

AgSouth

Farm Credit, ACA
Farm Credit, FLCA
Farm Credit, PCA



Bylaws

With

Notice to Borrowers
Concerning your investment in
AgSouth Farm Credit, ACA

Borrower Privacy Notice

Insurance Coverage Requirements

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**BYLAWS OF
AGSOUTH FARM CREDIT,
AN AGRICULTURAL CREDIT ASSOCIATION**

Definitions

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

“Agreement” - Agreement and Plan of Merger by and between AgSouth Farm Credit, ACA and Palmetto Farm Credit, ACA (the “Agreement”).

“Palmetto Farm Credit, ACA,” a predecessor to the Association prior to its merger with AgSouth.

“Annual Meeting” - the annual meeting of Members pursuant to Article III of these Bylaws.

“Association” - this Farm Credit, ACA

“Authorization Event” - shall have the meaning set forth in Section 110 hereof.

“Board” - All references in these Bylaws to the “Board” shall refer both to the directors of the Association sitting as of the effective date of the Bylaws and to any successors thereof pursuant to these Bylaws, unless the context otherwise requires.

“Bylaws” - these Bylaws, as they may be amended from time to time pursuant to Articles VII and XV hereof.

“Code” - the Internal Revenue Code of 1986, as amended.

“FCA” - the Farm Credit Administration.

“FCB” or “Bank” - the AgFirst Farm Credit Bank, or any successor entity thereto.

“FLCA” - Farm Credit, FLCA, a Federal land bank association with direct lending authority and a subsidiary of the Association.

“Member” - a holder of stock or participation certificates in the Association, except another System institution.

“PCA” - the Farm Credit, PCA, a production credit association and a subsidiary of Association.

“AgSouth” - AgSouth Farm Credit, ACA, before its name changed to Farm Credit, ACA.

“Patron” - shall have the meaning ascribed to such term under Section 860.

“Regulations” - FCA regulations or directives applicable to and binding on the Association.

“System” - the Farm Credit System.

“Voting Stockholder” - shall have the meaning ascribed to such term under Section 200.

ARTICLE I PREAMBLE

100. AgSouth Farm Credit, ACA (the “Association”) is a federally chartered, member-owned, cooperative credit institution created by the merger of AgSouth Farm Credit, ACA into Palmetto Farm Credit, ACA (“AgSouth”), which changed its name to AgSouth Farm Credit, ACA effective as of the merger. (Hereinafter all references to “AgSouth” shall be to the predecessor organization and not to the Association). The Association operates pursuant to the Farm Credit Act of 1971, as amended from time to time (the “Act”), and to the regulations and other applicable and binding issuances of the Farm Credit Administration (the “FCA”) and other federal agencies having jurisdiction over the Association, as such regulations and other issuances may be amended from time to time (collectively, the “Regulations”). The Association possesses and, under the supervision of AgFirst Farm Credit Bank (the “Bank”), may exercise all lending, participation and similar authorities granted by the Act, other statutes or the Regulations, as any of these may be amended from time to time.

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

The Association also may provide technical assistance to borrowers, applicants, and Members, and may make available, at its option, financially related services appropriate to its operations, to the extent authorized by the Act and the Regulations (“Related Services”).

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

110. Lending Authorities.

Upon FCA and Voting Stockholder approval, the Board may authorize Farm Credit, PCA (“PCA”) and Farm Credit, FLCA (“FLCA”) to conduct some or all of the authorities granted in the Act and Regulations to Production Credit Associations and Federal Land Credit Associations, respectively (“Authorization Event”). PCA and FLCA shall be referred to collectively as the “Subsidiaries.”

120. Relationship with FLCA and PCA.

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

ARTICLE II MEMBERSHIP

200. Members of the Association shall include all holders of legal title to capital stock or participation certificates as evidenced on the books of the Association, except any Farm Credit System entity. Any person to whom an agricultural credit association is authorized by the Act and Regulations to extend credit and other services is eligible to apply for a loan or other services and become a Member of the Association. In the case of a deceased or legally incompetent Member, such Member's executor, administrator, guardian, or other legally authorized representative shall be considered to be the Member, but only for the purpose of voting. Each Member is authorized to speak on any question being considered at Members' meetings when recognized by the chairman of the meeting. Motions and nominations or seconds thereto may be made and voted on only by Members eligible to vote thereon. (Except with respect to matters subject to section 615.5230(b)(1) of the Regulations, as amended from time to time, the term "Voting Stockholder" means a holder of Association equity who is eligible, under the Act, Regulations and these Bylaws, to vote in respect of any matter presented for a vote of such equity holders. With respect to matters subject to the aforementioned section, the term "Voting Stockholder" means a holder of Association equity who is eligible to vote pursuant to such section.)

ARTICLE III MEETINGS OF MEMBERS

300. Time and Place.

300.1. Annual Meetings.

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

300.2. Special Meetings.

Special meetings of Members may be called at any time by resolution of the Board. Such meetings shall be called at any time upon written request of at least five percent of the Voting Stockholders. Each notice of a special meeting shall state the time, place, and purpose of the meeting. If the Board fails or refuses to order such notice to be made, the notice may be given by the person or persons who made the call, but only in accordance with the provisions of Section 310.

300.3. Sectional Sessions.

The Board may provide for the annual meeting or special meetings of Members to be held in consecutive sectional sessions at different times and places. The date of the convening of the first sectional session shall be the date of the meeting for the purpose of notice thereof to Members. Each Member shall be notified of all sessions to be convened and shall be entitled to attend any or all of such sessions. At each sectional session except the last, the meeting shall be adjourned until the next session of the meeting. The last sectional session must be scheduled for a time no later than thirty calendar days after the first sectional session. The attendance at all sectional sessions shall be combined for the purpose of constituting a quorum, but no Voting Stockholder shall be counted or permitted to vote at more than one session. The votes duly cast at all sessions shall be counted together to constitute the vote of the meeting. Nominations from the floor for directors and nominating committee members, and matters requiring a vote of both holders of Class C Common Stock and other Members, must be introduced at the first sectional session, and this requirement must be announced in the notice of meeting.

305. Action Without Meeting.

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

310. Notice of Meetings.

The chairman of the Board shall cause written notice of each annual and special meeting of Members to be mailed not less than ten days nor more than twenty days before the date of the meeting to all record holders of stock and participation certificates. The record date for the determination of those entitled to notice shall be set by board resolution as of a business day 10-90 days preceding the day of the meeting. The notice shall be mailed to the last known post office address of the Member as it appears on the Association's records. The notice shall state the purpose and the time and place of the meeting. No business shall be transacted at special meetings other than the business referred to expressly in the notice.

320. Quorum.

As to each respective matter presented to Members at an annual or special meeting, three percent of the Voting Stockholders of the Association shall constitute a quorum. Proxies will be included to establish a quorum when proxies are permitted under Section 350.2. If less than a quorum is present, the chairman of the meeting may adjourn the meeting from time to time until a quorum is obtained.

330. Conduct of Annual Meeting.

At the annual meeting of Members, reports of the Board shall be given by a person designated by the Board. The reports required or authorized by Section 1010 shall be presented. Other items of business which may come before the meeting include but are not limited to: (a) determination of the existence of a quorum; (b) proof of the due notice of meeting; (c) reading and disposition of minutes; (d) annual reports of officers and committees; (e) election of directors and nominating committees; (f) unfinished business; (g) new business; and (h) a report of the Association's key operating data. Annual and special meetings will be conducted in accordance with "Roberts Rules of Order."

335. Minutes of Meeting.

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

340. Nominating Committees.

340.1. Election of Nominating Committees.

At each annual meeting, the Voting Stockholders shall elect a nominating committee composed of two Voting Stockholders and two alternates, who shall also be a Voting Stockholder, from each Election Region, as defined in Section 400.1 hereof. Vacancies on the Nominating Committee shall be automatically filled from the alternates so elected. The committee elected shall serve until the next annual meeting or until its successors have been elected and qualified. Board members, salaried officers, and employees of the Association are not eligible to serve on the nominating committee.

340.2. Functions of the Nominating Committee.

The nominating committee shall review lists of Members who are eligible to serve as directors. The nominating committee shall ascertain the willingness of eligible Members to serve, and shall submit for election a slate of such Members to run as candidates for the Board. Members of the nominating committee cannot be nominated for director positions. The election slate shall, except as provided below, include at least two nominees for each position to be filled. To be eligible to be nominated by the nominating committee, the candidate must reside in the Election Region corresponding to the Board seat. To reside in an Election Region, the candidate must have either his principal residence or the headquarters of his farming operation located in such Region. If a Member does not reside in

any Election Region, the nominating committee shall assign such Member to an Election Region. In addition, the nominating committee will evaluate the candidates' qualifications using the Director's Responsibilities and Duties Policy and Board's Self Evaluation.

If the nominating committee, after diligent effort, is unable to identify more than one eligible Member who is willing to run for a director position that is to be filled, it shall promptly submit to the Board a written explanation of the reasons why it is unable to find more than one such person. If, after 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 explanation must also be included in the Annual Information Statement to Stockholders.

The nominating committee shall also perform the function specified in Section 430.2 hereof.

340.3. Nomination of Candidates.

Each nominating committee shall present a list of candidates, who shall be Voting Stockholders, for the Members to consider in electing the nominating committee for the following year. Nominations also may be made from the floor by Voting Stockholders.

340.4. Quorum and Minutes.

The presence of at least one nominating committee member from each Election Region shall constitute a quorum for transacting the business of the nominating committee. The committee shall keep minutes of its deliberations which shall be turned over to the Association's chief executive officer to be maintained in accordance with the Association's record disposal schedule.

350. Voting.

350.1. Voting, Voting Strength, and Designee for Voting Stock.

Each Voting Stockholder shall be entitled to only one vote regardless of the number of single or joint loans the stockholder may have with the Association. In the case of a joint loan, the vote may be cast by only one of the joint holders, and by such person only if duly authorized in writing by the other joint holder(s). The vote of a stockholder that is a legal entity shall be cast by an individual stockholder of the entity, duly authorized in a writing filed with the Association. If a Voting Stockholder controls the business affairs of another Voting Stockholder, the controlling stockholder and the controlled stockholder shall be considered to be one person and shall be entitled to only one vote. For purposes of this Section, a Voting Stockholder shall be deemed to control another Voting Stockholder if the stockholder has, directly or indirectly, more than a fifty percent ownership interest in (a) the other stockholder or (b) the primary collateral securing the other stockholder's loan. In no event may a Voting Stockholder vote more than once, nor shall any Voting Stockholder be entitled to cumulate votes.

350.2. Proxy Voting.

Voting by proxy at Members' meeting shall be permitted by authorization of the Board. Proxy forms and ballots shall be as prescribed by the Board.

350.3. Lists of Voting Stockholders.

A list of holders of Class C Common Stock shall be maintained by the Association. The list shall show the names and addresses of such holders of Class C Common Stock. The list shall be used when distributing ballots at an annual or special meeting and the nomination and election of Association Board members and nominating committee members and for other purposes as prescribed or authorized by the Act and Regulations. The list shall also be used at each sectional session to ensure that each holder of Class C Common Stock voting is permitted to vote at the

meeting and that no holder of Class C Common Stock is permitted to vote more than once. Similar lists respecting other Members may be kept and used by the Association for similar purposes. The list will be made available to the nominees only for soliciting support for the Association's Board.

ARTICLE IV DIRECTORS

400. Board of Directors; Outside Director.

400.1. Permanent Board.

The Association's Board shall be composed of thirteen (13) stockholder-elected directors, plus at least two outside directors appointed under Section 400.2. It is the intention of the Board to reduce the number of stockholder-elected directors to twelve (12) (three in each region) through attrition. For purposes of director nomination only, the Association's territory shall be divided into geographical regions ("Election Regions"), each of which has an assigned number of Board seats, as shown below:

Election Region	Counties	Number of Board Seats
#1	Abbeville, Anderson, Cherokee, Chester, Edgefield, Fairfield, Greenville, Greenwood, Kershaw, Lancaster, Laurens, Lexington, McCormick, Newberry, Oconee, Pickens, Richland, Saluda, Spartanburg, Union, York	3
#2	Butts, Carroll, Clayton, Coweta, DeKalb, Douglas, Fayette, Fulton, Greene, Gwinnett, Haralson, Harris, Heard, Henry, Jasper, Lamar, Meriwether, Monroe, Morgan, Muscogee, Newton, Oconee, Pike, Putnam, Rockdale, Spalding, Talbot, Troup, Upson, and Walton	3
#3	Appling, Atkinson, Bacon, Brantley, Bryan, Bulloch, Camden, Candler, Charlton, Chatham, Clinch, Coffee, Effingham, Emanuel, Evans, Glynn, Jeff Davis, Jenkins, Liberty, Long, McIntosh, Montgomery, Pierce, Screven, Tattnall, Toombs, Ware, Wayne and Wheeler	4
#4	Aiken, Allendale, Bamberg, Barnwell, Beaufort, Berkeley, Calhoun, Charleston, Colleton, Dorchester, Hampton, Jasper, Orangeburg	3

With respect to each seat in which there is a term expiration or vacancy, the nominating committee shall select at least two individuals from the eligible Members whose residence or farm operation headquarters is located in the Election Region corresponding to such seat to stand for election to such seat (See Section 340.2). The Board shall periodically review the boundaries and assigned number of seats of each Election Region and, if necessary, adjust the boundaries and assigned seats to ensure adequate representation for each geographical area and commodity type. In the election for each director position, each Voting Stockholder will be entitled to one vote.

400.2. Outside Directors.

The Board of Directors (stockholder-elected and existing Outside Director) shall elect at least two directors who, at the time that such person becomes a member of the Board, is not a director (other than of PCA or FLCA), officer, employee, agent or stockholder of any System institution (the "Outside Director"). The term of office for an Outside Director shall be the same as the term of office for a stockholder-elected director. At all times, stockholder-elected directors must constitute at least 60 percent of the members of the Board and a director appointed to fill a vacancy of an elected-position until the next annual meeting shall not be treated as a stockholder-elected director.

400.3. Qualifications of Stockholder-Elected Directors.

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

400.4. Additional Qualifications of Directors.

An individual who is a salaried officer or an employee of the Association or of any other organization within the Farm Credit System is not eligible to be elected or appointed and may not serve as a director. A former salaried officer or employee of an Association or any other organization within the Farm Credit System is not eligible to be elected or appointed as a director within one year after ceasing to be employed by the Association or any other organization within the Farm Credit System. A legally authorized representative of a deceased or incompetent Member is not eligible to be elected or appointed as a director or a member of a nominating committee unless such representative is also a Voting Stockholder in his or her own right. An individual may not be a director of the Association and another System association (other than PCA and FLCA) simultaneously; however, a director may serve simultaneously on the board of directors of the FCB. If a director becomes a director of a non-System financial institution which is authorized to make the same type of loans that may be obtained through the Association, they may continue to serve on the Board so long as the director does not serve on committees of non-System financial institution with decision making authority on credit actions and the Board so approves.

The Board shall have at least one director who is a financial expert recognized as having education or experience in: accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution's financial statements. At least one of the Board's financial experts so designated by the Board shall serve on the Association's Audit Committee.

An individual is not eligible to be elected or appointed as a director, or if a director, shall automatically be removed from the Board, if the Association has sustained a charge-off on that individual's loan or the loan(s) of a borrower in which the person has a controlling interest, as defined in Section 350.1, or if a portion of such loan is adversely classified with a specific reserve and the individual has not, within sixty days of receiving notice of such classification, developed a written plan, in accordance with district policy on official loans and satisfactory to the Board, to upgrade the loan to an acceptable classification within a reasonable period of 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 loan shall be reviewed by the Board prior to the disqualification of the director because of such adverse classification.

400.5. Prohibition against Conflicts of Interest.

Each director shall be required to execute an agreement prohibiting such director from engaging in any activity that raises a conflict of interest with the Association or that is prohibited by FCA

regulations, or divulge or use any information that is acquired by virtue of serving as a director to benefit any institution which is authorized to make the same types of loans that may be obtained through this Association or which otherwise competes with the Association.

400.6. Prohibition to Continue as Director.

The office of any elected or appointed director shall automatically become vacant in the event that such director: (a) files a petition for relief in voluntary bankruptcy, or otherwise institutes suit under applicable voluntary federal or state bankruptcy, insolvency, or receivership laws; or (b) is adjudged a debtor in an involuntary federal bankruptcy or placed in receivership in a state proceeding; or (c) seeks reorganization under the Bankruptcy Code of personal business interests or of a corporation in which the director owns the controlling interest; or (d) is party to a foreclosure proceeding (judicial or nonjudicial) involving property in which the director has an interest, which proceeding has been instituted because of the director's default on indebtedness to a Farm Credit System institution; or (e) is convicted of any felony or any criminal offense involving dishonesty or breach of trust while holding office; or (f) becomes legally incompetent; or (g) is held liable for damages for fraud.

400.7. Absence from Board Meetings.

The absence of a director from three consecutive regular meetings of the Board, unless explained to the satisfaction of the other directors, shall automatically terminate the director's service and the resulting vacancy shall be filled as provided in Section 430.1.

410. Election of Directors.

410.1. Election to Fill Expired Terms and Vacancies on the Board.

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

410.2. Nominations Made from Floor and Casting Ballots.

At each annual meeting, the nominating committee shall submit a slate of candidates for election to the Board subject to 400.1 hereof, after which the chairman of the meeting will entertain nominations from the floor. Unless balloting is by mail under Section 410.5, if the annual meeting is held in sectional sessions, nominations from the floor for directors and nominating committee members, and matters requiring a vote of both holders of Class C Common Stock and other Members, must be introduced at the first sectional session, and this requirement must be announced in the notice of meeting. Both nominators and nominees must be Voting Stockholders. Voting Stockholders shall then cast ballots and the chairman of the meeting shall appoint a tellers committee of Voting Stockholders or an independent third party to tally the ballots. Salaried officers and employees and Voting Stockholders who are directors, candidates, or members of the nominating committee and alternates are ineligible to serve on the tellers committee. The Board shall adopt policies and procedures governing timely receipt of information that floor nominees must furnish to the Association under FCA Regulations.

410.3. Election by Position.

All candidates shall be listed on the ballot by the position to be filled. Incumbents will be designated as such on the ballot. Subject to Section 340.2, for each vacancy, two or more different candidates will stand for election. If more than one position is to be filled, the election with respect to each position shall be conducted independently. The candidate receiving the largest number of votes for each position shall be declared elected.

410.4. Tallying the Ballots.

The Tellers Committee or independent third party shall convene to tally the ballots. A designated member of the Tellers Committee or the independent third party will announce the vote results. If the meeting is held in sectional sessions, the results of the votes cast at all sessions of the meeting shall be reported to the Members only after the last session.

410.5. Mail Balloting.

The Board may elect to hold all voting for directors and nominating committee members by mail ballot. The procedure for such mail ballot shall be as follows: Within ten business days following the date of the annual meeting, a ballot shall be mailed to each Voting Stockholder. The election polls shall be closed at the end of the fifteenth business day following the date on which the ballots are mailed to the Voting Stockholders. On the first business day after the polls are closed, the tellers committee shall convene in the Association's headquarters to tally the ballots returned prior to the closing of the polls. The tellers committee or independent third party 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 business days announcing the results of the election.

410.6. Tie Votes.

If no person is elected to a position because of a tie vote, a runoff election between those tying shall be held. The ballots shall be cast and counted and the results shall be reported to the Members in the same manner as the original election. If an annual meeting is held in sectional sessions and a tie vote occurs, the tie shall be broken by reballoting, by mail, those Voting Stockholders which were registered as being in attendance at a sectional session. However, if the candidates agree, a tie vote may be broken by any other method.

420. Term.

420.1. Length of Term.

Except as provided in Sections 400.1 and 420.2 hereof, the term of a director shall be four years, commencing January 1 following their election and ending December 31 of the fourth year, or for the unexpired portion of the term for which the director was elected, and until a successor is elected and qualified, unless the director shall: (a) resign; (b) be removed from office; (c) become unable to act by reason of death or disqualification; or (d) occupy a position that is shortened or terminated by due action of the Voting Stockholders. The terms and basis for removal of the Outside Director shall be the same as those for directors elected by the stockholders.

420.2. Staggering Terms.

If as a result of a change in the number of directors, or for other reasons, the terms of directors do not expire equitably on a staggered basis, the terms of the directors elected thereafter shall be for such periods to be set by the Board, as will re-establish expiration of terms of directors on an equitably staggered basis.

430. Vacancies.

430.1. Filling a Vacancy on the Board.

Subject to Section 5.34 of the Act, whenever a vacancy occurs on the Board, other than from the expiration of a term of office, the remaining directors shall promptly elect a qualified person to fill the vacancy or, in its sole discretion, terminate the Board seat. If the vacant directorship is not that of the Outside Director, the replacement shall serve a term through December 31 after the next annual meeting or special meeting of the Members. The nominating committee will be given the charge of slating at least two qualified persons to stand for election for the remainder of the unexpired term at the next annual meeting or special meeting of the Members.

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

Subject to Section 5.34 of the Act, if all or a majority of the director positions become vacant, the nominating committee shall promptly meet, and, by a vote of a majority of its members who are present at the meeting (provided a quorum is present), shall appoint eligible Members of the Association to fill sufficient vacancies on the Board to constitute a quorum. These directors shall promptly elect eligible Members to fill the remaining vacancies through December 31 after the next annual meeting or special meeting of the Members. Directors other than the Outside Director shall then be elected to fill any unexpired terms at the next annual meeting or a special meeting of Members called for that purpose.

440. Duties of Directors.

440.1. General Duty

The Board shall be responsible for the general control and direction of the affairs of the Association. The Board shall determine Association policy matters, periodically review the operations of the Association, and keep itself informed of the Association's fulfillment of its objectives, goals, and responsibilities in accordance with the Act and Regulations, and with Bank policies, procedures, and objectives. The Board shall recognize that the Association, FLCA and PCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board shall govern the Association's affairs and establish policies with the primary objective of improving the three institution's combined financial condition. New and existing directors must attend and identify training in compliance with the Board's Training Policy.

440.2. Establish role of Chief Executive Officer

The Board shall select 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.

445. Officers of the Board.

445.1. General.

As soon as practicable following each annual meeting of Members, and at such other times during the year as is necessary to fill vacancies, the Board shall elect a chairman and a vice chairman from among the members of the Board. A director shall not serve as chairman more than two consecutive years.

445.2. Duties of the Chairman of the Board.

The chairman shall: (a) preside over all meetings of the Board (and the chairman or the Board's designee shall preside over all meetings of the Association Members); (b) see that all orders and resolutions of the Board, all applicable provisions of the Act and Regulations and all policies and procedures prescribed by the FCB are carried into effect; and (c) perform such other duties as may be prescribed by the Board. The chairman shall not be an ex officio member of any committee of the Board.

445.3. Duties of the Vice Chairman of the Board.

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

445.4. Removal.

The chairman and vice chairman may be removed from their positions as officers of the Board at any time by a majority vote of the entire membership of the Board.

450. Board Meetings.

450.1. Regular Meetings.

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

450.2. Special Meetings.

Special meetings of the Board shall be held whenever called by (a) the chairman; (b) the Chief Executive Officer; or (c) a majority of the directors. Business may be conducted by telephone conference call provided a reasonable attempt is made to reach all directors, a quorum is present, and technical arrangements permit all persons participating to hear each other at the same time. All actions taken by telephone conference call shall be ratified at the next regular meeting of the Board.

450.3. Notice of Meeting.

Oral or written notice of each meeting of the Board, except regularly scheduled meetings specified by resolution of the Board, shall be given to each director by the Chief Executive Officer, or other designated employee of the Association, not less than forty-eight hours prior to the time of the meeting. On the signing of a waiver of notice of a meeting by a majority of directors, a meeting of the Board may be held at any time.

450.4. Action without Meeting.

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

460. Honoraria.

The Association may allow directors reasonable honoraria for attendance at meetings, committee meetings, or for special assignments. The Association may also reimburse directors for reasonable expenses incurred in connection with the meetings or assignments. However, when a director represents both the Association and another Farm Credit System institution at a single meeting or assignment, the honoraria and expenses may be shared on a pro rata basis between the two institutions. The FCB may share in the payment of honoraria when it requests that a director attend a meeting or perform a special assignment on its behalf.

470. Quorum.

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

480. Removal of Directors.

Any director may be removed from the Board by a majority vote of the Voting Stockholders present at an annual or special meeting, upon a motion for removal, duly made, seconded and carried, provided the notice of the meeting contains notification that the removal is to be considered. The terms and basis for the removal of an Outside Director shall be the same as those for directors elected by the stockholders.

490. Resignation.

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

495. Boards of PCA and FLCA.

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

ARTICLE V OFFICERS AND EMPLOYEES

500. Election of Senior and Other Officers.

500.1. Association Officers.

The Board shall select a Chief Executive Officer who shall serve at the pleasure of the Board, and shall continue in office until a successor is selected and takes office, unless the Chief Executive Officer shall resign, die, retire, or be removed by the Board. The compensation plan of the CEO will be approved by the Compensation Committee and reported to the Association's Board. Other Association officers shall be vice presidents, a secretary, a treasurer, and any other salaried officers provided for by the Board. Individuals may be appointed to these positions by the Board or by the Chief Executive Officer as prescribed in Section 510.1. A combination of these offices may be held by one individual.

500.2. Previous Directors as Salaried Employees.

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

510. Duties of Officers.

510.1. Duties of the Chief Executive Officer.

The Chief Executive Officer: (a) shall perform such duties and exercise such authority as vested in him or her by the Board; (b) shall be responsible for the ordinary and usual business operations of the Association; and (c) shall, unless this power is reserved to or limited by the Board, employ, supervise and dismiss any and all other officers and employees of the Association, fix their compensation within salary plans approved by the Board's Compensation Committee, 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, manager, general manager, or other title as determined by the Board.

510.2. Duties of the Secretary.

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

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

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

such other duties with respect to the finances of the Association as may be prescribed by the Chief Executive Officer or by the Board.

520. Removal.

The Chief Executive Officer may be removed from office with or without cause by a majority vote of the entire Board.

530. Service Contract.

The Board may enter into a contract with the FCB pursuant to which the FCB may perform on behalf of the Association some of the administrative or clerical duties and responsibilities that would otherwise be performed by officers and employees of the Association. The duties to be performed by the FCB under such contract shall not, however, include discretionary duties which, under these Bylaws, are required to be performed by the Board or Chief Executive Officer.

540. Joint Management.

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

ARTICLE VI COMMITTEES

600. Association Executive Committee.

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

610. Loan Committee.

The Board may delegate to the Chief Executive Officer, individual employee(s), or committee(s) of employees of the Association the authority to approve applications for membership and loans or participation within specified limits. No loan shall be made unless the application therefor has received the unanimous approval of the members of the loan committee present at the meeting at which action was taken. The loan committee shall have, possess, and exercise such other power and authority as may be delegated to it by the Board. Periodic reports of all actions on loans and applications shall be submitted to the Board at its regular meeting, or earlier, if required.

620. Other Committees.

The Board will appoint an Audit Committee and Compensation Committee to act in accordance with their Board-approved charters and FCA regulations. The Board may, at its discretion, appoint such other committees as may be necessary, shall appoint or discharge any member of such a committee, and shall prescribe the duties and responsibilities of each such committee it establishes.

630. Quorum.

A majority of any committee shall constitute a quorum.

640. Withdrawal from Meeting.

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

645. Minutes.

The Board and each committee shall keep a record of its proceedings, which the Association shall retain consistent with the requirements of the Act, FCA Regulations and the Association's record retention policies.

ARTICLE VII CAPITAL STOCK AND PARTICIPATION CERTIFICATES

700. Authorization, Classes, Par or Face Value.

The Association is authorized to issue and have outstanding Class A Common Stock, Class B Common Stock, Class C Common Stock, Class B Participation Certificates and Class C Participation Certificates, each in such amount as specifically provided herein, or, if no amount is specifically so provided, in such amount as may be necessary to conduct the Association's business. Issuances of Class A Preferred Stock and Class D Preferred Stock shall require the affirmative vote of a majority of the shares of each class of stock and participation certificates affected by the preference, voting as a class, whether or not otherwise authorized to vote, at a duly authorized meeting of stockholders.

The features of these classes are summarized in the Features of Equities table at the end of these Bylaws. No further shares of Class A Common, Class B Common and Class B Participation Certificates shall be issued. Other classes of equity may be issued as provided in Section 720. Each share of stock (common and preferred) and unit of participation certificates shall have a par or face value of \$5.00. Fractional shares of stock or units of participation certificates shall not be issued. Except as to Class A Common, Class B Common and Class B Participation Certificates, all transfers, exchanges, conversions, and retirements of stock and participation certificates shall be at book value not to exceed par. Equities shall vote in accordance with Section 350 hereof. Thus, among other things, (a) each new issuance of preferred stock is subject to the approval of a majority of the shares of each class of equities affected by the preference, voting as a class, whether or not otherwise authorized to vote, and (b) no Voting Stockholder is entitled to cumulate votes.

710. Ownership and Form of Issuance.

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

720. Issue, Rights, Preferences and Limitations.

720.1. Class A Preferred Stock and Class A Common Stock.

Class A Preferred Stock and Class A Common Stock.

(a) To the extent authorized by stockholder vote as provided in Section 790 hereof, Class A Preferred Stock may be issued:

- 1) To the FCB;

- 2) In such amounts and to such persons as may be permitted under a plan adopted by the Board;
- 3) For allocated surplus distributions (Section 830), dividend payments (Section 850), and patronage distributions (Section 860); and
- 4) In exchange for Class A Common, Class C Common, or Class C Participation Certificates converted pursuant to the provisions of Section 740 of these Bylaws and/or Section 4.3A(c)(1)(E)(ii) of the Act.

Only persons to whom Class A Preferred Stock may be issued may own such Class A Preferred Stock. Ownership of Class A Preferred Stock provides no voting rights. Class A Preferred Stock shall have a preference as to dividends (Section 850). Dividends on Class A Preferred Stock are non-cumulative. There shall be no preference as between Class A Preferred Stock and Class D Preferred Stock in respect of distributions or liquidations or other matters. Class A Preferred Stock may be retired only at the discretion of the Board.

(b) As of the effective date of these Bylaws, the Association had 2,866 shares of Class A Common Stock outstanding. This class of stock is “protected” within the meaning of Section 4.9A of the Act. No further Class A Common Stock shall be issued. Class A Common Stock shall be retired at its par value. Ownership of Class A Common Stock provides no voting rights. Shares of Class A Common Stock may be exchanged for shares of Class A Preferred Stock (if authorized) on a one-for-one basis. Since such exchange constitutes a distinct investment decision by the borrower, the Association will, in connection with each such exchange, furnish the borrower with disclosure comparable to the disclosure, pursuant to Section 615.5250(d) of the Regulations, that is supplied to new borrowers.

720.2. Class B Common Stock.

As of the effective date of these Bylaws, the Association had 331,071 shares of Class B Common Stock outstanding. This class of stock is “protected” within the meaning of Section 4.9A of the Act. No further Class B Common Stock shall be issued. Class B Common Stock does not confer voting rights. It shall be retired at its par value.

720.3. Class C Common Voting Stock.

Class C Common Stock shall be issued as follows:

New borrowers who are eligible to become Voting Stockholders (pursuant to the Act and Regulations) must purchase, at the time of the first loan disbursement, the number of shares of Class C Common Stock determined by the Board to be necessary to contribute to the adequate capitalization of the Association. This amount of stock shall not be greater than ten percent (10%) of the aggregate loan amount from the Association, PCA and FLCA or less than the lower of the following amounts:

- (1) two hundred (200) shares (\$1,000 par value); or
- (2) one (1) share for each \$250.00 (or fraction thereof) of the amount of the loan(s).

Only persons to whom Class C Common may be issued may own such Class C Common. Owners of Class C Common Stock have voting rights as provided in Section 350. Class C Common Stock may be retired only at the discretion of the Board. Dividends on Class C Common Stock shall be non-cumulative.

720.4. Participation Certificates.

720.41 As of the effective date of these Bylaws, the Association had 70,297 Class B Participation Certificates outstanding. This class of participation certificates is “protected” within the meaning of Section 4.9A of the Act. No further Class B Participation Certificates shall be

issued. Class B Participation Certificates do not confer voting rights. They shall be retired at face value.

720.42. Class C Participation Certificates shall be issued to (and may be owned only by) borrowers who are not eligible to become Voting Stockholders (as defined in Section 720.3) New borrowers who are not eligible to become Voting Stockholders must purchase, at the time of the first loan disbursement, the number of Class C Participation Certificate units determined by the Board to be necessary to contribute to the adequate capitalization of the Association; provided, however, that the amount required to be purchased shall not be less than, nor more than, the amount of stock required to be purchased by those borrowers who are eligible to purchase Class C Common Stock. Class C Participation Certificates do not confer voting rights.

720.43. Class C Participation Certificates may be issued to borrowers or applicants who are:

- (a) Rural residents, to capitalize rural housing loans;
- (b) Persons or organizations furnishing farm-related services to capitalize their loans; and/or
- (c) Other persons or organizations who are eligible to borrow from the Association or participate in Association loans but who are not eligible to hold voting stock (as defined in Section 720.3).

720.44. Class C Participation Certificates may be issued for allocated surplus distributions (Section 830), dividend payments (Section 850), and patronage distributions (Section 860).

720.45. Class C 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/or leasing services offered by the Association.

720.46. Class C Participation Certificates shall be retired at the sole discretion of the Board. Dividends on Class C Participation Certificates shall be non-cumulative.

720.5. Class D Preferred Stock.

The Association may issue Class D Preferred Stock in such amounts and to such persons or investors (and may be owned by such persons or investors) as may be permitted under a plan adopted by the Board and approved by stockholder vote under Section 790 hereof. Class D Preferred Stock may be retired only at the discretion of the Board. Class D Preferred Stock shall have such terms and dividend rate as may be determined by the Board. Class D Preferred Stock shall confer no voting rights and shall have a preference as to dividend(s) (Section 850). Dividends on Class D Preferred Stock shall be noncumulative. There shall be no preference as between Class A Preferred Stock and Class D Preferred Stock in respect of distributions or liquidation or other matters.

720.6. Transfer of Equities in Lieu of Purchase.

The requirements, set forth in preceding subsections of this Section 720, for borrowers to purchase Association stock or participation certificates at the time loans are made to such borrowers, apply only when the capital adequacy requirements applicable to the Association (as provided in the Act and Regulations) are not met. At all other times, the requirements of this Section 720 for borrowers to purchase stock or participation certificates at the time loans are made to such borrowers may be met either through purchase from the Association or through transfer of such stock or participation certificates from authorized holders thereof.

720.7. Loans Designated for Sale Into the Secondary Market.

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

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

730. Transfer.

Class A Common Stock, Class B Common Stock and Class B Participation Certificates shall not be transferable. Class A Preferred Stock, Class D Preferred Stock, Class C Common Stock and Class C Participation Certificates may be transferred to persons or entities eligible to purchase or to hold such stock or participation certificates as enumerated in Sections 700 and 720, subject to the following conditions: (a) transfer shall not be effectuated prior to notification of and acknowledgment by the Association, if no indebtedness is due by the transferor to the Association; and (b) transfer shall not be effectuated prior to notification of and written consent of the Association if indebtedness is due by the transferor to the Association.

740. Conversion.

740.1. Shares of Class A Preferred Stock and Class D Preferred Stock may be converted to a like amount of Class C Common Stock or Class C Participation Certificates by those holders eligible to borrow from the Association at the time of the first loan disbursement.

740.2. Class C Common Stock or Class C Participation Certificates shall automatically be converted to Class A Preferred Stock (if authorized) within two years after the holder ceases to be a borrower, as determined by the Board. Since such exchange constitutes a distinct investment decision by the borrower, the Association will, in connection with each such exchange, furnish the borrower with disclosure comparable to the disclosure that is, pursuant to Section 615.5250(d) of the Regulations, supplied to new borrowers.

740.3. Class A Common Stock issued and outstanding may be converted to Class A Preferred Stock (if authorized) at the option of the holder of such Class A Common Stock. Since such exchange constitutes a distinct investment decision by the borrower, the Association will, in connection with each such exchange, furnish the borrower with disclosure comparable to the disclosure that is, pursuant to Section 615.5250(a)(3) & (4) of the Regulations, supplied to new borrowers.

740.4. Class C Common Stock may be converted to Class C Participation Certificates of equivalent face value, subject to the following conditions:

- (1) The borrower shall have previously borrowed money from the Association and purchased Class C Common Stock in connection with such borrowing;

(2) The borrower shall apply to the Association for a new loan or service of one of the types set forth in Section 720.43 or 720.45, requiring him to purchase Class C Participation Certificates in accordance with the Bylaws;

(3) At the time of application for the new loan, the borrower is no longer engaged in the occupation which previously made him eligible under the Act and Bylaws as a Voting Stockholder of the Association;

(4) If the Association makes the new loan to the borrower, the Association shall convert all Class C Common Stock then held in the borrower's name to Class C Participation Certificates, which conversion shall be at book value of the Class C Common Stock, not to exceed par value;

(5) In connection with the conversion, the Association shall provide the borrower with disclosure required by Section 615.5250(a)(3) & (4) of the Regulations; and

(6) Simultaneously with the conversion and issuance of Class C Participation Certificates, the borrower shall relinquish his voting rights under Section 350.1 of the Bylaws and the borrower's name shall be removed from the stockholder list maintained by the Association pursuant to Section 350.3 of the Bylaws.

740.5. Class C Participation Certificates may be converted to Class C Common Stock of equivalent face value, subject to the following conditions:

(1) The borrower shall have previously borrowed money from the Association and purchased Class C Participation Certificates in connection with such borrowing;

(2) The borrower shall apply to the Association for a new loan requiring him to purchase Class C Common Stock in accordance with the Bylaws;

(3) If the Association makes the new loan to the borrower, the Association shall convert all Class C Participation Certificates then held in the borrower's name into Class Common Stock, which conversion shall be at book value of the Class C Participation Certificates, not to exceed face value;

(4) In connection with the conversion, the Association shall provide the borrower with disclosure required by Section 615.5250(a)(3) and (4) of the Regulations; and

(5) Simultaneously with the conversion, the borrower shall have voting rights as provided in Section 350.1 of the Bylaws and borrower's name shall be added to the Voting Stockholder list maintained by the Association pursuant to Section 350.3 of the Bylaws.

750. Retirements.

750.1. Subject to the Regulations, Class A Common Stock, Class B Common Stock and Class B Participation Certificates shall be retired in ways that come within the meaning of "the ordinary course of business" as defined by the Regulations.

750.2. Subject to the applicable provisions of the Regulations, when the debt of a borrower is in default, the Association may, but is not required to, order the retirement in any order, of any stock, participation certificates, allocations of surplus or other equities held by the borrower and application of the proceeds thereof against the borrower's indebtedness to the Association, PCA and FLCA. Any such retirement and application of proceeds shall be after notice to the borrower consistent with the Regulations.

750.3. Subject to the foregoing provisions, if at any time the Board of Directors shall determine that the financial condition of the Association will not be impaired thereby, any stock, participation certificates, or other equities held by or in the name of the borrower may be retired in full or in part.

The Board of Directors shall have sole discretion to retire any capital credited to a Member's account. The Board of Directors may take into account special circumstances, such as the death of a Member, in exercising its discretion at a duly called meeting.

760. Impairment

760.1. Any losses suffered by the Association shall first be applied against unallocated surplus as reflected on the books of the Association. To the extent that such losses exceed unallocated surplus, resulting in an impairment of the Association's allocated surplus or capital stock, such losses shall be allocated in accordance with Section 840.3.

760.2. Impaired stock and participation certificates shall be restored in the sequence provided in Section 840.2 until each share of stock and unit of participation certificates has a book value equal to its par or face value, respectively.

770. 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 the outstanding stock and participation certificates in the following order of priority:

- (a) First, to the holders of Class A Preferred Stock and Class D Preferred Stock, if any, until an amount equal to the aggregate par value of all shares of said stock then issued and outstanding has been distributed to such holders;
- (b) Second, to the holders of Class A Common Stock, Class B Common Stock, Class C Common Stock, Class B Participation Certificates and Class C Participation Certificates pro rata in proportion to the number of shares or units of each such class of stock or participation certificate then issued and outstanding, until an amount equal to the aggregate par value or face amount of all such shares or units has been distributed to such holders;
- (c) Third, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed;
- (d) Fourth, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed;
- (e) Fifth, all unallocated surplus except (i) unallocated surplus that was accrued by AgSouth prior to April 19, 1995 and (ii) unallocated surplus that was accrued by prior to May 2, 1995, shall be distributed to Patrons on a patronage basis; and
- (f) Sixth, any remaining assets of the Association after such distribution shall be distributed ratably to the holders of all classes of stock and participation certificates.

All distributions to the holders of any class of stock and/or participation certificate holders shall be made pro rata in proportion to the number of shares or units of such class of stock or participation certificates held by such holders.

780. Lien and Security Interest.

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

790. Amendment to Capitalization Bylaws and Issuance of Preferred Stock.

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

ARTICLE VIII EARNINGS, SURPLUS, DIVIDENDS, PATRONAGE DISTRIBUTIONS

800. Capitalization Plan.

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

810. Interest Rates.

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

820. Surplus Accounts.

As contemplated in the Plan, the Association shall create an unallocated surplus account and an allocated surplus account. The Association shall maintain the unallocated surplus account and, subject to Section 830.1, may maintain the allocated surplus account. The minimum aggregate amount of these two accounts shall be determined by the Board. At the end of any fiscal year, if the surplus accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the requirements of any general financing agreement or other commitments of the Association, the Association shall apply earnings for the year to the unallocated surplus account in such amounts as may be determined necessary by the Board.

830. Allocated Surplus Account.

830.1. As contemplated in the Plan, the Association shall create and, subject to the Regulations and Association policy, shall maintain an allocated surplus account consisting of earnings held therein and allocated to Patrons on a patronage basis pursuant to Section 860. Allocated surplus may be issued as either "qualified written notices of allocation" or "non-qualified written notices of allocation," or both, as those terms are defined under Section 1388 of the Code:

(a) All allocations in the form of qualified written notices of allocation shall be issued in annual series and shall be identified by the year of issuance. Each such series shall be retired fully or on a pro rata basis, only at the discretion of the Board, in order of issuance by year as funds are available.

(b) All allocations in the form of non-qualified written notices of allocation shall be issued in annual series and identified by the year of issuance. Each annual series

may be subdivided between two or more classes. Each such series, or class thereof, shall be retired at the sole discretion of the Board.

Only those persons to which allocated surplus may be issued may own such allocated surplus. In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment in the order specified in Section 840.3, and on the basis of latest allocations first.

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

830.3. Subject to the applicable provisions of the Regulations, when the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all surplus account allocations owned by such borrower to be applied against the indebtedness based on its fair value.

830.4. Any surplus allocated to a Patron after October 5, 1988 shall be retired at the sole discretion of the Board. There is no express or implied right granted to a Member to have such allocated surplus retired upon request.

830.5. Upon approval of the Board, any retirement of allocated surplus may be paid, oldest allocations first, in cash, in other forms of available equities or applied against any of the Patron's indebtedness to the Association in accordance with Section 830.3. In no event shall such retirement reduce the Association's permanent capital below the minimum required by the Regulations. Retirements of less than the full amount of allocations issued in the same series (or class thereof) shall be on a pro rata basis. Any part of an allocated surplus distribution in stock to one Member that is less than the par amount of one share may be held by the Association and included with subsequent distributions.

830.6. All qualified notices of allocation shall satisfy the definition of a "qualified written notice of allocation" as defined in Section 1388 of the Code. All nonqualified notices of allocation shall satisfy the definition of a "nonqualified written notice of allocation" as also defined in Section 1388 of the Code.

830.7. A record of the holders of allocated surplus shall be kept and maintained by the Association. Allocations of "qualified" amounts will be maintained separately from allocations of "nonqualified" amounts. Such surplus accounts shall be transferable only to the Association or to an eligible Patron of the Association in the manner established by the Board, and no transfer thereof shall be binding upon the Association unless so transferred on the books of the Association.

840. Application of Earnings or Losses.

840.1. At the end of each accounting period the Association shall, after paying or providing for all operating expenses in accordance with the Act, determine the amount of its net earnings or net losses for such period.

840.2. Any net earnings determined pursuant to Section 840.1 shall be applied in the following order of priority:

(a) First, to the restoration pro rata of the amount of the impairment, if any, of Class A Preferred and Class D Preferred Stock issued and outstanding, if any, until such stock is no longer impaired;

(b) Second, to the restoration pro rata of the amount of the impairment, if any, of Class A Common Stock, Class B Common Stock, Class C Common Stock, Class B Participation Certificates and Class C Participation Certificates issued and outstanding, until such stock and equities are no longer impaired;

(c) Third, to the restoration of the amount of impairment, if any, of allocated surplus in the reverse order of impairment;

(d) Fourth, to an unallocated surplus contingency reserve, if deemed necessary by the Board;

(e) Fifth, for payment of dividends on stock or participation certificates in accordance with these Bylaws if authorized by the Board; and

(f) Sixth, any remaining net earnings may be distributed as patronage refunds, which may be paid in the form of allocated surplus, stock, cash or any combination of the above.

840.3. Any net losses determined pursuant to Section 840.1, to the extent they exceed unallocated surplus, shall, except as may be otherwise provided in the Act, be treated as impairing allocated surplus and stock in the following order:

(a) First, allocated surplus evidenced by nonqualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;

(b) Second, allocated surplus evidenced by qualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;

(c) Third, Class A Common Stock, Class B Common Stock, Class C Common Stock, Class B Participation Certificates and Class C Participation Certificates issued and outstanding, pro rata until such stock is fully impaired;

(d) Fourth, Class A Preferred Stock and Class D Preferred Stock issued and outstanding pro rata until such stock is fully impaired, if any.

Impairments of capital stock shall be considered as being applied pro rata to each share and/or unit outstanding in the class until fully impaired.

850. Dividends.

850.1. When approved by the Board in accordance with the Regulations, non-cumulative dividends may be declared and paid on the capital stock and participation certificates of the Association, as the Board may determine by resolution; provided, however, that no dividend rate shall exceed eight percent (8%) of the par value of the respective capital stock and participation certificates. Such dividends may be paid solely on Class A Preferred Stock and Class D Preferred Stock, or on all classes of stock and participation certificates. Subject to the provisions herein, the rate of dividends paid on Class A Preferred Stock for any fiscal year may not be less than the rate of dividend paid on Classes A, B or C Common Stock or participation certificates for such year. The rate of dividends on Class D Preferred Stock and Class A Preferred Stock shall be as determined by the Board but shall not be greater than eight (8%) per annum. The rate of dividends on Class A Common Stock, Class B Common Stock, Class C Common Stock, Class B Participation Certificates and Class C Participation Certificates shall be at the same rate per share. No dividend shall be declared on common stock or participation certificates in any year for which the Board has passed a resolution authorizing the distribution of patronage.

850.2. Dividends may be paid to holders of record on the effective date of declaration or at such previous date as may be set by the Board by resolution.

850.3. Dividends on capital stock and participation certificates may be paid in cash, Class A Preferred Stock or Class D Preferred Stock (if authorized under Section 790 hereof), or partly in cash and partly in such stock, except that dividends on capital stock held by a Farm Credit System

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

850.4. Dividends on subsequently authorized stock shall be paid in accordance with, and subject to, the resolution of stockholders authorizing the issuance of such stock.

850.5. Notwithstanding other provisions of this Section, no dividend may be declared if permanent capital would be reduced by payment of said dividend, unless the Association, after recording the liability, will meet the capital adequacy standards.

860. Patronage Distributions.

860.1. Patronage Resolutions - Subject to the provisions of the Act and Regulations, 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 its available Patronage-Sourced Net Earnings to Patrons on the basis of the quantity or value of patronage business done with the Association, PCA and FLCA. Patrons shall be defined in the Patronage Resolution, and may include Members and such other customers, borrowers and financial institutions with which the Association, PCA and/or FLCA conduct business during the fiscal year. Patronage-Sourced Net Earnings shall mean the consolidated pre-tax net earnings of the Association, PCA and FLCA for the fiscal year, as computed under generally accepted accounting principles, attributable to patronage business done with or for Patrons. All transactions done with or for Patrons shall be deemed patronage business unless otherwise provided in the Patronage Resolution. Any outstanding Patronage Resolution that is not rescinded prior to the beginning of a fiscal year shall become irrevocable and constitute a binding legal obligation of the Association with respect to such fiscal year.

Patronage-Sourced Net Earnings of a fiscal year available for patronage distribution shall be determined only after making the applications as required in subsections (a) through (e) of Section 840.2, including the setting aside of a portion of the net earnings in the unallocated surplus account, as deemed prudent for sound capital accumulation, and 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 business with or for Patrons of the Association and any non-patronage sourced net earnings not so applied shall be set aside in the unallocated surplus account. The Board in its resolution may establish a minimum level of available earnings and if the available earnings fall below this level no patronage distribution will be made.

860.2. Basis of Distribution - Patronage distributions shall generally be in the proportion that the amount of income earned, or revenue received, by the Association, PCA and FLCA on patronage business with each Patron bears to the total income earned, or revenue received, by the Association, PCA and FLCA on all such patronage business during the fiscal year, or such other proportionate patronage basis as may be approved by the Board consistent with the requirements of Subchapter T of the Code. The Board may establish, on a fair and equitable basis, separate patronage pools for patronage business transactions of the same type or with similar characteristics. Earnings from transactions that do not constitute patronage business will be segregated into a separate pool and will be not available for distribution. Any earnings pools that may be established shall ensure that each Patron of the Association receives its fair share of earnings and bears its fair share of expenses.

860.3. If the Association will meet its capital adequacy standards after making the patronage distributions, the patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. All qualified notices of allocated surplus shall satisfy the definition of a "qualified written notice of allocation" as defined in Section 1388 of the Code. All nonqualified notices of allocated surplus shall satisfy the definition

of a “nonqualified written notice of allocation” as set forth in Section 1388 of the Code. Any part of a patronage distribution in a class of stock to a Patron that is not a multiple of \$5.00 may be distributed in cash or held by the Association for the Patron and included in a subsequent distribution.

860.4. If a Patron is in default, any part of the patronage distribution to that Patron, except for the minimum amount that must be paid in cash to qualify the distribution as a deduction for Federal income tax purposes, may, at the discretion of the Association, be applied against such Patron’s debt or other financial obligation to the Association, PCA and FLCA. If a loan in which the Association, PCA or FLCA owns a participation interest is in default, the Association may apply the accrued patronage to the loan balance.

860.5. Patron’s Consent to Take Patronage Distribution into Income - Each holder of voting stock shall, by such act of membership and receipt of a copy of this By-Law article, consent that the amount of any distributions with respect to patronage which are made in, or evidenced by, qualified written notices of allocation, as defined in Code Section 1388, including allocations of surplus and patronage refunds paid in stock, and which are received by him or her from the Association, will be taken into account as income by such person at the stated dollar amount in the manner provided in Code Section 1385(a) in the taxable year in which such qualified written notices of allocation are received. Such holder also consents by such act alone, to take into account as income in the same manner the amount of any distributions with respect to patronage provided he or she receives written notice that such amount has been applied on his or her indebtedness to the Association, PCA or FLCA. Each such holder further consents that the amount of any distributions with respect to his or her patronage which are made in, or evidenced by, nonqualified written notices of allocation (as defined in Code Section 1388) will be taken into account (as income) by the holder in the taxable year in which such nonqualified written notices of allocation are redeemed. Consent under this paragraph shall be continuing in effect, but shall cease to be effective with respect to patronage of a distributee occurring after the distributee has ceased to hold voting stock of the Association.

860.6. The Association may obtain the written consent of each Patron that the amount of any distributions with respect to such party’s patronage, which are made in, or evidenced by, qualified written notices of allocation (as defined in Code Section 1388), including patronage allocation 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, PCA or FLCA 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 Code Section 1385(a) in the taxable year in which such qualified written notices of allocation are received by the Patron. The Association may further obtain the written consent of each Patron that the amount of any distributions with respect to such party’s patronage which are made in, or evidenced by, nonqualified written notices of allocation (as defined in Code Section 1388), will be taken into account (as income) by such party in the taxable year such nonqualified written notices of allocation are redeemed. The form of consent shall be prescribed by the Board and shall be continuing in effect until revoked by the Patron, and it may be included as part of the loan application or other appropriate form signed by Patrons. Consent may also be obtained by use of a qualified check in the manner provided for in Code Section 1388.

860.7. PCA and FLCA - In the event of an Authorization Event under Section 110 hereof, where the Association arranges for the provision of credit and/or related services to its Patrons through PCA and/or FLCA, and such Patrons avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from PCA and/or FLCA, all net earnings or loss attributable to such provision of credit and/or related services shall be treated as net earnings or loss of the Association from business done with its Patrons and all business done with PCA and FLCA shall be treated as business done with the Association.

ARTICLE IX EXECUTION OF DOCUMENTS

900. Transactions with Supervising FCB, Releases, and Uniform Commercial Code Transactions.

All documents required to be executed in connection with transactions with the FCB, and releases of security, including releases and satisfactions of judgments, subordination agreements, and all security agreements, financing, continuation and termination statements, and other writings relating to secured transactions within the meaning of the Uniform Commercial Code, may be executed in the name of the Association by the Chief Executive Officer of the Association or the Chief Executive Officer's designee who shall be identified by name in a report to the Board and recorded in the minutes thereof.

910. Other Transactions.

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the Association, shall be signed by the Chief Executive Officer or any other officer of the Association designated by him, and, when required, shall be attested to by other officer(s) or employee(s) designated by the Board. When the Association holds a deed of trust containing a provision for foreclosure by the Association under a power of sale, the Board or the Chief Executive Officer, if that officer has been delegated such authority by the Board, may, at either's discretion, designate and authorize an attorney for the Association to exercise such power and convey the property in the name of the Association. No person shall sign and attest the same document.

920. Expenses and Checks.

The Chief Executive Officer or any other employee(s) designated by the Chief Executive Officer shall, subject to later approval of the Board, unless it shall require prior approval under its established policies, approve and pay all expenses of the Association and shall sign all checks and vouchers issued by the Association.

ARTICLE X RECORDS AND REPORTS

1000. Records.

Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of Members and directors, the Bylaws and any amendments thereto, resolution of the Board and reports of all committees thereof shall be recorded in the minute books of the Association. The minutes of all committees and of the Board shall be signed by their respective chairmen or presiding officers and attested to by the person acting as secretary of the meeting. The foregoing materials, and such others as the Board may specify from time to time, are to be retained by the Association pursuant to a records retention program to be developed and approved by the Board.

1010. Reports.

The Association shall make available to each Member such reports as are required by the Act and Regulations and such other reports as the Board deems advisable. The financial statements included in each annual report of the Association shall be audited by independent accountants.

ARTICLE XI UNCLAIMED PROPERTY

The Association shall seek to pay to the owners the proceeds of any retirement of stock and participation certificates and any accrued dividends. In the event the Association, after a period of six years from the date payable, is unable to determine the address or whereabouts of the owner or the heirs and assigns of the owner, the funds may be disposed of in accordance with state or federal law as applicable.

ARTICLE XII FISCAL YEAR

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

ARTICLE XIII SEAL

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



ARTICLE XIV INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

1400. Indemnification.

1400.1. The Association shall indemnify 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 (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a director, officer or employee of the Association, or is or was serving at the request or direction of the Association as a director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

1400.2. The Association shall indemnify 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 or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer or employee of the Association, or is or was serving at the request or direction of the Association as a director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee, or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees) actually or reasonably incurred by him or her in connection with the defense or settlement of such action or suit, as well as amounts paid in settlement, if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Association and, to the extent of amounts paid in settlement, that settlement was in the best interests of the Association; provided, however, that no indemnification shall be made in respect of any claim, issue or matter as to which such director, officer or employee shall have been adjudged to be liable for negligence or misconduct in their performance of his or her duty of the Association unless and only to the extent that a court of competent jurisdiction shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

1400.3. A director's, officer's or employee's conduct with respect to a retirement or other employee benefit plan for a purpose that he or she reasonably believed to be in the interests of the participants in and beneficiaries of the retirement or other employee benefit plan is conduct that satisfies the requirement that he or she acted in a manner reasonably believed to be in or not opposed to the best interests of the Association.

1400.4. The termination or abatement of a claim, threatened claim, suit or other proceeding by way of a judgment, order, settlement, conviction, or upon a plea of guilty or nolo contendere or its equivalent is not, of itself, determinative that the director, officer or employee did not meet the standard of conduct described in this Section 1400.

1400.5. 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.

1410. Additional Indemnification Provisions.

A director, officer or employee of the Association who has been successful, on the merits or otherwise, in the defense of any suit or proceeding referred to in Section 1400 to which he or she was a party shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection with such suit or proceeding.

1420. Procedure.

Any indemnification under Section 1400 (unless ordered by a court) shall be made by the Association only as authorized in a specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1400. Such determination shall be made: (a) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; or (b) if such a quorum is not obtainable, and a quorum of the disinterested directors so directs, by independent legal counsel in a written opinion.

1430. Advances of Expenses.

Notwithstanding the provisions of Section 1420, reasonable expenses incurred in defending any civil or criminal action, suit or proceeding shall be paid by the Association in advance of the final disposition of such action, suit or proceeding, if the director, officer or employee shall undertake to repay such amount in the event it is ultimately determined, as provided herein, that such person is not entitled to indemnification. Advances of expenses shall be made promptly and, in any event, within 90 days, upon the written request of the director, officer or employee. Notwithstanding the foregoing, no advance shall be made by the Association if a determination is reasonably made at any time by the Board by a majority vote of a quorum of disinterested directors, or (if such a quorum of disinterested directors so directs) by independent legal counsel in a written opinion, that, based upon the facts known to the Board or counsel at the time such determination is made, such person acted in bad faith and in a manner opposed to the best interests of the Association, or that such person deliberately breached his or her duty to the Association or its stockholders, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe his or her conduct was unlawful.

1440. Other Rights.

The indemnification provided by this Article XIV shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any insurance or other agreement, vote of shareholders or directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of 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 1400 against any liability asserted against or incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of this Article.

1450. FCA Penalties.

Notwithstanding any other provision of these Bylaws, the Association will not indemnify, nor purchase or maintain insurance to indemnify, any of its directors, officers, employees or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or enforcement action instituted by the FCA, which results in a final order assessing civil money penalties personally against such individual(s) or requiring affirmative action by such individual(s) to make payments to the Association, PCA or FLCA.

1460. Applicable Law.

The interpretation of this Article XIV shall be under the law of the State of Georgia.

ARTICLE XV AMENDMENTS

Except as otherwise provided by the Act, Regulations or these Bylaws, any amendment to these Bylaws, other than those strictly of a technical nature not affecting substantive rights, shall require:

(a) in the case of an amendment not affecting Article VII or VIII, the affirmative vote of a majority of the Board;

(b) in the case of an amendment to Article VII or Article VIII (but not subject to (c) below), a majority vote of the Voting Stockholders voting, in person or by proxy, at a duly authorized meeting;

(c) in the case of an amendment which would authorize the issuance of preferred stock, the affirmative vote of a majority of the shares of each class of stock and participation certificates affected by the preference, voting as a class, whether or not otherwise authorized to vote, in person or by proxy, at a duly authorized meeting of stockholders.

FEATURES OF EQUITIES PROVIDED FOR IN BYLAWS OF ACA					
Class	When Retired	Retirement Value	Voting Rights	Cumulation of Dividends	When Dividends Payable
A Preferred	At discretion of Board 720.1(a)	Book not to exceed Par 700	No 720.1(a); 700	Non-cumulative 720.1(a)	At discretion of Board 850.1
A Common	In ordinary course of business 750.1	Par 720.1(b)	No 720.1(b); 700	Non-cumulative 800	At discretion of Board 850.1
B Common	In ordinary course of business 750.1	Par 720.2	No 720.2; 700	Non-cumulative 800	At discretion of Board 850.1
C Common	At discretion of Board 720.3	Book not to exceed par 700	Yes 720.3; 700	Non-cumulative 720.3	At discretion of Board 850.1
D Preferred	At discretion of Board 720.5	Book not to exceed Par 700	No 720.5; 700	Non-cumulative 720.5	At discretion of Board 850.1
B PCs	In ordinary course of business 750.1	Face 720.41	No 720.41; 700	Non-cumulative 800	At discretion of Board 850.1
C PCs	At discretion of Board 720.46	Book not to exceed Face 700	No 720.42; 700	Non-cumulative 720.46	At discretion of Board 850.1
Allocated Surplus	At direction of Board 830.1	Book not to exceed stated value 830.5	No	Not applicable	Not applicable

Notes

1. **Purpose of Table:** The table is not intended to summarize all of the rights and features of each class of equity authorized by the Bylaws. Rather, the table is intended (a) to summarize certain important features of certain classes, and (b) in so doing, to indicate which classes are intended to constitute permanent capital within the meaning of Section 4.3A(a)(1) of the Farm Credit Act and 12 C.F.R. § 615.5240 and which classes are, by contrast, protected equities within the meaning of Section 4.9A(d)(2) of the Farm Credit Act and 12 C.F.R. § 615.5260(a)(1).

2. **Voting Rights.** Where the table indicates that a class of equity is non-voting, this indication is subject to 12 C.F.R. § 615.5230(b)(1), which confers specified voting rights on otherwise non-voting classes of equity. See Sections 700 and 350 of the Bylaws.

3. **References to Section Numbers:** Each number set out in the table - e.g., 720.1(a) - is a citation to the provision of the Bylaws providing for the feature summarized in the portion of the table that refers to the number. Note that the statement in Section 830.5 that allocated equities will be retired "as funds are available" is interpreted as meaning that such equities will be retired at not more than their book value. No section number relates to allocated surplus voting rights.

BYLAWS
of the
AGSOUTH FARM CREDIT, FLCA

Definitions

“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.

“Association” - this AgSouth Farm Credit, FLCA, a Federal Land Bank Association with direct lending authority and a subsidiary of AgSouth ACA.

“Authorization Event” – shall have the meaning set forth in Section 100 hereof.

“Board” -- All references in these Bylaws to the “Board” shall refer both to the directors of the Association sitting as of the effective date of the Bylaws and to any successors thereof pursuant to these Bylaws, unless the context otherwise requires.

“Bylaws” - these Bylaws, as they may be amended from time to time pursuant to Article XV hereof.

“FCA” - the Farm Credit Administration.

“FCB” - the AgFirst Farm Credit Bank, or any successor entity thereto.

“Member” - a holder of stock or participation certificates in AgSouth ACA, except another System institution.

“AgSouth ACA” - the AgSouth Farm Credit, ACA, an agricultural credit association.

“AgSouth PCA” - the AgSouth Farm Credit, PCA, a production credit association and a subsidiary of AgSouth ACA.

“Regulations” - FCA regulations or directives applicable to and binding on the Association.

“Stock” - Capital Stock of the Association as described in Article VII of these Bylaws.

“Stockholders” – AgSouth ACA and any other person or entity holding Stock under Article VII.

“System” - the Farm Credit System.

“1987 Act” - the Agricultural Credit Act of 1987, as the same may be amended from time to time.

ARTICLE I LEGAL STATUS; AUTHORITIES

100. Introductory Statement

This Association is a cooperative credit institution, which is owned indirectly by the Members of AgSouth ACA and is federally chartered pursuant to the Act. Subject to the Act and Regulations, AgSouth ACA may authorize Association to conduct and exercise in its chartered territory all lending, participation and similar authorities granted by statute or regulation, as such statutes and regulations may be amended from time to time, to a Farm Credit Bank with respect to the provision of long-term mortgage credit and related services (“Authorization Event”). Without limiting the foregoing, these authorities include authority to:

- (A) Make or participate with other lenders in long-term real estate loans for a term of not more than 40 years and provide other similar financial assistance to:
 - (1) bona fide farmers and ranchers and producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requirements of such borrowers as specified in the Act;
 - (2) rural residents for housing financing in rural areas; and,
 - (3) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs; and;
- (B) Provide technical assistance to borrowers, applicants and Members, and make available to them, at their option, such financially related services appropriate to their on-farm and aquatic operations as is determined feasible under applicable regulations.

110. Relationship with AgSouth ACA and AgSouth PCA

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

ARTICLE II ELIGIBILITY TO BORROW

200. Eligibility to Borrow

Eligible borrowers of the Association shall include any person or entity to whom a Federal Land Bank Association with direct lending authority is authorized by the Act, and regulations thereunder, to extend credit and other services, who or which is, or is about to become, a Member of AgSouth ACA.

ARTICLE III MEETINGS OF STOCKHOLDERS

300. Meetings

All annual and special meetings of the Stockholders of the Association shall be called and conducted in the manner, and pursuant to the procedures and requirements, set forth in the Bylaws of AgSouth ACA.

310. Voting

All voting rights shall be held by AgSouth ACA.

ARTICLE IV BOARD OF DIRECTORS

400. Composition

The Board of Directors shall consist of the members in good standing of the Board of Directors of AgSouth ACA. Any director shall automatically be removed from the Board and his or her office shall automatically become vacant in the event that such director resigns or is removed for any reason from the Board of Directors of AgSouth ACA. Upon a member's term expiration, resignation or removal from the Board of Directors of AgSouth ACA, such member's duly appointed or elected replacement or successor shall automatically become a member of the Association's Board.

410. – 430. Reserved

440. Duties of Directors

440.1 The Board shall be responsible for the general control and direction of the affairs of the Association. The board shall determine Association policy matters, periodically review the operations of the Association, and keep itself informed of the Association's fulfillment of its objectives, goals, and responsibilities in accordance with the Act and Regulations, and with Bank policies, procedures, and objectives. The Board shall recognize that the Association, AgSouth ACA and AgSouth PCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board shall govern the Association's affairs and establish policies with the primary objective of improving the three institution's combined financial condition. New and existing directors must attend and identify training in compliance with the Board's Training Policy.

440.2 The Board shall select 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.

445. Officers of the Board

445.1 General

As soon as practicable following each annual meeting of Members, and at such other times during the year as is necessary to fill vacancies, the Board shall elect a chairman and a vice chairman from among the members of the Board. A director shall not serve as chairman more than two consecutive years.

445.2 Duties of the Chairman of the Board

The chairman shall: (a) preside over all meetings of the Board (and the chairman or the Board's designee shall preside over all meetings of the Association Stockholders); (b) see that all orders and resolutions of the Board, all applicable provisions of the Act and Regulations and all policies and procedures prescribed by FCB are carried into effect; and (c) perform such other duties as may be prescribed by the Board. The chairman shall not be an ex officio member of any committee of the Board.

445.3 Duties of the Vice Chairman of the Board

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

445.4 Removal

The chairman and vice chairman may be removed from their positions as officers of the Board at any time by a majority vote of the entire membership of the Board.

450. Board Meetings

450.1 Regular Meetings

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

450.2 Special Meetings

Special meetings of the Board shall be held whenever called by (a) the chairman; (b) the president; or (c) a majority of the directors. Business may be conducted by telephone conference call provided a reasonable attempt is made to reach all directors, a quorum is present, and technical arrangements permit all persons participating to hear each other at the same time. All actions taken by telephone conference call shall be ratified at the next regular meeting of the Board.

450.3 Notice of Meeting

Oral or written notice of each meeting of the Board, except regularly scheduled meetings specified by resolution of the Board, shall be given to each director by the president, or other designated employee of the Association, not less than forty-eight hours prior to the time of the meeting. On the signing of a waiver of notice of a meeting by a majority of directors, a meeting of the Board may be held at any time.

450.4 Action without Meeting

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

460. Honoraria

The Association may allow directors reasonable honoraria for attendance at meetings, committee meetings, or for special assignments. The Association may also reimburse directors for reasonable expenses incurred in connection with the meetings or assignments. However, when a director represents both the Association and another Farm Credit System institution at a single meeting or assignment, the honoraria and expenses may be shared on a pro rata basis between the two institutions. FCB may share in the payment of honoraria when it requests that a director attend a meeting or perform a special assignment on its behalf.

470. Quorum

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

ARTICLE V OFFICERS AND EMPLOYEES

500. Election of Senior and Other Officers

500.1 Association Officers

The Board shall select a president who shall serve at the pleasure of the Board, and shall continue in office until a successor is selected and takes office, unless the president shall resign, die, retire, or be removed by the Board. Other Association officers shall be a vice president, a secretary, a treasurer, and any other salaried officers provided for by the Board. Individuals may be appointed to these positions by the Board or by the president as prescribed in Section 510.1. A combination of these offices may be held by one individual.

500.2 Previous Directors as Salaried Employees

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

510. Duties of Officers

510.1 Duties of the President

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

510.2 Duties of the Secretary

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

510.3 Duties of the Treasurer (Chief Financial Officer)

The treasurer: (a) shall have custody of all funds, securities, and assets of the Association; (b) shall provide full and complete records of all assets and liabilities of the Association; (c) shall make such reports as may be required; (d) shall keep complete equity ownership records; and (e) shall perform such other duties with respect to the finances of the Association as may be prescribed by the president or by the Board.

520. Removal

The president may be removed from office with or without cause by a majority vote of the entire Board.

530. Service Contract

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

540. Joint Management

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

ARTICLE VI COMMITTEES

600. Association Executive Committee

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

610. Loan Committee

The Board, with approval of FCB, may delegate to the president, individual employee(s), or committee(s) of employees of the Association the authority to approve applications for membership and loans or participations within specified limits. No loan shall be made unless the application

therefor has received the unanimous approval of the members of the loan committee present at the meeting at which action was taken. The loan committee shall have, possess, and exercise such other power and authority as may be delegated to it by the Board. Periodic reports of all actions on loans and applications shall be submitted to the Board at its regular meeting, or earlier, if required.

620. Other Committees

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

630. Quorum

A majority of any committee shall constitute a quorum.

640. Withdrawal from Meeting

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

645. Minutes

The Board and each committee shall keep a record of its proceedings, which the Association shall retain consistent with the requirements of the Act, FCA Regulations and the Association's record retention policies.

ARTICLE VII CAPITALIZATION, EARNINGS, SURPLUS, DIVIDENDS

700. Authorization, Classes, Par or Face Value

The Association is authorized to have the following classes of capital stock, each with a par or face value of \$5.00 per share or unit, in such amounts as may be necessary to conduct its business unless a maximum number is specified for the class:

1. Class C Common Stock - Voting
2. Class D Common Stock - Nonvoting (10,000,000 shares)
3. Such other classes of capital stock as may be provided for from time to time in amendments of these Bylaws as provided in Article XV.

Each share of stock shall have a par or face value of \$5.00. Fractional shares shall not be issued. All transfers, exchanges, conversions and retirements shall be at book value not to exceed par.

705. Ownership and Transfer

Stock may be transferred to such persons or entities eligible to receive or hold such stock as enumerated in Section 710 of these Bylaws, provided that Stock may not be transferred or retired at any time during which the Association is not in compliance with the minimum capital adequacy requirements of the FCA.

Evidence of ownership of capital stock may be by book entry or in definitive form prescribed by FCA.

The Association shall be its own transfer agent in all matters relating to its capital stock.

710. Issue

710.1 Class C Common Stock - Voting.

Upon the Authorization Event, the Association shall issue to AgSouth ACA Class C Common Stock with a par value equal to the net book value of assets (less liabilities) transferred to the Association. Thereafter, Class C Common Stock shall be issued only to AgSouth ACA in such amounts and at such times determined by the Board. Class C Common Stock shall have voting rights.

710.2 Class D Common Stock - Nonvoting.

Class D Common Stock shall be issued to other Farm Credit institutions as necessary. Class D Stock may be retired only at the discretion of the Board and shall have no voting rights.

715. Retirement

All classes of stock may be retired only at the discretion of the Board of Directors subject to the following conditions:

- a. The Association shall be in compliance with existing Farm Credit Administration capital adequacy regulations applicable to it;
- b. Stock, when retired, shall be retired at book value not to exceed par or face value.

720. Liens

The Association shall have a lien on all AgSouth ACA stock, participation certificates and allocated surplus held by any borrower as additional collateral for any indebtedness of the borrower to the Association. Stock may not be pledged or hypothecated to third parties.

When the debt of the borrower is in default, the Association may direct AgSouth ACA to retire any stock, participation certificates and allocated surplus held by the borrower and the proceeds thereof applied against the indebtedness to the Association.

725. Distribution on Liquidation

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:

First, to the holder of Class C common stock and Class D common stock, without preference, in proportion to the number of shares then issued and outstanding until an amount equal to the aggregate par value of all such shares has been distributed to stockholders;

Second, any remaining assets of the Association after such distributions shall be distributed to the holders of Class C Common Stock and Class D Common Stock in proportion to the number of shares held immediately prior to the liquidation distribution.

730. Impairment and Restoration

Any net losses to the extent they exceed surplus, shall, except as otherwise provided in the Act, be treated as impairing all shares of Class C Common Stock and Class D Common Stock, pro rata to each share outstanding, without preference to class of stock. Impaired stock shall be restored on a pro rata basis, without preference to class of stock, until each share of stock has a book value equal to par or face value.

740. Applications of Earnings

At the end of each fiscal year, the Association shall apply its earnings (including patronage allocations and refunds received from the FCB) for such fiscal year as follows:

740.1 First, to cover operating and non-operating expenses including additions to loan loss reserves.

740.2 Second, to restore the amount of any impairment of capital stock as prescribed in Section 730 of these Bylaws.

740.3 Third, to restore the amount of any impairment to surplus.

740.4 Fourth, to create and maintain a surplus account.

740.5 Fifth, to pay patronage as provided in Section 770 hereof.

740.6 Sixth, to pay dividends on capital stock as provided in Section 760.

745. Absorbing Losses

In the event of a net loss for any fiscal year after applying earnings for such fiscal year as provided in Section 740, such loss shall be absorbed as follows:

745.1 First, by charges to the surplus account.

745.2 Second, to the impairment of capital stock as provided in Section 730.

750. Surplus

The Association shall create and maintain an unallocated surplus account in an amount prescribed from time to time by the Board of Directors. The surplus may not be reduced except as provided in Section 745.1.

760. Dividends

760.1 Subject to the Act and the Regulations thereunder, and provided that, at the time of declaration thereof, no class of stock shall be impaired, noncumulative dividends may be declared and paid on any one or more classes of stock, as the Board from time to time may determine, subject to the preferences established in this Section. All dividends will be declared on a per share basis.

760.2 If dividends are declared on common stock, they must be declared at the same rate per share or unit on Class C and Class D Common Stock.

760.3 Dividends may be paid in the form of any class of stock which the recipient thereof is eligible to hold, or in cash, or any combination thereof, as the Board from time to time may determine.

760.4 Notwithstanding other provisions of this Section, dividends may not be declared unless the Association, after recording the liability, will meet its capital adequacy requirements.

765. Effective Date

Dividends, when paid, shall be paid to holders of record on the effective date of declaration.

770. Patronage Refunds

The Association shall be organized and operated on a cooperative basis for the mutual benefit of AgSouth ACA's Members and other patrons. The net earnings or loss of the Association from business done with or for Members and other patrons shall be consolidated with the net earnings of AgSouth ACA and AgSouth PCA and shall be distributed to Members and other patrons in accordance with the provisions of Article VIII of the Bylaws of AgSouth ACA as patronage dividends on the basis of business done with the Association, AgSouth ACA and AgSouth PCA.

ARTICLE VIII RESERVED

ARTICLE IX EXECUTION OF DOCUMENTS

900. Transactions with Supervising Bank, Releases, and Uniform Commercial Code Transactions

All documents required to be executed in connection with transactions with FCB, and releases of security, including releases and satisfactions of judgments, subordination agreements, and all security agreements, financing, continuation and termination statements, and other writings relating to secured transactions within the meaning of the Uniform Commercial Code, may be executed in the name of the Association by the president or the president's designee who shall be identified by name in a report to the Board and recorded in the minutes thereof.

910. Other Transactions

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the Association, shall be signed by the president or any other officer of the Association designated by him, and, when required, shall be attested to by other officer(s) or employee(s) designated by the Board. When the Association holds a deed of trust containing a provision for foreclosure by the Association under a power of sale, the Board or the president, if that officer has been delegated such authority by the Board, may, at either's discretion, designate and authorize an attorney for the Association to exercise such power and convey the property in the name of the Association. No person shall sign and attest the same document.

920. Expenses and Checks

The president or any other employee(s) designated by the president shall, subject to later approval of the Board, unless it shall require prior approval under its established policies, approve and pay all expenses of the Association and shall sign all checks and vouchers issued by the Association.

ARTICLE X RECORDS AND REPORTS

1000. Records

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 thereof shall be recorded in the minute books of the Association. The minutes of all committees and of the Board shall be signed by their respective chairmen or presiding officers and attested to by the person acting as secretary of the meeting. The foregoing materials, and such others as the Board may specify from time to time, are to be retained by the Association pursuant to a records retention program to be developed and approved by the Board.

1010. Reports

The Association shall make available to each Stockholder such reports as are required by the Act and Regulations and such other reports as the Board deems advisable. The financial statements included in each annual report of the Association shall be audited by independent accountants.

ARTICLE XI UNCLAIMED PROPERTY

The Association shall seek to pay to the owners the proceeds of any retirement of stock and participation certificates and any accrued dividends. In the event the Association, after a period of six years from the date payable, is unable to determine the address or whereabouts of the owner or the heirs and assigns of the owner, the funds may be disposed of in accordance with state or federal law as applicable.

ARTICLE XII FISCAL YEAR

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

ARTICLE XIII SEAL

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



ARTICLE XIV

INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

1400. Indemnification

1400.1 The Association shall indemnify 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 (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a director, officer or employee of the Association, or is or was serving at the request or direction of the Association as a director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

1400.2 The Association shall indemnify 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 or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer or employee of the Association, or is or was serving at the request or direction of the Association as a director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee, or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees) actually or reasonably incurred by him or her in connection with the defense or settlement of such action or suit, as well as amounts paid in settlement, if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Association and, to the extent of amounts paid in settlement, that settlement was in the best interests of the Association; provided, however, that no indemnification shall be made in respect of any claim, issue or matter as to which such director, officer or employee shall have been adjudged to be liable for negligence or misconduct in their performance of his or her duty to the Association unless and only to the extent that a court of competent jurisdiction shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

1400.3 A director's, officers' or employee's conduct with respect to a retirement or other employee benefit plan for a purpose that he or she reasonably believed to be in the interests of the participants in and beneficiaries of the retirement or other employee benefit plan is conduct that satisfies the requirement that he or she acted in a manner reasonably believed to be in or not opposed to the best interests of the Association.

1400.4 The termination or abatement of a claim, threatened claim, suit or other proceeding by way of a judgment, order, settlement, conviction, or upon a plea of guilty or nolo contendere or its equivalent is not, of itself, determinative that the director, officer or employee did not meet the standard of conduct described in this Section 1400.

1400.5 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 specification of and to the extent designated by the Board.

1410. Additional Indemnification Provisions

A director, officer or employee of the Association who has been successful, on the merits or otherwise, in the defense of any suit or proceeding referred to in Section 1400 to which he or she

was a party shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection with such suit or proceeding.

1420. Procedure

Any indemnification under Section 1400 (unless ordered by a court) shall be made by the Association only as authorized in a specific case upon a determination that indemnification of the director, officer or employees is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1400. Such determination shall be made: (a) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; or (b) if such a quorum is not obtainable, and a quorum of the disinterested directors so directs, by independent legal counsel in a written opinion.

1430. Advances of Expenses

Subject to Section 1450 of this Article XIV but notwithstanding the provisions of Section 1420, reasonable expenses incurred in defending any civil or criminal action, suit or proceeding shall be paid by the Association in advance of the final disposition of such action, suit or proceeding, if the director, officer or employee shall undertake to repay such amount in the event it is ultimately determined, as provided herein, that such person is not entitled to indemnification. Advances of expenses shall be made promptly and, in any event, within 90 days, upon the written request of the director, officer or employee. Notwithstanding the foregoing, no advance shall be made by the Association if a determination is reasonably made at any time by the Board by a majority vote of a quorum of disinterested directors, or (if such a quorum of disinterested directors so directs) by independent legal counsel in a written opinion, that, based upon the facts known to the Board or counsel at the time such determination is made, such person acted in bad faith and in a manner opposed to the best interests of the Association, or that such person deliberately breached his or her duty to the Association or its stockholders, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe his or her conduct was unlawful.

1440. Other Rights

The indemnification provided by this Article XIV shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any insurance or other agreement, vote of shareholders or directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of 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 1400 against any liability asserted against or incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of this Article.

1450. FCA Penalties

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

1460. Applicable Law

The interpretation of this Article XIV shall be under the law of the state of South Carolina.

ARTICLE XV AMENDMENTS

1500. General

Except as provided elsewhere in this Article, these Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted, by the affirmative vote of a majority of the 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).

1510. Amendments to Provisions Respecting Capitalization

Any amendment to Article VII, other than those strictly of a technical nature not affecting any substantive rights, shall not become effective unless approved by AgSouth ACA's voting stockholders voting, in person or by proxy, at a duly authorized stockholders' meeting. Any issuance of preferred stock by the Association must be approved by a majority vote of the shares of each class of equities of AgSouth ACA affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

1520. Effectiveness

These Bylaws shall become effective on January 1, 2004. Amendments to these Bylaws shall become effective in accordance with the resolution of the Board of Directors approving such Bylaws.

BYLAWS
of the
AGSOUTH FARM CREDIT, PCA

Definitions

“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.

“Association” - this AgSouth Farm Credit, PCA, a production credit association and a subsidiary of AgSouth ACA.

“Authorization Event” – shall have the meaning set forth in Section 100 hereof.

“Board” – All references in these Bylaws to the “Board” shall refer both to the directors of the Association sitting as of the effective date of the Bylaws and to any successors thereof pursuant to these Bylaws, unless the context otherwise requires.

“Bylaws” - these Bylaws, as they may be amended from time to time pursuant to Article XV hereof.

“FCA” - the Farm Credit Administration.

“FCB” - the AgFirst Farm Credit Bank or any successor entity thereto.

“Member” - a holder of stock or participation certificates in AgSouth ACA, except another System institution.

“AgSouth ACA” - the AgSouth Farm Credit, ACA, an agricultural credit association.

“AgSouth FLCA” - the AgSouth Farm Credit, FLCA, a Federal land bank association with direct lending authority and a subsidiary of AgSouth ACA.

“Regulations” - FCA regulations or directives applicable to and binding on the Association.

“Stock” - Capital Stock of the Association as described in Article VII of these Bylaws.

“Stockholders” – AgSouth ACA and any other person or entity holding Stock under Article VII.

“System” - the Farm Credit System.

“1987 Act” - the Agricultural Credit Act of 1987, as the same may be amended from time to time.

ARTICLE I LEGAL STATUS; AUTHORITIES

100. Introductory Statement

This Association is a cooperative credit institution, which is owned indirectly by the Members of AgSouth ACA and is federally chartered pursuant to the Act. Subject to the Act and Regulations, AgSouth ACA may authorize Association to conduct and exercise in its chartered territory all lending, participation and similar authorities granted by statute or regulation, as such statutes and regulations may be amended from time to time, to a Production Credit Association (“Authorization Event”). Without limiting the foregoing, these authorities include authority to:

- (A) Make, guarantee or participate with other lenders in short and intermediate-term loans and provide other similar financial assistance to:
 - (1) bona fide farmers and ranchers and producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requirements of such borrowers as specified in the Act;
 - (2) rural residents for housing financing in rural areas; and,
 - (3) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs; and;
- (B) Provide technical assistance to borrowers, applicants and Members, and make available to them, at their option, such financially related services appropriate to their on-farm and aquatic operations as is determined feasible under applicable regulations.

110. Relationship with AgSouth ACA and AgSouth FLCA

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

ARTICLE II ELIGIBILITY TO BORROW

200. Eligibility to Borrow

Eligible borrowers of the Association shall include any person or entity to whom a Production Credit Association is authorized by the Act, and regulations thereunder, to extend credit and other services, who or which is, or is about to become, a Member of AgSouth ACA.

ARTICLE III MEETINGS OF STOCKHOLDERS

300. Meetings

All annual and special meetings of the Stockholders of the Association shall be called and conducted in the manner, and pursuant to the procedures and requirements, set forth in the Bylaws of AgSouth ACA.

310. Voting

All voting rights shall be held by AgSouth ACA.

ARTICLE IV BOARD OF DIRECTORS

400. Composition

The Board of Directors shall consist of the members in good standing of the Board of Directors of AgSouth ACA. Any director shall automatically be removed from the Board and his or her office shall automatically become vacant in the event that such director resigns or is removed for any reason from the Board of Directors of AgSouth ACA. Upon a member's term expiration, resignation or removal from the Board of Directors of AgSouth ACA, such member's duly appointed or elected replacement or successor shall automatically become a member of the Association's Board.

410. – 430. Reserved

440. Duties of Directors

440.1 The Board shall be responsible for the general control and direction of the affairs of the Association. The board shall determine Association policy matters, periodically review the operations of the Association, and keep itself informed of the Association's fulfillment of its objectives, goals, and responsibilities in accordance with the Act and Regulations, and with Bank policies, procedures, and objectives. The Board shall recognize that the Association, AgSouth ACA and AgSouth FLCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board shall govern the Association's affairs and establish policies with the primary objective of improving the three institution's combined financial condition. New and existing directors must attend and identify training in compliance with the Board's Training Policy.

440.2. The Board shall select and fix the salary of the president. Also, the Board shall prescribe the duties and responsibilities of the president, 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.

445. Officers of the Board

445.1 General

As soon as practicable following each annual meeting of Stockholders, and at such other times during the year as is necessary to fill vacancies, the Board shall elect a chairman and a vice chairman from among the members of the Board. A director shall not serve as chairman more than two consecutive one-year terms.

445.2 Duties of the Chairman of the Board

The chairman shall: (a) preside over all meetings of the Board (and the chairman or the Board's designee shall preside over all meetings of the Association Stockholders); (b) see that all orders and resolutions of the Board, all applicable provisions of the Act and Regulations and all policies and procedures prescribed by FCB are carried into effect; and (c) perform such other duties as may be prescribed by the Board. The chairman shall not be an ex officio member of any committee of the Board.

445.3 Duties of the Vice Chairman of the Board

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

445.4 Removal

The chairman and vice chairman may be removed from their positions as officers of the Board at any time by a majority vote of the entire membership of the Board.

450. Board Meetings

450.1 Regular Meetings

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

450.2 Special Meetings

Special meetings of the Board shall be held whenever called by (a) the chairman; (b) the president; or (c) a majority of the directors. Business may be conducted by telephone conference call provided a reasonable attempt is made to reach all directors, a quorum is present, and technical arrangements permit all persons participating to hear each other at the same time. All actions taken by telephone conference call shall be ratified at the next regular meeting of the Board.

450.3 Notice of Meeting

Oral or written notice of each meeting of the Board, except regularly scheduled meetings specified by resolution of the Board, shall be given to each director by the president, or other designated employee of the Association, not less than forty-eight hours prior to the time of the meeting. On the signing of a waiver of notice of a meeting by a majority of directors, a meeting of the Board may be held at any time.

450.4 Action without Meeting

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

460. Honoraria

The Association may allow directors reasonable honoraria for attendance at meetings, committee meetings, or for special assignments. The Association may also reimburse directors for reasonable expenses incurred in connection with the meetings or assignments. However, when a director represents both the Association and another Farm Credit System institution at a single meeting or assignment, the honoraria and expenses may be shared on a pro rata basis between the two institutions. FCB may share in the payment of honoraria when it requests that a director attend a meeting or perform a special assignment on its behalf.

470. Quorum

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

ARTICLE V OFFICERS AND EMPLOYEES

500. Election of Senior and Other Officers

500.1 Association Officers

The Board shall select a president who shall serve at the pleasure of the Board, and shall continue in office until a successor is selected and takes office, unless the president shall resign, die, retire, or be removed by the Board. Other Association officers shall be a vice president, a secretary, a treasurer, and any other salaried officers provided for by the Board. Individuals may be appointed to these positions by the Board or by the president as prescribed in Section 510.1. A combination of these offices may be held by one individual.

500.2 Previous Directors as Salaried Employees

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

510. Duties of Officers

510.1 Duties of the President

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

510.2 Duties of the Secretary

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

510.3 Duties of the Treasurer (Chief Financial Officer)

The treasurer: (a) shall have custody of all funds, securities, and assets of the Association; (b) shall provide full and complete records of all assets and liabilities of the Association; (c) shall make such reports as may be required; (d) shall keep complete equity ownership records; and (e) shall perform such other duties with respect to the finances of the Association as may be prescribed by the president or by the Board.

520. Removal

The president may be removed from office with or without cause by a majority vote of the entire Board.

530. Service Contract

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

540. Joint Management

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

ARTICLE VI COMMITTEES

600. Association Executive Committee

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

610. Loan Committee

The Board, with approval of FCB, may delegate to the president, individual employee(s), or committee(s) of employees of the Association the authority to approve applications for membership and loans or participations within specified limits. No loan shall be made unless the application

therefor has received the unanimous approval of the members of the loan committee present at the meeting at which action was taken. The loan committee shall have, possess, and exercise such other power and authority as may be delegated to it by the Board. Periodic reports of all actions on loans and applications shall be submitted to the Board at its regular meeting, or earlier, if required.

620. Other Committees

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

630. Quorum

A majority of any committee shall constitute a quorum.

640. Withdrawal from Meeting

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

645. Minutes

The Board and each committee shall keep a record of its proceedings, which the Association shall retain consistent with the requirements of the Act, FCA Regulations and the Association's record retention policies.

ARTICLE VII CAPITALIZATION, EARNINGS, SURPLUS, DIVIDENDS

700. Authorization, Classes, Par or Face Value

The Association is authorized to have the following classes of capital stock, each with a par or face value of \$5.00 per share or unit, in such amounts as may be necessary to conduct its business unless a maximum number is specified for the class:

1. Class C Common Stock - Voting
2. Class D Common Stock - Nonvoting (10,000,000 shares)
3. Such other classes of capital stock as may be provided for from time to time in amendments of these Bylaws as provided in Article XV.

Each share of stock shall have a par or face value of \$5.00. Fractional shares shall not be issued. All transfers, exchanges, conversions and retirements shall be at book value not to exceed par.

705. Ownership and Transfer

Stock may be transferred to such persons or entities eligible to receive or hold such stock as enumerated in Section 710 of these Bylaws, provided that Stock may not be transferred or retired at any time during which the Association is not in compliance with the minimum capital adequacy requirements of the FCA.

Evidence of ownership of capital stock may be by book entry or in definitive form prescribed by the FCA.

The Association shall be its own transfer agent in all matters relating to its capital stock.

710. Issue

710.1 Class C Common Stock - Voting. Upon the Authorization Event, the Association shall issue to AgSouth ACA Class C Common Stock with a par value equal to the net book value of assets (less liabilities) transferred to the Association. Thereafter, Class C Common Stock shall be issued only to AgSouth ACA in such amounts and at such times determined by the Board. Class C Common Stock shall have voting rights.

710.2 Class D Common Stock - Nonvoting. Class D Common Stock shall be issued to other Farm Credit institutions as necessary. Class D Stock may be retired only at the discretion of the Board and shall have no voting rights.

715. Retirement

All classes of stock may be retired only at the discretion of the Board of Directors subject to the following conditions:

- a. The Association shall be in compliance with existing Farm Credit Administration capital adequacy regulations applicable to it;
- b. Stock, when retired, shall be retired at book value not to exceed par or face value.

720. Liens

The Association shall have a lien on all AgSouth ACA stock, participation certificates and allocated surplus held by any borrower as additional collateral for any indebtedness of the borrower to the Association. Stock may not be pledged or hypothecated to third parties.

When the debt of the borrower is in default, the Association may direct AgSouth ACA to retire any stock, participation certificates and allocated surplus held by the borrower and the proceeds thereof applied against the indebtedness to the Association.

725. Distribution on Liquidation

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:

First, to the holder of Class C common stock and Class D common stock, without preference, in proportion to the number of shares then issued and outstanding until an amount equal to the aggregate par value of all such shares has been distributed to stockholders;

Second, any remaining assets of the Association after such distributions shall be distributed to the holders of Class C Common Stock and Class D Common Stock in proportion to the number of shares held immediately prior to the liquidation distribution.

730. Impairment and Restoration

Any net losses to the extent they exceed surplus, shall, except as otherwise provided in the Act, be treated as impairing all shares of Class C Common Stock and Class D Common Stock, pro rata to each share outstanding, without preference to class of stock. Impaired stock shall be restored on a pro rata basis, without preference to class of stock, until each share of stock has a book value equal to par or face value.

740. Applications of Earnings

At the end of each fiscal year, the Association shall apply its earnings (including patronage allocations and refunds received from the FCB) for such fiscal year as follows:

740.1 First, to cover operating and non-operating expenses including additions to loan loss reserves.

740.2 Second, to restore the amount of any impairment of capital stock as prescribed in Section 730 of these Bylaws.

740.3 Third, to restore the amount of any impairment to surplus.

740.4 Fourth, to create and maintain a surplus account.

740.5 Fifth, to pay patronage as provided in Section 770 hereof.

740.6 Sixth, to pay dividends on capital stock as provided in Section 760.

745. Absorbing Losses

In the event of a net loss for any fiscal year after applying earnings for such fiscal year as provided in Section 740, such loss shall be absorbed as follows:

745.1 First, by charges to the surplus account.

745.2 Second, to the impairment of capital stock as provided in Section 730.

750. Surplus

The Association shall create and maintain an unallocated surplus account in an amount prescribed from time to time by the Board of Directors. The surplus may not be reduced except as provided in Section 745.1.

760. Dividends

760.1 Subject to the Act and the Regulations thereunder, and provided that, at the time of declaration thereof, no class of stock shall be impaired, noncumulative dividends may be declared and paid on any one or more classes of stock, as the Board from time to time may determine, subject to the preferences established in this Section. All dividends will be declared on a per share basis.

760.2 If dividends are declared on common stock, they must be declared at the same rate per share or unit on Class C and Class D Common Stock.

760.3 Dividends may be paid in the form of any class of stock which the recipient thereof is eligible to hold, or in cash, or any combination thereof, as the Board from time to time may determine.

760.4 Notwithstanding other provisions of this Section, dividends may not be declared unless the Association, after recording the liability, will meet its capital adequacy requirements.

765. Effective Date

Dividends, when paid, shall be paid to holders of record on the effective date of declaration.

770. Patronage Refunds

The Association shall be organized and operated on a cooperative basis for the mutual benefit of AgSouth ACA's Members and other patrons. The net earnings or loss of the Association from business done with or for Members and other patrons shall be consolidated with the net earnings of AgSouth ACA and AgSouth FLCA and shall be distributed to Members and other patrons in accordance with the provisions of Article VIII of the Bylaws of AgSouth ACA as patronage dividends on the basis of business done with the Association, AgSouth ACA and AgSouth FLCA.

ARTICLE VIII RESERVED

ARTICLE IX EXECUTION OF DOCUMENTS

900. Transactions with Supervising Bank, Releases, and Uniform Commercial Code Transactions

All documents required to be executed in connection with transactions with FCB, and releases of security, including releases and satisfactions of judgments, subordination agreements, and all security agreements, financing, continuation and termination statements, and other writings relating to secured transactions within the meaning of the Uniform Commercial Code, may be executed in the name of the Association by the president or the president's designee who shall be identified by name in a report to the Board and recorded in the minutes thereof.

910. Other Transactions

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the Association, shall be signed by the president or any other officer of the Association designated by him, and, when required, shall be attested to by other officer(s) or employee(s) designated by the Board. When the Association holds a deed of trust containing a provision for foreclosure by the Association under a power of sale, the Board or the president, if that officer has been delegated such authority by the Board, may, at either's discretion, designate and authorize an attorney for the Association to exercise such power and convey the property in the name of the Association. No person shall sign and attest the same document.

920. Expenses and Checks

The president or any other employee(s) designated by the president shall, subject to later approval of the Board, unless it shall require prior approval under its established policies, approve and pay all expenses of the Association and shall sign all checks and vouchers issued by the Association.

ARTICLE X RECORDS AND REPORTS

1000. Records

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 thereof shall be recorded in the minute books of the Association. The minutes of all committees and of the Board shall be signed by their respective chairmen or presiding officers and attested to by the person acting as secretary of the meeting. The foregoing materials, and such others as the Board may specify from time to time, are to be retained by the Association pursuant to a records retention program to be developed and approved by the Board.

1010. Reports

The Association shall make available to each Stockholder such reports as are required by the Act and Regulations and such other reports as the Board deems advisable. The financial statements included in each annual report of the Association shall be audited by independent accountants.

ARTICLE XI UNCLAIMED PROPERTY

The Association shall seek to pay to the owners the proceeds of any retirement of stock and participation certificates and any accrued dividends. In the event the Association, after a period of six years from the date payable, is unable to determine the address or whereabouts of the owner or the heirs and assigns of the owner, the funds may be disposed of in accordance with state or federal law as applicable.

ARTICLE XII FISCAL YEAR

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

ARTICLE XIII SEAL

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



ARTICLE XIV INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

1400. Indemnification

1400.1 The Association shall indemnify 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 (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a director, officer or employee of the Association, or is or was serving at the request or direction of the Association as a director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

1400.2 The Association shall indemnify 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 or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer or employee of the Association, or is or was serving at the request or direction of the Association as a director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee, or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees) actually or reasonably incurred by him or her in connection with the defense or settlement of such action or suit, as well as amounts paid in settlement, if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Association and, to the extent of amounts paid in settlement, that settlement was in the best interests of the Association; provided, however, that no indemnification shall be made in respect of any claim, issue or matter as to which such director, officer or employee shall have been adjudged to be liable for negligence or misconduct in their performance of his or her duty to the Association unless and only to the extent that a court of competent jurisdiction shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

1400.3 A director's, officers' or employee's conduct with respect to a retirement or other employee benefit plan for a purpose that he or she reasonably believed to be in the interests of the participants in and beneficiaries of the retirement or other employee benefit plan is conduct that satisfies the requirement that he or she acted in a manner reasonably believed to be in or not opposed to the best interests of the Association.

1400.4 The termination or abatement of a claim, threatened claim, suit or other proceeding by way of a judgment, order, settlement, conviction, or upon a plea of guilty or nolo contendere or its equivalent is not, of itself, determinative that the director, officer or employee did not meet the standard of conduct described in this Section 1400.

1400.5 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 specification of and to the extent designated by the Board.

1410. Additional Indemnification Provisions

A director, officer or employee of the Association who has been successful, on the merits or otherwise, in the defense of any suit or proceeding referred to in Section 1400 to which he or she was a party shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection with such suit or proceeding.

1420. Procedure

Any indemnification under Section 1400 (unless ordered by a court) shall be made by the Association only as authorized in a specific case upon a determination that indemnification of the director, officer or employees is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1400. Such determination shall be made: (a) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; or (b) if such a quorum is not obtainable, and a quorum of the disinterested directors so directs, by independent legal counsel in a written opinion.

1430. Advances of Expenses

Subject to Section 1450 of this Article XIV but notwithstanding the provisions of Section 1420, reasonable expenses incurred in defending any civil or criminal action, suit or proceeding shall be paid by the Association in advance of the final disposition of such action, suit or proceeding, if the director, officer or employee shall undertake to repay such amount in the event it is ultimately determined, as provided herein, that such person is not entitled to indemnification. Advances of expenses shall be made promptly and, in any event, within 90 days, upon the written request of the director, officer or employee. Notwithstanding the foregoing, no advance shall be made by the Association if a determination is reasonably made at any time by the Board by a majority vote of a quorum of disinterested directors, or (if such a quorum of disinterested directors so directs) by independent legal counsel in a written opinion, that, based upon the facts known to the Board or counsel at the time such determination is made, such person acted in bad faith and in a manner opposed to the best interests of the Association, or that such person deliberately breached his or her duty to the Association or its stockholders, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe his or her conduct was unlawful.

1440. Other Rights

The Indemnification provided by this Article XIV shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any insurance or other agreement, vote of shareholders or directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of 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 1400 against any liability asserted against or incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of this Article.

1450. FCA Penalties

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

1460. Applicable Law

The interpretation of this Article XIV shall be under the law of the state of South Carolina.

ARTICLE XV AMENDMENTS

1500. General

Except as provided elsewhere in this Article, these Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted, by the affirmative vote of a majority of the 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).

1510. Amendments to Provisions Respecting Capitalization

Any amendment to Article VII, other than those strictly of a technical nature not affecting any substantive rights, shall not become effective unless approved by AgSouth ACA's voting stockholders voting, in person or by proxy, at a duly authorized stockholders' meeting. Any issuance of preferred stock by the Association must be approved by a majority vote of the shares of each class of equities of AgSouth ACA affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

1520. Effectiveness

These Bylaws shall become effective on January 1, 2004. Amendments to these Bylaws shall become effective in accordance with the resolution of the Board of Directors approving such Bylaws.

**NOTICE TO BORROWERS
CONCERNING YOUR INVESTMENT IN
AGSOUTH FARM CREDIT, ACA**

You have been furnished AgSouth Farm Credit, ACA's (the "Association") most recent quarterly report, and a copy of the Association's capitalization bylaws. To borrow from an Agricultural Credit Association, you must invest in the capital of that Association. This notice contains information about the Stock and Participation Certificates issued by the Association (and its predecessors) to its member-borrowers after October 5, 1988. Please read it carefully and make sure that you understand both the benefits and risks of an investment in your Association.

Under the Agricultural Credit Act of 1987 (1987 Act), borrower equities, including Voting Stock (Stock) and Participation Certificates (Certificates), issued prior to October 6, 1988, are generally protected against loss by provisions of the Act. These provisions generally require that in retiring such pre-October 6 equities, the Association shall retire the Stock and Participation Certificates at their par or face value. However, these provisions are not applicable to Stock or Participation Certificates issued after October 5, 1988. Stock and Participation Certificates issued after October 5, 1988, as a condition of obtaining a loan, including stock issued in connection with loan assumptions and refinancings, are an investment in the Association that is at risk and not a compensating balance.

Voting Stock and Participation Certificates

Under the 1987 Act, borrowers from the Association are required by law to make a minimum purchase of Voting Stock or Participation Certificates in the Association in the amount of \$1,000 or 2 percent of the loan, whichever is less. Purchases above the minimum required by law may be established by the Board of Directors of the Association. Currently, the Association requires the minimum purchase as outlined above.

The voting stock issued by the Association is called Class C Voting Stock (Voting Stock) and is generally issued only to farmers, ranchers, and producers or harvesters of aquatic products. Other persons who are eligible to borrow from or do business with the Association, but who are not eligible to own Stock, must purchase Participation Certificates, which are issued on essentially the same terms as Stock except as described below.

Since Stock or Participation Certificates are usually purchased with the proceeds of funds borrowed from the Association, the capital of the Association is generally invested in loans made to member-borrowers rather than in cash or other liquid investments.

How Voting Stock and Participation Certificates are Purchased

Shares of Voting Stock (and units of Participation Certificates) are sold for their par value (or face amount), which is \$5.00 each and can be paid for either with cash before the loan is made or with the proceeds of the loan. When the purchase price is borrowed, the amount of the loan includes the cost of the Voting Stock or Certificates and interest is charged on the entire loan.

The total amount of the loan, including the portion used to pay for the Voting Stock or Certificates, is a legally enforceable obligation that must be repaid in full. The Association does not issue physical certificates for Voting Stock or Participation Certificates. Instead, the ownership of Voting Stock or Certificates is evidenced by entries recorded on the books of the Association as

reflected in periodic account statements sent to each member.

Certain Important Characteristics of Voting Stock and Participation Certificates

The principal difference between Voting Stock and Participation Certificates is that the Stock entitles its holder to one vote (regardless of how many shares are owned) with respect to the election of Association directors, who are responsible for the direction and control of the affairs of the Association, and most other matters on which stockholders are entitled to vote. Holders of Participation Certificates generally have no voting rights. However, in order for the Association to issue preferred stock, holders of participation certificates are entitled to vote on its authorization. The votes on preferred stock issues are weighted according to the number of shares or certificates held, and approval must be by a majority of each equity class voting. In all other respects, Stock and Participation Certificates have substantially the same rights and restrictions.

The current bylaws of the Association provide that dividends may be paid on Stock or Participation Certificates with the approval of the Association's Board of Directors. Under the 1987 Act, dividends may not be declared if, after or due to such action, the permanent capital of the Association would thereafter fail to meet the minimum capital adequacy standards established by the FCA.

The Association has a first lien on the Voting Stock or Participation Certificates held by a member-borrower as additional security for the member's loan. If the member defaults, the value of the member's investment (book value not to exceed par value or face amount) may be applied, subject to the discretion of the Board of Directors and applicable regulations of the Farm Credit Administration, against the balance due on the loan. If the member's Stock or Certificates are transferred, they are still subject to the Association's lien. In any event, Stock and Certificates are transferable only to persons eligible to purchase such equities directly from the Association.

Stock and Participation Certificates do not appreciate in value. Any retirement or conversion will be at their original issue price or, if less, their book value. The possibility that this investment may result in a loss is discussed below under the heading "Impairment".

Retirement of Voting Stock and Participation Certificates

Under the 1987 Act, there is no statutory requirement that a member's Stock or Certificate issued after October 5, 1988, be retired upon repayment of the member's loan. Under the Association's bylaws, such Stock and Participation Certificates are retirable only at the discretion of the Association's Board of Directors. Stock is retired at the lower of book value or par value, while Participation Certificates are retired at the lower of book value or face amount. Book value will be determined in accordance with generally accepted accounting principles (GAAP).

In addition, under the 1987 Act, the Association is prohibited from retiring Voting Stock or Participation Certificates if such retirement should result in the Association's failure to satisfy the minimum capital adequacy standards established by the Farm Credit Administration.

If you do not borrow from the Association during the two years following repayment of your loan, and if your Voting Stock is not otherwise retired, it will be converted into non-voting stock.

Impairment

Your ownership of Voting Stock or Participation Certificates in your Association is an at-risk investment and is not a compensating balance. It is subject to certain risks that could result in a

partial or complete loss of the investment. You are responsible for repayment of the entire amount or your loan, including the amount borrowed to pay for your Stock or Certificates regardless of the value of your Stock or Certificates.

These risks include:

- Loan losses experienced by the Association as a result of inadequate evaluation of credit risks or adverse trends in agriculture, such as loss of international markets, over-production, weather conditions or disease.
- Increases in the amount of nonaccrual loans and properties acquired from borrowers that reduce the Association's revenues.
- Impairment of the Farm Credit Bank's (Bank) stock owned by the Association due to loan losses and operating expenses of the Bank, or the Bank's joint and several liability on System-wide debt securities issued by other Banks in the national Farm Credit System.

As a result of these or any other risks, the capital of the Association could become impaired. Impairment means that the book value of the Voting Stock or Participation Certificates has declined below par value (or face amount), which is \$5.00 per share or unit. So long as the capital of an Association is impaired, its members would receive less upon retirement than they had paid for their Stock or Certificates. If the Association were to be liquidated at a time when its capital is impaired, holders of Voting Stock or Certificates would receive less than the par value or face amount of their investment and may suffer a total loss of their investment in the Association. However, in any event, member-borrowers would remain liable for the full amount of their loan from the Association, including the portion used to pay for the purchase of Stock or Certificates, without the right of offset.

Of course, the Association will take all feasible action to prevent its capital from becoming impaired. Farm Credit System Associations and banks maintain loss reserves and surplus accounts to protect against this possibility.

The 1987 Act also provides a mechanism for providing financial assistance to distressed Associations and Banks. This mechanism is described in the Association's latest Annual Report. However, the assistance mechanisms in the 1987 Act do not provide absolute assurance to members that Stock and Participation Certificates issued after October 5, 1988 will be protected. Therefore, members are advised to review the financial statements of the Association and of the Farm Credit Bank and other available information about the Farm Credit System. Copies of the Farm Credit Bank's Annual and Interim Reports to Investors are available from the Association upon request.

The Association presently meets minimum permanent capital standards as established in FCA Regulation Section 615.5205 and FCA Regulation Section 628.10.

The Association Board of Directors knows no reason that would result in the Association not meeting the permanent capital standard established by the Board or the minimum established by Farm Credit Administration, on the next earnings distribution date.

AGSOUTH FARM CREDIT, ACA

BORROWER PRIVACY NOTICE

Your privacy is important to us. At AgSouth Farm Credit, we want you to know that we hold your financial and other personal information in strict confidence. Since 1972, FCA regulations have restricted institutions from disclosing personal borrower information to others without the customer's consent. As a borrower of this institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs. Accordingly, we do not sell or trade our customers' personal information to marketing companies or information brokers. The regulations permit disclosure of certain customer information to others in the following situations:

- Examiners and authorized representatives of the FCA or farm credit bank may review information, records and files.
- We may provide information in certain types of law enforcement proceedings.
- We may provide information on a confidential basis to another Farm Credit institution with which you conduct business.
- We may be a credit reference for you with other lenders and provide information to a credit bureau or other consumer-reporting agency.
- If one of our employees applies to become a licensed real estate appraiser, we may give copies of real estate appraisal reports to the state agency that licenses appraisers after first removing as much personal information from the appraisal report as possible.
- We may provide information on a confidential basis in the ordinary course of business to third parties when seeking government guarantees, loan syndications or participations, when loans are being sold on the secondary market to other lenders or investors and similar situations.
- If information is requested during the course of mediation by a state agency or other mediator under any state mediation program certified under section 501 of the Agricultural Credit Act of 1987, with your approval/consent.
- We may disclose credit information upon your request or when you consent to the release in writing.

As a member/owner of this institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs.

AGSOUTH FARM CREDIT, ACA

INSURANCE COVERAGE REQUIREMENTS

AgSouth Farm Credit loan agreements stipulate that borrowers obtain and maintain insurance on property pledged as security for loans where AgSouth Farm Credit is named as mortgagee or loss payee as appropriate.

This notice is to serve as a reminder that the minimum amount of coverage required to be maintained is the lesser of the actual cash value of the property, the replacement cost of the property, the amount stipulated by your loan officer or the balance(s) of your loans(s) secured by the collateral property. Since the amount required may be less than the amount for which the property can be insured, you are encouraged to consider higher limits where applicable to adequately protect your equity interest in the property.

If the property securing your indebtedness consists of improved real estate, your coverage must insure against the following causes of loss: fire and lightning, wind, hail, aircraft or vehicle damage, riot or civil commotion, explosion, and smoke damage. If the property is in a government mandated flood area where participation in the National Flood Insurance Program is required, flood insurance must also be maintained.

If the property securing your loan consists of personal property such as vehicles, machinery or equipment, in addition to the causes of loss cited in the preceding paragraph, the property must also be insured against the following causes of loss: theft, vandalism, and where applicable, collision or upset.

If your current coverage does not conform with these requirements, please contact your insurance representative and make the necessary changes to insure your coverage does comply with these requirements.



AgSouth Farm Credit, ACA
AgSouth Farm Credit, FLCA
AgSouth Farm Credit, PCA

Bylaws

Effective January 1, 2004

Revised July 30, 2005

Revised June 28, 2006

Revised January 24, 2007

Revised September 23, 2009

Revised January 18, 2012

Revised September 26, 2012

Revised June 26, 2013

Revised September 25, 2013

Revised June 22, 2016

Revised December 14, 2016

Revised March 22, 2017