

# **BYLAWS**

**MidAtlantic Farm Credit, ACA**



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## ARTICLE I -- DEFINITIONS

### 100 Definitions

- 100.1 “Act” - the Farm Credit Act of 1971, as it may be amended from time to time.
- 100.2 “Bylaws” - these Bylaws, as they may be amended from time to time pursuant to Section 970 and Article XVI hereof.
- 100.3 “Equityholder” - a holder of an equity interest in the Association other than a Member.
- 100.4 “FCA” - the Farm Credit Administration.
- 100.5 “FCB” or “Bank” - the *AgFirst Farm Credit Bank*
- 100.6 “Financial expert” - one recognized as having education or experience in accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution’s financial statements.
- 100.7 “FLCA” - MidAtlantic Farm Credit, FLCA, a wholly-owned subsidiary of the Association.
- 100.8 “GAAP” – accounting principles generally accepted in the United States.
- 100.9 “Member” - a holder of stock or participation certificates in the Association
- 100.10 “Outside director” – a member of the board of directors selected or appointed by the board, who is not a director, officer, employee, agent, or stockholder of any Farm Credit System institution.
- 100.11 “PCA” - MidAtlantic Farm Credit, PCA, a wholly-owned subsidiary of the Association.
- 100.12 “Patron” - shall have the meaning ascribed to such term under Section 960.
- 100.13 “Regulations” - shall mean the regulations and other applicable and binding issuances of the FCA, as such regulations and other issuances may be amended from time to time.
- 100.14 “System” - the Farm Credit System.
- 100.15 “Voting Stockholder” - shall have the meaning set forth in Section 300 hereof.
- 100.16 “1987 Act” - the Agricultural Credit Act of 1987, as the same may be amended from time to time.

## ARTICLE II -- PREAMBLE

200. MidAtlantic Farm Credit, ACA (the "Association") is a federally chartered, member-owned, cooperative credit institution operating pursuant to the Farm Credit Act of 1971, as amended from time to time (the "Act"), and to the regulations and other applicable and binding issuances of the Farm Credit Administration (the "FCA") and other federal agencies having jurisdiction over the Association, as such regulations and other issuances may be amended from time to time (collectively, the "Regulations").

The Association possesses and may exercise all lending, participation and similar authorities granted by the Act, other statutes or the Regulations, as any of these may be amended from time to time. Without limiting the foregoing, the Association: (a) may, pursuant to Section 2.4 of the Act, make or participate with other lenders in short- and intermediate-term loans and other similar financial assistance to (i) bonafide farmers and ranchers and the producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requirements of such borrowers, (ii) rural residents for housing financing and (iii) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs; and (b) may, pursuant to Section 1.7 of the Act, (i) make or participate with other lenders in long-term real estate mortgage loans in rural areas, as defined by the FCA, (ii) make or so participate in such loans to producers or harvesters of aquatic products and (iii) make continuing commitments to make such loans under specified circumstances, for terms (with respect to items (b)(i)-(b)(iii)) of not less than 5 nor more than 40 years.

The Association also may provide technical assistance to borrowers, applicants, and members, and may make available, at its option, financially related services appropriate to its operations, to the extent authorized by the Bank, the Act and the Regulations.

These bylaws (the "Bylaws") constitute rules for the internal operation of the Association. Unless otherwise noted, "Section" shall refer to a section of these Bylaws.

- 210 Lending Authorities.

The Association operates with and through MidAtlantic Farm Credit, PCA ("PCA") and MidAtlantic Farm Credit, FLCA ("FLCA"). FLCA and PCA shall be referred to collectively as the "Subsidiaries."

- 220 Relationship with FLCA and PCA.

The Association, FLCA and PCA shall conduct an integrated lending operation. FLCA shall possess, among other authorities granted under the Act, the authority to make, hold and participate in long-term real estate loans and provide financially related services to qualified borrowers in the Association's territory. PCA shall possess, among other authorities granted under the Act, the authority to make, hold and participate in short- and intermediate-term loans and provide financially related services to qualified borrowers in the Association's territory. All three institutions shall be subject to a General Financing Agreement ("GFA") with the FCB for purposes of funding loans originated and made by the Association, FLCA and PCA pursuant to their respective lending authorities. The indebtedness owed to FCB under the GFA shall be the joint and several obligation of all three institutions. The Association at all times will own all of the voting capital stock of FLCA and PCA.

## ARTICLE III -- MEMBERSHIP

300. Members of the Association shall include all holders of legal title to capital stock or participation certificates as evidenced on the books of the Association, except any Farm Credit System entity. Any person to whom an agricultural credit association is authorized by the Act and Regulations to extend credit and other services is eligible to apply for a loan or other services and become a Member of the Association.

In the case of a deceased or legally incompetent Member, such Member's executor, administrator, guardian, or other legally authorized representative shall be considered to be the Member, but only for the purpose of voting. Each Member is authorized to speak on any question being considered at Members' meetings when recognized by the chairman of the meeting. Motions and nominations or seconds thereto may be made and voted on only by Members eligible to vote thereon.

Except with respect to matters subject to section 615.5230(b)(1) of the Regulations, as amended from time to time, the term "Voting Stockholder" means a holder of Class C Common Stock who is eligible, under the Act, Regulations and these Bylaws, to vote in respect of any matter presented for a vote of such equity holders. With respect to matters subject to the aforementioned section, the term "Voting Stockholder" means a holder of Association equity who is eligible to vote pursuant to such section.

#### **ARTICLE IV -- MEETINGS OF MEMBERS**

400. Time and Place.

400.1. Annual Meetings.

There shall be an annual meeting of Members at such place(s) in the Association's chartered territory or within a reasonable distance thereof at such date(s) and time(s) as the board of directors (the "Board") may by resolution provide.

400.2. Special Meetings.

Special meetings of Members may be called at any time by resolution of the Board. Such meetings shall be called at any time upon written request of at least five percent of the Voting Stockholders. Each notice of a special meeting shall state the time, place, and purpose of the meeting. If the Board fails or refuses to order such notice to be made, the notice may be given by the person or persons who made the call, but only in accordance with the provisions of Section 410. No business shall be transacted at special meetings other than the business referred to expressly in the notice.

400.3. Sectional Sessions.

The Board 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 and Equityholder shall be notified of all sessions to be convened and shall be entitled to attend any or all of such sessions. 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 fifteen calendar days after the first sectional session. Matters requiring a vote of Voting Stockholders or other Members must be introduced at the first sectional session of the meeting and so announced in the notice of meeting,

405. Action Without Meeting.

Any action required to be taken, or which may be taken, at any annual or special meeting of Members may be taken without a meeting, without notice, and without a vote, if consent in writing, setting forth the action to be taken, shall be signed by 75% of the Voting Stockholders, or by duly authorized representatives thereof.

410. Notice of Meetings.

The chairman of the Board shall cause written notice of each annual and special meeting of Members to be sent not less than ten days before the date of the meeting to all Members and Equityholders. The record date for the determination of those entitled to notice shall be set by Board resolution as of a business day 10-90 days preceding the meeting date. The notice shall be mailed to the last known address of the Member or Equityholder as it appears on the Association's records. The notice shall state the purpose, time and place of the meeting, and all matters to be voted on at the meeting.

If voting will occur at sectional annual meetings, the notice shall state that floor nominations may be introduced at the first sectional meeting only. If voting will occur only by mail ballot after the conclusion of all sectional meetings, the notice shall state that floor nominations may be introduced at all sectional meetings, subject to Section 450.3 of these Bylaws.

If voting will occur using a combination of voting in person at the meetings and voting by mail ballot, the notice shall state that each eligible voting stockholder may choose whether to cast their ballot in person at the

meeting or by mail. Once a stockholder's ballot has been received, it is considered final and may not be rescinded.

420. Quorum.

Three percent of the Voting Stockholders of the Association shall constitute a quorum for purposes of annual or special meetings of the Association. If such meetings are held in separate sessions, the quorum for the Association will be determined by aggregating the attendance at all sectional sessions but no Voting Stockholder shall be counted at more than one session. Proxies will be included to establish a quorum count when proxies are permitted under Section 460.2 of these bylaws. If less than a quorum is present at any meeting, the Chairman of the meeting may adjourn the meeting from time to time until a quorum is obtained.

430. 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 or authorized by Section 1110 shall be presented. Other items of business which may come before the meeting include but are not limited to: (a) determination of the existence of a 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 committees; (f) unfinished business; (g) new business; and (h) a report of the Association's key operating data. Except as provided herein or by the Board, and as may be required by law or regulation, the conduct of meetings shall be governed according to Robert's Rules of Order, Newly Revised.

435. Minutes of Meetings.

The secretary of the Association shall act as recording secretary at all meetings of Members, unless some other person is designated by the chairman of the meeting to serve in that capacity.

440. Nominating Committee.

440.1. Composition and Qualifications of Nominating Committee

At each annual meeting, the Voting Stockholders shall elect a nominating committee composed of not less than twelve (12) Voting Stockholders to serve for the following year. At least two members and one alternate on the nominating committee shall be nominated from each Election Region (as defined in Section 500.1 hereof). The alternate shall be the individual who receives the next highest vote tally and shall serve only in the absence of a member. Board members, salaried officers, and employees of the Association are not eligible to serve on the nominating committee. In addition, nominating committee members shall meet the same qualifications for election and continuing service as are set forth for directors in Sections 500.4, 500.5, 500.6 and 500.8 of these bylaws. Members of the nominating committee are not eligible to serve as a candidate for election as a director in the same election cycle which they served as a member of the nominating committee

440.2. Functions of the Nominating Committee.

The nominating committee shall review lists of Voting Stockholders who are eligible to serve as directors. Subject to Section 500.1, the nominating committee shall ascertain the willingness of eligible Voting Stockholders to serve, and shall submit for election a slate of such Voting Stockholders to run as candidates for the Board. The election slate shall, except as provided below, include at least two nominees for each position to be filled.

If the nominating committee, after diligent effort, is unable to identify more than one eligible Voting Stockholder who is willing to run for a director position that is to be filled, it shall promptly submit to the Board a written explanation of the reasons why it is unable to find more than one such person. If, after five (5) business days following receipt of such explanation, the Board has not sent to the nominating committee a written objection to such explanation, the nominating committee shall be deemed to have authority to submit a slate of nominees providing for only one nominee per position, to the extent described in the explanation. The nominating committee shall also perform the function specified in Section 530.2 hereof.



Under the guidelines prescribed by the Board, the nominating committee shall present a list of candidates for Voting Stockholders to consider in electing the nominating committee for the ensuing year.

440.3. Quorum and Minutes.

The nominating committee shall act as a single body in approving a slate of nominees. A majority of the nominating committee shall constitute a quorum for transacting the business of the nominating committee. In the event that one or more members, including alternates, are disqualified in accordance with Section 440.4, the nominating committee may vote and transact its other business with a quorum of the remaining qualified members. The committee shall keep minutes of its deliberations which shall be turned over to the Association's corporate secretary to be maintained in accordance with the Association's record disposal schedule.

440.4. Disqualification of Nominating Committee Members.

A member shall be disqualified from serving on the nominating committee in accordance with the same standards set forth for directors in Section 500.4, 500.5, 500.6 and 500.8.

440.5. Information Furnished to Nominating Committee.

Each nominating committee must be provided a copy of the Association's Director Qualifications Policy. The nominating committee may, upon request, receive a report of the Board of Directors Annual Self Evaluation.

450. Director Elections.

450.1 Election to Fill Expired Terms or Vacancies on Board and Nominating Committee.

In the manner provided by these Bylaws, each year, the Voting Stockholders shall elect one or more directors as may be required to fill the position of each director whose term is expiring or to fill a vacancy on the Board.

450.2 Candidate Nomination.

Nominations from the Nominating Committee will be as described in Section 440.2 of these Bylaws.

450.3 Nominations from the Floor.

At each annual meeting, the nominating committee shall submit a slate of candidates for election to the Board and Nominating Committee, after which the chairman of the meeting will entertain nominations from the floor. Both nominators and nominees must be Voting Stockholders.

If the annual meeting is held in more than one session, and if voting will take place at the annual meeting, nominations may be made from the floor only at the first such session and so announced in the notice of the meeting. If the annual meeting is held in more than one session, and if voting will occur only by mail ballot after the last sectional meeting, nominations may be made from the floor at all sectional meetings, and so announced in the notice of the meeting

If Voting Stockholders are allowed to vote only by mail ballot upon the conclusion of all sessions, each floor nominee must provide the information referred to in FCA Regulations Section 620.5(j) and (k) and 620.21(d)(4) in writing to the Association within five business days of the nomination.

If Voting Stockholders will not vote only by paper mail or electronic mail ballot upon conclusion of all sessions, each floor nominee must provide the information referred to in FCA Regulations Section 620.5(j) and (k) and 620.21(d)(4) in writing at the first session at which voting is held.

- 450.4 Election by Position.  
All candidates shall be listed on the ballot by the position to be filled. Incumbents will not be designated as such on the ballot. Subject to Section 440.2, for each vacancy, two or more different candidates will stand for election. If more than one position is to be filled, the election with respect to each position shall be conducted independently. The candidate receiving the largest number of votes for each position shall be declared elected.
- 455 Action on Other Stockholder Matters.
- 455.1 Issuance of Preferred Stock.  
Notwithstanding any other provision of these Bylaws, issuances of preferred stock shall be subject to a vote of each class of stock and participation certificates affected by the preference in accordance with Section 615.5230(b)(1) of the Regulations.
- 455.2 Other Matters Requiring Stockholder Vote.  
Other matters requiring a stockholder vote at an annual or special meeting must be stated in the notice of that meeting. The notice shall describe fully the material circumstances surrounding the matter, the reason stockholders are asked to vote, and the vote required for approval of the proposition. However, Members may introduce additional matters for consideration and discussion (but not a stockholder vote) at annual meetings.
460. Voting.
- 460.1. Voting, Voting Strength, and Designee for Voting Stock.  
Each Voting Stockholder shall be entitled to only one vote regardless of the number of single or joint loans the stockholder may have with the Association. In the case of a joint loan, the vote may be cast by only one of the joint holders, and by such person only if duly authorized in writing by the other joint holder(s). The vote of a stockholder that is a legal entity shall be cast by an individual stockholder of the entity, duly authorized in a writing filed with the Association. If a Voting Stockholder controls the business affairs of another Voting Stockholder, the controlling stockholder and the controlled stockholder shall be considered to be one person and shall be entitled to only one vote. For purposes of this Section, a Voting Stockholder shall be deemed to control another Voting Stockholder if the stockholder has, directly or indirectly, more than a fifty percent ownership interest in (a) the other stockholder or (b) the primary collateral securing the other stockholder's loan. In no event may a Voting Stockholder vote more than once, nor shall any Voting Stockholder be entitled to cumulate votes.
- 460.2. Proxy Voting.  
Voting by proxy at Members' meetings shall be permitted by authorization of the Board or as and when required by the Act and FCA Regulations. Proxy forms and ballots shall be as prescribed by the Board and shall conform with the requirements of the Act and FCA Regulations.
- 460.3. Lists of Voting Stockholders.  
A list of holders of Class C Common Stock shall be maintained by the Association. The list shall show the names and addresses of such holders of Class C Common Stock. The list shall be used when distributing ballots at an annual or special meeting and the nomination and election of Association Board members and nominating committee members and for other purposes as prescribed or authorized by the Act and Regulations. The list shall also be used at each sectional session and/or when tabulating ballots to ensure that each holder of Class C Common Stock voting is permitted to vote at the meeting or by mail if mail balloting is used, and that no holder of Class C Common Stock is permitted to vote more than once.
- In the event mail ballots are used, such ballots will be mailed to all holders of Class C Common Stock. The record date for the list of stockholders entitled to receive ballots will be the closest practicable date to the mailing date.

Similar lists respecting other Members may be kept and used by the Association for similar purposes.

#### 460.4. Balloting Procedures.

##### 460.41 Balloting at Annual and Special Meetings Only.

If balloting occurs only at the Annual Meeting or a Special Meeting, the Chairman of Elections shall call for Voting Stockholders to cast their ballots. The Chairman of Elections shall then appoint a Tellers Committee comprised of Voting Stockholders in attendance to collect the ballots and deposit them in a locked ballot box. If the Annual or Special Meeting is held in more than one session, the ballots shall all be placed in the same locked ballot box, which shall be opened only by the Head Tellers on the day appointed for the counting of ballots. The Chairman of Elections shall announce the date that votes will be tallied, and how Members may be advised of election results. After the meeting and before the date the votes are tallied, the Board Chairman shall appoint at least two Voting Stockholders to serve as "Head Tellers" with the duties set forth below. Salaried officers and employees and Voting Stockholders who are directors, candidates, or members of the Nominating Committee (including alternates) are ineligible to serve on the Tellers Committee(s) or as a Head Teller.

The Head Tellers shall convene at the Association's Headquarters Office on the date announced by the Chairman of Elections to open the ballot box and tally the ballots. A minimum of two head tellers shall be present, and shall be Stockholders of the Association. The Head Tellers shall inspect each ballot for validity and announce which candidate(s) received votes. The role of Association employees is limited to recording the votes as announced by the Head Tellers. Officers, current directors, candidates, and members of the Nominating Committee are not eligible to assist the Head Tellers in vote tabulation. All Head Tellers and staff shall certify the results of the election in writing when tabulation is complete.

In lieu of using a Tellers Committee and Head Tellers as described above for collecting and tabulating votes, the Board may retain an independent auditor, accountant or attorney to perform these services.

##### 460.42 Balloting by Mail Only.

The Board may elect to hold all voting by mail ballot only. The procedure for such balloting by mail only shall be as follows:

Within 15 business days following the date of the annual meeting (or the last sectional meeting if the meeting is conducted in sectional sessions), a ballot shall be mailed to each Voting Stockholder, using a list of eligible Voting Stockholders of record on a date as close as practicable to the mailing date. The election polls shall be closed no later than the end of the 20th 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 shall convene in the Association's headquarters to tally the ballots returned prior to the closing of the polls. Procedures shall be implemented to ensure that no eligible voting stockholder's vote is counted more than once. The tellers committee shall report the results of the election to the chief executive officer of the Association, who shall send a notice to the Members within 15 business days announcing the results of the election.

In lieu of using a Tellers Committee as described above for tabulating votes, the Board may retain an independent auditor, accountant or attorney to perform these services.

460.43 **Balloting at Annual and Special Meetings and by Mail.**  
The Board may elect to hold all voting by a combination of balloting at the Annual or Special Meetings and by mail ballot, providing that (i) floor nominations be accepted only at the first sectional session; (ii) an announcement is made at each sectional session that ballots may be cast either in person at the meeting or by mail ballot; and (iii) procedures are implemented to prevent eligible Voting Stockholders from voting twice, once at a meeting and a second time by submitting a mail ballot.

Voting at the Meeting shall follow the procedures outlined in Section 460.41 above, and if the Meeting is held in more than one session, floor nominations may occur only at the first session.

Voting by mail shall follow the procedures outlined in Section 460.42 above.

All ballot materials distributed at the Annual or Special Meetings and by mail shall be materially similar, except that if nominations are received from the floor at the first sectional meeting, the ballot materials distributed at subsequent sectional meetings and by mail shall include the necessary information concerning the floor nominee(s) in substantially the same detail and format as the information provided about other candidates.

Once a stockholder's ballot has been received, it is considered final and may not be rescinded.

Tabulation of ballots, certification of election results, and notification of members shall follow the procedures outlined in Section 460.42 above, and the teller's committee shall process similarly all ballots cast at meetings and received by mail.

In lieu of using a Tellers Committee and Head Tellers for collecting and tabulating votes, the Board may retain an independent auditor, accountant or attorney to perform these services.

460.5 **Tie Votes.**

If no person is elected to a position because of a tie vote, a runoff election between those tying shall be held by mail ballot under a procedure to be approved by the Board. However, 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 board in advance of the election and announced in the notice of the meeting.

470. **Minutes of Meeting.**

The secretary of the Association shall act as recording secretary at all meetings of Members, unless some other person is designated by the chairman of the meeting to serve in that capacity.

## **ARTICLE V -- DIRECTORS**

500. **Board of Directors; Outside Director.**

500.1. **Board Structure.**

The Board shall be composed of 15 elected directors and at least two outside directors, appointed by the elected directors under Section 500.2 hereof. For purposes of nominating candidates to stand for election, the Association's territory shall be divided into six "Election Regions" corresponding to the boundaries of the predecessor associations that consolidated to form the Association. Each elected director position is assigned to one such "Election Region." Of the 15 elected director positions, three positions will be filled by Voting Stockholders residing in the Central Maryland Election Region; two positions will be filled by Voting Stockholders residing in the Chesapeake

Election Region; three positions will be filled by Voting Stockholders residing in the Delaware Election Region; three positions will be filled by Voting Stockholders residing in the Keystone Election Region; two positions will be filled by Voting Stockholders residing in the Marva Election Region; and two positions will be filled by Voting Stockholder residing the Valley Election Region.

Stockholder-elected directors must constitute at least 60% of the members of the Board.

500.2. Outside Directors.

At least two members of the Board shall be persons who, at the time of election to the Board, are not a director (other than of PCA or FLCA), officer, employee, agent or stockholder of any System institution (the "Outside Directors"). The Outside Directors shall be elected to the Board by the other members thereof. The qualifications, terms, manner of nomination and election, basis for removal and related matters respecting the Outside Directors shall be the same as provided in these Bylaws for other members of the Board. An Outside Director shall be automatically terminated if and when such Outside Director becomes a director (other than of PCA or FLCA), officer, employee, agent or stockholder of a System institution.

500.3. Financial Expert(s).

At least one member of the Board shall be designated a "financial expert" as defined in Section 100.6 of these Bylaws.

500.4. Qualifications of Stockholder-Elected Directors.

Except for the Outside Directors, no person shall be nominated, elected or appointed, or continue to serve as a director, unless such person is a holder of Class C Common Stock; is a bonafide farmer, rancher, or producer or harvester of aquatic products; and transacts business in the Association's territory. No person shall be nominated, elected or appointed or continue to serve if such person's service is prohibited by the Regulations. If the Class C Common Stock held by a director is converted during the director's term into other stock, such conversion shall not disqualify the director from completing such director's term. An individual designated to vote the Class C Common Stock of a corporation or partnership may be a director so long as that individual holds stock in the corporation or is a member of the partnership and meets all the other requirements for serving as a director. Unless the context dictates otherwise, all references herein to a "director" shall refer to a director of the Association.

500.5. Additional Qualifications of Directors.

An individual who is a salaried officer or an employee of the Association or of any other organization within the Farm Credit System is not eligible to be elected or appointed and may not serve as a director. A former salaried officer or employee of an Association or any other organization 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 the Association or any other organization within the Farm Credit System. A legally authorized representative of a deceased or incompetent Member is not eligible to be elected or appointed as a director or a member of a nominating committee unless such representative is also a Voting Stockholder in his or her own right.

Except for the outside directors set forth in Section 500.2 of these Bylaws, no person shall be elected or appointed, or continue to serve as an Association director unless such person is in compliance with the Association's Official Loan Quality Policy.

- 500.6. Service as Director for an Outside Financial Institution.  
No individual shall become or continue as a director if the individual is a director who serves on the executive committee or loan committee, is an officer, or an employee, or is the member of the board of any non-System financial institution.
- 500.7. Prohibition against Conflicts of Interest.  
Each director shall be required to execute an agreement prohibiting such director from engaging in any activity that raises a conflict of interest with the Association or that is prohibited by FCA regulations, or divulge or use any information that is acquired by virtue of serving as a director to benefit any financial institution which is authorized to make the same types of loans that may be obtained through this Association or which otherwise competes with the Association.
- 500.8. Prohibition to Continue as Director.  
The office of any elected or appointed director shall automatically become vacant in the event that such director: (a) files a petition for relief in voluntary bankruptcy, or otherwise institutes suit under applicable voluntary federal or state bankruptcy, insolvency, or receivership laws; or (b) is adjudged a debtor in an involuntary federal bankruptcy or placed in receivership in a state proceeding; or (c) seeks reorganization under the Bankruptcy Code of personal business interests or of a corporation in which the director owns the controlling interest; or (d) is party to a foreclosure proceeding (judicial or nonjudicial) involving property in which the director has an interest, which proceeding has been instituted because of the director's default on indebtedness to a Farm Credit System institution; or (e) is convicted of any felony, or criminal offense involving dishonesty or breach of trust; or (f) becomes legally incompetent; or (g) is held liable in damages for fraud.
- 500.9. Age Limit for Directors.  
No director shall be eligible for election or reelection as a director if he becomes 70 years of age on or before the day of such election or reelection.
- 500.10. Absence from Board Meetings.  
The absence of a director from three consecutive regular meetings of the Board, unless explained to the satisfaction of the other directors, shall automatically terminate the director's service and the resulting vacancy shall be filled as provided in Section 530.1.
- 500.11. Periodic Study of Director Representation.  
Periodically the Board shall complete a study and evaluation of the Association's Voting Stockholders and, if, in their sole discretion, there has been any significant change in the membership or types of agriculture in the Association, shall consider appropriate amendments to Articles IV and V to ensure that the Board and Nominating Committee continue to provide equitable representation of the Association's membership, types of agriculture, geographic regions, and political subdivisions.
510. Election of Directors.
- 510.1. Election to Fill Expired Terms and Vacancies on the Board.  
In the manner provided by Article IV of these Bylaws, each year, the Voting Stockholders shall elect one or more directors as may be required to fill the position of each director whose term is expiring or to fill a vacancy on the Board.
520. Term.
- 520.1. Length of Term.  
Director shall serve until the fourth annual meeting after being elected, or for the unexpired portion of the term for which the director was elected, and until a successor is elected and qualified, unless the director shall: (a) resign; (b) be removed from office; (c) become unable to act by reason of death or disqualification; or (d) occupy a position that is shortened or terminated by stockholder vote (See Section 580). The terms and bases for removal of the Outside Directors shall be the same

as those for directors elected by the stockholders, except that the date on which terms expire in a given year shall be the last day of such year rather than the date of the annual meeting.

520.2. Staggering Terms.

If as a result of a 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, not to extend beyond the fourth annual meeting thereafter, as will re-establish expiration of terms of directors on an equitably staggered basis.

530. Vacancies.

530.1. Filling a Vacancy on the Board.

Subject to Section 5.34 of the Act, whenever a vacancy occurs on the Board, other than from the expiration of a term of office, the remaining directors shall promptly elect a qualified person to fill the vacancy. If the vacant directorship is not that of the Outside Director, the replacement shall not serve beyond the next annual meeting or special meeting of the Members unless elected by the Voting Stockholders at such meeting.

530.2. Vacancies of All or a Majority of the Board.

Subject to Section 5.34 of the Act, if all or a majority of the director positions become vacant, the nominating committee shall promptly meet, and, by a vote of a majority of its members who are present at the meeting (provided a quorum is present), shall appoint eligible Members of the Association to fill sufficient vacancies on the Board to constitute a quorum. These directors shall promptly appoint eligible Members to fill the remaining vacancies. The Board shall then promptly call a special meeting of Members to hold director elections for all positions filled by appointed Members under this section.

540. Duties of Directors.

540.1. The Board shall be responsible for the 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 Act and Regulations, and with Bank policies, procedures, and objectives. The Board shall recognize that the Association, FLCA and PCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board shall govern the Association's affairs and establish policies with the primary objective of improving the three institutions' combined financial condition.

540.2. The Board shall select and fix the salary of the chief executive officer. 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 reasonable and necessary expenses incurred by officers, employees, and committees of the Association in connection with the Association's business.

545. Officers of the Board.

545.1. General.

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

545.2. Duties of the Chairman of the Board.

The chairman shall: (a) preside over all meetings of the Board (and the chairman or the Board's designee shall preside over all meetings of the Association Members); (b) see that all orders and resolutions of the Board, all applicable provisions of the Act and Regulations and all policies and procedures prescribed by the Bank are carried into effect; and (c) perform such other duties as may

be prescribed by the Board. The chairman shall not be an ex officio member of any committee of the Board.

545.3. Duties of the 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.

545.4. Removal.

The chairman and vice chairman may be removed from their positions as officers of the Board at any time by a majority vote at a duly called meeting of the Board at which a quorum is present.

550. Board Meetings.

550.1. Regular Meetings.

Regular meetings of the Board shall be scheduled and held at least quarterly at such times and at such places as the Board by resolution may determine.

550.2. Special Meetings.

Special meetings of the Board shall be held whenever called by (a) the chairman; (b) the chief executive officer; or (c) a majority of the directors. 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 at the same time. All actions taken by telephone conference call shall be subject to ratification at the next regular meeting of the Board.

550.3. Notice of Meeting.

Oral or written notice of each meeting of the Board, except regularly scheduled meetings specified by resolution of the Board, shall be given to each director by the chief executive officer, or other designated employee of the Association, not less than forty-eight 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. Participation in a meeting shall constitute waiver of notice, unless the sole purpose of such participation is to object to the propriety of such meeting.

550.4. Action without Meeting.

Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board or committee, as the case may be.

550.5. Withdrawal from Meeting.

A member of the Board shall withdraw from the meeting of the Board during its deliberation and determination of any matter related to the director's personal interests, and the minutes shall so state.

560. Honoraria.

The Association may allow directors reasonable honoraria for attendance at meetings, committee meetings, or for special assignments. The Association may also reimburse directors for reasonable expenses incurred in connection with the meetings or assignments. However, when a director represents both the Association and another Farm Credit System institution at a single meeting or assignment, the honoraria and expenses may be shared on a pro rata basis between the two institutions. The Bank may share in the payment of honoraria when it requests that a director attend a meeting or perform a special assignment on its behalf. Honoraria and/or expenses allowed hereunder shall be disclosed to stockholders to the extent required by regulations of the Farm Credit Administration.

570. Quorum.



A majority of the Board 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.

580. Removal of Directors.

A stockholder-elected director or an outside director may be removed from the Board by a majority vote of all Voting Stockholders voting, in person or by proxy, at an annual or special meeting, upon a motion for removal, duly made, seconded and carried, provided the notice of the meeting contains notification that the removal is to be considered.

In addition, an outside director may be removed from the Board by a two-thirds majority vote of the rest of the Board.

590. Resignation.

A director may resign by delivering written notice to the Board specifying the date upon which such resignation is to be effective.

595. Boards of FLCA and PCA.

Upon being elected or appointed as a director of the Association, such director shall automatically become a member of the Boards of Directors of FLCA and PCA and shall remain on such Boards so long as such individual remains a member in good standing of the Association's Board.

## **ARTICLE VI -- OFFICERS AND EMPLOYEES**

600. Selection of Officers.

600.1. Association Officers.

The Board shall select a chief executive officer who shall serve at the pleasure of the Board, and shall continue in office until a successor is selected 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 610.1. A combination of these offices may be held by one individual. However, a person may not serve simultaneously as chief executive officer and secretary.

600.2. Previous Directors as Salaried Employees.

No individual shall be eligible to become a salaried officer or employee if within the previous twelve months the individual served as a director of the Association or of the Bank.

610. Duties of Officers.

610.1 Duties of the Chief Executive Officer.

The chief executive officer: (a) shall perform such duties and exercise such authority as vested in him or her by the Board; (b) shall be responsible for the ordinary and usual business operations of the Association; and (c) shall, unless this power is reserved to or limited by the Board, employ, supervise and dismiss any and all other officers and employees of the Association, fix their compensation, and designate the order of precedence in which the other officers shall act in the absence of any officer. The chief executive officer may have the title of chief executive officer or any other title as determined by the Board.

610.2. Duties of the Secretary.

The secretary: (a) shall keep a complete record of all meetings of the Association and the Board except those of the nominating committee; (b) shall be responsible for the corporate records of the Association; (c) shall keep the corporate seal, if any, and shall affix it to all papers requiring a seal; (d) shall make all reports required by law; and (e) shall perform such other duties as may be required by the chief executive officer or by the Board.

610.3. Duties of the Treasurer (Chief Financial Officer).

The treasurer: (a) shall have custody of all funds, securities, and assets of the Association; (b) shall provide full and complete records of all assets and liabilities of the Association; (c) shall make such reports as may be required; (d) shall keep complete equity ownership records; and (e) 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.

620. Removal.

The chief executive officer may be removed from office with or without cause by a majority vote of the Board at a duly called meeting at which a quorum is present.

630. Service Contract.

Subject to applicable FCA Regulations and the Act, the Board may enter into a contract with the Bank pursuant to which the Bank may perform on behalf of the Association some of the administrative or clerical duties and responsibilities that would otherwise be performed by officers and employees of the Association. The duties to be performed by the Bank under such contract shall not, however, include discretionary duties which, under these Bylaws, are required to be performed by the Board or chief executive officer.

640. Joint Management.

Unless the Board directs otherwise, all officers appointed hereunder shall have the same positions and authorities with respect to the Association, FLCA and PCA.

## ARTICLE VII -- COMMITTEES

700. Association Executive Committee.

The Board may elect from its membership directors to act with the chief executive officer or an alternate, who shall be an employee designated by the Board, as an executive committee. This committee shall have such authorities as may be delegated by the Board. Any or all of the directors who are not regular members of this committee may be designated by the Board as alternate members. A majority of the committee, whether regular or alternate, shall constitute a quorum, provided that the chief executive officer or a designated employee alternate is present. Meetings of this committee may be conducted by telephone conference call provided a reasonable attempt is made to reach all members, a quorum is present, and the technical arrangements permit all persons participating to hear each other at the same time. Actions taken under this authority shall be reported to the Board at its next regular meeting.

705. Required Board Committees.

705.1. Audit Committee.

The Board shall at all times maintain an audit committee. A written charter shall be approved by the full Board describing the committee's composition, authorities, and responsibilities.

705.2. Compensation Committee.

The Board shall at all times maintain a compensation committee. A written charter shall be approved by the full Board describing the committee's composition, authorities, and responsibilities.

710. Other Committees.

The Board may, at its discretion, appoint such other committees as may be necessary, shall appoint or discharge any member of such a committee, and shall prescribe the duties and responsibilities of each such committee it establishes.

720. Quorum.

A majority of any committee shall constitute a quorum.

730. Withdrawal from Meeting.

A member of the Board or an employee or director serving on any committee shall withdraw from the meeting of the Board or committee during its deliberation and determination of any matter related to the director's or employee's personal interests, and the minutes shall so state.

740. Minutes.

Each committee shall keep a written record of its proceedings, including attendance, for a minimum of three years.

## ARTICLE VIII -- CAPITAL STOCK AND PARTICIPATION CERTIFICATES

800. Authorization, Classes, Par or Face Value.

The Association is authorized to issue and have outstanding nonvoting, voting, preferred stock, participation certificates and other classes of stock as directed by the board and approved by the Bank, each in such amount as specifically provided herein, or, if no amount is specifically so provided, in such amount as may be necessary to conduct the Association's business. The features of these classes are summarized in the Features of Equities table at the end of these Bylaws. Each share of stock (common and preferred) and unit of participation certificates shall have a par or face value of \$5.00. Fractional shares of stock or units of participation certificates shall not be issued. All transfers, exchanges, conversions, and retirements of stock and participation certificates shall be at book value not to exceed par.

810. Ownership and Form of Issuance.

Evidence of ownership of capital stock and participation certificates may be by book entry or in definitive form as determined by the Board, except that stock issued to a Farm Credit System institution may be by book entry or in definitive form as prescribed by the stockholder. Unless otherwise directed by the Board, all classes of equity will be issued in book entry form and ownership shall be confirmed by the Association upon the request of the holder. The Association shall be its own transfer agent in all matters relating to its capital stock and participation certificates.

820. Issue, Rights, Preferences and Limitations.

820.1. Class A Common Stock.

This stock shall be nonvoting, may be issued in an unlimited amount, and be retired at book value not to exceed par value:

1. To a holder of Class C Common Stock, Class D Common Stock, or Class C Participation Certificates within two years after such holder ceases to be a borrower.
2. For dividend payments (Section 950) and patronage distributions (Section 960).

820.2. Class C Common Stock and D Common Stock.

Class C Common Stock and D Common Stock shall be voting stock, may be issued in an unlimited amount to a farmer, a rancher, or a producer or harvester of aquatic products, who is a borrower or about to become a borrower, and shall be retired at book value not to exceed par.

The Board of Directors may issue C Common Stock for borrowers with short, intermediate, and long term loans.

The Board of Directors may choose to issue Class D Common Stock for borrowers with long term mortgage loans of more than 10 years if a segregation of these loans is desired by the Board.

Voting rights in the election of stockholder-elected directors shall be non-cumulative.

820.3. Class C Participation Certificates.

Class C Participation Certificates shall be nonvoting and may be issued in an unlimited amount to borrowers or those about to become a borrower who are:

1. Rural residents, to capitalize rural housing loans and country home loans.
2. Persons or organizations furnishing farm-related services to capitalize their loan.
3. Other persons or organizations who are eligible to borrow or participate in loans, but are not eligible to hold voting stock.

Class C Participation Certificate(s) may be issued to any person who is not a stockholder but who is eligible to borrow from the Association, for the purpose of qualifying such person for technical assistance, financially related services, and leasing services offered by the Association.

820.4. Class E Common Stock.

Class E Common Stock shall be nonvoting and may be issued in an amount not exceeding 500 million shares:

1. To the Bank, and to investors.
2. To such other persons as may be permitted under a plan adopted by the Board of Directors.

830. Investment Required.

At any time that a borrower obtains a loan from the Association, PCA and/or FLCA, such borrower shall be required to own Class C Common Stock, Class D Common Stock, or Class C Participation Certificates having an aggregate par value or face amount equal to at least 2% of the aggregate outstanding loan balance or \$1,000, whichever is less, or such greater amount as may be required by the Board of Directors, not to exceed 10% of the outstanding loan balance. Any equities required to be purchased under this section shall be purchased from the Association and not from another borrower unless the Board determines otherwise.

840. Transfer.

840.1. Classes A, C, D and E Common Stock and Class C Participation Certificates may be transferred to persons or entities eligible to receive or to hold such stock or certificates as enumerated in Section 820 of these bylaws.

840.2. The Association shall be its own transfer agent in all matters relating to its capital stock and Class C Participation Certificates.

850. Conversion.

850.1. Each class of stock and participation certificates may be converted into any other class of stock or participation certificates for which the holder is eligible as enumerated in Section 820.

850.2. Class C Common Stock, Class D Common Stock, if issued, or Class C Participation Certificates shall be converted into Class A Stock within two years after the holder ceases to be a borrower.

860. Retirement.

860.1. Provided that capital adequacy standards established by the Regulations are met, stock and participation certificates may be retired by the Association at the sole discretion of the Board of Directors with the proceeds thereof paid to the holder or applied against the holder's indebtedness to the Association, PCA and FLCA, including the following:

1. The Board of Directors may order retirement of such amounts of Class A Common Stock as it may determine in accordance with a program which assures equitable treatment of all holders of Class A Common Stock.
2. At the request of the holder, Class A Common Stock may be retired on an individual basis if approved by the Board in its sole discretion.
3. Class C Common Stock, Class D Common Stock and Class C Participation Certificates held by Members in excess of their respective minimum investment requirement may be retired

pursuant to a plan approved by the Board in its sole discretion.

4. At the request of the holder, excess Class C Participation Certificates may be retired when a financially related service or leasing service is no longer desired or discontinued if approved by the Board in its sole discretion.
5. Class E Common Stock shall be retired in accordance with the plan under which such stock was issued.

860.2. Subject to any limitations provided in the Act or FCA Regulations, when the debt of the holder is in default, the Association may order retirement of any stock or participation certificates held by the borrower and the proceeds thereof applied against the indebtedness to the Association, FLCA or PCA.

870. Impairment.

870.1. Any losses which result in any impairment of the Association's stock and participation certificates shall be borne ratably by each share of Class A Stock, Class C Common Stock, Class D Common Stock, Class E Common Stock, and unit of Class C Participation Certificates outstanding.

870.2. Impaired stock and participation certificates shall be restored in the reverse of the sequence provided in Section 870.1 until each share of stock and unit of participation certificates has a book value equal to its par or face value, respectively.

880. 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 and payment of all accrued but unpaid dividends shall be distributed to the holders of the outstanding stock and participation certificates in the following order of priority:

- a) First, to the holders of Class A Common, Class C Common, Class D Common Stock, Class E Common Stock, Participation Certificates pro rata in proportion to the number of shares or units of each such class of stock or participation certificates then issued and outstanding, until an amount equal to the aggregate par value or face amount of all such shares or units has been distributed to such holders;
- b) Second, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed;
- c) Third, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed; and
- d) Fourth, insofar as is practicable, any remaining assets shall be distributed to past and present Patrons on a patronage basis in a fair and equitable manner determined by the Board or receiver.

885. Lien and Security Interest.

Except with respect to stock or participation certificates held by another Farm Credit System institution, the purchaser of any stock and/or participation certificates shall be deemed to have granted to the Association, FLCA and PCA (as applicable), and the Association, FLCA and PCA (as applicable) shall have, a first lien and security interest on all allocated surplus, stock and participation certificates in the Association owned by such borrower as additional collateral for any indebtedness of the borrower to the Association, FLCA and PCA.

890. Loans Designated for Sale or Sold Into the Secondary Market.

Notwithstanding any other provision of these bylaws, no voting stock or participation certificate purchase requirement shall apply with respect to a loan that is made on or after February 10, 1996, and is designated at the time made for sale into a secondary market; provided that, if a loan designated for sale into a secondary market is not sold within 180 days following the date of such designation, the voting stock or participation certificate purchase requirement otherwise applicable to the loan in the absence of this bylaw

provision shall apply. Notwithstanding any other provision of these bylaws, all outstanding voting stock or participation certificates held by a borrower with respect to a loan shall be retired if: (1) The loan is made prior February 10, 1996, if it is sold into a secondary market, and the permanent capital of the Association would not, after or due to such retirement, fail to meet the applicable minimum capital adequacy standards established by the Act or Regulations; or (2) the loan is made on or after February 10, 1996, it is designated at the time made for sale into a secondary market, it is sold into such market after the 180 day period beginning the date of such designation, and the permanent capital of the Association would not, after or due to such retirement, fail to meet the applicable minimum capital adequacy standards established by the Act or Regulations.

895. Special Notice.

Subject to Section 830, the stock and participation certificate investments required of Members of the Association can be changed (increased or decreased) from time to time, by action of the Board of Directors. The Board of Directors can take such actions to assure that Association capitalization is maintained at a level that is deemed adequate to assure the efficient, safe, and sound operation of the Association. This means that the required stock and participation certificate requirements can be increased or decreased from requirements set forth in these bylaws or the capitalization plan.

Stock and participation certificates and all other classes of equities can be redeemed and retired only at the discretion of the Board of Directors. There is no expressed or implied right granted to any Member to have any stock, participation certificates or any other equities redeemed or retired at any time or in conjunction with any specified cycle or revolving period.

Should circumstances warrant, in the sole discretion of the Board of Directors, the Board of Directors can require Members, subject to Section 830, to purchase additional amounts and classes of equities if it becomes necessary to increase capital to meet financial objectives or regulatory requirements.

## **ARTICLE IX -- EARNINGS, SURPLUS, DIVIDENDS, PATRONAGE DISTRIBUTIONS**

### 900. Capitalization Plan.

The Board shall adopt, maintain, and amend from time to time, as the Board deems appropriate, a capitalization plan for the Association. The capitalization plan shall be designed to enable the Association to meet the capital adequacy standards established in the Regulations. Subject to these Bylaws, the capitalization plan shall provide for, among other things, the manner in which the Association's stock, participation certificates and allocated equities shall be issued, transferred, and retired. In connection with the Capitalization Plan, no dividends shall be cumulated.

### 910. Interest Rates.

The Board shall authorize such interest rates or interest rate programs for use by the Association as determined to be within the lending standards prescribed by the Bank. It shall be the objective of the Association to provide the types of credit needed by eligible borrowers, at a reasonable cost, on a sound business basis, taking into account the marginal cost of money to the Association, necessary reserves and expenses to the Association, competition, and the services provided to borrowers and Members.

### 920. Surplus Accounts.

As contemplated in the Plan, the Association shall create an unallocated surplus account and an allocated surplus account. The Association shall maintain the unallocated surplus account and, subject to Section 930.1, may maintain the allocated surplus account. The minimum aggregate amount of these two accounts shall be determined by the Board. At the end of any fiscal year, if the surplus accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the requirements of any general financing agreement or other commitments of the Association, the Association shall apply earnings for the year to the unallocated surplus account in such amounts as may be determined necessary by the Board.

### 930. Allocated Surplus Account.

930.1. As contemplated in the Plan, the Association shall create and, subject to the Regulations and Association policy, shall maintain an allocated surplus account consisting of earnings held therein and allocated to Patrons on a patronage basis pursuant to Section 960. Allocated surplus may be issued as either "qualified written notices of allocation" or "non-qualified written notices of allocation," or both, as those terms are defined under Section 1388 of the Internal Revenue Code of 1986, as amended ("Code"):

- (a) All allocations in the form of qualified written notices of allocation shall be issued in annual series and shall be identified by the year of issuance. Each such series shall be retired fully or on a pro rata basis, only at the discretion of the Board, in order of issuance by year as funds are available.
- (b) All allocations in the form of non-qualified written notices of allocation shall be issued in annual series and identified by the year of issuance. Each annual series may be subdivided between two or more classes. Each such series, or class thereof, shall be retired at the sole discretion of the Board.

Only those persons to which allocated surplus may be issued may own such allocated surplus. 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 940.3.

930.2. The Association, FLCA and PCA (as applicable) shall have a first lien and security interest on all surplus account allocations owned by any Patrons, and all distributions thereof, as additional collateral for such Patrons' indebtedness to the Association, FLCA and PCA.

930.3. Subject to the applicable provisions of the Act and Regulations, when the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon

approval of the Board, may order any and all surplus account allocations owned by such borrower to be applied against the indebtedness based on its fair value.

- 930.4. Any surplus allocated to a Patron after October 5, 1988 shall be retired at the sole discretion of the Board. There is no express or implied right granted to a Patron to have such allocated surplus retired upon request.
- 930.5. Upon approval of the Board, any retirement of allocated surplus may be paid in cash, in other forms of available equities or applied against any of the Member's indebtedness to the Association, FLCA or PCA in accordance with Section 930.3. In no event shall such retirement reduce the Association's permanent capital below the minimum required by the Regulations. Retirements of less than the full amount of allocations issued in the same series (or class thereof) shall be on a pro rata basis. Any part of a surplus allocated distribution in stock to one Member that is less than the par amount of one share may be held by the Association and included with subsequent distributions.
- 930.6. All qualified notices of allocation shall satisfy the definition of a "qualified written notice of allocation" as defined in Section 1388 of the Code. All nonqualified notices of allocation shall satisfy the definition of a "nonqualified written notice of allocation" as also defined in Section 1388 of the Code.
- 930.7. A record of the holders of allocated surplus shall be kept and maintained by the Association. Allocations of "qualified" amounts will be maintained separately from allocations of "nonqualified" amounts. Such surplus accounts shall be transferable only to the Association or to an eligible Member of the Association in the manner established by the Board, and no transfer thereof shall be binding upon the Association unless so transferred on the books of the Association.
940. Application of Earnings or Losses.
- 940.1. At the end of each accounting period the Association shall, after paying or providing for all operating expenses in accordance with the Act and Regulations, determine the amount of its net earnings or net losses for such period.
- 940.2. Any net earnings determined pursuant to Section 940.1 shall be applied in the following order of priority:
- (a) First, to the restoration of the amount of the impairment, if any, of Class A Common Stock, Class C Common Stock, Class D Common Stock, Class E Common Stock and Class C Participation Certificates issued and outstanding, if any, pro rata until such stock and equities are no longer impaired;
  - (b) Second, to the restoration of the amount of impairment, if any, of allocated surplus in the reverse order of impairment;
  - (c) Third, to unallocated surplus in an amount determined by the Board as necessary for the sound operation of the Association;
  - (d) Fourth, for payment of dividends on stock in accordance with these Bylaws if authorized by the Board;
  - (e) Fifth, any remaining net earnings shall be distributed as patronage refunds under Section 960, which may be paid in the form of allocated surplus, stock, cash or any combination of the above.
- 940.3. Any net losses determined pursuant to Section 940.1, to the extent they exceed unallocated surplus, shall, except as may be otherwise provided in the Act and Regulations, be treated as impairing allocated surplus and stock in the following order:



- (a) First, allocated surplus evidenced by nonqualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;
- (b) Second, allocated surplus evidenced by qualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;
- (c) Third, Class A Common Stock, Class C Common Stock, Class D Common Stock, Class E Common Stock and Class C Participation Certificates issued and outstanding, pro rata until such stock is fully impaired.

Impairments shall be considered as being applied pro rata to each share and/or unit outstanding in the class.

#### 950. Dividends.

- 950.1. When approved by the Board in accordance with the Regulations, dividends may be paid on the capital stock and participation certificates of the Association, as the Board may determine by resolution; provided, however, that no dividend rate shall exceed eight percent (8%) of the par value of the respective capital stock and participation certificates. The rate of dividends on Class A, Class C, Class D and Class E Common Stock and Class C participation certificates shall be at the same rate per share.
- 950.2. Dividends may be paid to holders of record on the effective date of declaration or at such previous date as may be set by the Board by resolution.
- 950.3. Dividends on capital stock and participation certificates may be paid in cash, or partly in cash and partly in Class A Common Stock, except that dividends on capital stock held by a System institution shall be paid in cash. 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.
- 950.4. Dividends on subsequently authorized stock shall be paid in accordance with, and subject to, the resolution of stockholders authorizing the issuance of such stock.
- 950.5. Notwithstanding other provisions of this Section, no dividend may be declared if permanent capital would be reduced by payment of said dividend, unless the Association, after recording the liability, will meet the capital adequacy standards. In addition, no dividend shall be paid on common stock in any year with respect to which the Association has obligated itself to distribute patronage under Section 960 hereof.

#### 960 Patronage Distribution

- 960.1. Subject to the provisions of the Act, Regulations and these Bylaws, prior to the beginning of any fiscal year or other period, the Association's Board may, by adoption of a resolution (the "Patronage Resolution"), obligate the Association to distribute, as a patronage dividend, its "Patronage-Sourced Net Earnings" for such fiscal year or other period. Patronage-Sourced Net Earnings shall mean the consolidated net earnings of the Association, PCA and FLCA (as computed for GAAP purposes) attributable to patronage business ("Patronage Business") as defined in the Patronage Resolution. Members and other customers with or for whom the Association conducts Patronage Business ("Patrons") shall have the right to share in the patronage dividend on the basis of the quantity or value of their respective Patronage Business. In adopting the Patronage Resolution, the Association's Board may adopt a de minimis earnings exception which limits the patronage distribution if certain net earnings requirements are not met for the applicable fiscal year or other period. Any outstanding Patronage Resolution that is not rescinded prior to the beginning of the period to which it relates shall become irrevocable and constitute a binding legal obligation of the Association with respect to such period. Each transaction

qualifying as Patronage Business shall include as part of its terms, whether the same has been expressly referred to in said transaction or not, the provisions of this Article IX of the bylaws.

- 960.2. All patronage distributions shall be in proportion to the amount or value of Patronage Business done by the Association, PCA and FLCA with or for each Patron, as determined by the Board on an equitable and nondiscriminatory basis and as set forth in the Patronage Resolution. The Board may establish, on a fair and equitable basis, separate patronage pools for Patronage Business transactions of the same type or with similar characteristics. Any such pools will make a fair allocation of income and expenses among Patrons. Earnings from transactions that do not constitute Patronage Business, including transactions with members done on a non-patronage basis, will be segregated into a separate pool and will be not available for patronage distribution. A Patron during the distribution period for which the patronage distribution is made shall be entitled to receive a ratable share of the patronage distribution regardless of whether the member continues to be a stockholder or borrower of the Association on the date the declaration of the patronage distribution is made. Net earnings of any fiscal year shall be available for patronage distribution after first making the applications as required in Section 940.2.

Furthermore, a special patronage pool will be established for any taxable income from the FCB in redemption of its allocated equities. The intended recipients of the net earnings of this patronage pool shall be those individuals identified as Patrons in the year such allocated equities are redeemed.

- 960.3 Patronage distributions may be in cash, Class A stock of the Association, allocated surplus, or any combination of such forms of distribution, provided, however, that if any distribution is to include a qualified written notice of allocation (as defined in Code Section 1388), at least 20% of the total distribution to each Patron for such fiscal year shall be in cash. Any part of a distribution in Class A stock to a particular Patron that is not a multiple of \$5.00 may be distributed in cash or held by the Association for the Patron and included in a subsequent distribution. In the event that the total patronage distribution to a Patron is less than \$50, such distribution may be paid entirely in cash notwithstanding the fact that distributions of \$50 or more are paid partially in cash and partially in stock or allocated surplus. In the event that the cash distribution to a Patron who is a borrower is less than \$50, such distribution may, at the discretion of the Board, be applied against the Patron's indebtedness. In the event that the cash distribution to a Patron is less than \$1, such cash distribution may, at the discretion of the Board, be retained by the Association. In such cases, the aggregate amounts so retained shall be subject to income tax to the same extent as other undistributed income.
- 960.4 Each person who hereafter applies for and is issued Class C Common Stock or Class D Common Stock and each holder of Class C Common Stock or Class D Common Stock on the effective date of this bylaw who continues to hold voting stock after such date shall, by such act alone, consent that the amount of any distributions with respect to such holder's patronage, which are made in, or evidenced by, written notices of allocation (as defined in Code Section 1388 and excluding notices designated as "nonqualified"), including patronage allocations of surplus account and patronage refunds paid in stock of the Association, and which are received by the holder from the Association, will be taken into account (as income) by the holder at their stated dollar amounts in the manner provided in Code Section 1385(a) in the taxable year in which such qualified written notices of allocation are received by the holder. Each holder also consents, by such act alone, to take into account (as income) in the same manner, the amount of any distributions with respect to patronage if the holder receives written notice from the Association that such amount has been applied against the holder's indebtedness to the Association, PCA and/or FLCA. Each holder further consents that the amount of any distributions with respect to his patronage which are made in, or evidenced by, nonqualified written notices of allocation (as defined in Code Section 1388) will be taken into account (as income) by the holder in the taxable year in which such nonqualified written notices of allocation are redeemed.

The Association may obtain the written consent of each Patron that the amount of any distributions with respect to the Patron's patronage, which are made in, or evidenced by, written notices of allocation (as defined in Code Section 1388 and excluding any notices designated as "nonqualified"), including patronage allocation of surplus account or patronage refunds paid in stock of the Association, and which are received by the Patron from the Association, will be taken into account (as income) by the Patron at their stated dollar amounts in the manner provided in Code Section 1385(a) in the taxable year in which such qualified written notices of allocation are received by the Patron. Such consent may include a consent to take into account (as income) in the same manner, the amount of any distributions with respect to patronage if the Patron receives written notice from the Association that such amount has been applied against the Patron's indebtedness to the Association, PCA and/or FLCA. The Association may further obtain the written consent of each Patron that the amount of any distributions with respect to the Patron's patronage, which are made in, or evidenced by, nonqualified written notices of allocation (as defined in Code Section 1388), will be taken into account (as income) by the Patron in the taxable year such nonqualified written notices of allocation are redeemed. The form of consent shall be prescribed by the Association and it may be included as part of the loan application or other appropriate form signed by borrowers. Consent may also be obtained by use of a qualified check in the manner provided for in Code Section 1388.

Consent under this section shall be continuing in effect, provided that consent pursuant to the first paragraph of this section shall cease to be effective with respect to patronage of a distributee occurring after the distributee has ceased to hold voting stock of the Association. Consent obtained under the second paragraph of this section (other than consent by qualified check) may be revoked in writing, provided that such revocation shall become effective only with respect to patronage occurring on or after the first day of the first fiscal year of the Association beginning after the revocation is filed with the Association.

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

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

## **ARTICLE X -- EXECUTION OF DOCUMENTS**

1000. Transactions with Supervising Bank, Releases, and Uniform Commercial Code Transactions.  
All documents required to be executed in connection with transactions with the Bank, and releases of security, including releases and satisfactions of judgments, subordination agreements, and all security agreements, financing, continuation and termination statements, and other writings relating to secured transactions within the meaning of the Uniform Commercial Code, may be executed in the name of the Association by the chief executive officer or the chief executive officer's designee. Such designee shall be made by Board resolution and recorded in the minutes thereof.

1010. 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, and, when required, shall be attested to by the secretary or any assistant secretary of the Association. When the Association holds a deed of trust containing a provision for foreclosure by the Association under a power of sale, the Board or the chief executive officer, if that officer has been delegated such authority by the Board, may, at either's discretion, designate and authorize an attorney for the Association to exercise such power and convey the property in the name of the Association. No person shall sign and attest the same document.
1020. Expenses and Checks.  
The chief executive officer or any other employee(s) designated by him shall, subject to later approval of the Board, 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 XI -- RECORDS AND REPORTS**

1100. Records.  
Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of Members and directors, the Bylaws and any amendments thereto, resolutions of the Board and reports of all committees thereof shall be recorded in the minute books of the Association. The minutes of all committees and of the Board shall be signed by their respective chairmen or presiding officers and attested to by the person acting as secretary of the meeting. The foregoing materials, and such others as the Board may specify from time to time, are to be retained by the Association pursuant to a records retention program to be developed and approved by the Board.
1110. Reports.  
The Association shall make available to each Member such reports as are required by the Act and Regulations and such other reports as the Board deems advisable. The financial statements included in each annual report of the Association shall be audited by independent accountants.
1120. Communication with Stockholders.
- 1120.1. Within seven (7) days after receipt of a written request by a stockholder, the Association shall provide a current list of its stockholders to such requesting stockholders.
- 1120.2. As a condition of providing the list described in 1120.1, the Association shall require that the requesting stockholder agree and certify in writing that requesting stockholder will use the list exclusively for communication with stockholders for permissible purposes under the Act and Regulations, and that the requesting stockholder will not make the list available to anyone, other than the requesting stockholder's attorney or accountant, without obtaining the written consent of the Association.
- 1120.3. As an alternative to receiving the stockholder list, a stockholder may request the Association to mail or otherwise furnish each stockholder with a communication for permissible purposes under the Act and Regulations on behalf of the requesting stockholder. This alternative is available at the discretion of the requesting stockholder provided that such stockholder fully assumes the reasonable costs of the communication. The Association shall provide the requesting stockholder with a written estimate of the costs of handling the communications as soon as practicable after receipt of the requesting stockholder's request to furnish such communication to the Association stockholders.

## **ARTICLE XII -- 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 is unable to determine the address or whereabouts of the owner or the heirs and assigns of the owner, the funds may be disposed of in accordance with state or federal law as applicable.

## **ARTICLE XIII -- FISCAL YEAR**

The fiscal year of this Association shall be the calendar year.

## **ARTICLE XIV -- SEAL**

The following impression or ink-stamp facsimile thereof is the seal of the Association:

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

1500. Indemnification.

- (a) The Association shall indemnify, to the fullest extent permitted by law, any 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, 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, trust, retirement or other employee benefit plan or other organization or entity, against expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him/her in connection with such action, suit or proceeding.
- (b) 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 Board of Directors.
- (c) As used in this Article, "party" means a defendant or respondent in an action, suit or proceeding.

1510. **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 1500 of this Article 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.
1520. **Procedure.**  
Any indemnification under Section 1500 of this Article (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. Such determination shall be made (1) by the Board of Directors by a majority vote of directors who were not parties to such action, suit or proceeding, even though less than a quorum, or (2) if such a majority is not obtainable (or, even if obtainable, a majority of disinterested directors so directs), by independent legal counsel in a written opinion. For the purposes of this Section 1520, independent legal counsel shall be selected by a majority of disinterested directors or, if such a majority is not obtainable, by the Board of Directors.
1530. **Advances of Expenses.**  
Notwithstanding the provisions of Section 1520, reasonable expenses incurred in defending any action, suit or proceeding referred to in Section 1500 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 in writing to repay such amount to the extent that it is ultimately determined, as provided herein, that such person is not entitled to indemnification for such amount. 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 and to the extent a determination is reasonably made pursuant to Section 1520 that the director, officer or employee is not entitled to indemnification for such expenses pursuant to Section 1500.
1540. **Right of Claimant to Bring Suit.**
- (a) If a claim for indemnification or advancement under this Article is not paid in full by the Association within thirty days after a written claim therefore has been received by the Association, the claimant may any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Association) that the claimant has not met the standards of conduct which make it permissible under the applicable law for the Association to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Association.
  - (b) Neither the failure of the Association (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he/she has met the applicable standard of conduct, nor an actual determination by the Association (including its Board of Directors or independent legal counsel) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.
1550. **Contractual Rights.**  
The right to be indemnified or to the reimbursement or advancement of expenses pursuant to this Article (i) is a contract right based upon good and valuable consideration, pursuant to which the person entitled thereto may bring suit as if the provisions hereof were set forth in a separate written contract between the Association and the director, officer or employee, (ii) is intended to be retroactive and shall be available with respect to events occurring prior to the adoption hereof, and (iii) shall continue to exist after the rescission or restrictive modification hereof with respect to events occurring prior thereto. However, this

Article does not constitute a contract of employment or any terms and conditions of employment, and does not alter the employment status of any employee.

1560. Requested Service.

Any director, officer or employee of the Association serving, in any capacity, (i) another entity of which a majority of the securities entitled to vote in the election of its directors or comparable executives is held directly or indirectly by the Association and/or other Farm Credit System entities, (ii) any employee benefit plan of the Association or of any entity referred to in clause (i) above, or (iii) any committee, subcommittee, special asset group or other similar body related to the Farm Credit System, shall be deemed to be doing so pursuant to authorization in writing by the Association's Board of Directors.

1570. 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 expense may be entitled under any insurance or other agreement, vote of 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 1500 hereof against any liability asserted against him/her or incurred by him/her in any such capacity, or arising out of his/her status as such, whether or not the Association would have the power to indemnify him/her against such liability under the provisions of this Article.

1580. FCA Penalties.

Notwithstanding any other provision of these Bylaws, the Association will not indemnify, nor purchase or maintain insurance to indemnify, any of its directors, officers, employees or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the FCA, 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 Association, PCA or FLCA.

1590. Applicable Law.

The interpretation of this Article XV shall be under the law of the state of Maryland.

**ARTICLE XVI -- AMENDMENTS**

1600. General.

Except as otherwise provided by the Act, Regulations or these Bylaws, these Bylaws may be amended by a vote of the majority of the entire Board, provided that the notice of the meeting shall contain the exact language of the proposed change or amendment.

1620. Effective Date.

These Bylaws shall become effective January 1, 2009 (or such other date as approved by the Farm Credit Administration) and the bylaws and amendments thereto in effect prior to said date are hereby rescinded.

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**FEATURES OF EQUITIES  
PROVIDED FOR IN BYLAWS OF  
MIDATLANTIC FARM CREDIT, ACA**

<u>Class</u>	<u>When Retired</u>	<u>Retirement Value</u>	<u>Voting Rights</u>	<u>Cumulation of Dividends</u>	<u>When Dividends Payable</u>
A Common	At discretion of Board 860	Book not to exceed par 800; 820.1	No 820.1	Non-cumulative 900	At discretion of Board 950.1
C Common	At discretion of Board 860	Book not to exceed par 800; 820.2	Yes 820.2	Non-cumulative 900	At discretion of Board 950.1
D Common	At discretion of Board 860	Book not to exceed par 800; 820.2	Yes 820.2	Non-cumulative 900	At discretion of Board 950.1
E Common	In accordance with plan under which stock was issued 860	Book not to exceed par 800; 820.4	No 820.4	Non-cumulative 900	At discretion of Board 950.1
C PCs	At discretion of Board 860	Book not to exceed par 800; 820.3	No 820.3	Non-cumulative 900	At discretion of Board 850.1
Allocated Surplus	At discretion of Board 930.1	Book not to exceed stated value	No	Not applicable	Not applicable

Notes:

- Purpose of Table:** The table is not intended to summarize all of the rights and features of each class of equity authorized by the Bylaws. Each class of equity described above constitutes permanent capital within the meaning of Section 4.3A(a)(1) of the Farm Credit Act and 12 C.F.R. §615.5240.
- Voting Rights:** Where the table indicates that a class of equity is non-voting, this indication is subject to 12 C.F.R. §615.5230(b)(1), which confers specified voting rights on otherwise non-voting classes of equity. See Sections 300, 970 of the Bylaws.
- References to Section Numbers:** Each number set out in the table - e.g., 820.1- is a citation to the provision of the Bylaws providing for the feature summarized in the portion of the table that refers to the number. Note that the statement in Section 930.1 that allocated equities will be retired “as funds are available” is interpreted as meaning that such equities will be retired at not more than their book value. No section number relates to allocated surplus voting rights.