

BYLAWS
of the
FARM CREDIT SERVICES OF NORTH DAKOTA, FLCA

BYLAWS

ARTICLE I DEFINITIONS

100 Definitions

- 100.1 "Act" the Farm Credit Act of 1971, as it may be amended from time to time.
- 100.2 "Annual Meeting" - the annual meeting of Stockholders pursuant to Article IV of these Bylaws.
- 100.3 "Association" - this Farm Credit Services of North Dakota, FLCA, a Federal Land Bank Association.
- 100.4 "Authorization Event" – shall have the meaning set forth in Section 200 hereof.
- 100.5 "Bylaws" - these Bylaws, as they may be amended from time to time pursuant to Article XIV hereof.
- 100.6 "Equityholder" - holder of stock in FCSND who is not a Member.
- 100.7 "FCA" - the Farm Credit Administration.
- 100.8 "FCB" - AgriBank, FCB or any successor entity thereto.
- 100.9 "FCSND" – the Farm Credit Services of North Dakota, ACA, an agricultural credit association.
- 100.10 "FCSND, PCA" - the Farm Credit Services of North Dakota, PCA, a Production Credit Association.
- 100.11 "Member" - a holder of stock in FCSND, some or all of which stock has voting rights.
- 100.12 "Patrons" the borrowers from the Association who hold stock or participation certificates in FCSND.
- 100.13 "Regulations" - FCA regulations or directives applicable to and binding on the Association.
- 100.14 "Stock" - Capital Stock of the Association as described in Section 800 of these Bylaws.
- 100.15 "Stockholders" – FCSND and any other person or entity holding Stock under Article VIII.
- 100.16 "System" - the Farm Credit System.

110 Reference to "Board".

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

ARTICLE II LEGAL STATUS; AUTHORITIES

200 Introductory Statement

This Association is a cooperative credit institution, which is owned indirectly by the Members and Equityholders of FCSND and is federally chartered pursuant to the Act. Subject to the Act and Regulations, FCSND may authorize Association to conduct and exercise in its chartered territory some or 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, guarantee or participate with other lenders in long-term real estate loans for a term of not more than 40 years 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 in rural areas; and,
 - (3) persons furnishing to farmers and ranchers farm-related services directly related to their agricultural production; 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 agricultural and aquatic operations as is determined feasible by the FCA Board of directors under applicable regulations.

210 Relationship with FCSND and FCSND, PCA

Upon an Authorization Event, the Association, FCSND and FCSND, PCA shall conduct an integrated lending operation. FCSND, PCA shall make short and intermediate-term loans and provide financially related services to qualified borrowers in the Association's territory. The Association shall make 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 FCSND, 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. FCSND at all times will own all of the voting capital stock of Association and FCSND, PCA.

ARTICLE III ELIGIBILITY TO BORROW, ETC.

300 Definition of Eligible Borrowers

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 or Equityholder of FCSND.

ARTICLE IV MEETINGS OF STOCKHOLDERS

400 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 FCSND.

410 Voting

All voting rights shall be held by FCSND.

ARTICLE V BOARD OF DIRECTORS

500 Board of Directors

The Association's Board of Directors shall consist of the members in good standing of the Board of Directors of FCSND. 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 FCSND. Upon a member's term expiration, resignation or removal from the Board of Directors of FCSND, such member's duly appointed or elected replacement or successor shall automatically become a member of the Association's Board.

510 Meetings

All meetings of the Board shall be called and conducted in the manner, and pursuant to the procedures and requirements, set forth in the Bylaws of FCSND.

530 Duties of Directors

530.1 General Control of Association. 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 objectives. The Board recognizes that the Association, FCSND and FCSND, PCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board will manage the Association's affairs and establish policies with the primary objective of improving the three institutions' combined financial condition.

530.2 Elect and Fix Salary of the Chief Executive Officer. 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.

530.3 Adoption of Bylaws. At the first meeting of the Board, the Board shall approve these Bylaws.

555 Officers of the Board; Duties; Removal

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

555.2 Duties of Chairman. The chairman shall: (a) preside at all meetings of the Board; (b) unless the Board designates another person, preside at all meetings of the Association's members; (c) ensure that all orders and resolutions of the Board, and Regulations are carried into effect; and (d) 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.

555.3 Duties of Vice Chairman. In the absence of the chairman, the vice chairman shall perform duties of the chairman. In the absence from a Board meeting of both the chairman and the vice chairman, one of the other directors shall be elected by those present to preside over the meeting.

555.4 Removal. The chairman and the vice chairman 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, 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 directors honoraria as agreed between the Association and the FCB.

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

Unless the Board directs otherwise, upon an Authorization Event, the members of the loan committee of FCSND shall become members of the Association's loan committee ("Loan

Committee”). The Loan Committee shall have the authority to approve applications for loans or participations within specified limits. 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.

620 Other Committees

The Board may, at its discretion, appoint or abolish such other committees as may be necessary, may appoint or discharge any member of such committees, and shall prescribe the authorities and duties of the committees it establishes. 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 deliberations and determination of any matter related to such director's or employee's personal interests and the minutes shall so state.

640 Minutes

Each committee shall keep a written record of its proceedings.

650 Vacancies

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

ARTICLE VII OFFICERS AND EMPLOYEES

700 Appointment and Qualifications of Officers

700.1 Chief Executive Officer and Other Officers. Subject to Section 730 hereof, the Board shall name 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, a treasurer, and any other salaried officers provided for by the Board.

Individuals may be appointed to these positions by the chief executive officer as prescribed in Section 710. One person may hold more than one of these offices simultaneously.

700.2 Eligibility as Salaried Officer or Employee. No individual shall be eligible to become a salaried officer or employee if within the previous 12 months such individual served as a director 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) shall 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 officers and employees of the Association, fix their compensation, and designate the order of precedence in which such other officers shall act in the absence of any officer. The chief executive officer shall have the title of president.

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 seal, if any; (d) make all reports required by the Act or Regulations; and (e) perform such other duties as may be required by the Board or chief executive officer.

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

720 Removal

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

730 Joint Management.

At all times, Association, FCSND and FCSND, PCA shall have the same officers and management, and all officer and other employment positions shall be joint positions with all three Associations.

ARTICLE VIII CAPITALIZATION, EARNINGS, SURPLUS, DIVIDENDS

800 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. Class E Preferred Stock - Nonvoting (10,000,000 shares)
4. 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.

805 Ownership and Transfer

Stock may be transferred to such persons or entities eligible to receive or hold such stock or certificates as enumerated in Section 810 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 supervising FCB or the FCA.

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

810 Issue

- 810.1 Class C Common Stock - Voting. Upon the Authorization Event, the Association shall issue to FCSND 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 FCSND in such amounts and at such times determined by the Board. Class C Common Stock shall have voting rights.
- 810.2 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.
- 810.3 Class E Nonvoting Preferred Stock. Class E Common Stock shall be issued to Patrons as a patronage allocation under Article IX hereof or in exchange for surplus account allocations owned by a Member Borrower.

815 Retirement

All classes of stock may be retired only at the discretion of the Board of Directors and only when the Association is in compliance with existing Farm Credit Administration capital adequacy regulations. Notwithstanding the foregoing, the Association shall retire:

- a. Class C Common Stock at such times and in such amounts as determined in the discretion of the Board;
- b. Class D Common Stock at such times and in such amounts as determined in the discretion of the Board.
- c. Class E Preferred Stock at such time and in such amounts as determined in the discretion of the Board.

Stock, when retired, shall be retired at book value not to exceed par or face value.

820 Liens

The Association shall have a first lien on all Class E Preferred Stock and all FCSND stock and participation certificates 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 retire any Class E Preferred Stock held by such borrower and may direct FCSND to retire any stock and participation certificates held by the borrower and the proceeds thereof applied against the indebtedness to the Association.

825 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 holders of Class E Preferred Stock 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, 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;

Third, to the holders of allocated surplus, pro rata on the basis of the oldest allocations first, until an amount equal to the total account has been distributed to the holders.

Fourth, any remaining assets of the Association after such distribution shall be distributed to Patrons and former Patrons in the proportion to which the aggregate patronage of each such Member Borrower and former Member Borrower bears to the total patronage of all such parties insofar as practical unless otherwise provided by law.

ARTICLE IX PAYMENT OF PATRONAGE - OPERATING ON A COOPERATIVE BASIS

900 Application of Earnings or Losses.

900.1 Application of Earnings - At the end of each fiscal year, the Association shall apply its earnings for such fiscal year as follows and in the order listed:

900.11 **Operating expenses** - 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 **Impairment of capital stock** - To restore the amount of any impairment of capital stock in the reverse order listed in Section 900.2;

- 900.13 **Allocated surplus** - To restore the amount of any impairment of the allocated surplus account;
- 900.14 **Unallocated surplus account** - 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 **Dividends and patronage refunds** - To pay dividends and patronage distributions as provided in these Bylaws.
- 900.2 **Application of Losses** - In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in 900.1 above, such loss shall be absorbed by:
 - 900.21 **Unallocated surplus** - Charges to the unallocated surplus account;
 - 900.22 **Allocated surplus account** - The impairment of the allocated surplus account in the order of the oldest first;
 - 900.23 **Class C and D Common Stock** - Concurrent impairment of Class C and D Common Stock.
 - 900.24 **Class E Preferred Stock** - The impairment of Class E Preferred Stock on a pro-rata basis.

910 Surplus Account

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amount of these two accounts shall be prescribed by the Board. At the end of any fiscal year that the surplus accounts otherwise would be less than the minimum amount prescribed by the capital adequacy requirements prescribed by the FCA 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 below the minimum aggregate amount prescribed by the FCB without the FCB's prior approval.

920 Allocated Surplus Account

- 920.1 Create and maintain an allocated surplus account - The Board may create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers 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 First lien on all surplus account allocations - The Association shall have a first lien on all surplus account allocations owned by any borrower, and all distributions thereof, as additional collateral for the borrower's indebtedness to the Association.
- 920.3 Default or in process of final liquidation - When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association may order any and

all surplus account allocations owned by such borrower to be applied on the indebtedness. Any such retirement and application of surplus account allocations to indebtedness shall be before similar retirement and application of other stock or participation certificates owned by the borrower.

- 920.4 Stock and participation certificates - Whenever all of the stock and participation certificates of the Association and FCSND owned by a borrower are retired or otherwise disposed of and the Association meets the requirement of Section 910, any surplus account allocations owned by such borrower may also be retired upon request of the owner and approval of the Board, and the proceeds paid to the owner. Alternatively, if the Association directs, such surplus account applications may be applied against any of the borrower's indebtedness to the Association.
- 920.5 Minimum aggregate amount of surplus account - In the complete discretion of the Board and provided the minimum aggregate amount of the surplus account prescribed by the FCA is maintained, allocated surplus may be distributed, oldest allocations first, in Class E Preferred Stock and/or 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 Declaration of dividends - In accordance with the Act, and Regulations, non-cumulative dividends may be paid on the stocks of the Association, as the Board may determine by resolution. A dividend may be declared only if at the time of the declaration thereof no class of stock shall be impaired. Dividends may not be paid if the action would result in failure of the Association to meet minimum capital adequacy requirements established by the FCA. Such dividends may be paid on Class E Preferred Stock on a per share basis, or on all classes of common stock on a per share basis; provided, however, that such dividends shall not exceed 8% per share per annum.
- 930.2 Paid on effective date of declaration - Dividends may be paid to holders of record on the effective date of declaration.
- 930.3 Paid in cash and/or Stock - Dividends on capital stock may be paid in cash or stock, or partly in cash and partly in such stock. If any part of the dividend to be paid in stock is less than \$5.00, that part may be distributed in cash or held by the Association and cumulated with subsequent dividends until such retained dividends equal \$5.00, so that the dividends may be distributed as one whole share of stock.
- 930.4 If a borrower's loan is in default, any part of the dividend distribution to that borrower may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association.

940 Patronage Refunds

- 940.1 Distribution of Patronage. Subject to the provisions of the Act and Regulations, prior to the beginning of any fiscal year, the Association's Board may, by adoption of a resolution, obligate the Association to distribute patronage in a qualified or nonqualified form to Patrons,

on a patronage basis all or any portion of the available net earnings as defined as pretax accounting income before extraordinary items and cumulative effects of changes in accounting principles as determined in accordance with generally accepted accounting principles (GAAP) for such fiscal year or for that and subsequent fiscal years.

- 940.2 Proportionate Distribution. Unless a plan using an alternative equitable and nondiscriminatory basis has been approved by the Board, all patronage distributions shall be in the proportion that the amount of interest earned by the Association on its loans to each borrower bears to the total interest earned by the Association on all such loans during the fiscal year. Any earnings pool that may be established for the payment of patronage distributions should be established on a rational and equitable basis and shall insure that each patron of the Association receives its fair share of the earnings of the Association and bears its fair share of the expenses of the Association, provided that the board shall retain discretion not to pay patronage distributions on one or more of such pools.
- 940.3 Restrictions on Distributions. The availability of earnings for patronage distributions shall be determined after first making applications required by section 900 of this Article, and providing for the transfer to unallocated surplus of the amount, if any, established by the Association's capitalization plan. 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.
- 940.4 Payment of Distributions. Patronage distributions may be in cash, stock, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution. Any portion of a patronage distribution made in the form of stock which is not a multiple of \$5.00 may be distributed in cash or held by the Association for the borrower and included in subsequent distributions.
- In the event that the total patronage distribution to a patron is less than \$100, such distribution may be paid entirely in cash notwithstanding the fact that distributions of \$100 or more are paid partially in cash and partially in stock or allocated surplus.
- In the event that the cash distribution to a Member Borrower is less than \$100, such distribution may, at the discretion of the board, be applied against the patrons indebtedness.
- In the event that the cash distribution to a patron is less than \$15, such cash distribution may, at the discretion of the board, be retained by the Association. In such cases, the aggregate amounts so retained shall be subject to income tax to the same extent as other undistributed income.
- 940.5 Application to Debt. - If the debt of a borrower is in default, any part of the patronage distribution to that borrower may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association.
- 940.6 Capital Adequacy Standards - Notwithstanding other provisions of this section, the Association may not obligate itself to distribute earnings on a patronage basis if the permanent capital of the Association would be reduced to the extent that the Association would not meet its capital adequacy standards as determined from time to time in accordance with the Regulations.

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 the FCB, and releases of security, including releases and satisfactions for judgments, subordination agreements, and all security agreements, financing, continuation and termination statements, and other writing 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 or position 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 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 Recorded in Minutes Book. Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of Stockholders and the Board, the Bylaws and any amendments thereto, resolutions of the Board and reports 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 regulations and the Association's records retention policy

1100.2 Casting Nomination and Election Ballots. To protect the confidentiality of the resolutions adopted by the Board in connection with the nominations and election of FCB Board members, the minutes of the Board shall reflect only that the Board adopted such resolutions and that copies thereof were promptly transmitted to the FCB.

1110 Reports

The Association shall make available annually to each Member and Equityholder such reports as are required by the Act and Regulations and such other reports as the Board deems advisable, which reports shall be on a consolidated basis with FCSND and FCSND, PCA.

ARTICLE XII UNCLAIMED PROPERTY

The Association shall make diligent efforts to return unclaimed property or pay the proceeds of any retirement of Stock and accrued dividends to the owners thereof. If, after the expiration of the applicable Statute of Limitations, the Association is unable to determine the address or whereabouts of the owners or the heirs and assigns of the owners, such unclaimed property may be taken into income of the Association unless other disposition is required by the Act, the Regulations, or applicable state law.

ARTICLE XIII FISCAL YEAR

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

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/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 proceeding 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 proceeding 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, 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) 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 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 section.
- 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 of Directors.
- 1400.6 Notwithstanding the provisions of Article 1400, 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 1 of this Article to which he/she was a party shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him/her in connection with such action, suit or proceeding.

1420 Procedure

Any indemnification under Section 1400 of this Article (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances 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 a 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 Article 1420, reasonable expenses incurred in defending any action, suit or proceeding referred to in Article 1400, 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 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 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 Article 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 Rights

The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expense may be entitled under any insurance or other agreement, vote of 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 Article 1300 hereof against any liability asserted against him/her or incurred by him/her in any such capacity, or arising out of his/her status as such, whether or not the Association would have the power to indemnify him/her against such liability under the revisions of this Article.

1450 Applicable Law

Interpretation of this Article XIV shall be under the law of the State of North Dakota.

1460 FCA Penalties

Notwithstanding any other provisions of this Article, the Association shall not indemnify or purchase any insurance to protect any of its directors, officers, employees, or agents against or from any monetary penalties or other payments imposed by or in any action brought by the FCA or against or from any expenses incurred by any director, officer, employee or agent in an unsuccessful defense against such an imposition or action.

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). Provided, however, on the signing of a waiver of notice by a majority of the entire membership of the Board, the Bylaws may be altered, amended or repealed and new Bylaws adopted at any regular or special meeting of the Board.

1510 Amendments to Provisions Respecting Capitalization

Any amendment to Article VIII, other than those strictly of a technical nature not affecting any substantive rights, shall not become effective unless approved by FCSND's voting stockholders at a duly authorized stockholders' meeting.

1520 Effectiveness

Amendments to these Bylaws shall become effective in accordance with the resolution of the Board of Directors approving such Bylaws.

CERTIFICATION

I, the undersigned corporate secretary of Farm Credit Services of North Dakota, FLCA, a Federal Land Credit Association, hereby certify that at a meeting duly held on the __ day of _____, _____, the Board of Directors of said association duly adopted the foregoing Bylaws.

Richard P. Olson
Assistant Secretary

Date

EXHIBIT F

BYLAWS

of the

FARM CREDIT SERVICES OF NORTH DAKOTA, PCA

BYLAWS

ARTICLE I DEFINITIONS

100 Definitions

- 100.1 "Act" the Farm Credit Act of 1971, as it may be amended from time to time.
- 100.2 "Annual Meeting" - the annual meeting of Stockholders pursuant to Article IV of these Bylaws.
- 100.3 "Association" - this Farm Credit Services of North Dakota, PCA, a Production Credit Association.
- 100.4 "Authorization Event" – shall have the meaning set forth in Section 200 hereof.
- 100.5 "Bylaws" - these Bylaws, as they may be amended from time to time pursuant to Article XIV hereof.
- 100.6 "Equityholder" - holder of stock in FCSND who is not a Member.
- 100.7 FCA" - the Farm Credit Administration.
- 100.8 "FCB" - AgriBank, FCB or any successor entity thereto.
- 100.9 "FCSND" – the Farm Credit Services of North Dakota, ACA, an agricultural credit association.
- 100.10 "FCSND, FLCA" - the Farm Credit Services of North Dakota, FLCA, a Federal Land Bank Association.
- 100.11 "Member" - a holder of stock in FCSND, some or all of which stock has voting rights.
- 100.12 "Patrons" the borrowers from the Association who hold stock or participation certificates in FCSND.
- 100.13 "Regulations" - FCA regulations or directives applicable to and binding on the Association.
- 100.14 "Stock" - Capital Stock of the Association as described in Section 800 of these Bylaws.
- 100.15 "Stockholders" – FCSND and any other person or entity holding Stock under Article VIII.
- 100.16 "System" - the Farm Credit System.

110 Reference to "Board".

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

ARTICLE II LEGAL STATUS; AUTHORITIES

200 Introductory Statement

This Association is a cooperative credit institution, which is owned indirectly by the Members and Equityholders of FCSND and is federally chartered pursuant to the Act. Subject to the Act and Regulations, FCSND may authorize the Association to conduct and exercise in its chartered territory some or 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 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 agricultural production; 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 agricultural and aquatic operations as is determined feasible by the FCA Board of directors under applicable regulations.

210 Relationship with FCSND and FCSND, FLCA

Upon an Authorization Event, the Association, FCSND and FCSND, FLCA shall conduct an integrated lending operation. Association shall make short and intermediate-term loans and provide financially related services to qualified borrowers in the Association’s territory. 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 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 FCSND, 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. FCSND at all times will own all of the voting capital stock of Association and FCSND, FLCA.

ARTICLE III ELIGIBILITY TO BORROW, ETC.

300 Definition of Eligible Borrowers

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 or Equityholder of FCSND.

ARTICLE IV MEETINGS OF STOCKHOLDERS

400 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 FCSND.

410 Voting

All voting rights shall be held by FCSND.

ARTICLE V BOARD OF DIRECTORS

500 Board of Directors

The Association's Board of Directors shall consist of the members in good standing of the Board of Directors of FCSND. 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 FCSND. Upon a member's term expiration, resignation or removal from the Board of Directors of FCSND, such member's duly appointed or elected replacement or successor shall automatically become a member of the Association's Board.

510 Meetings

All meetings of the Board shall be called and conducted in the manner, and pursuant to the procedures and requirements, set forth in the Bylaws of FCSND.

530 Duties of Directors

530.1 General Control of Association. 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 objectives. The Board recognizes that the Association, FCSND and FCSND, FLCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board will manage the Association's affairs and establish policies with the primary objective of improving the three institutions' combined financial condition.

530.2 Elect and Fix Salary of the Chief Executive Officer. 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.

530.3 Adoption of Bylaws. At the first meeting of the Board, the Board shall approve these Bylaws.

555 Officers of the Board; Duties; Removal

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

555.2 Duties of Chairman. The chairman shall: (a) preside at all meetings of the Board; (b) unless the Board designates another person, preside at all meetings of the Association's members; (c) ensure that all orders and resolutions of the Board, and Regulations are carried into effect; and (d) 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.

555.3 Duties of Vice Chairman. In the absence of the chairman, the vice chairman shall perform duties of the chairman. In the absence from a Board meeting of both the chairman and the vice chairman, one of the other directors shall be elected by those present to preside over the meeting.

555.4 Removal. The chairman and the vice chairman 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, 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 directors honoraria as agreed between the Association and the FCB.

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

Unless the Board directs otherwise, upon an Authorization Event, the members of the loan committee of FCSND shall become members of the Association's loan committee ("Loan Committee"). The Loan Committee shall have the authority to approve applications for loans or participations within specified limits. 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.

620 Other Committees

The Board may, at its discretion, appoint or abolish such other committees as may be necessary, may appoint or discharge any member of such committees, and shall prescribe the authorities and duties of the committees it establishes. 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 deliberations and determination of any matter related to such director's or employee's personal interests and the minutes shall so state.

640 Minutes

Each committee shall keep a written record of its proceedings.

650 Vacancies

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

ARTICLE VII OFFICERS AND EMPLOYEES

700 Appointment and Qualifications of Officers

700.1 Chief Executive Officer and Other Officers. Subject to Section 730 hereof, the Board shall name 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, a treasurer, and any other salaried officers provided for by the Board. Individuals may be appointed to these positions by the chief executive officer as prescribed in Section 710. One person may hold more than one of these offices simultaneously.

700.2 Eligibility as Salaried Officer or Employee. No individual shall be eligible to become a salaried officer or employee if within the previous 12 months such individual served as a director 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) shall 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 officers and employees of the Association, fix their compensation, and designate the order of precedence in which such other officers shall act in the absence of any officer. The chief executive officer shall have the title of president.

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 seal, if any; (d) make all reports required by the Act or Regulations; and (e) perform such other duties as may be required by the Board or chief executive officer.

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

720 Removal

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

730 Joint Management.

At all times, Association, FCSND and FCSND, FLCA shall have the same officers and management, and all officer and other employment positions shall be joint positions with all three Associations.

ARTICLE VIII CAPITALIZATION, EARNINGS, SURPLUS, DIVIDENDS

800 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. Class E Preferred Stock - Nonvoting (10,000,000 shares)
4. 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.

805 Ownership and Transfer

Stock may be transferred to such persons or entities eligible to receive or hold such stock or certificates as enumerated in Section 810 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 supervising FCB or the FCA.

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

810 Issue

810.1 Class C Common Stock - Voting. Upon the Authorization Event, the Association shall issue to FCSND 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 FCSND in such amounts and at such times determined by the Board. Class C Common Stock shall have voting rights.

810.2 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.

810.3 Class E Nonvoting Preferred Stock. Class E Common Stock shall be issued to Patrons as a patronage allocation under Article IX hereof or in exchange for surplus account allocations owned by a Member Borrower.

815 Retirement

All classes of stock may be retired only at the discretion of the Board of Directors and only when the Association is in compliance with existing Farm Credit Administration capital adequacy regulations. Notwithstanding the foregoing, the Association shall retire:

- a. Class C Common Stock at such times and in such amounts as determined in the discretion of the Board;
- b. Class D Common Stock at such times and in such amounts as determined in the discretion of the Board.
- c. Class E Preferred Stock at such time and in such amounts as determined in the discretion of the Board.

Stock, when retired, shall be retired at book value not to exceed par or face value.

820 Liens

The Association shall have a first lien on all Class E Preferred Stock and all FCSND stock and participation certificates 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 retire any Class E Preferred Stock held by such borrower and may direct FCSND to retire any stock and participation certificates held by the borrower and the proceeds thereof applied against the indebtedness to the Association.

825 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 holders of Class E Preferred Stock 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, 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;

Third, to the holders of allocated surplus, pro rata on the basis of the oldest allocations first, until an amount equal to the total account has been distributed to the holders.

Fourth, any remaining assets of the Association after such distribution shall be distributed to Patrons and former Patrons in the proportion to which the aggregate patronage of each such Member Borrower and former Member Borrower bears to the total patronage of all such parties insofar as practical unless otherwise provided by law.

ARTICLE IX PAYMENT OF PATRONAGE - OPERATING ON A COOPERATIVE BASIS

900 Application of Earnings or Losses.

900.1 Application of Earnings - At the end of each fiscal year, the Association shall apply its earnings for such fiscal year as follows and in the order listed:

900.11 **Operating expenses** - 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 **Impairment of capital stock** - To restore the amount of any impairment of capital stock in the reverse order listed in Section 900.2;

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

- 900.14 **Unallocated surplus account** - 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 **Dividends and patronage refunds** - To pay dividends and patronage distributions as provided in these Bylaws.
- 900.2 Application of Losses - In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in 900.1 above, such loss shall be absorbed by:
- 900.21 **Unallocated surplus** - Charges to the unallocated surplus account;
- 900.22 **Allocated surplus account** - The impairment of the allocated surplus account in the order of the oldest first;
- 900.23 **Class C and D Common Stock** - Concurrent impairment of Class C and D Common Stock.
- 900.24 **Class E Preferred Stock** - The impairment of Class E Preferred Stock on a pro-rata basis.

910 Surplus Account

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amount of these two accounts shall be prescribed by the Board. At the end of any fiscal year that the surplus accounts otherwise would be less than the minimum amount prescribed by the capital adequacy requirements prescribed by the FCA 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 below the minimum aggregate amount prescribed by the FCB without the FCB's prior approval.

920 Allocated Surplus Account

- 920.1 Create and maintain an allocated surplus account - The Board may create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers 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 First lien on all surplus account allocations - The Association shall have a first lien on all surplus account allocations owned by any borrower, and all distributions thereof, as additional collateral for the borrower's indebtedness to the Association.
- 920.3 Default or in process of final liquidation - When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association may order any and all surplus account allocations owned by such borrower to be applied on the indebtedness. Any such retirement and application of surplus account allocations to indebtedness shall be

before similar retirement and application of other stock or participation certificates owned by the borrower.

- 920.4 Stock and participation certificates - Whenever all of the stock and participation certificates of the Association and FCSND owned by a borrower are retired or otherwise disposed of and the Association meets the requirement of Section 910, any surplus account allocations owned by such borrower may also be retired upon request of the owner and approval of the Board, and the proceeds paid to the owner. Alternatively, if the Association directs, such surplus account applications may be applied against any of the borrower's indebtedness to the Association.
- 920.5 Minimum aggregate amount of surplus account - In the complete discretion of the Board and provided the minimum aggregate amount of the surplus account prescribed by the FCA is maintained, allocated surplus may be distributed, oldest allocations first, in Class E Preferred Stock and/or 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 Declaration of dividends - In accordance with the Act, and Regulations, non-cumulative dividends may be paid on the stocks of the Association, as the Board may determine by resolution. A dividend may be declared only if at the time of the declaration thereof no class of stock shall be impaired. Dividends may not be paid if the action would result in failure of the Association to meet minimum capital adequacy requirements established by the FCA. Such dividends may be paid on Class E Preferred Stock on a per share basis, or on all classes of common stock on a per share basis; provided, however, that such dividends shall not exceed 8% per share per annum.
- 930.2 Paid on effective date of declaration - Dividends may be paid to holders of record on the effective date of declaration.
- 930.3 Paid in cash and/or Stock - Dividends on capital stock may be paid in cash or stock, or partly in cash and partly in such stock. If any part of the dividend to be paid in stock is less than \$5.00, that part may be distributed in cash or held by the Association and cumulated with subsequent dividends until such retained dividends equal \$5.00, so that the dividends may be distributed as one whole share of stock.
- 930.4 If a borrower's loan is in default, any part of the dividend distribution to that borrower may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association.

940 Patronage Refunds

- 940.1 Distribution of Patronage. Subject to the provisions of the Act and Regulations, prior to the beginning of any fiscal year, the Association's Board may, by adoption of a resolution, obligate the Association to distribute patronage in a qualified or nonqualified form to Patrons, on a patronage basis all or any portion of the available net earnings as defined as pretax accounting income before extraordinary items and cumulative effects of changes in

accounting principles as determined in accordance with generally accepted accounting principles (GAAP) for such fiscal year or for that and subsequent fiscal years.

- 940.2 Proportionate Distribution. Unless a plan using an alternative equitable and nondiscriminatory basis has been approved by the Board, all patronage distributions shall be in the proportion that the amount of interest earned by the Association on its loans to each borrower bears to the total interest earned by the Association on all such loans during the fiscal year. Any earnings pool that may be established for the payment of patronage distributions should be established on a rational and equitable basis and shall insure that each patron of the Association receives its fair share of the earnings of the Association and bears its fair share of the expenses of the Association, provided that the board shall retain discretion not to pay patronage distributions on one or more of such pools.
- 940.3 Restrictions on Distributions. The availability of earnings for patronage distributions shall be determined after first making applications required by section 900 of this Article, and providing for the transfer to unallocated surplus of the amount, if any, established by the Association's capitalization plan. 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.
- 940.4 Payment of Distributions. Patronage distributions may be in cash, stock, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution. Any portion of a patronage distribution made in the form of stock which is not a multiple of \$5.00 may be distributed in cash or held by the Association for the borrower and included in subsequent distributions.

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

In the event that the cash distribution to a Member Borrower is less than \$100, such distribution may, at the discretion of the board, be applied against the patrons indebtedness.

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

- 940.5 Application to Debt. - If the debt of a borrower is in default, any part of the patronage distribution to that borrower may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association.
- 940.6 Patron's Consent to Take Patronage Distribution into Income - The Association shall obtain from each Member Borrower such patron's consent to take into account, as income, at its stated dollar amount as provided in 26 U.S.C. §1385, the amount of his or her respective distribution paid as qualified written notice of allocation, which may include stock, allocated surplus, and/or the amount of any distribution that has been applied to the patron's indebtedness as provided in Section 940.4 and 940.5 of these bylaws. Consent shall be in a form prescribed by the Board and shall comply with the requirements of 26 U.S.C. §1388. Consent may be by qualified check as described in 26 U.S.C. §1388.

Consent under this section shall be continuing in effect, provided that consent (other than consent by qualified check) may be revoked in writing, which revocation shall become effective only with respect to patronage occurring on or after the first day of the first fiscal year of the Association beginning after the revocation is filed with the Association.

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

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 the FCB, and releases of security, including releases and satisfactions for judgments, subordination agreements, and all security agreements, financing, continuation and termination statements, and other writing 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 or position 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 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 Recorded in Minutes Book. Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of Stockholders and the Board, the Bylaws and any amendments thereto, resolutions of the Board and reports 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 regulations and the Association's records retention policy

1100.2 Casting Nomination and Election Ballots. To protect the confidentiality of the resolutions adopted by the Board in connection with the nominations and election of FCB Board members, the minutes of the Board shall reflect only that the Board adopted such resolutions and that copies thereof were promptly transmitted to the FCB.

1110 Reports

The Association shall make available annually to each Member and Equityholder such reports as are required by the Act and Regulations and such other reports as the Board deems advisable, which reports shall be on a consolidated basis with FCSND and FCSND, PCA.

ARTICLE XII UNCLAIMED PROPERTY

The Association shall make diligent efforts to return unclaimed property or pay the proceeds of any retirement of Stock and accrued dividends to the owners thereof. If, after the expiration of the applicable Statute of Limitations, the Association is unable to determine the address or whereabouts of the owners or the heirs and assigns of the owners, such unclaimed property may be taken into income of the Association unless other disposition is required by the Act, the Regulations, or applicable state law.

ARTICLE XIII FISCAL YEAR

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

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/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 proceeding 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 proceeding 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, 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) 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 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 section.
- 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 of Directors.
- 1400.6 Notwithstanding the provisions of Article 1400, 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 1 of this Article to which he/she was a party shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him/her in connection with such action, suit or proceeding.

1420 Procedure

Any indemnification under Section 1400 of this Article (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances 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 a 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 Article 1420, reasonable expenses incurred in defending any action, suit or proceeding referred to in Article 1400, 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 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 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 Article 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 Rights

The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expense may be entitled under any insurance or other agreement, vote of 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 Article 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 as such, whether or not the Association would have the power to indemnify him/her against such liability under the revisions of this Article.

1450 Applicable Law

Interpretation of this Article XIV shall be under the law of the State of North Dakota.

1460 FCA Penalties

Notwithstanding any other provisions of this Article, the Association shall not indemnify or purchase any insurance to protect any of its directors, officers, employees, or agents against or from any monetary penalties or other payments imposed by or in any action brought by the FCA or against or from any expenses incurred by any director, officer, employee or agent in an unsuccessful defense against such an imposition or action.

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). Provided, however, on the signing of a waiver of notice by a majority of the entire membership of the Board, the Bylaws may be altered, amended or repealed and new Bylaws adopted at any regular or special meeting of the Board.

1510 Amendments to Provisions Respecting Capitalization

Any amendment to Article VIII, other than those strictly of a technical nature not affecting any substantive rights, shall not become effective unless approved by FCSND's voting stockholders at a duly authorized stockholders' meeting.

1520 Effectiveness

Amendments to these Bylaws shall become effective in accordance with the resolution of the Board of Directors approving such Bylaws.

CERTIFICATION

I, the undersigned corporate secretary of Farm Credit Services of North Dakota, PCA, a Production Credit Association, hereby certify that at a meeting duly held on the __ day of _____, _____, the Board of Directors of said association duly adopted the foregoing Bylaws.

Richard P. Olson
Assistant Secretary

Date