



**AgCountry Farm Credit Services, ACA
Capitalization Bylaws**

ARTICLE VIII – CAPITAL STOCK AND PARTICIPATION CERTIFICATES

800 Authorization, Classes, Par or Face Value

The Association is authorized to issue and have outstanding such amounts of stock as are necessary to meet the capital adequacy standard established under Regulations of the FCA and is specifically authorized to issue:

- 800.1** An unlimited number of shares of Class B Common Stock with a par value of \$5.00 per share;
- 800.2** An unlimited number of shares of Class C Common Stock with a par value of \$5.00 per share;
- 800.3** Up to 500 million shares of Class D Common Stock with a par value of \$5.00 per share;
- 800.4** An unlimited number of Class E Participation Certificates with a face value of \$5.00 per share;
- 800.5** Such number of shares of such other classes of capital stock including preferred stock, as may be provided for in an amendment or amendments to these Bylaws adopted from time to time, as provided in Article XV. Issuance of classes of preferred stock shall be approved by a majority of the shares of each class of stock affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

810 Minimum Capital Requirement for Borrowing

810.1 Loans

At any time that a borrower obtains a loan from the Association, such borrower shall be required to own Class B Common Stock or Class E Participation Certificates having an aggregate par value or face amount equal to at least 2 percent (2%) of such borrower's aggregate outstanding loan balance (including the amount of the new loan) or \$1,000 whichever is less, or such greater amount of such borrower's aggregate outstanding loan balance as may be determined by the Board from time to time.

810.2 Leases

As a condition of obtaining a lease from the Association, the lessee may be required to own Class B Common Stock or Class E Participation Certificates in an amount as may be determined by the Board from time to time in the Association's Capitalization Plan, but in no event less than the ownership requirement set forth in the Act or Regulations. The requirement may differ depending on the type of lease.

810.3 Secondary Market Loans

On or after February 10, 1996, no Association stock or participation certificate is required to be purchased by a borrower when such borrower obtains an Association loan which is designated, at the time the loan is made, for sale to a secondary market. Designated loans not sold within the 180 day period beginning on the date of designation shall be subject to the stock or participation certificate requirement for loans as stated in bylaw 810.1.

The Board is authorized to retire any existing stock or participation certificates on those Association loans sold to a secondary market provided however that the Association shall not retire such stock or participation certificates if the action would result in the failure of the Association to meet the minimum permanent capital adequacy standards established in the FCA Regulations.

810.4 Borrowing from AgCountry, FLCA and AgCountry, PCA

In the event of an Authorization Event under Section 210 hereof, a borrower's required investment in Association stock/participation certificates (and the required conversion of such investment into a different class of equity) shall be determined by reference to the borrowing relationship with Association, AgCountry, PCA and/or AgCountry, FLCA, as the case may be. Accordingly, upon an Authorization Event, all references to loans outstanding and outstanding loan balances shall include loans held or originated by AgCountry, PCA and AgCountry, FLCA.

820 Rights, Preferences and Limitations of Classes of Stock

820.1 Reserved.

820.2 Class B Common Stock shall be issued solely to a farmer, a rancher, or a producer or harvester of aquatic products, who is a borrower or about to become a borrower. Class B Common Stock shall have voting rights as provided in Article III and in Section 450.1. Each holder of Class B Common Stock shall hold at least one share of such stock as long as the holder continues as a borrower with the Association. Within two years after the holder terminates its borrowing relationship with the Association, any outstanding Class B Common Stock shall be converted to non-voting Class C Common Stock.

820.3 Class C Common Stock shall be issued to holders of Class B Common Stock in exchange for such stock within two years after the borrowing relationship is discontinued. Class C Common Stock shall have no voting rights.

- 820.4** Class D Common Stock may be issued for allocated surplus distribution (Section 920), dividend payments (Section 930) and patronage distribution (Section 940). Class D Common Stock shall have no voting rights.
- 820.5** Class E Participation Certificates shall be issued to persons or organizations furnishing farm related services to capitalize their loans and to other persons or organizations who are eligible to borrow or participate in loans, but are not eligible to hold voting stock. To the extent required by the Association's Capitalization Plan, Class E Participation Certificates shall also be issued to persons or organizations who are not eligible to hold any other class of stock and are purchasing financially related services from the Association. Class E Participation Certificates shall have no voting rights.
- 820.6** Reserved
- 820.7** Reserved
- 820.8** No fractional shares of stock or cash in lieu of fractional shares shall be issued or paid.
- 820.9** In no election of directors or any other matter will Voting Stockholders be permitted to cumulate votes.
- 830 Ownership**
Ownership of stock or participation certificates may be by book entry or in definitive certificate form as prescribed by FCA.
- 840 Transferability**
- 840.1** Class B, C and D Common Stock and Class E Participation Certificates shall be transferable to any holder to which such respective classes may be issued in accordance with Section 820, provided that until the Association meets the minimum permanent capital standard enacted by the FCA pursuant to Regulations or otherwise, all equities required to be purchased pursuant to Section 810 as a condition of obtaining a loan shall be purchased from the Association, and not from other Shareholders.
- 840.2** The Association shall be its own transfer agent in all matters relating to its capital stock.
- 850 Conversions**
- 850.1** Each class of stock may be converted into any other class of stock for which the holder is eligible as enumerated in Section 820.
- 850.2** Class B Common Stock shall be converted into Class C Common Stock within two years after the holder ceases to be a borrower.
- 860 Retirements**
- 860.1** Subject to Section 4.9A of the Act and these Bylaws, the Board is authorized to retire all or any portion of any class of stock and participation certificate as it may, in its sole discretion, determine as unnecessary to meet the capital requirements of the Association and such retirement shall not be on a date certain or on the happening of an event such as repayment of a loan or pursuant to an automatic retirement or revolvement plan. All stock and participation certificates shall be retired at par or face value not to exceed book value; provided that, the Association shall not retire stock if the action would result in failure of the Association to meet minimum permanent capital adequacy requirements established under Regulations issued by the FCA; and provided further, that the Association shall retain one share of voting stock for each Voting Stockholder continuing to do business with the Association in accordance with these Bylaws.
- 860.2** If at the time of any stock retirement any Shareholder's investment is below the amount established by the minimum capital requirement, or if retirement should cause the Shareholder's investment to fall below the minimum capital requirement, the Association is authorized to use part of the retirement proceeds to increase the Shareholder's investment to such minimum requirement.
- 870 Lien**
Except with regard to stock or participation certificates held by other System institutions, the Association shall have set-off rights and a first lien on all stock and participation certificates in the Association owned by any borrower as additional collateral for any indebtedness of the borrower to the Association. Upon an Authorization Event, all stock and participation certificates shall be pledged to AgCountry, PCA and AgCountry, FLCA, as the case may be, as additional collateral for any indebtedness of the borrower to AgCountry, PCA and AgCountry, FLCA, respectively.
- 880 Distribution Upon Liquidation**
- 880.1** In the event of 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:
- 880.11** To the holders of Class B, C, and D Common Stock and Class E Participation Certificates, pro rata in proportion to the number of shares or units of each such class of stock then issued and outstanding, until an amount equal to the aggregate book value not to exceed par or face value of all such shares or units has been distributed to such holders.
- 880.12** Reserved.
- 880.13** To the extent practicable, any remaining assets of the Association shall be distributed among the Shareholders and former Shareholders in the proportion to which the aggregate patronage of each Shareholder bears to the total patronage of all such Shareholders, unless otherwise provided by law.

890 Amendments to Capitalization Bylaws

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

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

900 Application of Earnings or Losses

- 900.1** At the end of each fiscal year, the Association shall apply its earnings (including cash patronage allocations and cash refunds received from the FCB but excluding any non-cash allocations) for such fiscal year as follows and in the order listed:
- 900.11** To cover operating expenses, including provision for loss expense on assets as provided by law and in accordance with generally accepted accounting principles;
 - 900.12** To restore the amount of any impairment of capital stock and participation certificates in the reverse order listed in Section 900.2;
 - 900.13** To restore the amount of any impairment of the allocated surplus account;
 - 900.14** To create and maintain an unallocated surplus account as provided in Section 910;
 - 900.15** To make patronage distributions if authorized pursuant to Section 940; and
 - 900.16** To pay dividends on capital stock of the Association if authorized pursuant to Section 930.
- 900.2** In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 900.1, such loss shall be absorbed by:
- 900.21** Charges to the unallocated surplus account;
 - 900.22** The impairment of the allocated surplus account and in the manner determined by the Board;
 - 900.23** Concurrent impairment of Class B, C and D Common Stock and Class E Participation Certificates.

910 Surplus Account

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 prescribed by the Board. At the end of any fiscal year that the surplus accounts otherwise would be less than the minimum amount prescribed by the capital adequacy requirements prescribed by the FCA, the Association shall apply earnings for the year to the unallocated surplus account in such amounts as may be necessary to meet these requirements. Except as provided in Section 900, the unallocated surplus account may not be reduced below the minimum aggregate amount prescribed by the Board.

920 Allocated Surplus Account

- 920.1** Create and maintain an allocated surplus account - The Board may create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers and other customers ("Patrons") on a patronage basis pursuant to Section 940. Allocated surplus may be issued as either "qualified written notices of allocation" or "non-qualified written 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 years 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.
- Allocated surplus may not be transferred except upon approval of the Board in its sole discretion. In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment in the order specified in Section 900.2.
- 920.2** First lien on all surplus account allocations - The Association shall have a first lien on all surplus account allocations owned by any Patron, and all distributions thereof, as additional collateral for the Patron's indebtedness to the Association, AgCountry, PCA and AgCountry, FLCA.
- 920.3** Default or in process of final liquidation - When the debt of a Patron 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 Patron to be applied on the indebtedness.
- 920.4** Stock and participation certificates - Whenever all of the stock and participation certificates of the Association owned by a Patron are retired or otherwise disposed of and the Association meets the requirement of Section 910, any surplus account allocations owned by such Patron may also be retired upon request of the Patron and approval of the Board, and the proceeds paid to the Patron. Alternatively, if the Association directs, such surplus account allocations may be applied against any of the borrower's indebtedness to the Association, AgCountry, PCA and AgCountry, FLCA. Notwithstanding the foregoing, there is no express or implied right for such capital to be retired at the end of a revolvment cycle or at any other time.

920.5 Minimum aggregate amount of surplus account - Provided the minimum aggregate amount of the surplus account prescribed by the FCA is maintained, allocated surplus may be distributed in Class D stock and also in cash in the manner and at the time determined by the Board in its sole discretion. The cash proceeds may be applied against the indebtedness of a Patron to the Association. In no event shall such distributions reduce the surplus account below the minimum capital amount prescribed by the capital adequacy requirements of the FCA. There is no express or implied right for allocated surplus to be retired at the end of a revolvment cycle or at any other time.

930 Dividends

930.1 Declaration of dividends - In accordance with the Act, and Regulations, non-cumulative dividends may be paid on the common stock and participation certificates of the Association, as the Board may determine by resolution. A dividend may be declared only if at the time of the declaration thereof no class of stock shall be impaired. Dividends may not be paid if the action would result in failure of the Association to meet minimum permanent capital adequacy requirements established by the FCA. Such dividends may be paid on all classes of stock and participation certificates on a per share basis provided, however, that such dividends shall not exceed 8% per share per annum.

930.2 Paid on effective date of declaration - Dividends may be paid to holders of record on the effective date of declaration.

930.3 Paid in cash and/or Class D Stock - Dividends on capital stock and participation certificates may be paid in cash, Class D stock, or partly in cash and partly in such stock. If any part of the dividend to be paid in stock is less than \$5.00, that part may be distributed in cash or held by the Association and cumulated with subsequent dividends until such retained dividends equal \$5.00, so that the dividends may be distributed as one whole share of stock.

930.4 If a borrower's loan is in default, any part of the dividend distribution to that borrower may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association, AgCountry, PCA and/or AgCountry, FLCA

940 Patronage Refunds

940.1 Distribution of Patronage. Subject to the provisions of the Act, Regulations and these Bylaws, prior to the beginning of any fiscal year or other period, the Association's Board may, by adoption of a resolution (the "Patronage Resolution"), obligate the Association to distribute, as a patronage dividend, its available "Patronage-Sourced Net Earnings" for such fiscal year or other period or for that and subsequent fiscal years. Patronage-Sourced Net Earnings shall mean the net earnings of the Association, AgCountry PCA and AgCountry FLCA from loans and other transactions identified as patronage business ("Patronage Business" or "Patronage Transactions") in the Patronage Resolution. Members and other parties with or for whom the Association conducts Patronage Business ("Patrons") shall have the right to share in the patronage dividend on the basis of the quantity or value of their respective Patronage Business. Any outstanding Patronage Resolution that is not rescinded prior to the beginning of the period to which it relates shall become irrevocable and constitute a binding legal obligation of the Association with respect to such period. Each transaction qualifying as Patronage Business shall include as part of its terms, whether the same has been expressly referred to in said transaction or not, the provisions of this Article IX of the Bylaws.

940.2 Proportionate Distribution. All patronage distributions shall be paid to Patrons in proportion to the amount or value of Patronage Business done by the Association, AgCountry PCA and AgCountry FLCA with or for each Patron, as determined by the Board on an equitable and nondiscriminatory basis, and within the payment period prescribed by 26 U.S.C. 1382(d). A Patron 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 Patron 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 Board may establish, on a fair and equitable basis, separate patronage pools or allocation units for Patronage Business transactions of the same type or with similar characteristics. The Board shall determine the amounts and forms of patronage distributions from each pool on a fair and equitable basis.

940.3 Restrictions on Distributions. The available Patronage-Sourced Net Earnings of any fiscal year shall be determined after first making the applications as required in Section 900.1, including the setting aside of a portion of the net earnings in the unallocated surplus account, as deemed prudent for sound capital accumulation. The Board may establish a minimum level of available earnings and if the available earnings fall below this level no patronage distribution will be made. Earnings from transactions that do not constitute Patronage Business will be set aside and applied to unallocated surplus.

940.4 Payment of Distributions. Patronage distributions may be in cash, Class D Common Stock of the Association, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution. Any portion of a patronage distribution made in the form of Class D Common Stock which is not a multiple of \$5.00 may be distributed in cash or held by the Association for the borrower and included in subsequent distributions. Allocations in Class D Common Stock or allocated surplus may be in qualified or nonqualified form.

In the event that the total patronage distribution to a Patron is less than \$100, such distribution may be paid entirely in cash notwithstanding the fact that distributions of \$100 or more are paid partially in cash and partially in stock or allocated surplus.

In the event that the cash distribution to a Patron borrower is less than \$100, such distribution may, at the discretion of the Board, be applied against the Patron's indebtedness.

In the event that the cash distribution to a patron is less than \$15, such cash distribution may, at the discretion of the Board, be retained by the Association. In such cases, the aggregate amounts so retained shall be subject to income tax to the same extent as other undistributed income.

940.5 Application to Debt. - If the debt of a Patron is in default, any part of the patronage distribution to that borrower may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association, AgCountry, PCA and/or AgCountry, FLCA.

940.6 Patron's Consent to Take Patronage Distribution into Income – 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 written notices of allocation (as defined in 26 U.S.C. 1388), including patronage allocations of surplus account and patronage refunds paid in Class D 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. The foregoing consent shall not apply to any written notice of allocation expressly designated as "nonqualified." 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. Consent under this paragraph shall be continuing in effect, provided that it shall cease to be effective with respect to patronage of a distributee occurring after the distributee has ceased to hold stock or participation certificates of the Association.

The Association may obtain the written consent of each Patron that the amount of any distributions with respect to the Patron's patronage, which are made in or evidenced by written notices of allocation (as defined in 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 Patron's indebtedness to the Association, FLCA or PCA and for which the Patron has received written notice, will be taken into account (as income) by the Patron 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 Patron. The foregoing consent shall not apply to any written notice of allocation expressly designated as "nonqualified." The form of consent shall be prescribed by the Association's Board 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. Consent obtained under the paragraph (other than consent by qualified check) may be revoked in writing, provided that such revocation shall become effective only with respect to patronage occurring on or after the first day of the first fiscal year of the Association beginning after the revocation is filed with the Association.

940.7 Capital Adequacy Standards - Notwithstanding other provisions of this section, the Association may not obligate itself to distribute earnings on a patronage basis if the permanent capital of the Association would be reduced to the extent that the Association would not meet its capital adequacy standards as determined from time to time in accordance with the Regulations.

940.8 AgCountry, PCA and AgCountry, FLCA - In the event of an Authorization Event under Section 210 hereof, where the Association arranges for the provision of credit and/or related services to its Shareholders through AgCountry, PCA and/or AgCountry, FLCA, and such patrons avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from AgCountry PCA and/or AgCountry FLCA, all net earnings or loss attributable to such provision of credit and/or related services shall be treated as net earnings or loss of the Association from business done with its patrons and all business done with AgCountry, PCA and AgCountry, FLCA shall be treated as business done with the Association.

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ARTICLE XV – AMENDMENTS

1500 General

Except as provided in Article VIII, other than those strictly of a technical nature not affecting any substantive rights, these Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted, by the affirmative vote of a majority of the entire Board at any meeting of the Board with respect to which notice of intention to alter, amend, repeal or adopt new bylaws at such meeting has been given and which notice includes a copy of the proposed amendment(s).