



**Ag New Mexico
Farm Credit Services, ACA
Amended and Restated Bylaws**

April 25, 2019

AG NEW MEXICO FARM CREDIT SERVICES, ACA
AMENDED AND RESTATED BYLAWS

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DEFINITIONS

"ACA" – an agricultural credit association.

"Act" - the Farm Credit Act of 1971, as it may be amended from time to time.

"Annual Meeting" - the annual meeting of Stockholders pursuant to Article III of these Bylaws.

"Appointed Director" - shall have the meaning ascribed to it under Section 4.01 hereof.

"Association" - this Ag New Mexico Farm Credit Services, ACA, an agricultural credit association.

"Authorization Event" - shall have the meaning set forth in Section 1.02 hereof.

"Board" - the Board of Directors of the Association.

"Borrower" – means an individual, partnership, joint venture, trust, corporation, or other business entity to which an institution has made a loan or a commitment to make a loan either directly or indirectly.

"Bylaws" - these Amended and Restated Bylaws, as they may be further amended from time to time pursuant to Sections 8.05.12 and 10.04 hereof.

"Code" – shall have the meaning set forth in Section 8.03.1 hereof.

"FCA" - the Farm Credit Administration.

"FCBT" or "Bank" - Farm Credit Bank of Texas or any successor entity thereto.

"FLCA" - Ag New Mexico Farm Credit Services, FLCA, a federal land bank association with direct lending authority and a subsidiary of the Association.

"GFA" – General Financing Agreement, having the meaning ascribed to it under Section 1.02 hereof.

"Member" - shall have the meaning ascribed to it under Section 1.05 hereof.

"Outside Director" – shall have the meaning ascribed to it under Section 4.01 hereof.

"PCA" - Ag New Mexico Farm Credit Services, PCA, a production credit association and a subsidiary of the Association.

"Record Date" - shall have the meaning ascribed to it under Section 3.08 hereof.

"Regulations" - FCA Regulations or directives applicable to and binding on the Association.

"Sectional Session" - shall have the meaning ascribed to it under Section 3.01 hereof.

“Stock” - means all classes of outstanding capital stock of the Association.

“Stockholder” - means a holder or joint holder of any Stock.

“Stockholder-Elected Director” - shall have the meaning ascribed to it under Section 4.01 hereof.

“System” - the Farm Credit System.

“Voting Stockholder” - a holder of 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.

ARTICLE I **PREAMBLE**

Section 1.01 Legal Authority: Ownership. The Association is a federally chartered institution of the System and as such is an instrumentality of the government of the United States of America under the Act and the Regulations. The Association is owned and controlled by its Members subject to the Regulations and supervision by FCBT. It is the objective of the Association to improve the income and well-being of farmers, ranchers, and producers and harvesters of aquatic products by furnishing sound, adequate and constructive credit and closely related services to these individuals and to selected farm-related businesses appropriate for efficient farm operations. Subject to the Act, Regulations and Section 1.03 hereof, and under the supervision of FCBT (where mandated by the Act or Regulations), the Association in its chartered territory possesses and may exercise all lending, participation and similar authorities granted by the Act or Regulation, as such Act and Regulations may be amended from time to time, to a Federal Land Credit Association or, with respect to short-and intermediate-term credit, a Production Credit Association. Without limiting the foregoing, these authorities include authority to make, guarantee or participate with other lenders in long-term real estate mortgage loans, short- and intermediate-term loans and other similar financial assistance to: (1) bona fide farmers and ranchers and the producers or harvesters of aquatic products, (2) owners of rural homes, and (3) persons or organizations furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs. The Association also may provide technical assistance to Borrowers, applicants, and Members, and may make available, at their option, financially related services appropriate to their operations to the extent authorized by Regulations.

Section 1.02 Relationship with the FLCA and PCA. Subject to Section 1.03 hereof, the Board may authorize the FLCA and PCA to conduct some or all of the authorities granted in the Act and Regulations to federal land credit associations and production credit associations, respectively ("Authorization Event"). Upon an Authorization Event, the Association, FLCA and PCA shall conduct an integrated lending operation. To the extent authorized and permitted under its charter, the FLCA shall make long-term mortgage loans, participate in loans as authorized under the Act and Regulations, and provide financially related services to qualified Borrowers in the Association's territory. To the extent authorized and permitted under its charter, the PCA shall provide short and intermediate-term credit, participate in loans as authorized under the Act and Regulations, and provide financially related services to qualified Borrowers in the Association's territory. In addition, upon an Authorization Event, all three institutions shall enter into a General Financing Agreement ("GFA") with FCBT for purposes of funding loans originated and made by

the Association, FLCA and PCA pursuant to their respective lending authorities. The indebtedness owed to FCBT under the GFA shall be the joint and several obligations of all three institutions. The Association at all times will own all of the voting stock of the FLCA and PCA.

Section 1.03 Bifurcated Charters. Notwithstanding the foregoing provisions of this Article, the Association and FLCA are authorized to provide long-term mortgage credit and such other services under Title I of the Act only in Cochran County, Texas.

Section 1.04 Construction of Bylaws. These Bylaws constitute the rules for the internal operation of the Association. These Bylaws hereby amend, restate, and replace in its entirety any prior bylaws of the Association. These Bylaws shall be construed to be consistent with, and to give effect to, the purposes for which the Association was chartered as set forth in this preamble. These Bylaws shall not be construed in a manner which would result in their being in violation of, or inconsistent with, the Act or Regulations. No provision of these Bylaws shall be construed to grant the Bank, any approval authority over the corporate governance of the Association other than that mandated by law.

Section 1.05 Members. Members of the Association shall include all holders of legal title to Stock or participation certificates as evidenced on the books of the Association, except FCBT or another System institution. Any person to whom an ACA is authorized by the Act and Regulations to extend credit and other related services is eligible to apply for a loan or other services from the Association and become a Member of the Association. In the case of a deceased or legally incompetent Member, the executor, administrator, guardian or other legally authorized representative of such Member shall be considered to be the Member for the purpose of voting. Each Voting Stockholder, or individual designated in accordance with these Bylaws to vote the Class B Common Stock of a Voting Stockholder, is authorized to speak on any question being considered at a Stockholders' meeting when recognized by the chairman of the meeting. Motions (except motions to authorize preferred stock) and nominations or seconds thereto may be made and voted on only by Voting Stockholders of the Association and the individuals designated to vote the Class B Common Stock of Voting Stockholders in accordance with these Bylaws.

ARTICLE II **OFFICES**

Section 2.01 Principal Office. The principal office of the Association shall be at 4501 N. Prince Street, Clovis, New Mexico 88101, or at such other place as the Board may designate from time to time.

Section 2.02 Other Offices. The Association may also have offices at such other places as the Board may from time to time determine or the business of the Association may require.

ARTICLE III **MEETINGS OF STOCKHOLDERS**

Section 3.01 Time and Place of Meetings: Sectional Meetings. Annual Meetings may be held at such times and places as shall be determined by the Board as stated in the notice of the meeting. The Board may provide for any Stockholders meeting to be held in consecutive sectional sessions

(each a “Sectional Session”) at different times and places. In such case, the date of the convening of the first Sectional Session shall be the date of the meeting for the purpose of satisfying time requirements under these Bylaws. Each Stockholder shall be notified of all sessions to be convened and shall be entitled to attend any or all sessions. At each Sectional Session except the last, the meeting shall be adjourned until the next session of the meeting. The last session must be scheduled for a time no later than fourteen calendar days after the first session. The attendance at all Sectional Sessions shall be combined for the purpose of constituting a quorum, but no Stockholder shall be counted more than once for such purpose, and no Voting Stockholder shall be permitted to vote at more than one session. The votes at all sessions shall be counted together to constitute the vote of the meeting. Nominations from the floor with respect to matters requiring the vote of Voting Stockholders, including the election of directors and nominating committee members, must be introduced at the first Sectional Session of the meeting, except that if balloting is by mail as stipulated in Section 4.04, nominations may be made at all Sectional Sessions of the meeting. All Stockholder meetings shall be conducted in accordance with procedures deemed fair and reasonable by the chairman of the meeting who shall preside at the meeting.

Section 3.02 Annual Meetings. There shall be an Annual Meeting at such place(s) in the Association's chartered territory or within reasonable distance of the Association territory at date(s) and time(s) as the Board may by resolution provide. At the Annual Meeting, reports of the Board shall be given by a person designated by the Board. The reports required by Section 10.07 of these Bylaws shall be presented. Other items of business which may come before the meeting include but are not limited to: (a) determination of 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 committee, (f) unfinished business, and (g) new business.

Section 3.03 Special Meetings. Special meetings of the Stockholders for any purpose or purposes may be called by the chairman of the board or the chief executive officer, and shall be called by the chief executive officer or secretary at the request in writing of a majority of the Board or at the request in writing of at least ten percent of the Voting Stockholders. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting of Stockholders shall be limited to the purposes stated in the notice of the meeting. If the Board fails or refuses to order such notice to be made, the notice may be given by the Stockholder(s) making the call in accordance with the provisions of Section 3.04 hereof.

Section 3.04 Notice. Subject to Section 6.01, notices of meetings shall be in writing and signed by the chairman of the board, an officer of the Association, or by any other person the Board may designate or as required by the Regulations; provided however, all notices of Annual Meetings must be signed by the chief executive officer, chief financial officer and a member of the Board. The notice shall state the place, day and hour of the meeting (with respect to each session if the meeting is to be held in consecutive Sectional Sessions) and in case of a special meeting, the purpose or purposes for which the meeting is called. A copy of the notice shall be either delivered personally or shall be mailed, postage prepaid, to each Stockholder as of the Record Date not less than ten (10) business days, nor more than thirty (30) business days, prior to the date of the meeting. Personal or mailed delivery of the notice to any officer of a corporation or association or to any member of a partnership shall constitute delivery of the notice to the corporation, association or partnership. In the event of the transfer of a share after delivery or mailing of the notice of and

prior to the holding of the meeting, it shall not be necessary to deliver or mail notice of the meeting to the transferee. The notice shall be mailed to the last known post office address of the Stockholder as it appears on the records of the Association.

Section 3.05 Quorum; Withdrawal of Quorum. The lesser of seven (7) Voting Stockholders or 3% of the number of Voting Stockholders in attendance at any Stockholders meeting, or where permitted by Section 3.11 of these Bylaws, represented by proxy, shall constitute a quorum for the transaction of business, except as otherwise provided by the Act or Regulations. If less than a quorum is present at any meeting of the Stockholders, the chairman of the meeting may adjourn the meeting from time to time until a quorum is obtained. The Voting Stockholders present in person or by proxy at a duly called meeting at which a quorum has been established may continue to transact business until adjournment, notwithstanding the withdrawal of enough Voting Stockholders to leave less than a quorum. At any adjourned meetings at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally described in the notice of the meeting.

Section 3.06 Majority Vote. When a quorum is present or represented at any meeting, the vote of a majority of the Voting Stockholders entitled to vote, present in person, represented by proxy or voting by mail ballot under Section 4.04, shall decide any question brought before the meeting, unless the question is one upon which by express provisions of the Act or Regulations a different vote is required, in which case such express provision shall govern and control. If a meeting is held in consecutive Sectional Sessions, the results of the votes cast at all sessions of the meeting shall be reported to the Shareholders only after the last Sectional Session.

Section 3.07 Lists of Stockholders, Stockholders and Voting Stockholders. The Association shall maintain a list of Stockholders, which list shall include all Borrowers who are primarily liable for repayment of a loan to the Association, and list of Voting Stockholders indicating the names of the individuals that are designated in accordance with these Bylaws to vote the Class B Common Stock of the Voting Stockholders. The lists shall be used when mailing or distributing proxies or ballots, and for other purposes as may be authorized by the Board, subject to the Act and the Regulations. The lists shall also be used to assure that no Voting Stockholder votes more than once in connection with each meeting of the Stockholders. The lists shall also be used for communication among such Stockholders, as provided in the Act and Regulations.

Section 3.08 Record Date. The Board may fix in advance a date, not exceeding ninety (90) days preceding the date of any meeting of Stockholders, or the date for the allotment of any rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date ("Record Date"). Such Record Date shall be used for the determination of the Stockholders entitled to notice of and Voting Stockholders entitled to vote in the meeting, or to any allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of capital stock. In such case only such Stockholders who are Stockholders of record on the Record Date shall be entitled to the notice of, and Voting Stockholders of record on the Record Date shall be entitled to vote at, the meeting, or to receive any allotment of rights, or to exercise rights, as the case may be, notwithstanding the transfer of any stock on the books of the Association after the Record Date so fixed. In the absence of contrary action by the Board, the date on which the last notice of a meeting is mailed or delivered shall be the Record Date for

determination of Stockholders entitled to notice of and to vote at any such meeting, and the date on which the Board adopts the resolution declaring an allotment of rights, or change or conversion or exchange of capital stock, shall be the Record Date for the determination of the Stockholders entitled to receive the allotment of rights or to exercise the rights in respect of the change, conversion or exchange of capital stock.

Section 3.09 Entitlement to Vote: Number of Votes. Except as may be otherwise expressly provided by the Act or Regulations or as may be specifically provided elsewhere in these Bylaws, only holders of Class B Common Stock shall be entitled to vote at any meeting of the Stockholders, and each holder of Class B Common Stock, regardless of the number of shares of Stock held and regardless of the number of joint or single loans the Voting Stockholder may have with the Association, shall be entitled to one vote on each matter submitted to a vote at a meeting of Stockholders. For the purpose of this Section, loan(s) made to one or more members of such Voting Stockholder's household, or to one or more entities in which such Voting Stockholder is an equity owner, and which the Association reasonably believes to be for the sole purpose of creating multiple votes, shall be deemed to be loan(s) made to such Voting Stockholder. In the case of a joint loan, the vote may be cast by only one of the joint holders authorized and designated by the other joint holders in a writing provided to the Association. The vote of a Voting Stockholder which is a legal entity shall be cast by an individual duly authorized in a writing filed with the Association. In no event may an individual vote more than once, nor shall any Voting Stockholder be entitled to cumulate votes.

Section 3.10 Voting of Treasury or Fiduciary Shares. Shares of its own Stock belonging to the Association or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any given time.

Section 3.11 Proxies. At any meeting of the Stockholders, any Voting Stockholder may be represented and vote by a proxy appointed by an instrument in writing; provided, however, voting by proxy shall only be permitted with respect to matters for which proxy voting is expressly permitted under the Act, or the Regulations, and provided further that proxy voting shall not be permitted with respect to election of directors or nominating committee members. Proxy forms and ballots shall be prescribed by the Board. The proxy shall be filed with the secretary of the Association prior to any and all sessions of the meeting. In the event that the written instrument shall designate two or more persons to act as proxies, a majority of such persons present at the meeting (or, if only one shall be present, then that one) shall have and may exercise all of the powers conferred by such written instrument upon all of the persons so designated, unless the instrument shall provide otherwise. No proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless coupled with an interest, or unless the person executing it specified therein the length of time for which it is to continue in force, which in no case shall exceed seven (7) years from the date of its execution. Subject to the above, any proxy duly executed is not revoked and continues in full force and effect until a written instrument revoking it or a duly executed proxy bearing a later date is filed with the secretary of the Association. Subject to the foregoing, a Voting Stockholder may revoke a proxy in writing before voting begins at the Stockholders meeting. Voting in person or by proxy shall be used in mergers

of the Association with other System associations and on other matters where required under the Act or Regulations.

Section 3.12 Method of Voting; Action Without Meeting. Any action required to be taken, or which may be taken, at any annual or special meeting of Stockholders 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 their duly authorized representatives, entitled to vote with respect to the subject matter thereof. At all Stockholder meetings the manner of voting shall be at the discretion of the chairman of the meeting unless any Voting Stockholder at the meeting shall demand voting by written ballot or unless otherwise specified by the Act, Regulations or these Bylaws, in which event voting shall be conducted by written ballot or as otherwise so specified; provided, however, that with respect to any proceeding subject to a vote of the Voting Stockholders the Association:

- (1) Signed ballots shall not be used; and
- (2) Measures shall be implemented to safeguard the voting process for the protection of the right of Stockholders to a secret ballot.

The foregoing shall not impair the Association's ability to use mail balloting in the election of directors and nominating committee members as provided in Section 4.04.

Section 3.13 Minutes of Meeting. The secretary of the Association shall act as recording secretary at all meetings of Stockholders, unless some other person is designated by the Board or chairman of the meeting to serve in that capacity.

ARTICLE IV **DIRECTORS**

Section 4.01 Number and Qualification of Directors. The Board shall have six (6) Stockholder-Elected Directors (each a "Stockholder-Elected Director"), and in accordance with Section 4.05 such number of directors each of whom is not a Stockholder, director, officer, employee, or agent of the Association or of any other System institution (other than an Outside Director of the FLCA and PCA) who are appointed by the other directors (each an "Outside Director"). In addition, the Board may appoint such number of directors in accordance with Section 4.05 who may be Stockholders (each an "Appointed Director") pursuant to the Board policy on the appointment of directors. Notwithstanding the foregoing, the number of Stockholder-Elected Directors elected by the Voting Stockholders shall at all times constitute at least sixty percent (60%) of the total number of all sitting directors on the Board. Except as hereinafter provided, no person shall be elected by the Voting Stockholders or continue to serve as a Stockholder-Elected Director unless he or she is a bona fide farmer, rancher or producer or harvester of aquatic products and either resides or conducts agricultural operations in the Association's chartered territory. Stockholders who neither reside nor conduct agricultural operations in the Association's chartered territory are not eligible to serve as Stockholder-Elected Directors. An Outside Director and Appointed Director need not be a bona fide farmer, rancher or producer or harvester of aquatic products and need not neither reside nor conduct agricultural operations in the Association's operating territory. Each Stockholder-Elected Director must be a holder or joint holder of Class B Common Stock in the Association or is an individual designated to vote the Class B Common Stock held by an entity so

long as that individual is an officer or holds equity in the entity and meets all other requirements for serving as an Association director. Except as expressly otherwise provided in these Bylaws, the qualifications, manner of nomination, election, bases of removal, and related matters respecting the Outside Directors and Appointed Directors shall be determined from time to time by the Board, subject to applicable Regulations.

A director shall be disqualified and the director's seat shall automatically become vacant under the following circumstances:

(a) No person may serve as a director if he or she is in violation of the Act or the Regulations.

(b) Notwithstanding anything contained herein to the contrary, no person shall be nominated, elected or appointed, or allowed to continue to serve as a director of the Association, if that person is the spouse, parent, sibling, natural or adopted child, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law or daughter-in-law of a: (i) director of the Association, (ii) nominee for election to the Board, (iii) member of the nominating committee of the Association, (iv) nominee for election to the nominating committee of the Association, or (v) salaried officer of the Association.

(c) An individual shall automatically be removed as a director if the Association has sustained a charge-off or compromise on that individual's loan or the loans in which the person is deemed to control the entity Borrower, or if a portion of such loan is adversely classified and the individual has not, within sixty (60) days of receiving notice of such classification, developed a written plan, satisfactory to the Board and the FCBT, to upgrade the loan to an acceptable classification within one year. If such a loan is not upgraded to an acceptable classification within one year of approval of the written plan by the Board, the director will be automatically removed at such time. Loan classifications to be used in administering the preceding paragraph shall be those determined by the Association or by external examiners approved by the Association or the FCA. The adverse classification of any Director's loans shall be reviewed by the Board prior to the disqualification of the director because of such adverse classification.

Section 4.02 Directors and Employees of Other institutions. The position of a director shall automatically become vacant in the event that such director should become an officer, employee, stockholder, or agent of the Association or a director (other than of FLCA and PCA), officer, employee, stockholder, or agent of any other System institution. No person who is a director of a Farm Credit Bank or another Farm Credit Association (other than FLCA and PCA) shall be eligible to be elected or appointed as a director, and such person may not serve as a director; provided however, a Stockholder-Elected Director elected to a Farm Credit Bank board may continue to serve until the next Annual Meeting or a special meeting of the Stockholders of the Association called for the purpose of election of directors. A salaried officer or employee of any institution of the System is not eligible to be elected or appointed and may not serve as a director nor shall any such person be elected or appointed as a director within one (1) year after ceasing to be employed by the Association or any other institution of the System. Subject to the Regulations, a person who is a director, officer or employee of a non-System financial institution which is authorized to make the same types of loans that may be obtained from the Association shall not be eligible to be elected or appointed as a director of the Association.

Section 4.03 Nominating Committee.

(a) At each Annual Meeting, the Voting Stockholders shall elect a nominating committee consisting of six (6) Stockholders who own or jointly own Class B Common Stock of the Association; provided however, an individual designated in accordance with these Bylaws to vote the Class B Common Stock held by a Stockholder may serve as a member or alternate on the nominating committee of the Association so long as that individual meets all of the other requirements for serving on the nominating committee of the Association. Notwithstanding anything contained herein to the contrary, only one Stockholder jointly sharing ownership of the Class B Common Stock of the Association may seek the opportunity and serve on the nominating committee within an election cycle, and that individual is not required to be designated to cast votes on behalf of all the Stockholders sharing ownership of the Class B Common Stock. The nominating committee shall operate under policies and procedures approved by the Board consistent with applicable Regulations.

(b) Stockholders who neither reside nor conduct agricultural operations in the Association's chartered territory are not eligible to serve as members of the nominating committee.

(c) Notwithstanding anything contained herein to the contrary, no person shall be nominated, elected or appointed, or allowed to continue to serve as a member of the nominating committee of the Association, if that person is the spouse, parent, sibling, natural or adopted child, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law or daughter-in-law of a: (i) director of the Association, (ii) nominee for election to the Board, (iii) member of the nominating committee of the Association, (iv) nominee for election to the nominating committee of the Association, or (v) salaried officer or employee of the Association.

(d) The Voting Stockholders shall also elect two (2) or more alternate members of the nominating committee to serve in the event any member of the nominating committee is unable to carry out his or her duties. A vacancy shall be filled: first, by the alternate specifically designated by a vote of the Voting Stockholders to replace the absent committee member; second, from among the alternates, if any, by a vote of the remaining members of the nominating committee; and third, if there are no alternates eligible to serve, the remaining members of the nominating committee shall fill the vacant position(s) from among the Stockholders willing to serve who own or jointly own Class B Common Stock or individuals designated in accordance with these Bylaws to vote the Class B Common Stock held by Voting Stockholders.

(e) Members of the Board and candidates for Board member positions are not eligible to serve on the nominating committee. A salaried officer or employee of the Association or any institution of the System is not eligible to serve on the nominating committee and may not serve on the nominating committee within one (1) year after ceasing to be employed by the Association or any other institution of the System.

(f) The Association will provide the nominating committee reasonable access to administrative resources in order to perform its duties. At a minimum, the nominating committee will be provided a current list of the Stockholders of all classes of Stock of the Association as set forth below, the most recent Bylaws, and the current Director Qualifications Policy. At the request of the nominating committee, the Association shall provide a summary of the current Board self-

evaluation. However, the Association will require a written pledge of confidentiality by nominating committee members prior to releasing evaluation documents. The nominating committee shall review a current list of Stockholders of all classes of Stock of the Association who are eligible to serve as directors of the Association. Such list shall (i) denote the class of Stock held by each such Stockholder, and (ii) shall also include the individuals designated in accordance with these Bylaws to vote the Class B Common Stock held by Voting Stockholders, who are eligible to serve as Stockholder-Elected Directors if elected.

(g) The nominating committee shall evaluate the candidate's qualifications, including consideration of whether there are any known obstacles preventing a candidate from performing the duties as a Board member, ascertain their willingness to serve, and submit for election a slate of eligible candidates which shall include at least two (2) nominees for each Stockholder-Elected Director position to be filled. The nominating committee shall attempt to assure equitable representation to all portions of the Association's operating territory and, to the extent possible, to all types of agricultural practices within the territory. If the nominating committee, after diligent effort, is unable to identify more than one eligible candidate who is willing to run for a Stockholder-Elected 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 three 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 description of the nominating committee's efforts to identify more than one eligible candidate shall be included in the Association's annual meeting information statement.

(h) A majority of the members of the nominating committee shall constitute a quorum for transacting business of the committee. The committee shall keep minutes of its deliberations which shall be turned over to the secretary of the Association to be maintained in accordance with the Association's records disposal schedule. No individual shall be eligible to be nominated as a candidate for election to the Board in the same election cycle for which the nominating committee is identifying candidates if that individual was elected to serve on the nominating committee and attended any meeting called by the nominating committee. A member of the nominating committee who has not attended a nominating committee meeting may resign from the nominating committee and accept a nomination to run for a Stockholder-Elected Director position.

(i) At the Annual Meeting, the nominating committee may present a list of candidates for the Voting Stockholders to consider in electing the nominating committee for the ensuing year. The nomination of candidate(s) for election to the nominating committee may be made from the floor by Voting Stockholders and individuals designated in accordance with these Bylaws to vote the Class B Common Stock held by a Voting Stockholder. Nominations from the floor must be eligible, qualified candidates and physically in attendance at the meeting when nominated and indicate a willingness to accept the nomination. In accordance with Section 3.01, in the event of Sectional Sessions where voting occurs, nominations from the floor will only be accepted at the first Sectional Session. All nominees must be Stockholders that own or jointly own Class B Common Stock or individuals designated in accordance with these Bylaws to vote the Class B Common Stock held by a Stockholder. Any Voting Stockholder, or individual designated in

accordance with these Bylaws to vote the Class B Common Stock held by a Voting Stockholder, desiring to nominate a candidate for the nominating committee from the floor at a voting session of the Stockholders shall be responsible for providing in paper or electronic form such nominee's biographical and disclosure information as required by the Act, Regulations, Bylaws and the Association's policies, at such session; provided, however, if voting shall not occur at such session, such nominee's biographical and disclosure information must be received by the Association no later than three (3) business days following the nomination. Disclosure information forms will be available at the Association's corporate office for any potential floor nominee consideration and at the Annual Meeting.

(j) Upon receiving a floor nomination, the Annual Meeting process will be stopped until initial eligibility is determined. The nominee's biographical, and disclosure information (if available), will be immediately reviewed by the Association's chief executive officer or designee and due diligence performed to determine initial eligibility. After initial eligibility is determined, the meeting will proceed. After receiving a floor nomination, the floor nominee must state if he or she accepts the nomination for election to the nominating committee. Nominations from the floor do not require a "second" before being placed on a ballot, although the chairman conducting the meeting, in his sole discretion, may permit Voting Stockholders to second a nomination to show support.

(k) Following the Annual Meeting, the Association shall as necessary conduct additional due diligence to determine if the floor nominee meets all the eligibility requirements imposed by the Act, Regulations, Bylaws and the Association's policies. Floor nominees meeting all eligibility requirements will be placed on the ballot. If the floor nominee is ineligible to be elected to the nominating committee, the floor nominee shall be removed from the ballot. If a newly elected nominating committee member is determined to be ineligible, the nominating committee member shall be immediately removed from office.

(l) The requirements for a floor nomination of candidates for election to the nominating committee shall be included in the Association's annual meeting information statement as well as in the notice provision for any nominating committee elections.

Section 4.04 Voting on Stockholder-Elected Directors.

(a) The Voting Stockholders shall elect each year one or more Stockholder-Elected Directors as may be required to fill the position of each Stockholder-Elected Director whose term is expiring or to fill any vacancy on the Board of a Stockholder-Elected Director position(s).

(b) At the Annual Meeting where a Stockholder-Elected Director is to be voted upon, the nominating committee may present a list of candidates for the Voting Stockholders to consider in electing Stockholder-Elected Directors. The nomination of candidate(s) for election of Stockholder-Elected Directors may be made from the floor by Voting Stockholders and individuals designated in accordance with these Bylaws to vote the Class B Common Stock held by a Voting Stockholder. Nominations from the floor must meet the same eligibility and qualification requirements as candidates nominated by the nominating committee and physically in attendance at the meeting when nominated and indicate a willingness to accept the nomination. In accordance

with Section 3.01, in the event of Sectional Sessions where voting occurs, nominations from the floor will only be accepted at the first Sectional Session.

(c) All nominees for Stockholder-Elected Director positions must be Stockholders that own or jointly own Class B Common Stock or individuals designated in accordance with these Bylaws to vote the Class B Common Stock held by a Voting Stockholder. Notwithstanding anything contained herein to the contrary, no more than one Stockholder jointly sharing ownership of the Class B Common Stock of the Association may simultaneously serve as a director of the Association, and that individual is not required to be designated to cast votes on behalf of all the Stockholders sharing ownership of the Class B Common Stock. Any Voting Stockholder, or individual designated in accordance with these Bylaws to vote the Class B Common Stock held by a Stockholder, desiring to nominate a candidate for a Stockholder-Elected Director position from the floor at a voting session of the Stockholders shall be responsible for providing in paper or electronic form such nominee's biographical and disclosure information as required by the Act, Regulations, Bylaws and the Association's policies at such session; provided, however, if voting shall not occur at such session, such nominee's biographical and disclosure information must be received by the Association no later than three (3) business days following the nomination. Disclosure information forms will be available at the Association's corporate office for any potential floor nominee consideration and at the Annual Meeting.

(d) Upon receiving a floor nomination, the Annual Meeting process will be stopped until initial eligibility is determined. The nominee's biographical, and disclosure information (if available), will be immediately reviewed by the Association's chief executive officer or designee and due diligence performed to determine initial eligibility. After initial eligibility is determined, the meeting will proceed. After receiving a floor nomination, the floor nominee must state if he or she accepts the nomination for election to the Board. Nominations from the floor do not require a "second" before being placed on a ballot, although the chairman conducting the meeting, in his sole discretion, may permit Voting Stockholders to second a nomination to show support.

(e) Following the Annual Meeting, the Association shall as necessary conduct additional due diligence to determine if the floor nominee meets all the eligibility requirements imposed by the Regulations, Bylaws and the Association's policies. Floor nominees meeting all eligibility requirements will be placed on the ballot. If a newly elected Stockholder-Elected Director is determined to be ineligible, the Stockholder-Elected Director shall be immediately removed from office.

(f) The requirements for a floor nomination of candidates for election to the Board shall be included in the Association's annual meeting information statement as well as in the notice provision for any Stockholder-Elected Director elections.

(g) No director of the Association shall, in his capacity as a director, make any statement, either orally or in writing, which may be construed as intending to influence any vote in the Stockholder-Elected Director nominations or elections. This paragraph shall not prohibit Stockholder-Elected Director candidates from engaging in campaign activities on their own behalf.

(h) Voting Stockholders shall cast secret ballots and the chairman conducting the election shall appoint a teller's committee of eligible Voting Stockholders or an independent third

party to tally the ballots. Voting Stockholders who are directors, candidates, employees or members of the nominating committee and alternates are ineligible to serve as members of the teller's committee.

(i) All candidates shall be listed on the ballot by the position to be filled. Incumbents will not be designated as such on the ballot. If more than one position is to be filled, the election for each position shall be conducted independently. No individual may be nominated for more than one position. The candidate receiving the greatest number of the votes cast for each position shall be declared elected.

(j) The Board may elect to hold all voting for Stockholder-Elected Directors and nominating committee members by mail ballot and such determination must be announced in the Notice of Meeting. The procedure for such mail ballot shall be as follows: Within ten (10) business days following the date of the Annual Meeting, or of the last Sectional Session if the Annual Meeting is held in consecutive Sectional Sessions, a ballot shall be mailed to each Voting Stockholder. The election polls shall be closed at the end of the fifteenth (15th) business day following the date on which the ballots are mailed to the Voting Stockholders. On the first business day after the polls are closed, the tellers committee shall convene in the Association's Administrative Office to tally the ballots received prior to the closing of the polls. 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 ten (10) business days announcing the results of the election. Mailing a ballot to a Voting Stockholder's address as recorded in the books and records of the Association shall be conclusive evidence of receipt of the ballot by the Voting Stockholder. The receipt, collection, and tallying of ballots may be under the supervision and guidance of either the Association's legal counsel or outside independent firm. If the Board so directs, the legal counsel or outside independent firm shall certify as to the results of the election prior to any public announcement of the results of the election. If no individual is elected to a position because of a tie vote, the tie vote shall be broken by the toss of a coin.

Section 4.05 Outside Directors and Appointed Directors. Notwithstanding any other provision of these Bylaws, at least one (1) member of the Board shall be an Outside Director; provided however, in the event the Association has total assets exceeding \$500 million on January 1 of a calendar year, the Board shall have no fewer than two (2) Outside Directors. In addition, the Board may appoint up to two (2) Appointed Directors who are not required to qualify as Outside Directors. All directors then in office shall vote in the Board's appointment of Outside Directors and Appointed Directors (provided however, a director shall not vote on the re-appointment of himself or herself). Except as expressly otherwise provided in these Bylaws, the qualifications, terms, manner of nomination and election, bases for removal, and related matters respecting the Outside Directors and Appointed Directors shall be as provided in these Bylaws with respect to Stockholder-Elected Directors.

Section 4.06 Voting on Outside Directors and Appointed Directors. Each Outside Director required to be elected by the other directors under these Bylaws shall be elected at a meeting of the Board duly called and regularly held as soon as practical following either the expiration of the term of office of an Outside Director or at the time the position of an Outside Director becomes vacant for any reason. Subject to Section 4.05, Appointed Directors may be selected by the Board

when the Board believes that the best interest of the Association will be served by selecting Appointed Directors who will facilitate diversity, add needed skills or otherwise enhance the Board's governance.

Section 4.07 Term of Office. A Stockholder-Elected Director shall serve until the third Annual Stockholder Meeting after being elected, or for the unexpired portion of the term for which the director was elected if the Stockholder-Elected Director was elected by the Voting Stockholders to fill a vacated position on the Board, and thereafter until such director's successor is elected and qualified. The term of the Outside Directors and Appointed Directors shall be the same as those for Stockholder-Elected Directors. An Outside Director or Appointed Director shall serve until the third Annual Stockholder Meeting after being elected, or for the unexpired portion of the term for which the Outside Director or Appointed Director was appointed to fill a vacated position on the Board, and thereafter until such director's successor is elected and qualified. Notwithstanding the foregoing, a director's term of office shall terminate if the director shall resign, be removed from office, become unable to act by reason of death or disqualification or if the term of the director's position is shortened or terminated by action of the Voting Stockholders in connection with a merger or consolidation. There is no maximum number of consecutive terms for which an individual may serve as a Stockholder-Elected Director, Outside Director or Appointed Director.

Section 4.08 Staggered Terms. If as a result of a change in the number of directors or for any other reason the terms of directors do not expire on a staggered basis, the terms of the directors elected thereafter shall be for such periods not to extend beyond the third Annual Meeting thereafter with respect to Stockholder-Elected Directors, and not to extend beyond the first Board meeting following the third anniversary of his or her election with respect to an Outside Director or Appointed Director, as will establish or re-establish expiration of terms of directors on an equitably staggered basis.

Section 4.09 Filling a Vacancy on the Board.

(a) Subject to Section 5.34 of the Act, whenever a vacancy occurs in one or more of the Stockholder-Elected Director positions other than from the expiration of a term of office, the remaining directors shall by majority vote appoint an eligible qualified holder or joint holder of Class B Common Stock in the Association or individual designated to vote the Class B Common Stock held by an entity in accordance with these Bylaws to fill the vacancy until the next Annual Meeting or a special meeting of the Stockholders called for that purpose. Any director so appointed by the Board shall not be treated as a Stockholder-Elected Director elected by the Voting Stockholders for purposes of the Regulation requiring that at least 60% of the directors must be Stockholder-Elected Directors elected by the Voting Stockholders. If such appointment would cause the number of Stockholder-Elected Directors elected by the Voting Stockholders to be less than 60% of the total number of directors then in office, the Board shall call a special meeting of Stockholders to fill the vacancy. Subject to the foregoing, if the vacancy occurs within six (6) months preceding the next Annual Meeting, the Board may elect not to appoint a replacement and instead keep the position vacant until such Annual Meeting.

(b) Whenever a vacancy of an Outside Director or Appointed Director position occurs on the Board, then either (a) the remaining members of the Board, including Outside Directors and Appointed Directors, will appoint a replacement Outside Director or Appointed Director, as the

case may be, to serve the remaining unexpired term, or (b) the Board will determine to retain the vacancy in the Outside Director or Appointed Director seat so long as there is such number of remaining Outside Directors currently serving as required by the Act, Regulations, or these Bylaws.

Section 4.09.1 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 for any reason, the nominating committee shall promptly meet, and, by a vote of a majority of the committee's members who are present at such meeting (provided a quorum of the committee is present), shall appoint eligible and qualified persons to fill sufficient vacancies on the Board to constitute a quorum. The Board shall thereafter promptly elect eligible and qualified Stockholders who own or jointly own Class B Common Stock or individuals designated to vote the Class B Common Stock held by an entity in accordance with these Bylaws to fill the remaining vacancies. Such Directors appointed pursuant to this Section 4.09.1 shall serve until the next Annual Meeting or a special meeting of Stockholders called to elect director(s).

Section 4.10 Duties of Directors. The Board shall be responsible for the general control and direction of the affairs of the Association. The Board shall determine Association policy consistent with applicable law and Regulations and shall see that its policies are implemented by the management of the Association. In performing its duties, the Board shall exercise all powers of the Association and shall have the authority to take all such lawful acts with respect to the affairs of the Association except those which are specifically reserved to the Stockholders under applicable law, Regulations, the Association's charter or these Bylaws. Unless prohibited by applicable law, Regulations, the Association's charter or these Bylaws, the Board may delegate to an executive committee and such other committees as the Board deems composed of all or less than all of its members the responsibility for performing specific Board functions and may grant to the executive committee such rights, powers and authority as may be necessary to enable the executive committee to carry out those responsibilities.

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 manage the Association's affairs and establish policies with the primary objective of improving the three (3) institution's combined financial condition.

Section 4.10.1 The Board shall establish a Director Qualification Policy, a Director Training Policy and an Appointed Director Policy, all of which may be contained in the same document. The implementation and application of such policies, unless otherwise required by law, shall be at the discretion of the Board. The Board shall have the authority to amend and modify such policies so long as such policies do not conflict with these Bylaws or applicable law.

Section 4.10.2 The Board shall elect and fix the salary of the chief executive officer. Also, the Board shall prescribe the duties and responsibilities of the chief executive officer, who shall be responsible for the management of the Association. The Board shall provide for payment from general funds of reasonable and necessary expenses

incurred by officers, employees, and committees of the Association in connection with the Association's business.

Section 4.10.3 The Compensation Committee of the Board is also responsible for approving the overall compensation program.

Section 4.11 Board Meetings. The Board of the Association may hold both regular and special meetings at such times and locations as may be designated by the chairman of the board. A director shall be considered present at a meeting if he or she is in radio, telephone or teleconference communication with the other directors participating in the meeting. Subject to Section 6.02, notice of any meeting may be waived in writing, either before or after the meeting. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened. Regular meetings of the Board may be held without notice at such time and place as shall from time to time be determined by the Board provided that each Board member is made aware of the regularly scheduled time and location for each such meeting and further provided that the meetings are actually held at the regular time and place. Special meetings of the Board may be called by the chairman of the board or by the chief executive officer and shall be called by the chief executive officer or secretary on the written request of any two directors. Written notice of the time and place of all special meetings shall be given to each director at least 24 hours before the date of the meeting. Except as may be otherwise expressly provided by law, Regulations or these Bylaws, the matters to be considered and the purpose of any regular or special meeting of the Board need not be specified in the notice of the meeting. Some issues are time sensitive and it is recognized that certain Board actions/approvals may be needed outside of regularly scheduled Board (reference to Board meetings includes both full Board and/or Board Committee) meetings. The meeting may be conducted electronically (phone, tele-presence, etc.), regular quorum rules apply and the vote may be by voice or e-mail at the discretion of the chairman for that meeting. Such consent or action shall have the same force and effect as a vote at a physical meeting of the regularly scheduled Board.

Section 4.12 Quorum: Majority Vote. A majority of the Board then serving in office at a meeting duly assembled shall be necessary to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specially provided by law, Regulations or these Bylaws. If a quorum shall not be present at any meeting of the directors, the directors in attendance may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present. At any adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The directors present at a duly convened meeting may continue to transact business until adjournment notwithstanding the withdrawal from the meeting of enough directors so that less than a quorum remains.

Section 4.13 Action Without Meeting. Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all the members of the Board. Such consent shall have the same force and effect

as a unanimous vote at a meeting of the Board. The signed consent, or a copy of the signed consent, shall be placed in the Association's minute book.

Section 4.14 Record of Board Action. The Board shall keep regular minutes of its proceedings, which shall be placed in the minute book of the Association.

Section 4.15 Honoraria. Under policies consistent with the Act and applicable Regulations, the directors may be paid an honorarium for attendance at Board meetings, committee meetings or for special assignments on behalf of the Association. Directors may receive reasonable allowances for necessary expenses of travel, lodging and subsistence incurred in attending meetings and other activities of the Board in amount determined from time to time by the Board, in accordance with the Act and Regulations.

Section 4.16 Removal.

(a) Any director may be removed from the Board by a majority vote of the Voting Stockholders present in person or by proxy at any annual or special Stockholders meeting upon motion for removal, duly made, seconded and carried provided the notice of the meeting contains a notification that the removal is to be considered. In addition, an Outside Director or Appointed Director may be removed by a two-thirds majority vote of the full Board, excluding the director who is subject to removal. When removal of any director is sought before the expiration of the director's term, the reason for removal will be documented in Stockholders meeting or Board meeting minutes.

(b) If an Outside Director or Appointed Director is absent for three (3) consecutive regular meetings of the Board and, upon the request of the Board, does not present to the Board a written, verifiable excuse justifying, to the Board's satisfaction, such absences, the Board may, in its sole discretion, remove such Outside Director or Appointed Director from office by a vote of a majority of the remaining directors at any regular or special Board meeting provided that such removal vote occurs within sixty (60) days of the date of such director's failure to attend his or her third consecutive regular Board meeting without the required excuse. Any director being considered for removal will be prohibited from voting in his or her own removal action. Removal procedures will be reviewed and maintained on a regular basis. The resulting vacancy shall be filled as provided in Section 4.09.

Section 4.17 Other Grounds for Removal. The office of any Stockholder-Elected Director, Outside Director or Appointed Director shall automatically become vacant in the event such director: (1) files a petition for relief in voluntary bankruptcy, or otherwise institutes suit under applicable voluntary Federal or State bankruptcy, insolvency, or receivership laws; or (2) is adjudged a debtor in an involuntary Federal bankruptcy or placed in receivership in a State proceeding; or (3) seeks reorganization under the Bankruptcy Code of personal business interests or that of a corporation in which the director owns the controlling interest; or (4) is party to a foreclosure proceeding (judicial or non-judicial) or a voluntary conveyance in lieu of foreclosure involving property in which the director has an interest, which is instituted or executed because of the director's default on indebtedness to a System institution; or (5) is primarily or secondarily liable on a loan from any System institution where there is rescheduling, re-amortization, deferral of principal or interest, granting of monetary concessions under FASB-15, or other restructuring

action taken because of the director's default on such loan, or because the loan is determined to be distressed and eligible for restructuring under the Association's distressed loan restructuring policy and is in fact restructured; or (6) is not in compliance with the Association's Standards for Official Loans Policy; or (7) is convicted of any felony or any other criminal offense involving dishonesty or a breach of trust, or is held liable for damages in fraud while holding office; or (8) is declared legally incompetent. In the event that a Stockholder-Elected Director ceases to be a Borrower but continues to hold non-voting stock, such director may continue to serve for the remainder of the unexpired portion of the director's term. If a Stockholder-Elected Director ceases to be a Stockholder of the Association, such director's position shall automatically become vacant.

Section 4.18 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 the 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.

Section 4.19 Committees. The Board shall establish an audit committee and compensation committee and may, at its discretion, appoint such other committees as it deems appropriate. The Board shall appoint or discharge any member of such committees, and shall establish a charter for each committee it establishes prescribing the duties and responsibilities of such committee. A majority of the members of any committee shall constitute a quorum. 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. Each committee shall keep a written record of its proceedings. Vacancies on any committee shall be filled by vote of the entire Board.

ARTICLE V **OFFICERS**

Section 5.01 Number. The officers of the Association shall be chosen by the Board and shall include, but not be limited to, a chairman and vice chairman of the board, chief executive officer, treasurer and secretary.

Section 5.02 Election. At its first meeting after each Annual Meeting, or where the election of directors is conducted by mail ballot, its first meeting after the results of the election are known, the Board shall choose a chairman and vice chairman from among the directors and shall choose a chief executive officer, treasurer and secretary none of whom shall be members of the Board.

Section 5.03 Additional Officers. The Board may appoint a president, chief operating officer chief operating officer, vice presidents, assistant secretaries, assistant treasurers and such other officers and employees as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board, provided that no member of the Board may hold any such office.

Section 5.04 Compensation. The salaries of all officers and employees of the Association shall be fixed by the Board or by the chief executive officer of the Association to whom such power has been delegated by the Board, from time to time, provided that the chairman and vice chairman of the board shall not receive a salary though they shall be eligible to receive the compensation

provided for in Section 4.15 of these Bylaws to the same extent that other members of the Board are eligible to receive such compensation. No individual shall be eligible to become a salaried officer or salaried employee of the Association if such individual served on the Association's or Bank's board within twelve (12) months immediately preceding the time employment would otherwise commence.

Section 5.05 Term; Vacancies. Each officer of the Association shall hold office until his or her successor is chosen and qualified or until his or her death, resignation or removal from office. Any officer or employee elected or appointed by the Board may be removed at any time by the affirmative vote of a majority of the members of the Board or by the chief executive officer, if such authority is delegated to the chief executive officer by the Board. Any vacancy occurring in any office of the Association may be filled by the Board at any time.

Section 5.06 Chairman of the Board. The chairman of the board shall (a) preside over all meetings of the Board, (b) he or his designee shall preside over all Members' meetings, and (c) perform such other duties as may be prescribed by the Board.

Section 5.07 Vice-Chairman of the Board. In the absence of the chairman of the board, the vice-chairman of the board shall perform the duties of the chairman of the board as well as such other duties as may be prescribed by the Board. In the absence of both the chairman of the board and the vice chairman of the board, one of the other directors shall be elected by those present to preside over the meeting.

Section 5.08 Chief Executive Officer. The chief executive officer shall perform such duties and exercise such authority as may be vested or delegated by the Board. The chief executive officer shall see that all orders and resolutions of the Board, the Act, and Regulations with respect to the Association and all applicable policies and procedures are carried into effect and shall perform such other duties as may be prescribed by the Board. The chief executive officer shall be the senior salaried officer of the Association and as such shall have, except to the extent authority is reserved by the Board, general supervisory authority and responsibility with respect to all other salaried officers and employees. He or she shall be responsible for the day-to-day operations of the Association and, subject to guidelines and limitations established by the Board, shall employ, supervise and dismiss any and all salaried officers and employees of the Association, fix their compensation within salary plans approved by the Board 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 president or other title as determined by the Board.

Section 5.09 Vice-Presidents. In the absence or disability of the chief executive officer and in the order of precedence established by the chief executive officer, the vice-presidents shall perform the duties and exercise the authority of the chief executive officer. They shall also generally assist the chief executive officer and exercise such other authorities and duties as are delegated to them by the chief executive officer, subject to any guidelines and limitations imposed by the Board.

Section 5.10 Secretary. The secretary shall: (a) keep a complete record of all meetings of the Stockholders and the Board, except meetings of the nominating committee; (b) be responsible for the corporate records of the Association; (c) keep the corporate seal, if any, and affix it to all Association documents requiring a seal; (d) shall attest the signatures of other officers of the

Association, (e) make such reports as may be required by the Act or the Regulations; and (f) perform such other duties as may be required by the Board, chief executive officer or these Bylaws.

Section 5.11 Assistant Secretaries. In order of their seniority and in the absence or disability of the secretary, the assistant secretaries shall perform the duties and exercise the authorities of the secretary and shall perform such other duties as the Board or the chief executive officer may from time to time prescribe.

Section 5.12 Treasurer. The treasurer shall: (a) have custody of all funds, securities, and assets of the Association; (b) keep full and accurate accounts of receipts and disbursements in the books belonging to the Association; (c) deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board or the chief executive officer; (d) disburse the funds of the Association as may be ordered by the Board; (e) render to the chief executive officer and the Board an accounting of all transactions as treasurer and of the financial condition of the Association; (f) make such reports as may be required by the Act or the Regulations; (g) maintain complete equity ownership records; and (h) 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.

Section 5.13 Assistant Treasurers. In order of their seniority and in the absence or disability of the treasurer, the assistant treasurers shall perform the duties and exercise the authorities of the treasurer and shall perform such other duties as the Board or the chief executive officer may from time to time prescribe.

ARTICLE VI **NOTICES**

Section 6.01 Method. Notices to directors and Stockholders shall be in writing and delivered personally or mailed to the directors or Stockholders at their respective addresses appearing on the records of the Association. Notice by mail shall be deemed to be given at the time when the same shall be deposited in a United States post office or mail box, postage prepaid. Notice to directors may also be given by electronic mail or facsimile and shall be deemed to be given at the time when confirmation of receipt of electronic mail or facsimile is made.

Section 6.0 Waiver. Notice of a meeting need not be given to any director who signs a waiver of notice either before or after the meeting. To be effective the waiver shall contain recitals sufficient to identify beyond a reasonable doubt the meeting to which it applies. The recitals may, but need not necessarily, include reference to the date and purpose of the meeting and the business transacted thereat. Recital of the proper date of a meeting shall be conclusive identification of the meeting to which a waiver of notice applies unless the waiver contains additional recitals creating a patent ambiguity as to its proper application. The attendance of a director at a Board meeting shall constitute a waiver of notice of that meeting, except where the director attends the meeting for the sole and express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE VII
CAPITALIZATION OF ASSOCIATION

Section 7.01 General Authorization of Classes, Par or Face Value, Voting Rights, Adoption, Form, Ownership.

Section 7.01.1 The Association is authorized to have outstanding Class A Common Stock, Class B Common Stock, Class P Common Stock and participation certificates. Each share of stock 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. Notwithstanding any provision of this article, no class of stock shall be issued, transferred, retired, have dividends declared or paid upon it, or otherwise be dealt by the Association or any other party except in accordance with applicable law and regulations.

Section 7.01.2 Class B Common Stock will have full voting rights, while Class A Common Stock, Class P Common Stock and participation certificates will have no voting rights except as provided in this section. Except as provided in this section, these capitalization Bylaws and any amendments thereto shall not take effect until approved by a majority of Voting Stockholders in accordance with Section 4.3A(c)(2) of the Act voting in person or by written proxy at a duly authorized meeting. The issuance of preferred stock must be authorized by a majority of the shares of each class of equities affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote Cumulative voting for the election of directors or for any other purpose shall not be permitted.

Section 7.01.3 Evidence of ownership of capital stock and participation certificates shall be by book entry except as may otherwise be required by regulation of the FCA. The Association shall be its own transfer agent in all matters relating to its capital stock and participation certificates.

Section 7.02 Capitalization Plan. The Board shall adopt a consolidated plan of capitalization for the Association, PCA and FLCA in compliance with these Bylaws and applicable regulations.

Section 7.03 Stock Forms, Rights and Privileges.

Section 7.03.1 Class A Common Stock - Nonvoting:

- (1) **Holder.** Class A Common Stock will only be issued for the conversion of Class B Common Stock or participation certificates as provided for in Section 7.03.1 (7) and 7.03.2 (7), respectively.
- (2) **Issuance.** Class A Common Stock may be issued in unlimited amounts.

- (3) **Retirement.**
- (a) Class A Common Stock may be retired at the sole discretion of the Association's Board in accordance with the policy and procedure of the Association's Board provided that the Association's Board determines that the Association, FLCA and PCA will meet or exceed, after the retirement, the minimum capital adequacy requirements established by regulations of the FCA, or such higher capitalization objectives that have been established by the Board, taking into account the payment of all declared dividends or payment of allocated equities to holders.
 - (b) At its option the Association may retire all or a part of the shares of Class A Common Stock against the outstanding indebtedness of a Borrower, in the event of default by the Borrower, provided the Association meets or exceeds minimum capital adequacy requirements as established by FCA.
 - (c) Class A Common Stock shall be retired at book value not to exceed par value.
- (4) **Dividends.** Class A Common Stock shall have an equal right with other classes of common stock or participation certificates to any common dividends declared by the Board.
- (5) **Patronage Distributions.** Ownership of Class A Common Stock will not entitle holders to any patronage distributions declared by the Association's Board.
- (6) **Transfer.** Class A Common Stock may be transferred to any individual or legal entity.
- (7) **Conversion.** Class A Common Stock that has been transferred may be converted only if the Association, PCA and FLCA meet, at the time of conversion, minimum capital adequacy standards established by FCA.
- (8) **Lien.** The Association, FLCA and PCA, as applicable, shall have a first lien on all outstanding Class A Common Stock owned by a Borrower as additional collateral for any indebtedness of the Borrower to the Association, FLCA and/or PCA.

Section 7.03.2 Class B Common Stock - Voting:

- (1) **Holder.** Class B Common Stock may only be issued to Borrowers who are farmers, ranchers, or producers or harvesters of aquatic products.
- (2) **Issuance Requirement.** Class B Common Stock is required to be purchased by every eligible holder as a condition for obtaining a loan or loans and will be maintained in an amount that equals 10 percent of each loan balance or such lower amount but not less than 2 percent of the holder's aggregate loan balances outstanding or \$1,000, maximum to Borrower whichever is less, as the Board, in its sole discretion, may determine from time to time. The number of shares authorized to be issued and outstanding will be unlimited. Class B Common Stock must be purchased by every eligible holder as a condition for obtaining a lease and will be maintained in an amount that equals 10 percent of the total outstanding amount of the lease or such lower amount as the Board shall determine from time to time in its sole discretion, but not less than one share. Class B Common Stock need not be purchased by any Borrower whose loan, at the time the loan is made, is designated for sale into a secondary market, and is in fact sold within the 180-day period beginning on the date of designation. If such loan is not sold into a secondary market by the expiration of the 180-day period, the Borrower shall purchase Class B Common Stock in the amount set forth above for loans not sold into a secondary market. In cases where (1) stock has been issued on a loan made before February 10, 1996, the effective date of the Farm Credit System Reform Act of 1996, or (2) stock is issued on a loan made on or after February 10, 1996 that is designated for sale into a secondary market but is not sold during the 180-day period beginning on the date of designation, and where such loan is subsequently sold into a secondary market, the stock shall be retired provided that minimum regulatory capital adequacy standards are met. The retention by the Association of a subordinated participation interest in any loan sold into a secondary market under title VIII of the Act shall not affect the application of this Bylaw to such loan.
- (3) **Retirement.**
 - (a) Except as provided in Section 7.03.2 (2), the amount of the Class B Common Stock that exceeds the amount required in Section 7.10.22 (2) may be retired at the sole discretion of the Board in accordance with the policy and procedure of the Association's Board provided the Association's Board determines that the Association, FLCA and PCA will meet

or exceed, after the retirement, minimum capital adequacy requirements established by regulations of the FCA, or such higher capitalization objectives that have been established by the Board taking into account the payment of all declared dividends and/or payment of allocated equities to holders.

- (b) Class B Common Stock shall be retired at book value not to exceed par value.
 - (c) At its option and upon proper notice to the Borrower, the Association may retire all or part of the shares of Class B Common Stock outstanding against the outstanding indebtedness of a Borrower in the event of default by the Borrower.
 - (d) If the Association forgives and writes off under Section 4.14A of the Act any of the principal outstanding on a loan to a Borrower who is a Member of the Association, the Association shall cancel the same dollar amount of stock held by the Borrower in respect of the loan, up to the total amount of such stock. In any event, if the Borrower has a continuing loan obligation with the Association, the Borrower shall be entitled to retain at least one share of Class B Common Stock to maintain the Borrower's membership and voting interest in the Association.
- (4) **Dividends.** Class B Common Stock shall have an equal right with other classes of common stock or participation certificates to any common dividends declared by the Board.
 - (5) **Patronage Distributions.** Ownership of Class B Common Stock will entitle holders to any patronage distributions declared by the Association's Board as provided in Section 8.05.
 - (6) **Transfer.** Class B Common Stock may be transferred to other persons or entities eligible to hold it under Section 7.03.2(1). Such transferred stock may be used to satisfy purchase requirements under Section 7.03.2(2) only if the Association, PCA and FLCA meet minimum capital adequacy requirements as established by FCA or such higher amount as established by the Board.
 - (7) **Conversion.** Class B Common Stock shall be converted to Class A Common Stock within two years after the holder ceases to be a Borrower. Class B Common Stock may be converted to Class A Common Stock upon Member's request. Conversion will be limited to only that amount of stock which is eligible for retirement as enumerated in Section 7.03.2(3).

- (8) **Lien.** The Association, FLCA and PCA, as applicable, shall have a first lien on all outstanding Class B Common Stock owned by a Borrower as additional collateral for any indebtedness of the Borrower to the Association, PCA and FLCA.

Section 7.03.3 Participation Certificates - Nonvoting:

(1) **Holder.**

- (a) Participation certificates will be issued as a condition of borrowing from the Association, FLCA or PCA. Participation certificates may be issued to Borrowers or applicants who are:
- (1) Rural residents, including persons eligible to hold Class B Common Stock under Section 7.03.2(1), to capitalize rural housing loans.
 - (2) Persons or organizations furnishing farm-related services.
 - (3) Other persons or organizations who are eligible to borrow from or participate with the Association but who are not eligible to hold voting stock.
- (b) Participation certificates 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, FLCA or PCA.
- (c) Participation certificates may be issued at the discretion of the Association's Board to persons who sell participation interests in loans or leases to the Association, FLCA or PCA.

Participation Certificates authorized under Section 7.03.3(a) and (b) may be issued in unlimited amounts. Up to 10 million participation certificates may be issued under Section 7.03.3(c).

- (2) **Issuance.** Participation certificates are required to be purchased by every eligible Borrower not eligible to hold voting stock as a condition for obtaining a loan and will be maintained in an amount that equals 10 percent of each loan balance or such lower amount but not less than 2 percent of the holder's aggregate outstanding loan balances or \$1,000, maximum to Borrower whichever is less, as the Board may in its sole discretion determine from time to time. The number of certificates authorized to be issued and outstanding will be unlimited (except as provided in Section 7.03.3(1)). Participation

certificates must be purchased by every eligible holder not eligible to hold voting stock as a condition for obtaining a lease and will be maintained in an amount that equals 10 percent of the total outstanding lease amount or such lower amount as the Board shall determine from time to time in its sole discretion. Participation certificates need not be purchased by any Borrower whose loan, at the time the loan is made, is designated for sale into a secondary market, and is in fact sold within the 180-day period beginning on the date of designation. If such loan is not sold into a secondary market by the expiration of the 180-day period, the Borrower shall purchase participation certificates in the amount set forth above for loans not sold into a secondary market. In cases where (1) participation certificates have been issued on a loan made before February 10, 1996, the effective date of the Farm Credit System Reform Act of 1996, or (2) participation certificates are issued on a loan made on or after February 10, 1996 that is designated for sale into a secondary market but is not sold during the 180-day period beginning on the date of designation, and where such loan is subsequently sold into a secondary market, the participation certificates shall be retired provided that minimum regulatory capital adequacy standards are met. The retention by the Association of a subordinated participation interest in any loan sold into a secondary market under title VIII of the Act shall not affect the application of this Bylaw to such loan.

(3) **Retirement.**

- (a) Except as provided in Section 7.03.2, the amount of participation certificates that exceeds the amount required under Section 7.03.2 may be retired at the sole discretion of the Association's Board in accordance with the policy and procedure established by the Board, provided that the Association, PCA and FLCA will meet or exceed, after the retirement, minimum capital adequacy requirements established by regulations of the FCA or such higher capitalization objectives that have been established by the Board, taking into account the payment of all declared dividends or payment of allocated equities to holders.
- (b) Participation certificates shall be retired at book value not to exceed par value.
- (c) The Association, at its option, and upon proper notice to the Borrower, may retire all or part of the participation certificates against the outstanding indebtedness of a Borrower in the event of default by the Borrower.

- (4) **Dividends.** Participation certificates shall have an equal right with other classes of common stock to any common dividends declared by the Board.
- (5) **Patronage Distributions.** Ownership of participation certificates will entitle the holder to share in any patronage distributions declared by the Association's Board as provided in Section 8.05.
- (6) **Transfer.** Participation certificates may be transferred to other persons or entities eligible to hold them under Section 7.03.2. Transferred participation certificates may be used to satisfy the purchase requirements under Section 7.03.3 only if the Association, PCA and FLCA meet minimum capital adequacy requirements as established by FCA and such higher amount as established by the Board.
- (7) **Conversion.** Participation certificates may be converted to Class A Common Stock upon Member's request. Conversion will be limited to only that amount of participation certificates which is eligible for retirement as enumerated in Section 7.03.3.
- (8) **Lien.** The Association, FLCA and PCA, as applicable, shall have a first Lien on all outstanding participation certificates owned by a Borrower as additional collateral for any indebtedness of the Borrower to the Association, PCA and FLCA.

Section 7.03.4 Class P Common Stock - Nonvoting.

- (1) **Holder.** This stock may be issued to Borrowers eligible to hold Class B Common Stock or participation certificates. The issuance of this stock for the purposes of accepting the distribution of Association earnings shall be a condition to obtaining a loan.
- (2) **Amount; Issuance.**
 - (a) Class P Common Stock may be issued in unlimited amounts. This stock shall be issued in series with the stock issued in each fiscal year constituting a separate series.
 - (b) Class P Common Stock may be issued as provided in these Bylaws only for allocated surplus distributions (Section 8.03), stock dividends (Section 8.04), and patronage distributions (Section 8.05).
- (3) **Retirement.** This stock may be retired at the sole discretion of the Board in accordance with the policy and procedure of the Association's Board provided the Association's Board determines

that the Association, PCA and FLCA will meet or exceed, after the retirement, minimum capital adequacy requirements established by regulations of the FCA or such higher capitalization objectives that have been established by the Board, taking into account the payment of all declared dividends and/or payment of allocated equities to holders.

- (4) **Dividends**. This stock shall be eligible for any dividends declared by the Association's Board.
- (5) **Patronage Distributions**. Ownership of Class P Common Stock will not entitle holders to any patronage distributions declared by the Association's Board.
- (6) **Transfer**. This stock may be transferred to any person or legal entity.
- (7) **Conversion**. This stock may not be converted.
- (8) **Lien**. The Association, FLCA and PCA, as applicable, shall have a first lien on all outstanding Class P Common Stock owned by a Borrower as additional collateral for any indebtedness of the Borrower to the Association, PCA and FLCA.

Section 7.04 Impairment.

Section 7.04.1 Losses. Any losses which result in any impairment of the Association's capital stock shall be borne ratably by each share or unit of all classes of common stock and participation certificates.

Section 7.04.2 Restoration. Impaired stock and participation certificates shall be restored in the reverse order of impairment until each share of stock and unit of participation certificates has a book value equal to the par or face value, respectively.

Section 7.04.3 Distribution on Liquidation. In the event of the liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities shall be distributed to the holders of stock and participation certificates in the following order of priority:

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

Second, to the holders of allocated surplus evidenced by Qualified Written Notices of Allocation as defined in Section 8.05.8 of these Bylaws pro rata, on the basis of the oldest allocations first, until an amount equal to the balance outstanding in this account has been distributed to the holders;

Third, to the holders of allocated surplus evidenced by Nonqualified Written Notices of Allocation as defined in Section 8.05.8 of these Bylaws pro rata, on the basis of the oldest allocations first, until an amount equal to the balance outstanding in this account has been distributed to the holders;

Fourth, any remaining assets of the Association after such distribution shall be distributed to Members, both past and present, in proportion to which the aggregate patronage of each such Member bears to the total patronage of all such parties insofar as practicable, unless otherwise provided by law.

ARTICLE VIII **EARNINGS, SURPLUS, DIVIDENDS, PATRONAGE DISTRIBUTIONS**

Section 8.01 Application of Earnings or Losses.

Section 8.01.1 At the end of each fiscal year, the Association shall apply its earnings for such fiscal year as follows and in the order listed:

- (1) To cover operating expenses including additions to loan valuation reserves, in accordance with generally accepted accounting principles and as provided by law;
- (2) To restore the amount of any impairment of all capital stock and participation certificate as provided in Section 7.04 of the Bylaws;
- (3) To restore the amount of any impairment of allocated surplus, in the reverse order of such impairment;
- (4) To create and maintain an unallocated surplus account as provided in Section 8.02 of these Bylaws;
- (5) To pay dividends on capital stock of the Association if authorized;
- (6) To make patronage distributions if authorized pursuant to Section 8.05 of these Bylaws; and
- (7) To transfer any remaining earnings to the unallocated surplus account.

Section 8.01.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 8.01.1 above, such loss shall be absorbed by: first, charges to the unallocated surplus account; second, impairment of the allocated surplus account to the extent evidenced by "Nonqualified Written Notices of Allocations", in the reverse order of issuance,

third, impairment of the allocated surplus account to the extent evidenced by "Qualified Written Notices of Allocation," in the reverse order of issuance; and fourth, impairment of capital stock as provided in Section 7.04.1.

Section 8.02 Surplus Accounts. The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amount of these two accounts shall be determined by the Association's Board, provided such amount equals or exceeds the minimum aggregate amount prescribed by FCA. At the end of any fiscal year that the surplus accounts otherwise would be less than the minimum amount prescribed by the Board, the Association shall apply earnings for the year to the unallocated surplus account in such amount as the Association's Board may determine.

Section 8.03 Allocated Surplus Account.

Section 8.03.1 The Association may create and maintain an allocated surplus account consisting of earnings held therein and allocated to Borrowers on a patronage basis pursuant to Section 8.05 of these Bylaws. Allocated surplus may be issued as either "qualified notices of allocation" or "non-qualified notices of allocations," or both, as those terms are defined under Internal Revenue Code ("Code") Section 1388:

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

In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment in the reverse order of issuance as specified in Section 8.01.2.

Section 8.03.2 The Association, PCA and FLCA, as applicable, shall have a first lien on all surplus account allocations owned by any Borrower and all distributions thereof as additional collateral for his indebtedness to the Association, PCA and FLCA.

Section 8.03.3 When the debt of a Borrower is in default or is in the process of final liquidation by payment or otherwise, the Association may order any and all surplus account allocations owned by such Borrower to be applied on the indebtedness. Any such retirement and application of surplus account

allocations to indebtedness shall be before similar retirement of capital stock owned by the Borrower.

Section 8.03.4 Whenever all of the capital stock and participation certificates of the Association owned by a Member are retired or otherwise disposed of, any surplus account allocations owned by such Member may also be retired at the sole discretion of the Board only in accordance with Sections 8.03.5 and 8.05.11 of these Bylaws.

Section 8.03.5 Allocated surplus may be distributed, oldest allocations first or otherwise as approved by the Association's Board, in Class P Common Stock of the Association and/or in cash. The cash proceeds may be applied against the indebtedness of the Borrower to the Association, PCA or FLCA. In no event shall such distributions reduce the surplus account below the minimum amount prescribed by the Association's Board or reduce capital adequacy ratios after the payment below the minimum established by regulations of the FCA or such higher capitalization objectives that have been established by the Board. Distributions of less than the full amount of "qualified allocations" issued as of the same date shall be on a pro rata basis. Distributions of less than the full amount of "nonqualified allocations" issued as of the same date shall be on a pro rata basis. Any part of a distribution in Class P Common Stock to one owner that is less than \$5.00 may be held by the Association and cumulated with subsequent partial distributions to the owner until the partial distributions equal one whole share of Class P Common Stock.

Section 8.04 Dividends.

Section 8.04.1 Dividends may be paid on the capital stock and participation certificates of the Association, as the Board may determine by resolution. Such dividends may be paid on all classes of common stock and participation certificates. Such dividend should not exceed 10% of the total par/face value of the common stock and participation certificates on which such dividend is being paid. The rate of dividend paid on Class A Common Stock for any fiscal year may not be less than the rate of dividend paid on all other common stock or participation certificates for such year and, similarly, the rate of dividends on Class B Common Stock may not be less than the rate paid on participation certificates. No dividends on common stock and participation certificates shall be paid in any year with respect to which the Association has passed a resolution authorizing the distribution of patronage under Section 8.05.

Section 8.04.2 Dividends on capital stock and participation certificates may be paid in cash, Class P Common Stock or partly in cash and partly in such stock. Any part of such dividends to one owner payable in stock that is less than \$5.00 may be distributed in cash or held by the Association and cumulated with subsequent dividends until the retained dividends equal \$5.00 so that the dividends may be distributed as one whole share of Class P Common Stock.

Section 8.05 Patronage Distributions.

Section 8.05.1 Subject to the provisions of the Act and Regulations, prior to the beginning of any fiscal year, the Association's Board may, by adoption of a resolution, obligate the Association to distribute as patronage dividends to Members, on the basis of quantity or value of business done with the Association, PCA and FLCA, all or any portion of the available consolidated net earnings of the Association, PCA and FLCA for such fiscal year or for that and subsequent fiscal years. For this purpose, the available consolidated net earnings shall be defined as the net income of the Association, FLCA and PCA attributable to business done with or for Members. In adopting said 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 such fiscal year or for that and subsequent fiscal years. Such resolution shall constitute an irrevocable, legal obligation to distribute patronage in accordance with the provisions hereof. The terms "Member" and "membership" as used in this Bylaw shall have the meaning set forth in Article I of these Bylaws.

Section 8.05.2 All patronage distributions shall be in the proportion that the amount of interest and other income earned by the Association, PCA and FLCA on their loans and other transactions with each Member bears to the total interest and other income earned by the Association on all such loans and transactions during the fiscal year, except that another proportionate patronage basis may be used as determined by the Association's Board. A Member who pays interest or otherwise contributes to the Association's consolidated net income, as applicable, during the distribution period for which the patronage distribution is made shall be entitled to receive a pro-rata share of the patronage distribution regardless of whether the Member continues to be a stockholder or Borrower of the Association, FLCA or PCA on the date the declaration of the patronage distribution is made. The Association's Board may establish earnings pools for the payment of patronage provided such earnings pools are established in a rational and equitable basis that will ensure that each patron of the Association, PCA and FLCA receives its fair share of the Association's consolidated earnings and bears its fair share of the expenses. The Board retains discretion not to pay patronage with respect to one or more such pools provided all Members are treated fairly.

Section 8.05.3 Net earnings of any fiscal year shall be available for patronage distribution after first making the applications as required in Section 8.01.1, including (i) the setting aside of a portion of the net earnings in the unallocated surplus account, as deemed prudent for sound capital accumulation; and (ii) making provision for payment of the Association's federal income or related taxes for the fiscal year; provided, that, these amounts shall first come from net earnings, if any, attributable to sources other than patronage transactions with or for Members and any non-patronage-sourced net earnings not so applied shall be set aside in the unallocated surplus account.

Section 8.05.4 Patronage distributions may be in either qualified or nonqualified form and may be in cash, Class P Common Stock of the Association, allocations of earnings retained in an allocated surplus account or any one or more of such forms of distributions, except that, with respect to qualified patronage distributions, at least the minimum amount required to qualify the refund as a deductible patronage distribution for federal income tax purposes to any Borrower for any fiscal year shall always be in cash. Cash distributions may not exceed the minimum amount required to qualify the refund as a deductible patronage distribution for federal income tax purposes if the permanent capital of the Association, PCA and FLCA would, after such action, fail to meet the minimum permanent capital adequacy requirement established by regulations of the FCA or such higher capitalization objectives that have been established by the Board. Any part of a patronage distribution in Class P Common Stock to one Borrower that is not a multiple of \$5.00 may be distributed in cash or held by the Association for the Member and included in a subsequent distribution.

Section 8.05.5 Any part of the patronage distributions to a Member, except the minimum amount required to be paid in cash to qualify the distribution as a deductible patronage distribution for federal income tax purposes, may at the discretion of the Association, be applied on the Member's indebtedness to the Association, FLCA or PCA.

Section 8.05.6 When the debt of a Borrower is in default and has been placed in nonaccrual status any time during the fiscal year, the Member shall not be entitled to receive, and the Association shall not be obligated to distribute, patronage distribution to such Member (the patronage exclusion includes "cash basis" non-accruals). The basis for this exclusion is that when loans are placed in nonaccrual status and/or charge-offs are incurred on loans, the Association, generally, incurs or has incurred a loss of earnings or an increase in expense(s) for one or more reasons, which include, but are not limited to the following:

- Additional servicing costs required to service the loans (personnel costs)
- Attorney cost and court cost associated with the loans
- Opportunity loss on the use of funds not paid as contracted
- Expense/Cost associated with maintaining Allowance for Loan Loss Reserves
- Higher cost for Farm Credit System Insurance assessment related to the loans
- Loss of actual amounts charged off.

Section 8.05.7 Each person who hereafter applies for and is accepted to membership in this Association and each Member of this Association on the effective date of this Bylaw who continues as a Member after such date, and each person who thereafter applies for and is issued stock or participation

certificates of this Association shall, by such act alone, consent that the amount of any distributions with respect to the Member's patronage occurring after the date these Bylaws were adopted, which are made in or evidenced by "Qualified Written Notices of Allocation", including patronage allocations of surplus account and patronage refunds paid in Class P Common Stock of the Association, and which are received by the Member from the Association, will be taken into account (as income) by the Member at their stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received by the Member. Such Members also consent 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 Member receives written notice that such amount has been applied on the Member's indebtedness to the Association, FLCA or PCA.

Section 8.05.8 The Association may obtain the written consent of each Member that the amount of any distributions with respect to the Member's patronage, which are made in or evidenced by "Qualified Written Notices of Allocation" (as defined in 26 U.S.C. 1388), including patronage allocations of surplus account, patronage refunds paid in stock or distributions with respect to patronage that has been applied to the Member's indebtedness to the Association, FLCA or PCA and for which the Member has received written notice, will be taken into account (as income) by the Member at their stated dollar amounts in the manner provided for in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received by the Member. The form of consent shall be prescribed by the Association's Board, except that it shall be continuing in effect until revoked by the Member, and may be included as part of the loan application or other appropriate form signed by Borrowers. Consent may also be obtained by use of a qualified check in the manner provided for in 26 U.S.C. 1388.

Section 8.05.9 Any written notice of allocation made with the Member's consent pursuant to the above sections shall be a "Qualified Written Notice of Allocation," and any patronage distribution made in accordance with such written notice shall be a "Qualified" patronage distribution. Any written notice that is not made with the Member's consent pursuant to this section shall be a "Nonqualified Written Notice of Allocation," and any patronage distribution made pursuant to such a nonqualified notice shall be a "nonqualified" patronage distribution.

Section 8.05.10 Where the Association arranges for the provision of credit and/or related services to its Members through FLCA and/or PCA, and such Members avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from FLCA and/or PCA, 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 Members and all business done with FLCA and PCA shall be treated as business done with the Association.

Section 8.05.11 Retirement of Patronage Accounts. If at any time, the Board shall determine that the financial condition of the Association, PCA and FLCA will not be impaired thereby, the patronage allocated to Members' accounts may be retired in full or part. The Board, in its sole discretion, shall have the power to retire the patronage allocated to any Member in such events as death or bankruptcy, or to settle a dispute, on such terms and conditions as may be deemed appropriate by the Board, or in any instance in which the interests of the Association and its stockholders are deemed to be furthered thereby, and funds are determined by the Board to be available for such purpose. Any allocated patronage retired under this section may, at the Board's discretion, be retired at present value based upon the current revolvment cycle, if any. There is no express or implied right granted to a Member to have allocated patronage retired upon request.

Section 8.05.12 Amendment to Capitalization Bylaws. Amendments to the capitalization Bylaws in Articles VII and VIII (including provisions permitting cumulative voting, if any), and the capitalization Bylaws of FLCA and PCA, other than technical amendments not affecting substantive rights, shall not be effective without the approval of a majority of the Association's voting Members voting, in person or by proxy, at a duly authorized Stockholders' meeting. Any amendment authorizing the issuance of preferred stock must be authorized by a majority of the shares of each class of equities affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

ARTICLE IX

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

Section 9.01 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 or its CEO/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.

(c) As used in this Article, “party” means a defendant or respondent in an action, suit or proceeding.

Section 9.02 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 9.01 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.

Section 9.03 Procedure. Any indemnification under Section 9.01 (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 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 9.03, independent legal counsel shall be selected by a majority of disinterested directors or, if such a majority is not obtainable, by the Board.

Section 9.04 Advances of Expenses. Notwithstanding the provisions of Section 9.03, reasonable expenses incurred in defending any action, suit or proceeding referred to in Section 9.01, 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 9.03 that the director, officer or employee is not entitled to indemnification for such expenses pursuant to Section 9.01.

Section 9.05 Right of Claimant to Bring Suit.

(i) 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.

(ii) Neither the failure of the Association (including its Board 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 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.

Section 9.06 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.

Section 9.07 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 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 System, shall be deemed to be doing so pursuant to authorization in writing by the Association's Board.

Section 9.08 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 1 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.

Section 9.09 FCA Penalties. Notwithstanding any other provision in these Bylaws, the Association will not indemnify, nor purchase or maintain insurance to indemnify, directors, officers, employees or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the 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, FLCA and/or PCA.

ARTICLE X
GENERAL PROVISIONS

Section 10.01 Checks, Contracts, Loans. All checks or demands for money and notes of the Association shall be signed by such officer or officers or such other person or persons as the Board may from time to time designate. The Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. No loans shall be contracted on behalf of the Association, and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board. Such authority may be general or confined to specific instances.

Section 10.02 Fiscal Year. The fiscal year of the Association shall end on the last day of December in each year.

Section 10.03 Seal. The Board may adopt a seal for the Association which shall be in such form as the Board may determine. The seal may be used in causing it or a facsimile of it to be impressed, affixed or otherwise reproduced as the seal of the Association.

Section 10.04 Amendments. These Bylaws may be amended by a vote of a majority of the entire membership of the Board unless the Act, Regulations or these Bylaws require an amendment to be approved by the Stockholders, in which event such approval shall be obtained. Amendments to the capitalization bylaws (Articles VII and VIII including provisions permitting cumulative voting, if any) or to the capitalization bylaws of FLCA or PCA, other than technical amendments not affecting substantive rights, require the approval of a majority of the Voting Stockholders voting, in person or by proxy, at a duly authorized Stockholders' meeting. The notice of the intent to consider adoption of a Bylaw amendment by the Board or the Stockholders must contain the exact language of the proposed amendment in order for a vote upon the amendment to be effective.

Section 10.05 Effective Date. These Bylaws shall become effective on April 25, 2019. Amendments hereto shall become effective pursuant to the Board resolution adopting said amendment, except to the extent Stockholder approval is required by the Act or Regulations, and to that extent amendments shall be effective upon approval of the Stockholders.

Section 10.06 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 or patronage refunds. In the event the Association is unable to determine the address or whereabouts of the owner or the heirs and assigns of the owner, any funds held by the Association may be subject to disposition in accordance with state escheat laws.

Section 10.07 Records and Reports. Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of stockholders and directors, the Bylaws and any amendments thereto, resolutions of the Board and reports of all committees shall be recorded in the minute books of the Association. The minutes of all committees and of the Board shall be signed by the person acting as secretary of the meeting. To protect the confidentiality of the resolutions adopted by the Board in casting the ballots for FCBT Board members, the minutes shall reflect only that balloting was held and the ballot submitted to

FCBT or the independent tabulator, as the case may be. At such times and in such manner as may be required by applicable law and regulations and generally accepted accounting principles, the Association shall make available to each Stockholder a written financial report, including a statement of income and expense and a statement of condition. To the extent required by FCA, such reports shall be on a consolidated basis with PCA and FLCA.

CERTIFICATION

I, the undersigned Corporate Secretary of Ag New Mexico Farm Credit Services, ACA, an Agricultural Credit Association, hereby certify that at a meeting duly held on the 25th day of April, 2019, the Board of said association duly adopted the foregoing Amended and Restated Bylaws.



Print Name: Chi-ann Robb
Corporate Secretary

April 25, 2019

**AMENDMENT TO AMENDED AND RESTATED BYLAWS
OF
AG NEW MEXICO FARM CREDIT SERVICES, ACA**

March 23, 2021

The Amended and Restated Bylaws of Ag New Mexico Farm Credit Services, an Agricultural Credit Association (the "Association") dated April 25, 2019 (the "Bylaws"), are hereby further amended as follows:

I. Article III, Section 3.01 of the Bylaws is hereby amended and replaced in its entirety to read as follows:

Section 3.01 Time and Place of Meetings: Sectional Meetings. Subject to Section 3.02, Annual Meetings may be held at such times and places as shall be determined by the Board as stated in the notice of the meeting. The Board may provide for any Stockholders meeting to be held in consecutive sectional sessions (each a "Sectional Session") at different times and places. In such case, the date of the convening of the first Sectional Session shall be the date of the meeting for the purpose of satisfying time requirements under these Bylaws. Each Stockholder shall be notified of all sessions to be convened and shall be entitled to attend any or all sessions. At each Sectional Session except the last, the meeting shall be adjourned until the next session of the meeting. The last session must be scheduled for a time no later than fourteen calendar days after the first session. The attendance at all Sectional Sessions shall be combined for the purpose of constituting a quorum, but no Stockholder shall be counted more than once for such purpose, and no Voting Stockholder shall be permitted to vote at more than one session. The votes at all sessions shall be counted together to constitute the vote of the meeting. Nominations from the floor with respect to matters requiring the vote of Voting Stockholders, including the election of directors and nominating committee members, must be introduced at the first Sectional Session of the meeting, except that if balloting is by mail as stipulated in Section 4.04, nominations may be made at all Sectional Sessions of the meeting. All Stockholder meetings shall be conducted in accordance with procedures deemed fair and reasonable by the chairman of the meeting who shall preside at the meeting.

II. Article III, Section 3.02 of the Bylaws is hereby amended and replaced in its entirety to read as follows:

Section 3.02 Annual Meetings. There shall be an Annual Meeting at such place(s) in the Association's chartered territory or within reasonable distance of the Association territory at date(s) and time(s) as the Board may by resolution provide. Notwithstanding the foregoing, in accordance with Section 611.110(a) of the Regulations, the Board may allow an online meeting space to be used in addition to a physical meeting space to conduct an Annual Meeting. Unless the FCA shall permit otherwise, a physical meeting space must always exist to conduct an Annual Meeting. At the Annual Meeting, reports of the Board shall be given by a person designated by the Board. The reports required by Section 10.07 of these Bylaws shall be presented. Other items of business which may

come before the meeting include but are not limited to: (a) determination of 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 committee, (f) unfinished business, and (g) new business.

III. Article III, Section 3.04 of the Bylaws is hereby amended and replaced in its entirety to read as follows:

Section 3.04 Notice. Subject to Section 6.01, notices of meetings shall be in writing and signed by the chairman of the board, an officer of the Association, or by any other person the Board may designate or as required by the Regulations; provided however, all notices of Annual Meetings must be signed by the chief executive officer, chief financial officer and a member of the Board. The notice shall state the place, day and hour of the meeting (with respect to each session if the meeting is to be held in consecutive Sectional Sessions) and in case of a special meeting, the purpose or purposes for which the meeting is called. A copy of the notice shall be either delivered personally or shall be mailed, postage prepaid, to each Stockholder not less than ten (10) business days, nor more than thirty (30) business days, prior to the date of the meeting. The list of Stockholders entitled to such notice shall be a current list of Stockholders which ideally is generated not more than seven (7) days prior to the date such notice is mailed to the Stockholders. Personal or mailed delivery of the notice to any officer of a corporation or association or to any member of a partnership shall constitute delivery of the notice to the corporation, association or partnership. In the event of the transfer of a share after delivery or mailing of the notice of and prior to the holding of the meeting, it shall not be necessary to deliver or mail notice of the meeting to the transferee. The notice shall be mailed to the last known post office address of the Stockholder as it appears on the records of the Association.

IV. Article III, Section 3.08 of the Bylaws is hereby amended and replaced in its entirety to read as follows:

Section 3.08 Record Date. The Board may fix in advance a date, not exceeding ninety (90) days preceding the date of any meeting of Stockholders, or the date for the allotment of any rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date ("Record Date"). Such Record Date shall be used for the determination of the Voting Stockholders entitled to vote in the meeting, or to any allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of capital stock. In such case only Voting Stockholders as of the Record Date shall be entitled to vote at the meeting, or to receive any allotment of rights, or to exercise rights, as the case may be, notwithstanding the transfer of any stock on the books of the Association after the Record Date so fixed. In the absence of contrary action by the Board, the date on which the last notice of a meeting is mailed or delivered shall be the Record Date for determination of the Voting Stockholders entitled to vote at any such meeting, and the date on which the Board adopts the resolution declaring an allotment of rights, or change or conversion or exchange of capital stock, shall be the Record Date for

the determination of the Stockholders entitled to receive the allotment of rights or to exercise the rights in respect of the change, conversion or exchange of capital stock.

V. Article III, Section 3.09 of the Bylaws is hereby amended and replaced in its entirety to read as follows:

Section 3.09 Entitlement to Vote: Number of Votes. Except as may be otherwise expressly provided by the Act or Regulations or as may be specifically provided elsewhere in these Bylaws, only holders of Class B Common Stock on the Record Date shall be entitled to vote at any meeting of the Stockholders, and each holder of Class B Common Stock, regardless of the number of shares of Stock held and regardless of the number of joint or single loans the Voting Stockholder may have with the Association, shall be entitled to one vote on each matter submitted to a vote at a meeting of Stockholders. For the purpose of this Section, loan(s) made to one or more members of such Voting Stockholder's household, or to one or more entities in which such Voting Stockholder is an equity owner, and which the Association reasonably believes to be for the sole purpose of creating multiple votes, shall be deemed to be loan(s) made to such Voting Stockholder. In the case of a joint loan, the vote may be cast by only one of the joint holders authorized and designated by the other joint holders in a writing provided to the Association. The vote of a Voting Stockholder which is a legal entity shall be cast by an individual duly authorized in a writing filed with the Association. In no event may an individual vote more than once, nor shall any Voting Stockholder be entitled to cumulate votes.

VI. Article IV, Section 4.04(j) of the Bylaws is hereby amended and replaced in its entirety to read as follows:

(j) The Board may elect to hold all voting for Stockholder-Elected Directors and nominating committee members by mail ballot and such determination must be announced in the Notice of Meeting. The procedure for such mail ballot shall be as follows: Within ten (10) business days following the date of the Annual Meeting, or of the last Sectional Session if the Annual Meeting is held in consecutive Sectional Sessions, a ballot shall be mailed to each Voting Stockholder as of the Record Date. The election polls shall be closed at the end of the fifteenth (15th) business day following the date on which the ballots are mailed to the Voting Stockholders. On the first business day after the polls are closed, the tellers committee shall convene in the Association's Administrative Office to tally the ballots received prior to the closing of the polls. 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 ten (10) business days announcing the results of the election. Mailing a ballot to a Voting Stockholder's address as recorded in the books and records of the Association shall be conclusive evidence of receipt of the ballot by the Voting Stockholder. The receipt, collection, and tallying of ballots may be under the supervision and guidance of either the Association's legal counsel or outside independent firm. If the Board so directs, the legal counsel or outside independent firm shall certify as to the results of the election prior to any public announcement of the results of the election. If no individual is elected to a position because of a tie vote, the tie vote shall be broken by the toss of a coin.

VII. To the extent that any other provision of the Bylaws conflict with the amendments contained herein, these amendments shall control. Except as specifically set forth above, the Bylaws shall remain in full force and effect as amended hereby.

CERTIFICATION

I, the undersigned, Corporate Secretary of the Ag New Mexico Farm Credit Services, ACA, hereby certifies that at a meeting duly held on the 23 day of March 2021, the Board of Directors of said Association duly adopted the foregoing Amendment to the Amended and Restated Bylaws of said Association.



Print Name: Chi-ann Robb

Title: Corporate Secretary

Date: March 23, 2021