

BYLAWS
of the
FARM CREDIT SERVICES OF NORTH DAKOTA,
AN AGRICULTURAL CREDIT ASSOCIATION

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CERTIFICATION

ARTICLE I DEFINITIONS

These bylaws constitute the rules for the internal operation of the associations.

- 100 Definitions. As used herein, the following terms shall have the meanings as set forth below:
- a. “Act” - the Farm Credit Act of 1971, as amended;
 - b. “Association” - Farm Credit Services of North Dakota, ACA;
 - c. “Authorization Event” - shall have the meaning set forth in Section 205 hereof;
 - d. “Board” - the Board of Directors of the Association as of the effective date of these bylaws and the successors thereto unless the context otherwise requires;
 - e. “Bylaws” - these Bylaws, as they may be amended from time to time pursuant to Article XV hereof;
 - f. “Director” - a member of the Board;
 - g. “Effective Date” - the effective date of these bylaws;
 - h. “FCA” - the Farm Credit Administration;
 - i. “FCB” - the Farm Credit Bank of St. Paul;
 - j. “FCSND, FLCA” - the Farm Credit Services of North Dakota, FLCA, a Federal Land Bank Association;
 - k. “FCSND, PCA” - the Farm Credit Services of North Dakota, PCA, a Production Credit Association;
 - l. “Non-Voting Stockholder(s)” - a holder of stock other than Class B Common Stock;
 - m. “Outside Director” - Member of the Board elected by the other Board members;
 - n. “Regulations” - FCA regulations or directives applicable to and binding on this Association;
 - o. “Section” - refers to the number section of these bylaws;
 - p. “Shareholder(s)” - includes Voting Stockholders, Non-Voting Stockholders and Participation Certificate Holders;
 - q. “Stockholder(s)” - includes Voting Stockholders and Non-Voting Stockholders;
 - r. “System” - the Farm Credit System;
 - s. “Voting Stockholder(s)” - a holder of Class B Common Stock.

ARTICLE II
LEGAL STATUS; AUTHORITIES

200 This Association is a cooperative credit institution, which is owned by its Shareholders and is federally chartered pursuant to the Act. Subject to the Act and Regulations and under the supervision of the FCB, the Association in its chartered territory possesses and may exercise 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 or, with respect to long-term real estate loans, a Farm Credit Bank. Without limiting the foregoing, these authorities include authority to:

Make, guarantee or participate with other lenders in short and intermediate term loans and 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; and
- (3) persons furnishing to farmers and ranchers farm related services directly related to their on-farm operating needs.

Make or participate with other lenders in long-term real estate mortgage loans in rural areas, as defined by FCA, or to producers or harvesters of aquatic products, and make continuing commitments to make such loans under specified circumstances, for a term of not less than 5 nor more than 40 years; and

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 by the FCB board of directors under applicable Regulations.

205 Lending Authorities

Upon FCA and Member approval, the Board may authorize FCSND, PCA and FCSND, FLCA to conduct some or all of the authorities granted in the Act and Regulations to PCAs and FLCAs, respectively (“Authorization Event”), whereupon the Association shall cease exercising such authorities.

210 Relationship with FCSND, PCA and FCSND, FLCA

Upon an Authorization Event, the Association, FCSND, PCA and FCSND, FLCA shall conduct an integrated lending operation. To the extent authorized, FCSND, PCA shall make short and intermediate-term loans and provide financially related services to qualified borrowers in the Association’s territory. To the extent authorized, FCSND, FLCA shall make long-term real estate loans and provide financially related services to qualified borrowers in the Association’s territory. In addition, upon an Authorization Event, all three institutions shall enter into a General Financing Agreement (“GFA”) with FCB for purposes of funding loans originated and made by the Association, FCSND, PCA and FCSND, 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 stock of FCSND, PCA and FCSND, FLCA.

**ARTICLE III
ELIGIBILITY TO BORROW, ETC.**

300 Any person to whom this Association is authorized to extend credit or other services is eligible to apply for a loan or such other services from this Association. In the case of a deceased or legally incompetent Shareholder, the executor, administrator, guardian, or other court authorized representative shall be considered to be the Shareholder for the purposes of these Bylaws. Each Shareholder is authorized to speak on any question being considered at Shareholders' meetings, when recognized by the chairperson. Motions, nominations and seconds may be made and voted on only by Voting Stockholders.

**ARTICLE IV
MEETINGS OF SHAREHOLDERS**

400 Time and Place

400.1 There shall be an annual meeting of Shareholders at such place(s) in the Association's chartered territory or, within reasonable distance of such territory at such date(s) and time(s) as the Board may by resolution provide.

400.2 Special meetings of Shareholders 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 5 percent of the Voting Stockholders except that in no case shall the required number of signatures for such a request be less than 50. A further exception is for reconsideration of a merger, transfer or termination vote under Section 7.9(b)(3) of the Act. All notices of special meetings 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, in accordance with the provisions of Section 410.

400.3 The Board may provide for the annual meeting or special meetings of Shareholders 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 Shareholders. Each Shareholder shall be notified of all sessions to be convened and shall be entitled to attend any or all of such sessions of the annual meeting. At each sectional session except the last, the meeting shall be adjourned until the next session of the meeting. The last sectional session must be scheduled for a time no later than 21 calendar days after the first sectional session. The attendance at all sectional sessions shall be combined for the purpose of constituting a quorum, but no Voting Stockholder shall be counted or permitted to vote at more than one session. The votes cast at all sessions shall be counted together to constitute the vote of the meeting. Nominations from the floor for directors and nominating committee members and matters requiring a vote of all Voting Stockholders must be introduced at the first sectional session of the meeting and so announced in the notice of meeting.

405 Action Without Meeting

Any action required to be taken, or which may be taken, at any annual or special meeting of Shareholders 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 all of the Voting Stockholders, or by the duly authorized representatives thereof, entitled to vote with respect to the subject matter thereof.

410 Notice of Meeting

The chairperson of the Board shall cause written notice of every annual and special meeting of Shareholders to be mailed at least 10 calendar days prior to the meeting to all Shareholders of record as of the close of business no earlier than 20 calendar days preceding the meeting. The notice shall be mailed to the last known post office address of the Shareholder as it appears on the records of the Association. The notice shall state the purpose and the time and place of meeting. No business shall be transacted at special meetings other than that referred to in the notice.

420 Quorum

Twenty-five Members or two per centum of the Members, whichever shall be the larger, shall constitute a quorum. Proxies will be included to establish a quorum count to the extent that proxies are permitted under Section 450. If less than a quorum is present at any meeting, the chairperson of the meeting may adjourn the meeting from time to time until a quorum is obtained.

430 Conduct of Annual Meeting

At the annual meeting of Shareholders, reports of the Board shall be given by persons designated by the Board. The reports required by Section 1110 shall be presented. Other items of business which may come before the meeting include but are not limited to: (a) determination of quorum; (b) proof of due notice of meeting; (c) reading and disposition of minutes; (d) annual reports of committees and officers; (e) election of directors and nominating committees; (f) unfinished business; and (g) new business.

435 Minutes of Meeting

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

440 Nominating Committee

440.1 Until the first annual meeting of Shareholders, the initial nominating committee shall be composed of the combined nominating committees of the merging PCA and FLBA. Any vacancy arising on the nominating committee shall be filled by majority vote of the remaining committee members. To the extent possible, the person elected to fill the vacancy shall possess the same qualifications as were applicable to the previous occupant of the position.

440.2 At the first annual meeting of Shareholders, and at each subsequent annual meeting, the Voting Stockholders shall elect the nominating committee consisting of five Voting Stockholders. Also five alternates may be elected. Board members, salaried officers and employees of the Association are not eligible to serve on the nominating committee. The committee so elected shall serve until the next annual meeting or until its successors have been elected and qualified.² A list of candidates for such election shall be presented to each annual meeting by the nominating committee that served for the preceding year (or, in the case of the nominating committee referred to in Section 440.1, for the preceding period). Nominations may also be made from the floor. If the meeting is held in consecutive sectional sessions, nominations may be made from the floor only at the first session and the same shall be announced in the Notice of Meeting.

¹ Amended Nominating Committee terms at Board meeting held November 18, 2003.

² Re-amended Nominating Committee terms at Board Meeting held July 24, 2006

440.3 Voting Stockholders may elect alternate members of the nominating committee from among the nominees presented pursuant to Section 440.2. Vacancies on any nominating committee (other than the committee referred to Section 440.1) shall be filled from among the alternates, if any, by vote of the remaining members of the committee. If there are no alternates, the remaining members of the committee shall fill the vacant position from among the Voting Stockholders willing to serve.

440.4 A majority of the nominating committee shall constitute a quorum for transacting the business of the committee. The committee shall keep minutes of its deliberations, which minutes shall be maintained by the chief executive officer in accordance with the Association's records disposal schedule.

440.5 Each nominating committee shall review lists of Voting Stockholders who are eligible to serve as directors of the Association, ascertain their willingness to serve, and submit for election a slate of eligible candidates which shall include at least two nominees for each director position to be filled. In doing so, the committee shall endeavor to assure representation to Voting Stockholders holding different types of loans with the Association, to all areas of the Association's territory, and, as nearly as possible, to all types of agriculture practices within such territory.

450 Voting

450.1 Each Voting Stockholder shall be entitled to only one vote regardless of the number of single or joint loans such Voting Stockholder may have with the Association, FCSND, PCA and/or FCSND, FLCA. In the case of a joint loan, the vote may be cast by only one of the joint holders duly authorized by the other joint holder(s) in a writing filed with the Association. The vote of a Voting Stockholder which is a legal entity shall be cast by an individual duly so authorized in a writing filed with the Association. If a Voting Stockholder controls the business affairs or assets securing the loan of another Voting Stockholder, the controlling Voting Stockholder and the controlled Voting Stockholder shall be entitled to only one vote. For the purposes of this Section, a Voting Stockholder shall be considered to control another Voting Stockholder if the individual has more than a 50 percent ownership interest in (1) the other Voting Stockholder or (2) the assets securing the other Voting Stockholder's loan. In no event may an individual vote more than once, nor shall any Voting Stockholder be permitted to cumulate votes.

450.2 Voting by proxy at annual or special meetings of Shareholders shall be permitted in the merger of associations, for territorial adjustments and in other instances as authorized by the Board, subject to the Act and Regulations.

450.3 A list of Voting Stockholders shall be maintained by the Association. The list shall be used when distributing ballots at an annual or special meeting, for the nomination and election of district board members and for other purposes as authorized by the Board subject to the Act and Regulations. If the meeting is held in consecutive sectional sessions, the list shall be used at each sectional session to assure that no Voting Stockholder votes more than once. A list of Shareholders shall be maintained and may be used for communication among such Shareholders as provided in Section 4.12A(a) of the Act.

ARTICLE V
BOARD OF DIRECTORS

500 Composition of Board; Outside Director

500.1 In General

500.10 The Board of this Association shall be composed of 9¹ members. As of the Effective Date of these bylaws, the following individuals occupy the elected seats:

<u>DIRECTOR</u>	<u>TOOK OFFICE</u>	<u>TERM EXPIRES</u>
Kent Horntvedt	1993	2002
Daryl Klein	1992	2001
Arthur Anderson	1997	2000
Mike Hall	1998	2001
Gerald Hagemeister	1982	2000
Christ Jaeger	1979	2000
Steven Hett	1995	2001
Arlen Gilbertson	1981	2002
Gary Neshem	1988	2001
Rollin Tonneson	1999	2002

500.11 The applicable provisions of the Bylaws, to the extent consistent with the applicable provisions of the Act and Regulations shall govern the qualifications, manner of nomination and election, terms, and related matters respecting the positions of the Board.

500.12 The Board shall at all times include at least one person, elected by other members thereof, who, at the time such person becomes, and while serving as, a director of the Association, shall not be a director, officer, employee or stockholder of any System institution, other than FCSND, PCA or FCSND, FLCA. The manner of nomination, election and related matter respecting such director shall be determined from time to time by the other members of the Board, subject to applicable Regulations.

²500.13 Except as provided in Section 530, any vacancy on the Board arising from death, resignation, removal or otherwise, shall be filled by a Member elected by vote of all the remaining Board members. Except as provided in the following sentence, such Member shall serve until the next annual meeting or a special meeting of Shareholders called for the purpose of electing a Member to serve the remaining unexpired term. Any Member elected by the other Board members to fill a vacancy on the Board referred to in Section 500.12 shall serve for the remainder of the term of the director he or she replaces, and shall, to the extent possible, possess the same qualifications, if any, applicable to the director so being replaced.

¹ Amended from 10 to 9 members at Board meeting held December 21, 1999.

Amended from 9 to 8 members at Board meeting held January 23, 2001.

Amended to include additional Outside Director in April, 2009

² Bylaw added at Board meeting held November 28, 1989

500.2 Except for the Outside Directors, no person shall be elected or continue to serve as a director unless he or she is a Voting Stockholder, is in compliance with the Regulations, is a bona fide farmer, rancher, or producer or harvester of aquatic products and either resides or farms in the Association territory.

If the Board has adopted regional geographic representation, the majority of the Voting Stockholder's farming operations shall be in the specific geographic region. However, if voting stock is converted during the term into nonvoting stock, such conversion shall not disqualify a director from completing the term for which he or she was elected or appointed. An individual designated to vote the stock of a corporation or partnership may be a director as long as the individual holds stock in the corporation, is a member of the partnership, and meets all other requirements for serving as an Association director.

500.3 Outside Director

Notwithstanding any other provision of these Bylaws.

500.31 Two members³ of the Board shall be persons who, within the one year period preceding the commencement of his or her term was not a director, officer, employee, agent or Shareholder of any System institution ("Outside Director"). Nor shall such person continue to serve as a director if such person becomes a director of any other System institution (with the exception of FCSND, PCA and FCSND, FLCA), or officer, employee, agent or Shareholder Owner of any System institution. Such person shall be elected to the Board by the other members thereof.

500.32 Outside Directors shall be subject to the same Code of Ethics for Directors as the other Board members and shall have the same voting powers and responsibilities as the other Board members.

500.33 Outside Directors shall be a resident of the territory served by the Association.

¹500.35 Outside Directors shall serve for four² years after being elected by the Board, and thereafter until such director's successor is elected.

505 Qualifications of Directors other than Outside Directors

The following subsections apply to all directors except Outside Directors.

505.1 An individual who is, or has been, within the year preceding the beginning of his or her term, a salaried officer or an employee of the Association or of any other System institution is not eligible to be elected or appointed and may not serve as a director. An individual may not be a director of this Association and another association simultaneously, with the exception of FCSND, FLCA and FCSND, PCA. A legally authorized representative of a deceased or incompetent Voting Stockholder is not eligible to be elected or appointed as a director unless such representative also is a Voting Stockholder in his or her own right.

505.2 Except with the approval of the Board and the FCB, no individual shall become or continue as a director if the individual is a director, officer, or employee of any other financial institution which is authorized to make the same types of loans that may be obtained through this Association, other than FCSND, PCA and FCSND, FLCA. Board and FCB approval must be sought each time such an individual continues to serve in come capacity in another financial institution as described above.

¹ 500.34 removed, incorporated into BP at Board Meeting held 3/27/07

² Term length changed from three to four years at Board Meeting held 1/26/09

³ Change made to incorporate additional Outside Director, April 2009

505.3 Any director shall automatically be removed from the Board, and his or her office 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; (b) is adjudged debtor in an involuntary Federal bankruptcy or placed in receivership in a state proceeding; (c) seeks reorganization under the Bankruptcy Act of personal business interests or interests in a corporation in which the director owns the controlling interest; (d) is party to a foreclosure proceeding (judicial or nonjudicial) involving property in which the director has an interest, which proceeding is instituted because of the director's default on indebtedness to a System institution; or (e) is finally convicted of a felony or held liable in damages for fraud while holding office; or (f) becomes legally incompetent.

¹No individual shall become or continue as a director in the event the individual or spouse (1) is party to a loan with any Farm Credit System institution which is classified by the institution or the FCB in whole or part under the institution's internal review process and with the approval of the FCB as a Substandard/Doubtful or Loss Loan, except under collateralized loans that are current in payment; and (2) fails to provide a plan acceptable to the institution and the FCB within 90 days so as to permit the loan to be classified in the manner provided above as a Special Mention or an Acceptable loan within fifteen (15) months after notification of the loan classification.

For purposes of this bylaw, an individual or entity is a party to a loan when the individual or entity:

- (a) is primarily liable for the indebtedness; or
 - (1) is individually liable for the indebtedness of a partnership in which the individual is a partner;
 - (2) is individually liable for the indebtedness of a corporation in which the individual is a shareholder.

³505.4 Age Limit

505.5 Termination for Repeated Unexplained Absences

The absence of a director from three consecutive regular meetings of the Board, or a total of four regular meetings during a calendar year unless explained to the satisfaction of the other directors, shall automatically terminate such director's service and the vacancy shall be filled as provided in Section 500.1.

510 Election of Directors

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

¹ Change to be consistent with SOC at Board meeting held 9/23/03

³ Regarding Age Limit deleted at a Board meeting held 2/23/93. Written into a policy.

510.2 At the annual meeting of Shareholders, the nominating committee shall submit the slate of candidates for election, after which the chairperson conducting the election will entertain nominations from the floor. Voting Stockholders shall then cast their ballots and the chairperson conducting the election shall appoint a tellers committee of eligible Voting Stockholders to tally the ballots. Salaried officers and employees, and Voting Stockholders who are directors, candidates, or members of alternates of the nominating committee are ineligible to serve on the tellers committee.

510.3 All candidates shall be listed on the ballot by the position to be filled. If more than one position is to be filled, the election for each position shall be conducted independently. The candidate receiving the largest number of votes for each position shall be declared elected.

510.4 Balloting at Meetings.

The tellers committee shall convene to tally the ballots and shall report the results to the chairperson conducting the election, who shall inform the Shareholders of the results at such meeting. If the meeting is held in consecutive sectional sessions, the results of the votes cast at all sessions of the meeting shall be reported to the Shareholders only after the last sectional session.

510.5 Tie Vote Where Balloting at Meetings

If no director 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 Shareholders in the same manner as in the original election. If the meeting is held in consecutive sectional sessions and the tie is between more than two candidates, the tie shall be broken by reballoting, by mail, those Voting Stockholders which were registered in attendance at the consecutive sectional sessions of the annual meeting. Within 25 business days following the date of the last sectional session, a ballot shall be mailed to each Voting Stockholder. The election polls shall be closed at the end of the tenth 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 at the headquarters of the Association to tally the ballots returned to the Association prior to the closing of the polls. The tellers committee shall report the results of the election to the chief executive officer who shall send a notice to the Shareholders within ten business days announcing the results of the election.

¹If during the election for nominating committee members a tie occurs, instead of the reballoting process, a coin flip method will be used to break the tie vote.

520 Term

520.1 A director shall serve until the fourth² annual meeting after being elected and thereafter until such director's successor is elected and qualified, or, with respect to directors elected to complete partly expired terms, for the unexpired portions of such terms, except as provided in Section 530. No director shall serve in the event such director (a) resigns, (b) is removed from office, or (c) becomes unable to act by reason of death or disqualification. Nothing herein restricts the rights of the Voting Stockholders, acting pursuant to these Bylaws, to shorten any term being served by a director or to terminate any position (except the position referred to in Section 500.3) being occupied by such director.

¹ Amended Nominating Committee tie vote method at Board Meeting held 1/26/09

² Amended term length at Board Meeting held 1/26/09

520.2 If as a result of change in the number of directors, or for other reasons, the terms of directors do not expire equitably on a staggered basis, the terms of the directors elected thereafter shall be for such periods, not to extend beyond the fourth¹ annual meeting thereafter, as will reestablish expiration of terms of directors on an equitably staggered basis.

530 Vacancies of All or a Majority of the Board

530.1 If all or a majority of the director positions filled pursuant to Section 510 become vacant other than pursuant to Section 5.34 of the Act, the chief executive officer of the FCB shall first promptly appoint qualified persons to fill sufficient vacancies to constitute a quorum. These directors shall promptly elect qualified Voting Stockholders to fill the other vacancies. The terms of the directors referred to in the preceding two sentences shall end at the next annual meeting of Shareholders or a special meeting of Shareholders called for the purpose of electing directors. The Board, including the directors referred to in the first two sentences, shall make provision for the staggering of the terms of the directors elected at such meeting, and such provision shall be described in the notice issued in connection with such meeting.

540 Duties of Directors

540.1 The Board shall be responsible for general control and direction of the affairs of the Association. The Board shall determine Association policy matters, periodically review the operations of the Association, and keep itself informed of the Association's fulfillment of its objectives and duties in accordance with the Act, the Regulations, and other relevant governmental policies, procedures, and objectives. The Board shall recognize that the Association, FCSND, PCA and FCSND, FLCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board shall manage the Association's affairs and establish policies with the primary objective of improving the three institutions' combined financial condition.

540.2 The Board shall: (a) appoint and fix the salary of the chief executive officer; (b) prescribe the duties and responsibilities of the chief executive officer, who shall be responsible for the management of the Association; and (c) provide for payment from the Association's general funds of the reasonable and necessary expenses incurred by committees, officers and employees of the Association in connection with the Association's business.

540.3 At the first meeting of the Board it shall approve these Bylaws as required in the Agreement.

550 Board Meetings; Action Without Meeting

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

550.2 Special meetings of the Board shall be held whenever called by: (a) the chairperson of the Board; (b) the chief executive officer; or (c) a majority of the directors.

550.3 Meetings (and meetings of committee provided for in Article VI of the Bylaws) may also be conducted by telephone conference call provided a reasonable attempt is made to reach all directors (and, with respect to committees, alternates), a quorum is present, and technical arrangements permit all persons participating to hear one another at the same time. Such participation shall constitute presence in person at the meeting. All actions taken by telephone conference shall be ratified at the next regular meeting of the Board

¹ Amended term length at Board Meeting held 1/26/09

550.4 Notice of meetings of the Board shall be given by the Secretary or such other person as may be designated by the Board. Such notice may be given by mail, telegram, other written or electronic means, by telephone or other oral communications. If given by mail, such notice shall be mailed at least five (5) days before the meeting date. If given by telegram or other electronic or telephonic means, such notice shall be sent at least two (2) days before the meeting date. If given by telephone or other oral communications, the Secretary shall make a reasonable effort to reach all directors and certify that such notice has been given, or such efforts made, at least two (2) days before the meeting date. Notice of any meeting may be waived in writing, either before or after the meeting. Participation in a meeting shall constitute waiver of notice, unless the sole purpose of such participation is to object to the propriety of such meeting. On the signing of a waiver of notice of a meeting by a majority of the directors, a meeting of the Board may be held at any time.

550.5 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.

555 Officers of the Board; Duties; Removal

555.1 As soon as practicable following the annual meeting of Shareholders, and at such other times as necessary to fill vacancies, the Board shall elect a chairperson and a vice chairperson from among the members of the Board.

555.2 Duties of Chairperson

The chairperson shall: (a) preside at all meetings of the Board; (b) preside at all meetings of Shareholders unless the Board designates another person; (c) ensure that all orders and resolutions of the Board, Regulations with respect to the association, and FCB policies and procedures are carried into effect; and (d) perform such other duties as may be prescribed by the Board. The chairperson shall not be an ex-officio member of any committee of the Board.

555.3 Duties of Vice Chairpersons

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

555.4 Removal of Chairperson and Vice Chairpersons

The chairperson and the vice chairpersons of the Board may be removed from such positions with or without cause by a majority vote of the entire membership of the Board.

560 Honoraria

The Association may allow directors reasonable honoraria for attendance at meetings, committee meetings, or for special assignments. The Association may also reimburse directors for reasonable expenses incurred in connection with such meetings or assignments. The FCB may share in payment of director honoraria as agreed between the Association and the FCB.

565 Quorum

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

570 Shareholders' Meeting May Not Originate Removal Proposal

Except for the Outside Director, a director may be removed from the Board with or without cause but by a majority vote of the Voting Shareholders present at an annual or special meeting of Shareholders upon a motion for removal duly made, seconded and carried, provided the notice of the meeting contains a notification that such removal is to be considered.

575 Resignation

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

580 Management Understandings

In accordance with applicable Regulations, the Board may enter into management understandings with the FCB, pursuant to which the FCB is to perform on behalf of the Association specified duties or responsibilities. Such an arrangement is subject to the requirement of FCA Reg. Sect. 312.2150. Such duties shall not include duties which these Bylaws, the Act or the Regulations require the Board to perform

585 Boards of FCSND, PCA and FCSND, 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 FCSND, PCA and FCSND, FLCA and shall remain on such Boards so long as such individual remains a member in good standing of the Association's Board.

ARTICLE VI COMMITTEES

600 Executive Committee

The Board may elect from its number three directors to act with the chief executive officer or another alternate designated by the Board, as an executive committee. Such committee shall have such authorities as may be delegated by the Board. Any or all of the directors who are not regular members of such committee may be designated by the Board as alternate members. A majority of such committee, whether regular or alternate, shall constitute a quorum; provided that the chief executive officer or designated other officer is present. Actions taken under this authority shall be reported to the Board at its next regular meeting.

610 Loan Committee Functions Carried Out By Management

The Board, with the approval of the FCB, may delegate to the chief executive officer, individual employee(s), and committee(s) of employees of the Association the authority to approve applications for membership and loans or participations without specified limits. The chief executive officer may delegate such authority to another person.

No loan shall be made unless the application therefore has received the majority approval of the qualified members of the loan committee present at the meeting at which action is taken. A majority of such committee shall constitute a quorum; provided, that the chief executive officer or such designated person is present. The loan committee shall have and may exercise such other authorities as the Board may delegate to it. Such delegated authority may include the authority to communicate on an ongoing basis with loan committees or other appropriate persons and entities at other associations or at the FCB respecting participations of loans. Periodic reports of all actions on loans and applications shall be submitted to the Board at its regular meeting, or earlier if required. Unless the Board directs otherwise, upon an Authorization Event, the members of the Association's Loan Committee shall become members of the Loan Committees of FCSND, PCA and FCSND, FLCA.

620 Other Committees

The Board may, at its discretion, appoint or abolish such other committees as may be necessary, shall appoint and may specify duties or responsibilities. Such an arrangement is subject to the requirements of FCA Reg. Sect. 612.2150. Such duties shall not include duties which these Bylaws, the Act or the Regulations require the Board to perform.

625 Quorum

A majority of any committee shall constitute a quorum.

630 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 affecting the interests of such director or employee, any relative of such director or employee, or any entity controlled by such director or employee, and the minutes shall so state.

640 Minutes

Each committee shall keep a written record of its proceedings.

650 Vacancies

Vacancies on any committee shall be filled from among the alternates, if any, by vote of the entire Board.

**ARTICLE VII
OFFICERS AND EMPLOYEES**

700 Appointment and Qualifications of Officers

700.1 The Board shall appoint a chief executive officer, who shall serve at the pleasure of the Board, and shall continue in office until a successor is elected and takes office, unless the chief executive officer shall resign, die, retire, or be removed by the Board. Other Association officers shall be a secretary 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 710.

A combination of these offices may be held by one individual, except that no person may serve simultaneously as chief executive officer and secretary.

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

⁴705 General Limitation on Personnel

Without prior written consent of the FCA, no person who has been convicted of any criminal offense involving dishonesty or a breach of trust shall serve as a Director, or as an officer or an employee of the Association.

710 Duties of Officers

710.1 Duties of the Chief Executive Officer

The chief executive officer shall: (a) perform such duties and exercise such authority as vested in him or her by the Board; (b) be responsible for the ordinary and usual business operations of the Association; and (c) unless such power is reserved to or limited by the Board, employ, supervise, and dismiss any and all other officers and employees of the Association, except the Director of Audit and Reviews, fix their compensation.

710.2 Duties of the Secretary

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

710.3 Duties of the Assistant Secretary

In the absence of the secretary, the assistant secretary shall perform the duties of the secretary.

720 Joint Management

All officers appointed hereunder shall have the same positions and authorities with respect to the Association, FCSND, PCA and FCSND, FLCA.

730 Removal

The chief executive officer or any other officer or employee may be removed from office with or without cause by a majority vote of the entire Board.

⁴ Added at Board meeting held July 23, 1991.

**ARTICLE VIII
CAPITAL STOCK AND PARTICIPATION CERTIFICATES**

800 Authorization, Classes Par or Face Value

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

Secondary Market Loans⁵

No Association stock or participation certificate is required to be purchased by a borrower when such borrower obtains an Association loan which is designated, at the time the loan is made, for sale to a secondary market. Designated loans not sold within the 180 day period shall be subject to the stock requirement for loans as stated in Bylaw VIII, Section 800.

- 800.1 An unlimited number of shares of Class A Common Stock with a par value of \$5.00 per share;
- 800.2 An unlimited number of shares of Class B Common Stock with a par value of \$5.00 per share;
- 800.3 An unlimited number of shares of Class C Common Stock with a par value of \$5.00 per share;
- 800.4 An unlimited number of shares of Class D Common Stock with a par value of \$5.00 per share;
- 800.5 An unlimited number of Class E Participation Certificates with a face value of \$5.00 per share;
- 800.6 An unlimited number of Class F Participation Certificates with a face value of \$5.00 per share;
- 800.7 Zero shares of Class G Preferred Stock;

800.8 Such number of shares of such other classes of capital stock including preferred stock as may be provided for in an amendment or amendments to these bylaws adopted from time to time, as provided in Article XV. Issuance of classes of preferred stock shall be approved by a majority of the shares of each class of stock affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

⁵ Adopted by Stockholders at the Annual Meeting held March 20, 1997 to be included in the Association Bylaws.

810 Minimum Capital Requirement for Borrowing⁶

At any time that a borrower obtains a loan from the Association, such borrower shall be required to own Class B Common Stock or Class E Participation Certificates having an aggregate par value or face amount equal to at least two percent of such borrower's aggregate outstanding loan balance (including the amount of the new loan) or \$1,000 whichever is less or such greater amount, not to exceed five percent of such borrower's aggregate outstanding loan balance as may be determined by the Board from time to time.

As a condition of obtaining an equipment lease, facility lease, or other lease from the Association, the lessee shall be required to own Class B Common Stock or Class E Participation Certificates in an amount as may be determined by the Board from time to time.

In the event of an Authorization Event under Section 205 hereof, a borrower's required investment in Association stock/participation certificates (and the required conversion of such investment into a different class of equity) shall be determined by reference to the borrowing relationship with Association, FCSND, PCA and/or FCSND, FLCA, as the case may be. Accordingly, upon an Authorization Event, all references to loans outstanding and outstanding loan balances shall include loans held or originated by FCSND, PCA and FCSND, FLCA.

820 Rights, Preferences and Limitations of Classes of Stock

820.1 Class A Common Stock shall be issued solely to Association Shareholders in exchange for eligible borrower stock defined in Section 4.9A of the Act existing prior to October 6, 1988. Class A Common Stock shall have no voting rights.

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

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

820.4 Class D Common Stock may be issue for allocated surplus distribution (Section 820), dividend payments (Section 830), and patronage distribution (Section 840). Class D Common Stock shall have no voting rights.

820.5⁷ Class E Participation Certificates shall be issued to persons or organizations to whom the Association is furnishing farm related services to capitalize their loans and to other persons or organization who are eligible to borrower or participate in loans, but are not eligible to hold voting stock. Class E Participation Certificates shall have no voting rights.

⁶ Amended by Stockholders at the Annual Meeting held March 26, 1996.

⁷ Amended at Board meeting held January 28, 1997.

820.6 Class F Participation Certificates shall be issued solely to Association participation certificate holders in exchange for protected participation certificates defined in Section 4.9A of the Act, which existed prior to October 6, 1988. Class F Participation Certificates shall have no voting rights.

820.7 Class G Preferred Stock shall be issued to holders of former Class A Investment Stock which existed prior to October 6, 1988. Class G Preferred Stock shall have no voting rights.

820.8 No fractional shares of stock or cash in lieu of fractional shares shall be issued or paid.

820.9 The term “shareholder” may mean a holder of stock or a holder of participation certificates.

820.10 In no election of directors of any other matter, will Voting Stockholders be permitted to cumulate votes.

830 Ownership

Ownership of stock or participation certificates may be by book entry or in definitive certificate form as determined by the Board.

840 Transferability

840.1 Class B, C, and D Common Stock; Class G Preferred Stock and Class E Participation Certificates shall be transferable to any holder to which such respective classes may be issued in accordance with Section 820, provided that until the Association meets the minimum permanent capital standard enacted by the FCA pursuant to regulations or otherwise, all equities required to be purchased pursuant to Section 810 as a condition of obtaining a loan shall be purchased from the Association, and not from other Shareholders. Class A Common Stock and Class F Participation Certificates shall be non-transferable.

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

850 Conversions

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

850.2 Class B Common Stock shall be converted into Class C Common Stock within two years after the holder ceases to be a borrower.

850.3 For stock originally issued for PCA loan:

Upon the effective date of this capitalization bylaw, unless otherwise provided by law, each current holder of stock which was issued before October 6, 1988, and which qualifies as eligible borrower stock as defined in Section 4.9A of the Farm Credit Act of 1971, as amended, will be required to: (a) convert an amount equal to the greater one-half of such stock or five percent of his/her aggregate outstanding loan balance, to shares of new Class B Common Stock; (b) have all such remaining stock outstanding retired against the loan.

850.4 Upon the effective date of this capitalization bylaw all existing Class A Stock shall be converted into Class G Preferred Stock.

850.5 Upon the effective date of this capitalization bylaw, holders of participation certificates will have all existing participation certificates existing prior to October 6, 1988, converted to Class F Participation Certificates.

860 Retirements

860.1 Ordinary course of business retirement. Subject to Section 4.9A of the Act and these bylaws, the board of directors is authorized to retire all or any portion of any class of stock and participation certificate as it may, in its sole discretion, determine as unnecessary to meet the capital requirements of the Association and such retirement shall not be on a date certain or on the happening of an event such as repayment of a loan or pursuant to an automatic retirement or revolving plan. All stock and participation certificates shall be retired at par or face value not to exceed book value; provided, that the Association shall not retire stock if the action would result in failure of the Association to meet minimum permanent capital adequacy requirements established under regulations issued by the FCA; and provided further, that it shall retain one share of voting stock for each Voting Stockholder continuing to do business with the Association in accordance with these bylaws.

860.2 Mandatory reinvestment from retirement proceeds. If at the time of any stock retirement any Shareholder's investment is below the amount established by the minimum capital requirement, or if retirement should cause the Shareholder's investment to fall below the minimum capital requirement, the Association is authorized to use part of the retirement proceeds to increase Shareholder's investment to such minimum requirement.

870 Lien

Except with regard to stock or participation certificates held by other System institutions, the Association shall have set-off rights and a first lien on all stock and participation certificates in the Association owned by any borrower as additional collateral for any indebtedness of the borrower to the Association. Upon an Authorization Event, all stock and participation certificates shall be pledged to FCSND, PCA and FCSND, FLCA, as the case may be, as additional collateral for any indebtedness of the borrower to FCSND, PCA and FCSND, FLCA, respectively.

880 Distribution Upon Liquidation

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

880.11 To the holders of Class A Common Stock and Class F Participation Certificates pro rata in proportion to the number of shares or units in each such class then issued and outstanding, until an amount equal to the aggregate par or face value has been distributed to such holders;

880.12 To the holders of Class G Common Stock, pro rata in proportion to the number of shares or units of each such class of stock then issued and outstanding, until an amount equal to the aggregate book value not to exceed par or face value of all such shares or units has been distributed to such holders;

880.13 To the holders of Class B, C, and D Common Stock and Class E Participation Certificates, pro rata in proportion to the number of shares or units of each such class of stock then issued and outstanding, until an amount equal to the aggregate book value not to exceed par or face value of all such shares or units has been distributed to such holders; and

880.14 Any remaining assets of the Association after such distributions shall be distributed to the holders of Class A, B, C, and D Common Stock; Class G Preferred Stock and Class E and F Participation Certificates pro rata in proportion to the number of shares or units of such class held by such holders.

ARTICLE IX EARNINGS, SURPLUS, DIVIDENDS, & PATRONAGE DISTRIBUTIONS

900 Application of Earnings or Losses

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

900.11 To cover operating expenses, including provision for loss expense on assets as provided by law and in accordance with generally accepted accounting principles;

900.12 To restore the amount of any impairment of capital stock and participation certificates in the reverse order listed in Section 900.2;

900.13 To restore the amount of any impairment of the allocated surplus account;

900.14 To create and maintain an unallocated surplus account as provided in Section 910 of these bylaws; and to an allocated surplus account if the Association chooses to establish such an account;

900.15 To make patronage distributions if authorized pursuant to Section 940 of these bylaws; and

900.16 To pay dividends on capital stock of the Association if authorized pursuant to Section 930 of these bylaws.

900.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 900.1, such loss shall be absorbed by:

900.21 Charges to the unallocated surplus account;

900.22 The impairment of the allocated surplus account;

900.23 Impairment of Class D Common Stock;

900.24 Concurrent impairment of Class A, B, and C Common Stock and Class E and F Participation Certificates;

900.25 The impairment of Class G Preferred Stock.

910 Surplus Accounts

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amount of these two accounts shall be prescribed by the FCB. At the end of any fiscal year that the surplus accounts otherwise would be less than the minimum amount prescribed by the FCA and the FCB, the Association shall apply earnings for the year to the unallocated surplus account in such amounts as may be necessary to meet these requirements. Except as provided in Section 900, the unallocated surplus account may not be reduced without the prior approval of the FCB.

920 Allocated Surplus Account

920.1 The Association Board may create and maintain an allocated surplus account consisting of earnings held therein and allocated to Shareholders on a patronage basis pursuant to Section 940. In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment in the order specified in Section 900.2 on a pro rata basis.

920.2 The Association shall have a first lien on all surplus account allocations owned by any Shareholder, and all distributions thereof, as additional collateral for the Shareholder's indebtedness to the Association.

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

920.4 Whenever all of the stock and participation certificates of the Association owned by a Shareholder are retired or otherwise disposed of and the Association meets the requirement of Section 910, any surplus account allocations owned by such Shareholder may also be retired upon request of the Shareholder and approval of the Association Board, and the proceeds paid to the Shareholder. Alternatively, if the Association directs, such surplus account applications may be applied against any of the Shareholder's indebtedness to the Association.

920.5 Allocated surplus may be distributed, oldest allocations first, or otherwise as approved by the FCB, in Class D stock and also in cash. The cash proceeds may be applied against the indebtedness of the borrower to the Association. In no event shall such distributions reduce the surplus account below the minimum capital amount prescribed by the capital adequacy requirements of the FCA. Distributions of less than the full amount of all allocations issued as of the same date shall be on a pro rata basis.

930 Dividends

930.1 In accordance with the Act and Regulations, non-cumulative dividends may be paid on the preferred stock and participation certificates of the Association, as the Board may determine by resolution, except that no dividends shall be paid on stock held by the FAC. A dividend may be declared only if at the time of declaration thereof no class of stock shall be impaired. Dividends may not be paid if the action would result in failure of the Association to meet minimum permanent capital adequacy requirements established by the FCA.

Such dividends may be paid on Class G stock alone, or on all classes of stock and participation certificates on a per share basis, but otherwise dividends shall be without preferences.

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

930.3 Dividends on capital stock and participation certificates may be paid in cash, Class D Stock, or partly in cash and partly in such stock.

935 Patronage From FCSND, PCA and FCSND, FLCA

In the event of an Authorization Event under Section 205 hereof, the Association may make patronage distributions with respect to dividends received from FCSND, PCA and FCSND, FLCA. Such dividends shall be paid in proportion to interest earned by FCSND, PCA and FCSND, FLCA or another proportionate basis consistent with cooperative principles.

940 Distribution

All net earnings will be retained in the surplus accounts under any allocation method the Association elects.

**ARTICLE X
EXECUTION OF DOCUMENTS**

1000 Transactions with FCB, 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, donation agreements, and all security agreements, financing, continuation and termination statements, and other writings relating to secured transactions within the meaning of the Uniform Commercial Code, may be executed in the name of the Association by the chief executive officer or the chief executive officer's designee who shall be identified by name in a report to the Board and recorded in the minutes of the Board.

1010 Other Transactions

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the Association, shall be signed by the chief executive officer or any other officer of the Association designated by resolution of the Board and, when required, shall be attested to by (an)other officer(s) or employee(s) designated by the Board. When the Association holds a mortgage 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 the discretion of either, designate and authorize an attorney for the Association to exercise such power and convey the mortgaged property in the name of the Association. No person shall both sign and attest the same document.

1020 Expenses and Checks

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

**ARTICLE XI
RECORDS AND REPORTS**

1100 Records

1100.1 Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of Shareholders and the Board, the Bylaws and any amendments thereto, resolutions of the Board and reports of all committees shall be recorded in the minute books of the Association. The minutes of all committees and of the Board shall be signed by their respective chairpersons 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 in coordination with the FCB.

1100.2 To protect the confidentiality of the resolutions adopted by the Board in connection with nomination and election of FCB board members, the minutes of the Board shall reflect only that the Board adopted such resolution and that copies thereof were promptly transmitted to the FCB.

1110 Reports

The Association shall make available annually to each member such reports as are required by the Act and Regulations and such other reports as the Board deems advisable.

**ARTICLE XII
UNCLAIMED PROPERTY**

The Association shall seek to pay to the Shareholders the proceeds of any retirement of Stock and participation certificates and any dividends accrued thereon. In the event that the Association, after six years from the date that such proceeds or dividends are payable, is unable to determine the address or whereabouts of the Shareholder, the funds may be taken into income of the Association unless other disposition is required by state law, the Act or Regulation.

**ARTICLE XIII
FISCAL YEAR**

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

**ARTICLE XIV
INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS**

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/she is or was a director, officer or employee of the Association,

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

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

1400.4 The termination or abatement of a threatened or pending action, suit or 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 action.

1400.5 The Association may indemnify any agent of the Association to the same extent as and under the same provisions applicable to director, officers and employees, but only by specific action of and to the extent designated by the Board of Directors.

1400.6 Notwithstanding the provisions of Section 1400 of this Article, any director, officer or employee of the Association serving on any committee, special asset group or similar body required or permitted pursuant to the Farm Credit Act of 1971, as amended, shall be deemed to be doing so pursuant to authorization in writing by the Association's Board of Directors or its President or his/her delegate.

1400.7 As used in this Article, “party” means a defendant or respondent in an action, suit or proceeding.

1400.8 Notwithstanding the foregoing, the Association may not indemnify directors, officers, employees, or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the 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 institution.

1410 Additional Indemnification Provisions

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

1420 Procedure

Any indemnification under section 1400 of this article (unless ordered by a court) shall be made by the Association only authorized in the specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances because he/she has met the applicable standards set forth in Section 1400 of this Article. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable (or, even if obtainable, a quorum of disinterested directors so directs) by independent legal counsel in a written opinion. For the purposes of this Section 1420, independent legal counsel shall be selected by a quorum of disinterested directors or, if such a quorum is not obtainable, by the Board of Directors.

1430 Advances of Expenses

Notwithstanding the provisions of Section 1420, reasonable expenses incurred in defending any action, suit or proceeding referred to in Section 1400 of this Article, shall be paid by the Association in advance of the final disposition of such action, suit or proceeding, if the director, officer or employee shall undertake in writing to repay such amount in the event that it is ultimately determined, as provided herein, that such person is not entitled to indemnification. Advances of expenses shall be made promptly and, in any event, within 30 days, upon the written request of the director, officer or employee. Notwithstanding the foregoing, no advance shall be made by the Association if a determination is reasonably made at any time by the Board of Directors by a majority vote of a quorum of disinterested directors or, (if such a quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs) by independent legal counsel (selected as provided in Section 1420) 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 such person deliberately breached his/her duty to the Association or its stockholders, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe his/her conduct was unlawful.

1440 Other Rights

The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expense may be entitled under 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 the heirs, executors and administrators of such person. (Notwithstanding the foregoing, the Association may not indemnify directors, officers, employees, or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the 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 institution.) 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 hereof against any liability asserted against him/her or incurred by him/her in any such capacity, or arising out of his/her status of such, whether or not the Association would have the power to indemnify him/her against such liability under the provisions of this Article.

**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).

1510⁸ Amendments to Provisions Respecting Capitalization

Any amendment to Article VIII hereof, or to the capitalization bylaws of FCSND, PCA or FCSND, FLCA, other than those strictly of a technical nature not affecting substantive rights, shall not become effective unless approved by the Association's voting stockholders at a duly authorized stockholders' meeting. Any issuance of preferred stock by the Association, FCSND, PCA or FCSND, FLCA, must be approved by a majority vote of the shares of each class of equities of the Association, voting as a class, whether or not such classes are otherwise authorized to vote.

1515 Effectiveness

These Bylaws shall become effective on the date of adopted by the Board, and the bylaws and amendments thereto in effect prior to said date are hereby rescinded.

⁸ Amended at Board meeting held November 26, 1996.

CERTIFICATION

I, the undersigned, corporate secretary of the Farm Credit Services of North Dakota, ACA, hereby certify that at a meeting duly held on the ____ day of _____, 1999, the Board of said Association duly adopted the foregoing as the Bylaws of said Association.

Richard P. Olson
Assistant Secretary

Date