0.1250
004  Y     KEVIN KILLEBREW            XXX-XX-XXXX S   01  0.1250

                                           Total: 0.2500

Enter # of Entity to Process . . . .
or (U)pdate to record changes U

Cmd4=Previous Screen
    
```

In this example, COC has determined that:

- substantive change provisions apply
- Christy Killebrew does **not** meet substantive change provisions
- Kevin Killebrew does meet substantive change provisions.

To record the determination:

- the substantive change flag was updated to “N” for Christy Killebrew and to “Y” for Kevin Killebrew
- ENTER “U” and PRESS “Enter” to update and save the flags entered on this screen.

Note: Substantive change flags updated for members of embedded joint operations will only display on this screen.

Example of Updating Substantive Change Flags (Continued)

F Example of Screen MAD541J1 for Downing Farms After Updating Second Level Members

After updating the record for second level members of Downing Farms embedded within joint operation K & C Farms, the system will return to Screen MAD541J1.

Note: The substantive change flag for K & C Farms is “U”. This flag is **not** updated by the system and the user shall **not** update this flag because the member is a joint operation. The flags updated for second level members Christy Killebrew and Kevin Killebrew will only display on Screen MAD544J1 for members of embedded entity K & C Farms.

| Common Provisions | | 083-LEFLORE | | Update | | MAD541J1 | |
|---|------|-------------------|-------------|-------------------------------------|--------|------------------------|--|
| Joint Operation Update | | | | Version AA01 05/27/09 11:54 Term J2 | | | |
| ----- | | | | | | | |
| M E M B E R S O F T H E J O I N T O P E R A T I O N | | | | | | | |
| Name: DOWNING FARMS | | | | | | | |
| Type: Partnership | | | | | | | |
| | | | | ID: XXXXXXXXXE | | | |
| | | | | Effective Date: 01/01/95 | | Year: 09 | |
| Sub | | | | | | Shares | |
| # | Chng | Member Name | ID Number | Entity | Actual | | |
| 001 | U | BEN S DOWNING | XXX-XX-XXXX | S 01 | 0.2500 | | |
| 002 | U | KAY DOWNING | XXX-XX-XXXX | S 01 | 0.2500 | | |
| 003 | U | TILLMAN FARMS INC | XX-XXXXXXXX | E 04 | 0.2500 | | |
| 004 | U | K & C FARMS | XX-XXXXXXXX | E 02 | 0.2500 | | |
| | | | | | | Total: 1.0000 | |
| | | | | | | Enter # to modify: 001 | |
| | | | | | | (U)pdate: █ | |
| Cmd7=End Cmd4=Previous Screen | | | | | | | |

In this example, the user shall ENTER “001” and PRESS “Enter” to access the substantive change flag for first level member Ben S Downing.

Example of Updating Substantive Change Flags (Continued)

G Example of Screen MAD543J1 for Ben S Downing

Screen MAD543J1 will display for Ben S Downing.

```

Common Provisions      083-LEFLORE      Update      MAD543J1
Entity Update          Version AA01  05/27/09 11:54 Term J2
-----
                M E M B E R      I N F O R M A T I O N
Name: DOWNING FARMS
Type: Partnership          ID: XX-XXXXXXX E      Share: 1.0000
                          Effective Date: 01/01/95      Year: 09

MEMBER  ID and Type:      XXX-XX-XXXX S
        Entity Type:      Individual
        Name & Address:    BEN S DOWNING
                          BOX 193
                          MORGAN CITY      MS 38946-

MEMBER  Actual Share:      .2500

        Substantive Chg:  Y

Cmd4-Previous Screen          Press Enter to continue
    
```

COC has determined that:

- substantive change provisions apply
- Ben S Downing meets substantive change provisions.

To record the determination:

- the substantive change flag was updated to “Y” for Ben S Downing
- ENTER “U” and PRESS “Enter” to update and save the flags entered on this screen.

Example of Updating Substantive Change Flags (Continued)

H Example of Screen MAD541J1 Downing Farms After Updating Flag for Ben S Downing

Screen MAD541J1 will display reflecting the updated substantive change “Y” flag for Ben S Downing. This flag is brought forward because Ben S Downing is a first level member of Downing Farms.

```

Common Provisions      083-LEFLORE      Update      MAD541J1
Joint Operation Update      Version AA01  05/27/09 11:56 Term J2
-----
          M E M B E R S   O F   T H E   J O I N T   O P E R A T I O N
Name: DOWNING FARMS
Type: Partnership
                                     ID: XXXXXXXXXX E
Effective Date: 01/01/95
                                     Year: 09
Sub
#  Chng  Member Name      ID Number  Entity  Shares
001  Y  BEN S DOWNING      XXX-XX-XXXX S   01  0.2500
002  U  KAY DOWNING       XXX-XX-XXXX S   01  0.2500
003  U  TILLMAN FARMS INC  XX-XXXXXXXX E   04  0.2500
004  U  K & C FARMS        XX-XXXXXXXX E   02  0.2500

Total: 1.0000
Enter # to modify: 002
(U) pdate: █

Cmd7=End  Cmd4=Previous Screen
    
```

In this example, the user shall ENTER “002” and PRESS “Enter” to access the substantive change flag for first level member Kay Downing.

Example of Updating Substantive Change Flags (Continued)

I Example of Screen MAD543J1 for Kay Downing

Screen MAD543J1 will display for Kay Downing.

```

Common Provisions      083-LEFLORE      Update      MAD543J1
Entity Update          Version AA01  05/27/09 11:56 Term J2
-----
                                M E M B E R      I N F O R M A T I O N
Name: DOWNING FARMS
Type: Partnership          ID: XX-XXXXXXX E      Share: 1.0000
                                Effective Date: 01/01/95      Year: 09

MEMBER  ID and Type:      XXX-XX-XXXX S
        Entity Type:      Individual
        Name & Address:  KAY DOWNING
                                BOX 193
                                MORGAN CITY      MS 38946-

MEMBER  Actual Share:      .2500

        Substantive Chg: Y

Cmd4-Previous Screen          Press Enter to continue
    
```

COC has determined that:

- substantive change provisions apply
- Kay Downing meets substantive change provisions.

To record the determination:

- the substantive change flag was updated to “Y” for Kay Downing
- ENTER “U” and PRESS “Enter” to update and save the flags entered on this screen.

Example of Updating Substantive Change Flags (Continued)

J Example of Screen MAD541J1 for Downing Farms After Updating Flag for Kay Downing

Screen MAD541J1 will display reflecting the updated substantive change “Y” flag for Kay Downing. This flag is brought forward because Kay Downing is a first level member of Downing Farms.

| | | | | | |
|--------------------------------|------|-------------------|--------------|----------------|------------------------|
| Common Provisions | | 083-LEFLORE | Update | | MAD541J1 |
| Joint Operation Update | | | Version AA01 | 05/27/09 11:57 | Term J2 |
| ----- | | | | | |
| MEMBERS OF THE JOINT OPERATION | | | | | |
| Name: DOWNING FARMS | | | | | |
| Type: Partnership | | | | | |
| ID: XXXXXXXXXE | | | | | |
| Effective Date: 01/01/95 | | | | | |
| Year: 09 | | | | | |
| Sub | | | | Shares | |
| # | Chng | Member Name | ID Number | Entity | Actual |
| 001 | Y | BEN S DOWNING | XXX-XX-XXXX | S 01 | 0.2500 |
| 002 | Y | KAY DOWNING | XXX-XX-XXXX | S 01 | 0.2500 |
| 003 | U | TILLMAN FARMS INC | XX-XXXXXXX | E 04 | 0.2500 |
| 004 | U | K & C FARMS | XX-XXXXXXX | E 02 | 0.2500 |
| | | | | | Total: 1.0000 |
| | | | | | Enter # to modify: 003 |
| | | | | | (U) pdate: .. |
| Cmd7=End Cmd4=Previous Screen | | | | | |

In this example, the user shall ENTER “003” and PRESS “Enter” to access the substantive change flag for first level member Tillman Farms Inc.

Example of Updating Substantive Change Flags (Continued)

K Example of Screen MAD543J1 for Tillman Farms Inc.

Screen MAD543J1 will display for Tillman Farms Inc.

```

Common Provisions      083-LEFLORE      Update      MAD543J1
Entity Update          Version AA01  05/27/09 11:58 Term J2
-----
                                M E M B E R      I N F O R M A T I O N
Name: DOWNING FARMS
Type: Partnership                      ID: XX-XXXXXXX E      Share: 1.0000
                                Effective Date: 01/01/95      Year: 09

MEMBER  ID and Type:      XX-XXXXXXX E
        Entity Type:      Corporation
        Name & Address:  TILLMAN FARMS INC
                                XXXX COUNTY ROAD
                                MINTER CITY      MS 38944-

MEMBER  Actual Share:      .2500

        Substantive Chg: Y

Cmd4-Previous Screen          Press Enter to continue
    
```

COC has determined that:

- substantive change provisions apply
- Tillman Farms Inc. meets substantive change provisions.

To record the determination:

- the substantive change flag was updated to “Y” for Tillman Farms Inc.
- PRESS “Enter” to display Screen MAD544J1 for Tillman Farms Inc.

Example of Updating Substantive Change Flags (Continued)

L Example of Screen MAD544J1 for Tillman Farms Inc.

Because Tillman Farms Inc. is an embedded entity, Screen MAD544J1 will display the members of Tillman Farms Inc.; however, the substantive change flags for members of an entity **shall not** be updated.

```

Common Provisions      083-LEFLORE      Modify      MAD544J1
Joint Operations Update      Version AA01  05/27/09 12:00 Term J2
-----
                M E M B E R S      O F      T H E      E M B E D D E D      E N T I T Y
Name: TILLMAN FARMS INC      ID: XX-XXXXXXX E Share: 0.0000
Type: Corporation      Effective Date: 01/01/95      Year: 09
      Sbsnt
      # Chnge      Name      ID Number      Entity Share
001  U      M C TILLMAN      XXX-XX-XXXX S      01      0.1250
002  U      M COLLIER TILLMAN JR      XXX-XX-XXXX S      01      0.1250

                                          Total: 0.2500

Enter # of Entity to Process .....
or (U) pdate to record changes ..
Cmd4=Previous Screen
    
```

Take either of the following actions to return to Screen MAD541J1:

- PRESS “Cmd4”
- ENTER “U” and PRESS “Enter”.

Example of Updating Substantive Change Flags (Continued)

M Example of Screen MAD541J1 for Downing Farms With Updated Flag for Tillman Farms Inc.

Screen MAD541J1 will display reflecting the updated substantive change “Y” flag for Tillman Farms Inc. This flag is brought forward because Tillman Farms Inc. is a first level member of Downing Farms.

| | | | | | | | |
|--------------------------------|------|-------------------|-------------|-------------------------------------|----------------------|-------------------|--|
| Common Provisions | | 083-LEFLORE | | Update | | MAD541J1 | |
| Joint Operation Update | | | | Version AA01 05/27/09 12:01 Term J2 | | | |
| ----- | | | | | | | |
| MEMBERS OF THE JOINT OPERATION | | | | | | | |
| Name: | | DOWNING FARMS | | ID: | | XXXXXXXXXE | |
| Type: | | Partnership | | Effective Date: | | 01/01/95 Year: 09 | |
| Sub | | | | | | Shares | |
| # | Chng | Member Name | ID Number | Entity | Actual | | |
| 001 | Y | BEN S DOWNING | XXX-XX-XXXX | S 01 | 0.2500 | | |
| 002 | Y | KAY DOWNING | XXX-XX-XXXX | S 01 | 0.2500 | | |
| 003 | Y | TILLMAN FARMS INC | XX-XXXXXXXX | E 04 | 0.2500 | | |
| 004 | U | K & C FARMS | XX-XXXXXXXX | E 02 | 0.2500 | | |
| | | | | | Total: 1.0000 | | |
| | | | | | Enter # to modify: █ | | |
| | | | | | (U) pdate: U | | |
| Cmd7=End Cmd4=Previous Screen | | | | | | | |

Now that all substantive change flags have been updated for first level members of joint operation Downing Farms and second level members of Downing Farms within joint operation K & C Farms, ENTER “U” and PRESS “Enter”.

Example of Updating Substantive Change Flags (Continued)

N Example of Screen MAD541J1 for Downing Farms With Update Message

Screen MAD541J1 will display with the message, "Joint Operation file has been updated."

```

Common Provisions      083-LEFLORE      Update      MAD541J1
Joint Operation Update      Version AA01  05/27/09 12:01 Term J2
-----
      M E M B E R S   O F   T H E   J O I N T   O P E R A T I O N
Name: DOWNING FARMS
Type: Partnership      ID: XXXXXXXXXX E
      Effective Date: 01/01/95      Year: 09
      Sub      Shares
#  Chng      Member Name      ID Number      Entity Actual
001  Y  BEN S DOWNING      XXX-XX-XXXX S    01  0.2500
002  Y  KAY DOWNING      XXX-XX-XXXX S    01  0.2500
003  Y  TILLMAN FARMS INC      XX-XXXXXXX E    04  0.2500
004  U  K & C FARMS      XX-XXXXXXX E    02  0.2500

      Total: 1.0000
      Enter # to modify: ....
      (U) pdate: ...

Cmd7=End  Cmd4=Previous Screen
Joint Operation file has been updated.
    
```

PRESS "Cmd4" to return to Screen MAB44000.

In this example, substantive change provisions were applicable to Christy Killebrew; however, COC determined she did **not** meet substantive change provisions. As a result, payments to Downing Farms will be reduced by 12.5 percent if substantive change provisions are applicable to the program.