

**PLAINS LAND BANK, FLCA  
AMENDED AND RESTATED BYLAWS**

**TABLE OF CONTENTS**

**ARTICLE I -- PREAMBLE**

100      Introductory statement

**ARTICLE II -- MEMBERSHIP**

200      Definition of members

**ARTICLE III -- MEETINGS OF MEMBERS**

300      Time and place  
          300.1 Annual meeting  
          300.2 Special meetings  
          300.3 Consecutive sectional sessions  
310      Notice of meetings  
320      Quorum  
330      Conduct of annual meeting  
340      Nominating committee  
          340.1 Election of nominating committee  
          340.2 Function of nominating committee  
          340.3 Nomination of candidates for election to nominating committee  
          340.4 Quorum and minutes  
350      Voting  
          350.1 Voting strength and designee for voting stock; voting for directors  
          350.2 Voting methods  
          350.3 List of holders of voting stock  
          350.4 Voting to issue preferred stock

**ARTICLE IV -- DIRECTORS**

400      Number and qualifications of directors  
          400.1 Number of directors on the board  
          400.2 a. Qualifications of stockholder-elected directors  
              b. Qualifications of board-elected directors  
          400.3 Service as director of an outside financial institution  
          400.4 Prohibition to continue as director  
          400.5 Attendance  
410      Election of directors  
          410.1 By Stockholders  
              a. Elected to fill expired terms and vacancies  
               on the board  
              b. Nominations made from floor and casting ballots  
              c. Option Listing nominees on the ballot  
              d. Tallying the ballots  
              e. Breaking tie vote  
          410.2 By Directors  
              a. Elected to fill expired terms and vacancies  
              b. Search Committee

- 420 Term
  - 420.1 Length of term
  - 420.2 Staggering terms
- 430 Vacancies
  - 430.1 Filling a vacancy on the board
  - 430.2 Appointment by association to fill vacancies for quorum and subsequent election to fill unexpired terms
  - 430.3 Filling a vacancy of a board-elected position
- 440 Duties of directors
  - 440.1 General control of association
  - 440.2 Elect and fix salary of the chief executive officer
- 450 Board meetings
  - 450.1 Regular meetings
  - 450.2 Special and telephone meetings
  - 450.3 Notice
- 460 Honoraria
- 470 Quorum
- 480 Removal of Directors

#### ARTICLE V -- OFFICERS AND EMPLOYEES

- 500 Election of senior and other officers
  - 500.1 Election of officers of the board
  - 500.2 Election of chief executive officer and other officers
  - 500.3 Eligibility as a salaried officer or employee
- 510 Duties of officers
  - 510.1 Chairman of the board
  - 510.2 Vice-Chairman of the board
  - 510.3 Chief executive officer
  - 510.4 Secretary
  - 510.5 Treasurer (chief financial officer)
- 520 Removal of elected and chief executive officers as officers of the board

#### ARTICLE VI -- COMMITTEES

- 610 Committees
- 620 Quorum
- 630 Withdrawal from meeting

#### ARTICLE VII -- CAPITAL STOCK AND PARTICIPATION CERTIFICATES

- 700 Authorization
- 705 Ownership
- 706 Approval
- 707 First Lien
- 710 Class A - Voting Stock
  - 710.1 Holder
  - 710.2 Amount
  - 710.3 Retirement
  - 710.4 Voting
  - 710.5 Dividends
  - 710.6 Patronage Distributions
  - 710.7 Transfer

	710.8 Conversion
	710.9 Cancellation of Stock Ownership in Default
720	Class P Common Stock – Nonvoting
	720.1 Holder
	720.2 Amount
	720.3 Retirement
	720.4 Voting
	720.5 Dividends
	720.6 Patronage Distributions
	720.7 Transfer
	720.8 Conversion
	720.9 Cancellation of Stock Ownership in Default
730	Class C Stock – Nonvoting Issuance
	730.1 Holder
	730.2 Amount
	730.3 Retirement
	730.4 Voting
	730.5 Dividends
	730.6 Patronage Distributions
	730.7 Transfer
	730.8 Conversion
	730.9 Cancellation of Stock Ownership in Default
740	Participation Certificates
	740.1 Holder
	740.2 Amount
	740.3 Retirement
	740.4 Voting
	740.5 Dividends
	740.6 Patronage Distributions
	740.7 Transfer
	740.8 Conversion
	740.9 Cancellation of Stock Ownership in Default
750	Impairment
	750.1 Losses borne ratably
	750.2 Restoration apportioned ratably
760	Distribution on Liquidation

#### ARTICLE VIII -- DIVIDENDS AND PATRONAGE DISTRIBUTIONS

800	Application of Earnings or Losses
	800.1 Application of earnings
	800.2 Application of losses
810	Surplus Accounts
820	Allocated Surplus Account
830	Dividends
840	Patronage Distributions
850	Retirement of Patronage Accounts
860	Limitation
870	Stockholder Approval

ARTICLE IX -- EXECUTION OF DOCUMENTS

- 900 Documents Executed with or on Behalf of Bank
- 910 Other transactions
- 920 Expenses and checks

ARTICLE X -- RECORDS AND REPORTS

- 1000 Records
  - 1000.1 Recorded in minute books
  - 1000.2 Resolutions casting nomination and election ballots

ARTICLE XI -- UNCLAIMED PROPERTY

ARTICLE XII -- FISCAL YEAR

ARTICLE XIII -- INDEMNIFICATIONS OF DIRECTORS, OFFICERS, AND EMPLOYEES

- 1300.1 Indemnification
- 1300.2 Additional indemnification provisions
- 1300.3 Procedure
- 1300.4 Advances of expenses
- 1300.5 Other rights
- 1300.6 Applicable law

ARTICLE XIV -- AMENDMENTS

**PLAINS LAND BANK, FLCA  
AMENDED AND RESTATED BYLAWS**

**ARTICLE I--PREAMBLE**

100 Federal Land Credit Associations are federally chartered, member-owned, cooperative credit institutions operating within the authority of the Farm Credit Act of 1971, as amended (hereinafter referred to as the "Act"), and the Regulations for Banks and Associations of the Farm Credit System (hereinafter referred to as the "Regulations").

**ARTICLE II--MEMBERSHIP**

200 Members of Plains Land Bank, FLCA (the "association") shall include all holders of legal title to capital stock or participation certificates who are liable on an association loan and who have been elected to membership in the association as evidenced on the books of the association. Any person to whom the association is authorized by the Act to extend credit and other services is eligible to make application to become a member of the association. In the case of a deceased or legally incompetent member, the executor, administrator, Federal Land Credit Association guardian, or other legally authorized representative shall be considered to be the member for the purpose of these bylaws. Each member is authorized to speak on any question being considered at members' meetings when recognized by the chairman. Motions and nominations or seconds thereto may be made and voted on only by voting stockholders of the association, except as otherwise required by the Act, the Regulations or these bylaws.

**ARTICLE III--MEETINGS OF MEMBERS**

300 Time and Place

300.1 There shall be an annual meeting of members at such place(s) in the association's chartered territory or, when approved by the board of directors, within reasonable distance of the association territory at such date(s) and time(s) as the board of directors may by resolution provide.

300.2 Special meetings of members of the association may be called at any time by resolution of the board of directors. Such meetings shall be called at any time upon written request of at least five (5) percent of the voting stockholders, except, in no case shall the required number of signatures to such a request be less than twenty (20). All notices of special meetings shall state the time, place, and purpose of the meeting. If the board of directors fails or refuses to order such notice to be made, the notice may be given by the person or persons who made the call in accordance with the provisions of Section 310.

300.3 The board of directors may provide for the annual meeting or special meetings of members to be held in consecutive sectional sessions at different times and

places. The date of the convening of the first sectional session shall be the date of the meeting for the purpose of notice thereof to members. Each member shall be notified of all sessions to be convened and shall be entitled to attend any or all of such sessions of the annual meeting. At each sectional session except the last, the meeting shall be adjourned until the next session of the meeting. The last sectional session must be scheduled for a time no later than seven (7) calendar days after the first sectional session. The attendance at all sectional sessions shall be combined for the purpose of constituting a quorum, but no voting stockholder shall be counted or permitted to vote at more than one session. The votes cast at all sessions and by mail, if applicable, shall be counted together to constitute the vote of the meeting. Nominations from the floor for directors and nominating committee members and matters requiring a vote of all stockholders must be introduced at the first sectional session of the meeting and so announced in the Notice of Meeting.

### 310 Notice of Meeting

Notices of meetings shall be in writing and signed by the chairman of the Board of Directors, an officer of the Association, or by any other person the directors may designate. The notice shall state the place, date and time of the meeting (with respect to each session if the meeting is to be held in consecutive sectional sessions) and in case of a special meeting, the purpose or purposes for which the meeting is called. A copy of the notice shall be delivered personally, by electronic mail (e-mail) or mailed, postage prepaid, to each voting stockholder of record entitled to vote at the meeting not less than ten days before the meeting. Personal or mailed deliver (including e-mail) of the notice to any officer of a corporation or association or to any member of a partnership shall constitute delivery of the notice to the corporation, association or partnership. In the event of the transfer of a share after deliver or mailing of the notice of and prior to the holding of the meeting, it shall not be necessary to deliver or mail notice of the meeting to the transferee.

### 320 Quorum

Except as otherwise required by applicable law or regulation, ten (10) voting stockholders in attendance at any stockholders meeting, or where permitted by Section 350.2 of these bylaws, represented by proxy, shall constitute a quorum. If a quorum shall not be present or represented at any called meeting, the stockholders entitled to vote which are present in person or represented by proxy shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At any adjourned meetings at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally described in the notice of the meeting. The stockholders present at a fully organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

### 330 Conduct of Annual Meeting

At the annual meeting of members, reports of the board shall be given by a person designated by the board. The reports required by Section 1010 of these bylaws shall be presented. Other items of business which may come before the meeting include but are not limited to: (a) determination of quorum, (b) proof of due notice of meeting, (c) reading and disposition of minutes, (d) annual reports of officers and committees, (e) election of directors and nominating committee, (f) unfinished business, and (g) new business.

340 Nominating Committee

340.1 At each year's annual meeting, the voting stockholders shall elect a nominating committee consisting of 3 voting stockholders and 6 alternates to serve for the following year. Board members or salaried officers or employees of the association are not eligible to serve on the nominating committee.

340.2 Each nominating committee shall review lists of voting stockholders who are eligible to serve as stockholder-elected directors of the association, ascertain their willingness to serve, and submit for election a slate of eligible candidates which shall include at least two nominees for each stockholder-elected position to be filled. In doing so, the committee must endeavor to ensure representation from all areas of the association's territory and, as nearly as possible, to all types of agriculture practiced within the area.

If the nominating committee after diligent effort is unable to find more than one willing nominee for each stockholder-elected position to be filled and demonstrates in writing to the satisfaction of the association board that the committee is unable, despite a good faith effort, to find two willing nominees for each position, the association may, after calling for nominations from the floor, proceed with the election.

340.3 Under guidelines prescribed by the association board, the nominating committee shall present a list of candidates for voting stockholders to consider in electing the nominating committee for the ensuing year. Nominations also may be made from the floor. If the meeting is held in consecutive sectional sessions, nominations may be made from the floor only at the first session and so announced in the Notice of Meeting.

340.4 A majority of the nominating committee shall constitute a quorum for transacting business of the committee. The committee shall keep minutes of its deliberations which shall be turned over to the chief executive officer to be maintained in accordance with the association's records disposal schedule.

350 Voting

- 350.1 Except where otherwise provided in the Act, the Regulations, or these bylaws, each voting stockholder shall be entitled to only one vote regardless of the number of single or joint loans the stockholder may have through the association so long as the stockholder remains liable on a Farm Land Credit Association loan and eligible to borrow as a farmer, rancher, or producer or harvester of aquatic products. In the case of a joint loan, the vote shall be cast by only one of the joint holders duly authorized in writing by the other joint holders. The vote of a stockholder which is a legal entity shall be cast by an individual duly authorized in a writing which is filed with the association. If an individual who is a voting stockholder by virtue of an individual loan controls the business affairs or assets securing the loans of another voting stockholder, the controlling stockholder and the controlled stockholder shall be considered as one person and shall be entitled to a total of only one vote. For the purpose of this section of the bylaws, an individual shall be deemed to control another voting stockholder if the individual, together with the members of his or her immediate household, has more than a 50-percent ownership interest in (1) the other stockholder or (2) the assets securing the other stockholder's loan. Each voting stockholder shall be entitled to cast one vote for each stockholder-elected director position in accordance with Section 410.1 of these bylaws. Voting for directors shall not be cumulative.
- 350.2 Stockholders entitled to vote on any matter properly brought before the stockholders at an annual or special members' meeting may vote in person, by mail if approved by the directors, or where permitted by the Act, by proxy. Voting in the election of directors shall be conducted in accordance with the Regulations and association policy assuring confidentiality.
- 350.3 A list of voting stockholders shall be maintained by the association. The list shall be used when distributing ballots at an annual or special meeting, and the nomination and election of Farm Credit Bank board members. If the meeting is held in consecutive sectional sessions, the list shall be used at each sectional session to assure that no stockholder votes more than once.
- 350.4 Each issuance of preferred stock shall be approved by a majority of the shares of each class of equities affected by preference, voting as a class, whether or not such classes are otherwise authorized to vote.

**ARTICLE IV--DIRECTORS**

400 Number and Qualifications of Directors

400.1 Number

The association shall have a board of 9 directors elected by stockholders ("stockholder-elected directors"), and the additional number of directors that are

required by the Regulations to be elected to the board by the stockholder-elected directors ("board-elected directors"). The Board of Directors may, from time to time, change the number of directors, the number and boundaries of the geographic regions represented by each board position, and the manner in which directors shall be elected in accordance with the requirements of law, the Act, the Regulations, and these bylaws.

#### 400.2 Qualifications

##### a. Stockholder-elected Directors

- (1) No person shall be elected or continue to serve as a stockholder-elected director unless he or she is a holder of voting stock as described in Section 710.1 of these bylaws, is in compliance with the Regulations, is a bona fide farmer, a rancher, or a producer or harvester of aquatic products and either resides or operates in the region of the association territory designated for the position to which the director is elected. An individual designated to vote the stock of a corporation or partnership may be a director as long as that individual holds stock in the corporation or is a member of the partnership and meets all other requirements for serving as an association director. A legally authorized representative of a deceased or incompetent member is not eligible to be elected or appointed as a director unless such representative also holds voting stock in his or her own right.
- (2) Except as herein provided, an individual who is a salaried officer or employee of the association or of any other bank or association within the Farm Credit System is not eligible to be elected or appointed and may not serve as a stockholder-elected director. A former salaried officer or employee of the association or any other association or bank within the Farm Credit System is not eligible to be elected or appointed as a director within one year after ceasing to be employed by such association or bank within the Farm Credit System. No director of the Farm Credit Bank with which the association has a discount or agency relationship may serve as a stockholder-elected director of the association within one year of ceasing to be a director for such bank.
- (3) An individual who is a director of a bank or association within the Farm Credit System is not eligible to be elected or appointed and may not serve as a stockholder-elected director except as hereinafter provided:
  - (i) A director elected to the Farm Credit Bank board may continue to serve until the next annual meeting or a special meeting of the stockholders called for the purpose of election of directors,
  - (ii) An individual may be a stockholder-elected director of a production credit or an agricultural credit association and the association simultaneously, except where the agricultural credit association is authorized to

make loans in the same territory, or any part thereof, as the association, and (iii) An individual may be a stockholder-elected director of another Federal Land Credit Association.

b. Board-Elected Directors

Except as provided herein, no person shall be elected by the stockholder-elected directors to serve as a board-elected director if such person is a director, officer, employee, stockholder, or agent of a Farm Credit System institution. No individual shall be eligible to serve as a board-elected director who has been, within the one- year period preceding the date the term of office begins, a salaried officer or employee of any bank or association within the Farm Credit System or a director of the Farm Credit Bank with which the association has a discount or agency relationship. A board-elected director may serve consecutive terms. A board-elected director elected to the board of any other system institution may continue to serve as director for the association until the first regularly scheduled meeting of the board of such system institution after the director's term begins. An individual may not be a board-elected director of the association and any other Farm Credit System institution simultaneously.

400.3 No individual shall become or continue as a director, whether stockholder-elected or board-elected, if the individual is an employee of any other financial institution outside the Farm Credit System which is authorized to make the same types of loans that are obtained through the association. A director may become or continue as a director of a financial institution outside of the Farm Credit System which is authorized to make the same types of loans that are obtained through the association, subject to compliance with the Act, the Regulations and the association's policy and procedures of standards of conduct.

400.4

- a. The office of any elected or appointed director, whether stockholder- elected or board-elected, shall automatically become vacant in the event such director: (1) files a petition for relief in voluntary bankruptcy, or otherwise institutes suit under applicable voluntary Federal or State bankruptcy, insolvency, or receivership laws; or (2) is adjudged a debtor in an involuntary Federal bankruptcy or placed in receivership in a State proceeding; or (3) seeks reorganization under the Bankruptcy Code of personal business interests or that of a corporation in which the director owns the controlling interest; or (4) is party to a foreclosure proceeding (judicial or nonjudicial) or a voluntary conveyance in lieu of foreclosure involving property in which the director has an interest, which is instituted or executed because of the director's default on indebtedness to a Farm Credit System institution; or (5) is primarily or secondarily liable on a loan from any Farm Credit System institution where there is rescheduling, reamortization, deferral of principal

or interest, granting of monetary concessions under FASB-15, or other restructuring action taken because of the director's default on such loan, or because the loan is determined to be distressed and eligible for restructuring under the institution's distressed loan restructuring policy and is in fact restructured; or (6) is not in compliance with the association's Standards for Official Loans Policy; or (7) is convicted of any felony or is held liable for damages in fraud while holding office; or (8) is declared legally incompetent.

- b. If a stockholder-elected director ceases to be a borrower, regardless of whether or not the director continues to hold voting or non-voting stock of the association, such director's position shall automatically become vacant.
- c. Except to the extent permitted by Section 400.2b, the position of a board-elected director shall automatically become vacant in the event that such director should become an officer, employee, stockholder, or agent of the association or a director, officer, employee, stockholder, or agent of any other Farm Credit System institution.

400.5 The absence of any director whether stockholder-elected or board elected, from 3 consecutive regular meetings of the board, unless explained to the satisfaction of the other directors, shall automatically terminate the director's service and the vacancy shall be filled as provided in Section 440.1 of these bylaws.

## 410 Election of Directors

### 410.1 By Stockholders

- a. In the manner provided in these bylaws, the voting stockholders shall elect each year one or more directors as may be required to fill the position of each director whose term is expiring or to fill any vacancy on the board.
- b. At the annual meeting the nominating committee shall submit the slate of candidates for election, after which the chairman conducting the election will entertain nominations from the floor.

Voting stockholders shall then cast their ballots and the chairman conducting the election shall appoint a tellers committee of eligible voting stockholders or an independent third party to tally the ballots. Salaried officers and employees and voting stockholders who are directors, candidates, or members of the nominating committee and alternates are ineligible to serve on the tellers committee.

The board of directors may, in its discretion, distribute ballots by mail after the conclusion of the annual meeting to all voting stockholders who were unable to attend the meeting and who were not represented by proxy.

- c. All candidates shall be listed on the ballot by the position to be filled. For each vacancy, except as provided in section 340.2, two or more candidates will stand for election. If more than one position is to be filled, the election for each position shall be conducted independently. The candidate receiving the largest number of votes for each position shall be declared elected.
- d. The tellers committee or independent third party shall convene to tally the ballots and shall report the results to the chairman conducting the election who shall inform the attending members of the results. If the meeting is held in consecutive sectional sessions, the results of the votes cast at all sessions of the meeting shall be reported to the members only after the last sectional session. Additionally, if the board of directors elects to send ballots by mail, the results of the votes cast at the meeting shall be reported to the members only after the deadline has passed for the return of ballots by mail.
- e. If no person is elected to a position because of a tie vote, a runoff election between those tying shall be held. The ballots shall be cast and counted and the results shall be reported to the members in the same manner as in the original election. If the meeting is held in consecutive sectional sessions and the tie is between more than two candidates, the tie shall be broken by rebalotting, by mail, those voting stockholders who were registered in attendance at the consecutive sectional sessions of the annual meeting or who voted by mail, if applicable. The runoff election polls shall be closed at the end of the 15th business day following the date on which the ballots are mailed to the voting stockholders. On the first business day after the polls are closed, the tellers committee or independent third party shall convene in the office of the association to tally the ballots returned to the association prior to the closing of the polls. The tellers committee or independent third party shall report the results of the election to the chief executive officer who shall send a notice to the members who were registered in attendance at the consecutive sectional sessions or who voted by mail, if applicable, within ten business days announcing the results of the runoff election. Notwithstanding the above, if the tie is between only two candidates and if the candidates agree, the tie may be broken by any other method approved by the association board in advance of the election and announced in the Notice of Meeting.

#### 410.2 By Directors

- a. In the manner provided in these bylaws, the directors elected by the stockholders under Section 410.1 shall elect a director meeting the requirements of Section 400.2b to fill the position of a director whose term is expiring or to fill a vacancy of a board- elected position.
- b. The board of directors shall conduct a search for an eligible candidate willing to serve as a board-elected director, and a majority of the stockholder-elected directors, present and voting at a duly called and authorized meeting, held as

soon as is practical following either the expiration of the term of the board-elected director, or at the time the position of such director becomes vacant for any reason, shall elect a director for each board-elected position to be filled.

420 Term

420.1 A director, whether a stockholder-elected director or a board-elected director, shall serve a three-year term, beginning on the first day of the month following the month of the annual meeting, or for the unexpired portion of the term for which the director was elected, and until a successor is elected and qualified. Unless the term of that position is shortened or terminated by action of the voting stockholders in connection with a merger or consolidation, the term of office for each director shall be as provided above unless the director shall (1) resign, (2) be removed from office, or (3) become unable to act by reason of death or disqualification.

420.2 If as a result of change in the number of directors, or for other reasons, the terms of directors do not expire equitably on a staggered basis, the terms of the directors elected thereafter shall be for such periods as will reestablish expiration of terms of directors on an equitably staggered basis, such periods not to extend beyond a term of three years.

430 Vacancies

430.1 Whenever a vacancy occurs in a stockholder-elected position on the board of directors, other than from the expiration of a term of office, the remaining stockholder-elected directors shall elect a qualified voting stockholder to fill the vacancy for the remainder of the unexpired term of the position to be filled.

430.2 If all or a majority of the stockholder-elected director positions become vacant, the chief executive officer of the association shall first appoint qualified persons to fill sufficient vacancies to constitute a quorum. These appointed directors shall elect qualified voting stockholders to fill the other vacancies. Directors shall be elected by the stockholders to fill any unexpired terms at the next annual meeting or a special meeting of members called for that purpose.

430.3 If a board-elected position becomes vacant, the stockholder-elected directors shall elect in the manner provided in Section 410.2 of these bylaws a person meeting the requirements of Section 400.2b to fill the vacancy for the remainder of the unexpired term of such position.

440 Duties of Directors

- 440.1 The board of directors shall be responsible for general control and direction of the affairs of the association. The board shall determine association policy matters, periodically review the operations of the association, and keep itself informed of the association's fulfillment of its objectives, goals, and responsibilities in accordance with the provisions of the Act, the Regulations, and the Farm Credit Bank board policies, procedures, and objectives.
- 440.2 The board of directors shall elect and fix the salary of the chief executive officer. Also, the board shall prescribe the duties and responsibilities of the chief executive officer, who shall be responsible for the management of the association. The board shall provide for payment from general funds of the reasonable and necessary expenses incurred by officers, employees, and committees of the association in connection with the association's business.

450 Board Meetings

- 450.1 Regular meetings of the board of directors shall be scheduled and held at least quarterly at such times and at such places as the board by resolution may determine.
- 450.2 Special meetings of the board of directors shall be held whenever called by (1) the chairman or president of the board, (2) the chief executive officer, or (3) a majority of the directors. Urgent business may be conducted by telephone conference call provided a reasonable attempt is made to reach all directors, a quorum is present, and technical arrangements permit all persons participating to hear each other. All actions taken by telephone conference shall be ratified at the next regular meeting of the board.
- 450.3 Oral or written notice of each meeting of the board of directors, except regularly scheduled meetings specified by resolution of the board, shall be given each director by the chief executive officer, or other designated employee of the association, not less than 48 hours prior to the time of the meeting. On the signing of a waiver of notice of a meeting by a majority of directors, a meeting of the board may be held at any time.

460 Honoraria

The association may allow directors reasonable honoraria for attendance at meetings, committee meetings, or for special assignments. The association may also reimburse the director for reasonable expenses incurred in connection with the meetings or assignments.

470 Quorum

A majority of the board of directors shall constitute a quorum at any meeting of the board, and a vote of a majority of the directors present shall determine the decision of the board.

480 Removal

A stockholder-elected or board-elected director may be removed from the board by a majority vote of the voting stockholders present at an annual or special members' meeting upon a motion for removal, duly made, seconded and carried, provided the notice of the meeting contains a notification that the removal is to be considered. Alternatively, a board-elected director may also be removed by a two-thirds majority vote of the board of directors.

## **ARTICLE V--OFFICERS AND EMPLOYEES**

500 Election of Senior and Other Officers

500.1 As soon as practicable following the annual meeting of members, and at such other times during the year as is necessary to fill vacancies, the board of directors shall elect a chairman and a vice-chairman from among the members of the board.

500.2 The board shall elect a chief executive officer who shall serve at the pleasure of the board, and shall continue in office until a successor is elected and takes office unless the chief executive officer shall resign, die, retire, or be removed by the board. Other association officers shall be a secretary, a treasurer, and any other salaried officers provided for by the board. Individuals may be appointed to these positions by the board or by the chief executive officer as prescribed in Section 510.3 of these bylaws. A combination of these offices may be held by one individual.

500.3 No individual shall be eligible to become a salaried officer or employee if within the previous 12 months the individual served as a director of the association.

## 510 Duties of Officers

### 510.1 Duties of Chairman of the Board

The chairman (1) shall preside over all meetings of the board of directors, and the chairman or the board's designee shall preside over all meetings of the association members; (2) shall see that all orders and resolutions of the board of directors, regulations with respect to the association, and all policies and procedures prescribed by the Farm Credit Bank are carried into effect; and (3) shall perform such other duties as may be prescribed by the board of directors. The chairman shall not be an ex officio member of any committee of the board of directors.

### 510.2 Duties of Vice-Chairman of the Board

In the absence of the chairman, the vice-chairman shall perform the duties of the chairman. In the absence of both the chairman and the vice-chairman, one of the other directors shall be elected by those present to preside over the meeting.

### 510.3 Duties of the Chief Executive Officer

The chief executive officer (1) shall perform such duties and exercise such authority as vested by the board of directors; (2) shall be responsible for the ordinary and usual business operations of the association; and (3) shall, unless this power is reserved to or limited by the board, employ, supervise, and dismiss any and all officers and employees of the association, fix their compensation within salary plans approved by the board of directors, and designate the order of precedence in which the other officers shall act in the absence of any officer.

### 510.4 Duties of the Secretary

The secretary (1) shall keep a complete record of all meetings of the association and the board of directors except those of the nominating committee, (2) shall be responsible for the corporate records of the association, (3) shall keep the corporate seal, if any, and shall affix it to all papers requiring a seal, (4) shall make all reports required by law, and (5) shall perform such other duties as may be required by the chief executive officer and the board of directors.

### 510.5 Duties of the Treasurer (Chief Financial Officer)

The treasurer (1) shall have custody of all funds, securities, and assets of the association, (2) shall provide full and complete records of all assets and liabilities of the association, (3) shall make such reports as may be required, (4) shall keep complete stock ownership records, and (5) shall perform such other

duties with respect to the finances of the association as may be prescribed by the chief executive officer or by the board of directors.

520 Removal

The chairman and the vice-chairman may be removed from their positions as officers of the board, and the chief executive officer may be removed from office at any time by a majority vote of the entire membership of the board of directors.

**ARTICLE VI--COMMITTEES**

610 Committees

The board will establish any committees required by the Act or the Regulations and may, at its discretion, appoint such other committees as may be necessary, shall appoint or discharge any member of such committees, and shall prescribe the duties and responsibilities of the committee it establishes.

620 Quorum

A majority of any committee shall constitute a quorum.

630 Withdrawal from Meeting

A member of the board of directors or an employee or director serving on any committee shall withdraw from and shall not participate in, directly or indirectly, the meeting of the board or committee during its deliberation and determination of any matter affecting the director's or employee's personal interests, or the interests of any relative of or any entity controlled by the director or employee, and the minutes shall so state.

**ARTICLE VII--CAPITAL STOCK AND PARTICIPATION CERTIFICATES**

REF: FCA Regulation 615.5220 & PART 628

700 Authorization

The association is authorized to have outstanding Class A Common Stock, Class C Common Stock, Class P Common Stock, and participation certificates. Each share of stock or participation certificates issued shall have a par value of \$5.00. Fractional shares of stock or participation certificate shall not be issued. Except where expressly stated in these bylaws, all transfer, exchange, conversion and retirement of stock and participation certificates shall be at the sole discretion of the board of directors at book value not to exceed par.

705 Ownership

Evidence of ownership of stock and participation certificates shall be by book entry. The association shall be its own transfer agent in all matters relating to its capital stock and participation certificates.

706 Stockholder Approval

The bylaws in this Article and any material amendment thereto shall not become effective until approved by a majority of the voting stockholders of the association in accordance with Section 4.3A(c)(2) of the Act, voting in person or by written proxy at a duly authorized meeting. Each issuance of preferred stock shall be approved by a majority of the shares of each class of equities affected by preference, voting as a class, whether or not such classes are otherwise authorized to vote.

707 First Lien

The association shall have first lien on all stock and participation certificates to secure any indebtedness of the holder of such stock or participation certificates to the association or the Farm Credit Bank.

710 Class A - Voting Stock

710.1 Holder

This stock may be issued as a condition for obtaining a loan to borrowers who are farmers, ranchers or producers or harvesters of aquatic products.

710.2 Amount

Class A Stock purchased as a condition to obtaining a loan may be issued in unlimited amounts.

Class A Stock shall be purchased by borrowers eligible to hold it as a condition for obtaining a loan in an amount as may be determined by the board at its discretion within a range between a minimum of 2% of the loan amount or \$1,000, whichever is less, and a maximum not to exceed 10% of the loan amount.

Class A stock need not be purchased by any borrower whose loan, at the time the loan is made, is designated for sale, and is in fact sold within the 180-day period

beginning on the date of designation, into a secondary market. If such loan is not sold into a secondary market by the expiration of the 180-day period, the borrower shall purchase Class A Stock in the amount set forth above for loans not sold into a secondary market.

### 710.3 Retirement

Except as provided in section 710.2, Class A Stock may be retired and paid at the sole discretion of the board of directors provided that minimum regulatory capital adequacy standards or any higher board-established capital standards are met.

No Class A Stock shall be retired except at the sole discretion of the Board and in accordance with the minimum holding periods set forth in the Board's annual capital resolution and the applicable approval requirements under part 628 of FCA's capital adequacy regulations, provided that after such retirement, the association shall meet minimum capital adequacy standards and part 615 subpart H and part 628 of FCA's capital adequacy regulations or such equivalent regulations as FCA may from time to time subsequently adopt pursuant to section 4.3 of the Act, or such higher level as the Board may from time to time establish in the association's Capital Plan.

In the event of Preferred Stock, it may be retired at the discretion of the Board and if retired, shall be retired at a price not to exceed book value (and otherwise at the redemption price established by the Board). No retirement of Preferred Stock shall occur unless the association is in compliance with the terms of the issued and outstanding Preferred Stock and the minimum capital adequacy standards established from time to time by the FCA pursuant to Section 4.3 of the Act or such higher level as the Board may from time to time establish in the association's Capital Plan.

All retirements shall be made in accordance with FCA's capital adequacy regulations and the Board's annual capital resolution, and shall be made on a "first-in, first-out" basis.

### 710.4 Voting

Holders of Class A Stock shall be entitled to full voting rights. Each Class A stockholder shall only have one vote, regardless of the number of shares owned or the number of loans outstanding, except as provided in Section 706 regarding the issuance of preferred stock. Voting for directors shall not be cumulative.

### 710.5 Dividends

Dividends may be paid on Class A Stock at the sole discretion of the board under the following conditions:

1. After payment of the dividend, the association will continue to exceed the regulatory minimum capital adequacy standards or any board- established capital standard, whichever is higher.
2. Current earnings or earned surplus is sufficient to pay the dividend amount.

Class A Stock shall have an equal right with other classes of common stock or participation certificates to any dividends declared by the board.

#### 710.6 Patronage Distributions

Holders of Class A Stock shall be eligible to receive patronage distributions in accordance with Article VIII of these bylaws.

#### 710.7 Transfer

Class A Stock may be transferred to persons who assume liability for the transferor's loan, provided the assumptor is eligible under these bylaws to hold voting stock. Such a transfer shall be a necessary condition to the release of the transferor from liability on the loan.

Outstanding Class A Stock may be transferred to a third party eligible to hold it when the association meets capital adequacy.

Class A Stock shall not be pledged or hypothecated to third parties and may be transferred on the association's books only as authorized by these bylaws.

#### 710.8 Conversion

Any outstanding Class A Stock shall be converted to Class C (nonvoting) Stock within two years after repayment of the related loan.

#### 710.9 Cancellation of Stock Ownership in Default

If the debt of a holder of Class A Stock is in default, the association may retire at book value, not to exceed par, all or part of such stock owned by the borrower in total or partial liquidation of the debt.

### 720 Class P Common Stock - Nonvoting

#### 720.1 Holder

This stock may be issued to borrowers eligible to hold Class A Common Stock or participation certificates.

#### 720.2 Amount

1. Class P Common Stock may be issued in unlimited amounts. This stock shall be issued in series with the stock issued in each fiscal year constituting a separate series.
2. Class P Common Stock may be issued as provided in these bylaws for allocated surplus distributions (Section 820), and patronage distributions (Section 840).

#### 720.3 Retirement

This stock may be retired at the sole discretion of the board in accordance with the policy and procedure of the association board provided the association board determines that the association will meet or exceed minimum capital adequacy requirements established by the Regulations, or such higher capitalization objectives that have been established by the board, after the retirement, taking into account the payment of all declared dividends and/or payment of allocated equities to holders. There is no express or implied right for Class P Stock to be retired at the end of any revolvment cycle or at any other time.

#### 720.4 Voting

Holders of Class P Stock shall not vote except as may be provided in Section 706 regarding the issuance of preferred stock dividends.

#### 720.5 Dividends

Dividends may be paid on Class P Stock at the sole discretion of the board under the following conditions:

1. After payment of the dividend, the association will continue to exceed the regulatory minimum capital adequacy standards or any board-established capital standard, whichever is higher.
2. Current earnings or earned surplus is sufficient to pay the dividend amount.

This stock shall have an equal right to any dividends on common stock declared by the association's board of directors.

#### 720.6 Patronage Distributions

Ownership of Class P Stock will not entitle holders to any patronage distributions declared by the association's board of directors

720.7 Transfer

This stock may be transferred to any person or legal entity.

720.8 Conversion

This stock may not be converted.

720.9 Cancellation of Stock Ownership in Default

If the debt of a holder of Class P Stock is in default, the association may retire at book value, not to exceed par, all or part of such stock owned by the borrower in total or partial liquidation of the debt.

730 Class C Stock - Nonvoting

730.1 Holder

Class C Stock will be issued only for conversion of Class A Stock of borrowers upon repayment of the related loan. Such conversion must occur within two years of repayment.

730.2 Amount

Class C Stock issued upon conversion of Class A Stock may be issued in unlimited amounts. Par value will be the same as the converted Class A Stock.

730.3 Retirement

Retirement shall be at the sole discretion of the board of directors provided that minimum capital adequacy standards or any higher board established capital standards are met.

730.4 Voting

Holders of Class C Stock shall not vote except as may be provided in Section 706 regarding the issuance of preferred stock.

730.5 Dividends

Dividends may be paid on Class C Stock at the sole discretion of the board under the following conditions:

1. After payment of the dividend, the association will continue to exceed the regulatory minimum capital adequacy standards or any board-established capital standard whichever is higher.

2. Current earnings or earned surplus is sufficient to pay the dividend amount.

Class C Stock shall have an equal right with other classes of stock to any dividends declared by the board.

#### 730.6 Patronage Distributions

Class C Stock shall not share in any patronage distribution.

#### 730.7 Transfer

Class C Stock may be transferred to any person eligible to hold Class A Stock.

#### 730.8 Conversion

Class C Stock held by a former borrower may be converted to Class A Stock when the former borrower receives a new loan and meets the eligibility requirements of 710.1.

If the association meets the minimum capital adequacy standards, Class C Stock transferred to a third party may be converted to Class A Stock to satisfy stock purchase requirements for a new loan to the third party.

#### 730.9 Cancellation of Stock Ownership in Default

If the holder of Class C Stock has a loan which is in default, the association may retire at book value, not to exceed par, all or part of such stock owned by the borrower in total or partial liquidation of the debt.

### 740 Participation Certificates

#### 740.1 Holder

1. Participation certificates will be issued as a condition for obtaining a loan from the association by borrowers or applicants who are:

a. rural residence borrowers;

b. persons or organizations furnishing farm-related services; or,

c. other persons or organizations who are eligible to borrow from the association, but are not eligible to hold Class A Stock.

2. Participation certificates may be issued to any person who is not a member but who is eligible to borrow from the association or from another Farm Credit System institution, for the purpose of qualifying such person for technical assistance, financially related services, and leasing services offered by the association.

#### 740.2 Amount

Participation certificates issued under section 740.1 may be issued in unlimited amounts.

Participation certificates shall be purchased by borrowers eligible to hold it as a condition for obtaining a loan in an amount as may be determined by the board at its discretion within a range between a minimum of 2% of the loan amount or \$1,000, whichever is less and at a maximum not to exceed 10% of the loan amount. One unit of participation certificates may be issued to eligible persons for the purpose of qualifying such persons for technical assistance, financially related services, and leasing services offered by the association

Participation certificates need not be purchased by any borrower whose loan, at the time the loan is made, is designated for sale, and is in fact sold within the 180-day period beginning on the date of designation, into a secondary market. If such loan is not sold into a secondary market by the expiration of the 180-day period, the borrower shall purchase participation certificates in the amount set forth above for loans not sold into a secondary market.

#### 740.3 Retirement

Retirement of participation certificates shall be at the sole discretion of the board of directors provided that minimum capital adequacy standards or any higher board-established capital standards are met.

#### 740.4 Voting

Holders of participation certificates shall not have voting rights except as may be provided in Section 706 of these bylaws regarding issuance of preferred stock.

#### 740.5 Dividends

Dividends may be paid on participation certificates at the sole discretion of the board under the following conditions:

1. After payment of the dividend, the association will continue to exceed the regulatory minimum capital adequacy standards or any board-established capital standard whichever is higher.

2. Current earnings or earned surplus is sufficient to pay the dividend amount.

Participation certificates shall have an equal right with other classes of common stock to any dividends declared by the board.

#### 740.6 Patronage Distributions

Holders of participation certificates shall be eligible to receive patronage distributions in accordance with Article VIII of these bylaws.

#### 740.7 Transfer

Participation certificates may be transferred to persons who assume liability for the transferor's loan, provided the assumptor is eligible under these bylaws to hold such equities. Such a transfer shall be a necessary condition to the release of the transferor from liability on the loan.

Participation certificates shall not be pledged or hypothecated to third parties and may be transferred on the association's books only as authorized by these bylaws.

#### 740.8 Conversion

Participation certificates shall not be converted to any other class of stock.

#### 740.9 Cancellation of Stock Ownership in Default

If the debt of a holder of participation certificates is in default, the association may retire at book value, not to exceed par, all or part of such equities owned by the borrower in total or partial liquidation of the debt.

#### 750 Impairment

750.1 Any losses which result in impairment of association capital stock will be borne ratably by each share or unit of Class A Stock, Class P Stock, Class C Stock and participation certificates.

750.2 Any restoration of impairment shall be apportioned ratably to each share or unit of each class of common stock or participation certificates until the book value of all such stock or participation certificates is at least equal to the par value.

#### 760 Distribution on Liquidation

In the event of the liquidation or dissolution of the association, any assets of the association remaining after payment or retirement of all liabilities shall be distributed to the holders of stock and participation certificates in the following order of priority:

First, to the holders of common stock and participation certificates, pro rata in proportion to the number of shares or units of participation certificates then outstanding until an amount equal to the aggregate par value or unit value of all shares of such stock and participation certificates issued and outstanding has been distributed to such holders; and

Second, to the holders of allocated surplus as provided in Section 820 of the bylaws pro rata, on the basis of the oldest allocations first, until an amount equal to the balance outstanding in this account has been distributed to the holders; and

Third, any remaining assets of the association after such distributions shall be distributed to the members and equity holders, both past and present, in proportion to which the aggregate patronage of each such member and equity holder bears to the total patronage of all such parties insofar as practicable, unless otherwise provided by law.

## **ARTICLE VIII--DIVIDENDS AND PATRONAGE DISTRIBUTIONS**

### **800    Application of Earnings or Losses**

- 800.1           At the end of each fiscal year, the association shall apply its earnings for such fiscal year as follows and in the order listed:
1.    To cover operating expenses including additions to loss allowances, in accordance with generally accepted accounting principles and as provided by law;
  2.    To restore the amount of any impairment of all capital stock and participation certificates as provided in Section 750 of the bylaws;
  3.    To restore the amount of any impairment of allocated surplus;
  4.    To create and maintain an unallocated surplus account as provided in Section 810 of these bylaws;
  5.    To pay dividends on capital stock of the association if authorized;
  6.    To make patronage distributions if authorized pursuant to Section 840 of these bylaws; and
  7.    To transfer any remaining earnings to the reserved surplus account.

800.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 800.1 above, such loss shall be absorbed by: first, charges to the unallocated surplus account; second, impairment of the allocated surplus account; and third, impairment of capital stock as provided in Section 750.1.

810 Surplus Accounts

The association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. At the end of any fiscal year that the surplus accounts otherwise would be less than the amount determined to be sufficient by the board, the association shall apply earnings for the year to the unallocated surplus account in such amount as the association board may determine.

820 Allocated Surplus Account

The association may create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis pursuant to Section 840 of these bylaws. In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment in the order specified in Section 800.2 of these bylaws, and on the basis of latest allocations first.

The association shall have a first lien on all surplus account allocations owned by any borrower, and all distributions thereof, as additional collateral for his indebtedness to the association.

When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the association may order any and all surplus account allocations owned by such borrower to be applied on the indebtedness. Any such retirement and application of surplus account allocations to indebtedness shall be before similar retirement of capital stock owned by the borrower.

Whenever all of the capital stock and participation certificates of the association owned by a member are retired or otherwise disposed of, any surplus account allocations owned by such member shall be retired only in accordance with Sections 820.5 and 850 of these bylaws.

Allocated surplus may be distributed, oldest allocations first or otherwise as approved by the association board, in Class P Stock of the association and/or in cash. The cash proceeds may be applied against the indebtedness of the borrower to the association. In no event shall such distributions reduce the surplus account below the minimum amount prescribed by the association board or reduce the association's capital adequacy ratio, after the payment, below the minimum established by the Regulations or such higher capitalization objectives that have been established by the board. Distributions of less than the full amount of all allocations issued as of the same date shall be on a pro rata basis. Any part of a distribution in Class P Stock to one owner that is less than \$5.00 may be held by the

association and cumulated with subsequent partial distributions to the owner until the partial distributions equal one whole share of Class P Stock.

### 830 Dividends

The board of directors may declare dividends out of current earnings or earned surplus on any class or classes of stock or participation certificates eligible to receive dividends, provided that at the time of declaration, the association meets minimum capital adequacy standards and no class of stock or participation certificates is impaired. Dividends shall be noncumulative, and shall be without preference as to rate and priority of payment between classes of common stock, between classes of participation certificates, between classes of common stock and classes of participation certificates, and between holders of the same class of stock or participation certificates.

Dividends may be paid in cash, Class P Stock, or partly in cash and partly in such stock. Any part of such dividends to one owner payable in stock that is less than \$5.00 may be distributed in cash or held by the association and cumulated with subsequent dividends until the retained dividends equal \$5.00 so that the dividends may be distributed as one whole share of Class P Stock.

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 180 calendar days prior to the effective date of the declaration.

### 840 Patronage Distributions

840.1 The board of directors by adoption of a resolution may obligate the association to distribute to borrowers on a patronage basis all or any portion of available net earnings for the fiscal year in which the resolution is adopted or for that and subsequent fiscal years. Any such resolution the association's board may adopt may include a de minimis earnings requirement which prohibits or reduces the patronage distribution if certain net earning requirements are not met for such fiscal year or for that and subsequent fiscal years.

840.2 All patronage distributions shall be in the proportion that (i) the amount of interest paid by a member on loans originated by the association to that member bears to the total interest paid by all members on all loans originated by the association outstanding during the fiscal year, or (ii) the amount that a member's contribution to the association's net income bears to the total amount that all association members contribute to the association's net income during the fiscal year, except that another proportionate patronage basis may be used as determined by the association board. The association board may establish earning pools for the payment of patronage provided such earning pools are established on a rational and equitable basis that will ensure that each patron of the association receives its fair share of the association's earnings and bears its fair share of association expenses.

- 840.3 Net earnings of any fiscal year shall be available for patronage distribution after first making the applications as required in Section 800.1. The amount available for patronage distribution for any fiscal year shall in no event exceed the net earnings from patronage business with members and patronage received from the Farm Credit Bank for such year.
- 840.4 Patronage distributions may be made in cash, Class P Stock of the association, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distributions. Any part of a patronage distribution in Class P 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.
- 840.5 Any part of the patronage distributions to a borrower may, at the discretion of the association, be applied on the borrower's indebtedness to the association.
- 840.6 When the debt of a borrower is in default and has been placed in nonaccrual status by the association, the borrower shall not be entitled to receive and the association shall not be obligated to distribute patronage distributions to such borrower while such debt is in nonaccrual status, unless the borrower paid interest on a cash basis notwithstanding the nonaccrual status of the debt.
- 840.7 Each person who hereafter applies for and is accepted to membership in the association and each member of this association on the effective date of this bylaw who continues as a member after such date shall, by such act alone, consent that the amount of any distributions with respect to the holder's patronage occurring after the date these bylaws were adopted (i.e., patronage refunds paid in cash to the member whether from current earnings or from allocated surplus or the retirement of Class P stock of the association, and which are received by the holder from the association) will be taken into account (as income) for tax purposes by the holder at their stated dollar amounts in the taxable year in which are received by the holder. Such stockholders also consent by such act alone to take into account (as income) for tax purposes in the same manner the amount of any distributions with respect to patronage if the holder receives written notice from the association that such patronage distribution amount has been applied on the holder's indebtedness to the association. The terms "member" and "membership" as used in this bylaw shall have the meaning set forth in Article II of these bylaws.

#### 850 Retirement of Patronage Accounts

If at any time, the board of directors shall determine that the financial condition of the association will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or part. The board of directors shall have the sole discretion to retire any capital credited to a patron's account. The board of directors may take into account special circumstances, such as the death of a patron, in exercising its resolution at a duly

called meeting. Any capital retired under this section shall be retired at present value based upon the current revolvment cycle, if any.

860 Limitation

Notwithstanding any other provision of these bylaws, no dividend or patronage refund may be declared or paid which would result in the failure of the association to meet minimum permanent capital adequacy standards as may from time to time be promulgated by the Farm Credit Administration pursuant to Section 4.3 of the Act.

870 Stockholder Approval

The bylaws in this article, and any material amendments thereto, shall not take effect until approved by a majority of the voting stockholders of the association in accordance with Section 4.3A(c)(2) of the Act, voting in person or by written proxy at a duly authorized meeting.

## **ARTICLE IX-- EXECUTION OF DOCUMENTS**

900 Documents Executed with or on Behalf of Farm Credit Bank

All documents required to be executed in connection with transactions with the Farm Credit Bank may be executed by the chief executive officer or any other employee so designated by resolution of the board of directors, and such other documents for which authority is delegated to the association to execute on behalf of the Farm Credit Bank, may be executed by the chief executive officer or any other employee so designated by resolution of the board of directors, with the approval of the Farm Credit Bank.

910 Other Transactions

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the association, shall be signed by the chief executive officer or any other officer of the association designated by resolution of the board of directors, and, when required, shall be attested to by the secretary or any assistant secretary of the association: provided, that no person shall sign and attest the same document.

920 Expense and Checks

The chief executive officer or any other employee(s) designated by the chief executive officer shall, unless it shall require prior approval under its established policies, approve and pay all expenses of the association and shall sign all checks and vouchers issued by the association.

## **ARTICLE X--RECORDS AND REPORTS**

## 1000 Records

- 1000.1 Copies of the organization papers of the association, returns of association elections, proceedings of all regular and special meetings of stockholders and directors, the bylaws and any amendments thereto, resolutions of the board of directors and reports of all committees shall be recorded in the minute books of the association. The minutes of all committees and of the board of directors shall be signed by their respective chairmen or presiding officers and attested to by the secretary or the chief executive officer.
- 1000.2 To protect the confidentiality of the resolutions adopted by the board in casting the ballots for nomination and election of Farm Credit Bank board members, the minutes shall reflect that balloting was held and that the results of the balloting were provided to the Farm Credit Bank's election officer. The board minutes shall be the official record of the balloting.

## 1010 Reports

Annually the association shall make available to each member a written financial report, including a statement of income and expense and a statement of condition which shall conform to accounting principles prescribed for the association by the Farm Credit Bank, the Act and Regulations.

## **ARTICLE XI--UNCLAIMED PROPERTY**

The association shall seek to pay to the owners the proceeds of any retirement of stock and participation certificates and any accrued dividends. In the event the association, after a period of three years from the date payable, is unable to determine the address or whereabouts of the owner or the heirs and assigns of the owner, the funds may be taken into income of the association unless other disposition is required by state law.

## **ARTICLE XII--FISCAL YEAR**

The fiscal year of this association shall end on the last day of December in each year.

## **ARTICLE XIII--INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES**

### Section 1300.1 Indemnification

- (a) The association shall indemnify any current or former director, officer or employee who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or

investigative (other than an action by or in the right of the association) by reason of the fact that he/she is or was a director, officer or employee of the association, or is or was serving pursuant to authorization in writing by the association's board of directors or its president or his/her delegate, at the request or direction of the association as a director, officer, employee, partner, agent, administrator, advisor, fiduciary or member of another corporation, non-profit or cooperative organization, partnership, unincorporated association, joint venture or entity, trust, retirement or other employee benefit plan or other organization or entity, as well as any committee, subcommittee, or other body of the Farm Credit System existing under authority of statute or otherwise, if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interest of the association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his/her conduct was unlawful, against expenses (including attorneys' fees), judgments, fines, and penalties, as well as amounts paid in settlement actually and reasonably incurred by him/her in connection with such action, suit or proceeding if he/she acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his/her conduct was unlawful.

- (b) The association shall indemnify any current or former director, officer or employee who was or is a party or is threatened to be made a party to any threatened, pending or completed action suit, or proceeding by or in the right of the association to procure a judgment in its favor by reason of the fact that he/she is or was a director, officer, or employee of the association, or is or was serving, pursuant to authorization in writing by the association's board of directors or its president or his/her delegate, as a director, officer, employee, partner, agent, administrator, advisor, fiduciary or member of another corporation, non-profit or cooperative organization, partnership, unincorporated association, joint venture or entity, trust, retirement or other employee benefit plan or other organization or entity, as well as any committee, subcommittee, or other body of the Farm Credit System existing under authority of statute or otherwise, or acted as a witness for or advisor to the association or the party bringing the action in the right of the association, against expenses (including attorneys' fees) actually or reasonably incurred by him/her in connection with the defense or settlement of such action or suit, as well as amounts paid in settlement, if he/she acted in good faith and in a manner he/she reasonably believed to be in, or not opposed to, the best interests of the association and, to the extent of amounts paid in settlement, if settlement was in the best interests of the association; provided however that no indemnification shall be made in respect of any claim, issue or matter as to which such director, officer or employee shall have been finally adjudged to be liable for gross negligence or willful misconduct in the performance of his/her duty to the association unless and only to the extent that a court of competent jurisdiction shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

- (c) A director's, officer's or employee's conduct with respect to a retirement or other employee benefit plan for a purpose he/she reasonably believed to be in the interests of the majority of participants in and beneficiaries of the retirement or other employee benefit plan is conduct that satisfies the requirement that he/she acted in a manner reasonably believed to be in, or not opposed to, the best interests of the association.
- (d) The termination or abatement of a claim, threatened or pending action, suit, or proceeding by way of judgment, order, settlement, conviction, or upon a plea of guilty or nolo contendere or its equivalent is not, of itself, determinative that the director, officer or employee did not meet the standard of conduct described in this section.
- (e) The association may indemnify any agent of the association to the same extent as and under the same provisions applicable to directors, officers and employees, but only by specific action of and to the extent designated by the association board of directors.
- (f) Notwithstanding the provisions of Section 1300.1 of this Article, any director, officer or employee of the association serving on any committee, special asset group or similar body required or permitted pursuant to the Act shall be deemed to be doing so pursuant to authorization in writing by the association's board of directors or its president or his/her delegate.
- (g) As used in this Article, "party" means a defendant or respondent in an action, suit or proceeding.
- (h) Notwithstanding the foregoing, the association may not indemnify directors, officers, employees, or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the Farm Credit Administration, which results in a final order as now or hereafter defined in the Act, assessing civil money penalties personally against such individual(s) or requiring affirmative action by such individual(s) to make payments to the institution.

### 1300.2 Additional Indemnification Provisions

Notwithstanding any other provision of this Article, a director, officer or employee of the association who has been wholly successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section 1300.1 to which he/she was a party shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him/her in connection with such action, suit or proceeding.

### 1300.3 Procedure

Any indemnification under Section 1300.1 (unless ordered by a court) shall be made by the association only as authorized in the specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances because he has met the applicable standards set forth in Section 1300.1. Such determination shall be made (a) by a majority vote of the directors who were not parties to such action, in which case all directors who were not a party shall constitute a quorum, or (b) if such a quorum is not obtainable, or, even if obtainable, if a majority of disinterested directors so directs, by (1) independent legal counsel in a written opinion, or (2) the majority vote of shareholders at a meeting, either special or regular, at which a quorum is present. For the purposes of this Section 1300.3, independent legal counsel shall be selected by a quorum of disinterested directors of, if such a quorum is not obtainable, by the board of directors.

#### 1300.4 Advances of Expenses

Notwithstanding the provisions of Section 1300.3, reasonable expenses incurred in defending any action, suit or proceeding referred to in Section 1300.1 of this Article, shall be paid by the association in advance of the final disposition of such action, suit or proceeding, if the director, officer or employee shall undertake to repay such amount in the event that it is ultimately determined, as provided herein, that such person is not entitled to indemnification. Advances of expenses shall be made promptly and, in any event, within 30 days, upon the written request of the director, officer or employee. Notwithstanding the foregoing, no advance shall be made by the association if a determination is reasonably made at any time by the association board of directors by a majority vote of a quorum of disinterested directors, in which case all directors who were not a party to the action shall constitute a quorum, or (if such a quorum is not obtainable or, even if obtainable, if a majority of disinterested directors so directs) by independent legal counsel (selected as provided in Section 1300.3) in a written opinion that, based upon the facts known to the association board of directors or counsel at the time such determination is made, such person acted in bad faith and in a manner opposed to the best interests of the association, or such person deliberately breached his/her duty to the association or its stockholders, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe his/her conduct was unlawful.

#### 1300.5 Other Rights

The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any insurance, indemnity, or other agreement, vote of shareholders or directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such person. The association may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the association or who is or was serving in any of the capacities referred to in Section 1300.1 against any liability asserted against or incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the association would have the power to indemnify him or her against such liability under the provisions of this Article, provided that, the association shall not purchase or maintain insurance on behalf of any such person against any expenses, penalties, or other payments incurred as a

result of an administrative proceeding or action instituted by the Farm Credit Administration, which results in a final order assessing civil money penalties personally against such individual(s) or requiring affirmative action by such individual(s) to make payments to the institution.

#### 1300.6 Applicable Law

Interpretation of this Article shall be under federal law, and to the extent not inconsistent with federal law, the law of the State of Texas.

### **ARTICLE XIV--AMENDMENTS**

Except where otherwise provided in these bylaws, the Act or the Regulations, these bylaws may be changed or amended by a vote of the majority of the entire membership of the board of directors, provided the notice of the meeting shall contain the exact language of the proposed change or amendment. Amendments to the capitalization bylaws, including any amendment to any provision relating to cumulative voting in the election of directors, shall not become effective until approved by the voting stockholders of the association, voting in person or by proxy at a duly authorized shareholders' meeting.

These bylaws and any amendments hereto shall become effective on the later of the date such amendments are adopted by the board of directors, or the date of approval by the stockholders of the association to the extent that stockholder approval is required by the Act, the Regulations, or these bylaws. The bylaws and amendments thereto in effect prior to said date are hereby rescinded.