

Policy Approved: 05/08/2025

FCA Approved: None Required

CoBank Review Completed: 03/24/2025

FCA Regulations: 611.210, 611.220, 611.310,

611.320, 611.325, 611.330, 611.340, 611.350,

612.2145, 615.5230, 618.8310, 620.1

FCA Bookletter 009

I. POLICY

Purpose: In accordance with the bank's bylaws, the purpose of this policy is to establish (1) the qualifications needed by CoBank directors, (2) the director election procedures, and (3) the Nominating Committee process.

Objective: It is the policy of the board that the election of directors will be conducted in a consistent and impartial manner while maintaining stockholder confidentiality, as required under FCA regulations. In addition, the election process will be designed to facilitate broad-based, informed stockholder participation.

Principles/Practices Related to the Election Process:

A. **Candidate and Director Qualifications.** The Farm Credit Act provides that the bank shall elect a board of directors of such number, for such term, in such manner, and with such qualifications as may be required by its bylaws. Each director candidate shall complete a disclosure form containing the disclosures required by FCA regulations and by P/D 2-4, Director Responsibilities and Conduct. As provided under the bank's bylaws, an individual must meet the following eligibility requirements to serve on the board of directors of CoBank:

1. **Residency:** To be eligible to be a candidate for a Regional Director position, a person must have his or her primary residence, as determined under state law, in the voting region as of the date that is 30 days prior to the beginning of the election.
2. **FCA Affiliations:** No person shall be eligible to be a candidate for director if such person is or has been an officer or employee of FCA within one year next preceding the date that the term of office is to begin or a member of the board of FCA within two years next preceding the date the term of the office is to begin, and no person shall continue to serve as director and such person's office shall automatically become vacant if such person shall become an officer or employee of FCA, or a member of the board of directors of FCA.
3. **Farm Credit System Affiliations:** No person shall be eligible to be a candidate for director if such person is or has been within one year next preceding the date the term of office is to begin, and no person shall continue to serve as director and such person's office shall automatically become vacant if such person shall become, a salaried officer or employee of any System institution.
4. **Other Disqualifiers:** No person shall be eligible to be elected as a director, and no person shall continue to serve as a director and his/her office shall automatically

become vacant, in the event that such person (or, as applicable, the bank borrower with which such person is affiliated, as defined below):

- a. is or has been convicted of a felony or any criminal offense involving dishonesty or breach of trust (as defined by FDIC Rule 1000 § 19 and the notes and guidance issued in connection therewith from time to time)*, or held liable in damages for fraud;
- b. becomes or has been declared legally incompetent;
- c. is or has been in the past three years a debtor in a federal bankruptcy proceeding or a similar proceeding under applicable state law such as insolvency, liquidation, receivership, reorganization, or assignment for the benefit of creditors;
- d. is or has been within the past three years a party to a foreclosure or other proceeding (judicial or nonjudicial), which proceeding is instituted because of such person's default on indebtedness;
- e. no longer maintains his or her primary residence, as determined under state law, in the voting region from which he or she was elected, and in the event that a seated director no longer maintains such primary residency, such director shall remain in office until a successor has been duly elected by special election conducted in conjunction with the next regularly scheduled nomination and election cycle; or
- f. is or has been, within one year prior to the date the term of office is to begin, affiliated with a party to a loan or lease made by a System institution, FCL or any OFI, that is classified by FCA, or, if the loan or lease has not been reviewed by FCA, by the originating System institution, FCL or OFI, in whole or in part, as substandard, doubtful, or loss (unless, if such person is a candidate, such candidate resigns or disaffiliates from such loan or lease party by the date the term of office is to begin); except that: (i) an incumbent director who is affiliated with a party to a loan or lease made by a System institution, FCL or OFI that is classified substandard during the director's term of office may serve the remainder of his/her current term; and (ii) an incumbent director who is affiliated with a party to a loan or lease made by a System institution, FCL or OFI that is classified as doubtful or loss during the director's term of office may serve the remainder of his/her current term if he/she resigns or disaffiliates from such party within 30 days following such adverse classification. For the purpose of this section, a person is affiliated with a party to a loan or lease made by a System institution, FCL or OFI when he/she is individually involved in the transaction or liable for the obligation, or is an officer or director, or owns 50 percent or more of a legal entity that is liable for the obligations. A person shall not be deemed to

* The notes and guidance issued under FDIC Rule 1000 § 19 (codified to 12 U.S.C. § 1829) as of June 1, 2010, define "dishonesty" as "to cheat or defraud for monetary gain or its equivalent, direct or indirect, or to wrongfully take from any person, property lawfully belonging to that person in violation of any criminal statute or code" and "breach of trust" is defined as "a wrongful use, misappropriation, or omission with respect to any property or fund which has been lawfully committed to a person in a fiduciary capacity."

be affiliated with a party to a loan or lease made by a System institution, FCL or OFI merely because the loan is made to a subsidiary if such person's affiliation is not with the subsidiary but only with the parent of the subsidiary. This paragraph and paragraph C below shall operate separately and independently.

5. Age Limit. No person shall be eligible to be a candidate for director if such person shall have reached age 70 on or prior to the date the term of office is to begin.
- B. Changing Board Positions. No incumbent director, whether elected by stockholders or appointed by the board, shall be eligible to be a candidate for director for a different board position until the incumbent director's current term ends as initially designated.
- C. Dual or Executive Officer Directorships. An individual who serves on the board while concurrently serving on the board of directors of a bank borrower or as an executive officer of a bank borrower shall abide by all recusal protocols established by the bank, including those established in the bank's policies and procedures, and sign a confidentiality agreement intended to minimize the risk of conflicts of interest that might arise from such concurrent director or executive officer service. In addition, and notwithstanding anything to the contrary in paragraph A(4)(f) above under the section titled "Other Disqualifiers," if (1) a director on the board concurrently serves on the board of directors of another System institution and the bank classifies any loan to such System institution as special mention or worse; or (2) a director on the board concurrently serves on the board of directors or as an executive officer of any borrower other than a System institution and the bank classifies any loan to such borrower as substandard or worse, then in either case such director shall be required to resign from either the board or the borrower's or System institution's board of directors (as the case may be), within 90 days after receipt of written notice of such classification.
- D. CoBank Associates Related to Director. A Family member of a director of CoBank shall not serve as an associate of the bank, and an individual who has a Family member currently employed at CoBank shall not be eligible to serve on the board of directors of CoBank. In addition, an Immediate Family Member of an Outside Director of CoBank shall not serve as an associate of the bank, and an individual who has an Immediate Family Member currently employed at CoBank shall not be eligible to serve as an Outside Director on the board of directors of CoBank.
- E. Eligibility to Vote. As provided under the bank's bylaws, each stockholder that holds voting stock and has been designated by the bank as being eligible to vote in the election as of the record date for the vote shall be entitled to vote in the election.
- F. [INTENTIONALLY OMITTED]

G. Composition of the Board. The board shall consist of no fewer than 16 and not more than 20 directors to be comprised as follows:

1. Regional Directors.

- a. 14 Regional Directors shall be elected by the voting stockholders of the bank from six voting regions;
- b. The six regions shall designated as the East Region, the South Region, the Central Region, the Mid Plains Region, the Northwest Region and the West Region;
- c. Seven of the 14 Regional Directors shall be One-Vote Regional Directors. Each region except the Central Region shall have one One-Vote Regional Director, while the Central Region shall have two One-Vote Regional Directors; and
- d. Seven of the 14 Regional Directors shall be Modified Equity Regional Directors. Each region except the West Region shall have one Modified Equity Regional Director, while the West Region shall have two Modified Equity Regional Directors.

2. Regions.

- a. The East Region shall consist of the voting stockholders of the bank whose headquarters are located in Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia;
- b. The South Region shall consist of the voting stockholders of the bank whose headquarters are located in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, Texas, and the Virgin Islands;
- c. The Central Region shall consist of the voting stockholders of the bank whose headquarters are located in Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin, and Wyoming;
- d. The Mid Plains Region shall consist of the voting stockholders of the bank whose headquarters are located in Colorado, Kansas, New Mexico, and Oklahoma;
- e. The Northwest Region shall consist of the voting stockholders of the bank whose headquarters are located in Alaska, Idaho, Montana, Oregon, and Washington; and
- f. The West Region shall consist of the voting stockholders of the bank whose headquarters are located in Arizona, California, Hawaii, Nevada, Pacific Trust Territories, and Utah.

3. Outside Directors. At least two Outside Directors shall be appointed by a majority of all seated directors.
 4. Appointed Directors. Not more than four additional Appointed Directors may be appointed by a majority of all seated directors.
 5. Financial Expert. At all times, the board shall have at least one director who is a financial expert recognized as having education or experience in: accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution's financial statements. The audit committee shall include at least one director meeting these criteria and designated by the board as a financial expert.
 6. CoBank, FCB Directors. Upon being elected or appointed as a director of the bank, such director shall automatically become a member of the board of directors of CoBank, FCB, and shall remain on such board of directors so long as such individual remains a director of the bank's board.
- H. Elected and Appointed Director Qualifications. Regional Director and Appointed Director candidates must be willing to commit at least 35 to 45 days per year to board service and must possess the following professional and personal qualifications:
1. An understanding of and appreciation for cooperative principles;
 2. A well balanced understanding of and demonstrated support for CoBank, its mission, businesses, and customers;
 3. An ability to maintain a broad perspective, a willingness and a flexibility to represent all of the customers and industries served by the bank and not just the industry segment or region from which elected;
 4. Demonstrated leadership skills through current or past board and/or business experience;
 5. An ability to think and act critically, strategically and decisively;
 6. An ability to support as well as challenge and hold management accountable;
 7. A willingness to contribute and speak out in the course of board deliberations;
 8. A commitment to protecting the confidentiality of board deliberations from any disclosure to stockholders and third parties;
 9. A commitment to supporting board decisions with stockholders and third parties;

10. A willingness to be a passionate and proactive advocate for the bank in Rural America and within the System as well as with external industry groups and policy makers critical to the bank's interests;
 11. A willingness to devote the time necessary to understand and stay current on subjects, issues and events impacting the bank for informed decision making;
 12. Through words and actions and by means of temperament, demeanor and character, the ability to represent and promote the best interests of CoBank and its stockholders;
 13. A commitment to complying with applicable FCA regulatory requirements, guidelines, supervisory direction, and orders in the conduct of the director's duties;
 14. A commitment to performance of fiduciary duties, including a willingness to comply with CoBank's Standards of Conduct, Code of Ethics, and confidentiality requirements; and
 15. Familiarity with financial matters and/or a willingness to learn about the operation of a highly regulated and large financial institution in complex financial and capital markets.
- I. Typical Experience/Background for CoBank Directors. To further assist stockholders and potential board candidates, the following information is provided about the background that a newly-seated director typically brings to the CoBank board (the Nominating Committee is not strictly bound to identify candidates with these characteristics, but candidates with this type of background will generally have a better chance of meeting what is expected of a CoBank director):
1. Days of Service. The typical CoBank director spends about 20-24 days serving at board and committee meetings. This includes travel time. These meetings are considered mandatory and directors will normally only miss a board or committee meeting due to illness or family emergency. In addition, directors typically spend another 10 to 20 days attending industry, customer or developmental meetings. Since board members are provided numerous such opportunities during the course of the year, directors have more flexibility in selecting these events. In addition, since directors are typically active in a given industry, some of the activities that are considered important for a CoBank director may also be related to the director's profession or business. However, all directors are expected to avail themselves of opportunities to attend meetings and events that expose them to the diverse customers and industries served by the bank.
 2. Education. Directors typically have a college degree and regularly participate in formal post-graduate education or training that enhances the qualifications they bring to their board service. A commitment to continuing education and development is a cornerstone of CoBank's governance philosophy.
 3. Demonstrated Leadership. Directors elected to serve on the CoBank board have typically demonstrated their leadership capabilities with several different

organizations. This may include service on multiple boards over the course of a career (often serving as a board officer), holding public office such as on a school board, as an elected county commissioner or state representative, or serving on trade association/industry boards and committees. In general, CoBank directors are individuals who are recognized beyond their local communities as business leaders who bring the perspective of someone who has had a diverse array of business and personal experiences.

4. Appointed Directors. Appointed Director positions are to be used to strengthen the board's governance by appointing individuals who enhance the board's overall knowledge, diversity, skills and expertise. The board adopted and maintains a written process on the appointment or reappointment of Appointed Directors or Outside Directors.

J. Outside Director Qualifications. The Outside Director positions are to be used to fill voids on the board that may exist. Such voids might relate to specific technical expertise, risk management, financial expertise, marketing, technology, international, or products and services. In addition to the qualifications set forth in this policy applicable to all directors, and those qualifications established by law or P/D 2-4, Director Responsibilities and Conduct, regarding independence from the System and CoBank customers, candidates for Outside Director positions on the board should meet certain professional and personal qualifications, as outlined below.

1. Essential Professional Qualifications. The board has determined that candidates for Outside Director positions should:
 - a. Have experience and demonstrated success in the financial services industry and with related accounting practices;
 - b. Have experience in working with organizations that are at least comparable to CoBank in terms of the scope and size of their business;
 - c. Have a strong appreciation for how global forces affect CoBank's business to help identify problems and opportunities in that arena;
 - d. Bring a new perspective to the board that will complement and enhance the expertise and industry experience already available on the board;
 - e. Be recognized as leaders in their profession because of their strong record of accomplishments; and
 - f. Be experienced in serving on a policymaking board or reporting directly to such a board and skilled at providing counsel and guidance to both boards and management.
2. Essential Personal Qualifications. The board has determined that candidates for the Outside Director positions should:

- a. Place a high value on personal and corporate integrity and ethical behavior;
 - b. Be committed to learning about the bank and its customers, and willing to devote the time necessary to become a meaningful contributor;
 - c. Have an approach to business compatible with the business philosophy and culture of CoBank's board and management;
 - d. Be committed to understanding the dynamics of the boardroom and working with directors and management in a manner and style that will be effective and engender respect from fellow directors;
 - e. Be willing to articulate points of view that may challenge board and management thinking; and
 - f. Be financial secure.
3. Additional Desirable Qualifications. The board has determined that it would be desirable for candidates for the Outside Director positions to:
- a. Have financial services experience that is international as well as domestic;
 - b. Be currently active in business or otherwise be current in their knowledge of business and industry practices;
 - c. Have knowledge of business issues important to the bank, but for which there is limited experience on the current board;
 - d. Have a demonstrated interest in issues or businesses important to rural America; and
 - e. Have advanced educational degrees or certifications such as a CPA, MBA or JD.
- K. Term of Office. The term of office of each Regional Director, Outside Director and Appointed Director shall be for four years except to fill a vacancy in accordance with the following paragraph or when otherwise approved by the board in connection with a merger with a Farm Credit Bank or a board restructure resulting from board-approved recommendations of a restructuring committee.
- L. Removal and Vacancies. All directors are subject to removal as provided in the bank's bylaws. Any vacancy on the board shall be filled for the unexpired term by the board either by (1) appointing a director to fill the vacancy, or (2) conducting a special election to elect a director in the same manner in which the vacant office was filled. Special elections to fill unexpired terms may be held in conjunction with the next regularly scheduled nomination and election cycle.
- M. Industry Experience Requirements. At least five Regional Directors shall be farmers, at least five directors (whether Regional Directors or Appointed Directors) shall have

current or prior Association board experience, at least four directors (whether Regional Directors or Appointed Directors) shall have current or prior management or board experience in the Rural Infrastructure Industry, and at least four directors (whether Regional Directors or Appointed Directors) shall have current or prior management or board experience in an Agricultural Cooperative. A single director can meet one or more of these experience requirements concurrently. In the event the number of directors who are farmers or who have the requisite Association board, Rural Infrastructure Industry or Agricultural Cooperative experience is less than the foregoing requirements, the board shall utilize the Nominating Committee charge to provide guidance to the Nominating Committee to make nominations of such qualified candidates as may be necessary to meet the experience requirement(s) that is/are lacking and/or utilize the director appointment process, if necessary, to fill such experience requirements

N. Election Process.

1. Election Administration. The board assigns administration of the election process as follows:
 - a. Election Calendar. The board shall be responsible for establishing the annual election calendar.
 - b. Election Officer. The bank's General Counsel, acting General Counsel or designee shall serve as the election officer (the "Election Officer") who shall ensure that the elections are conducted in accordance with this policy and the bank's bylaws, including the voting eligibility requirements contained in both documents. The Election Officer, acting under the direction of the board, will be responsible for overseeing the election process, including receiving vote tallies from the independent teller, making determinations of candidate eligibility, providing notice of the election, responding to stockholder requests for information, notifying candidates and stockholders of the results, and carrying out such other duties as may be assigned. No associate or agent of the bank shall make a public announcement of the results of a stockholder vote before the independent teller has validated the results of the vote. Furthermore, only bank management, and not a bank associate or agent, is authorized to make any public announcement of election results.
 - c. Independent Teller. The board will designate an independent accountant or other third party to tabulate election results, maintain a record of stockholders that voted, provide for the security of records and materials, and ensure confidentiality of the voting process consistent with FCA regulations. The independent teller shall ensure that all materials such as ballots, proxy ballots, election records, and other relevant documentation related to the votes of stockholders shall be held in strict confidence. Such information and materials, including information regarding how or whether a stockholder has voted, shall not be disclosed to any person, except as required by the FCA. Ballots, proxy ballots, and election records shall be retained until the end of the term of office of the director and promptly destroyed thereafter.

2. Nomination of Directors – Nominating Committee.

- a. Nominating Committee Composition and Term; Election. Every other year the bank shall hold an election for voting stockholders to approve a slate of nominees to become members of the independent Nominating Committee. Notice of the Nominating Committee election shall be provided in the annual meeting information statement for the director elections, which notice shall describe the balloting procedures that will be used to elect the Nominating Committee, the number of Nominating Committee positions to be filled and the names of the nominees for the Nominating Committee. Prior to such election, the then sitting Nominating Committee shall approve the nominees for the slate, taking input from the board's Governance Committee (or its equivalent) and any other source it deems appropriate. The Nominating Committee shall be comprised of customer representatives and past board members; provided that past board members shall not at any time comprise a majority of the Nominating Committee and provided further that the slate of names for the Nominating Committee members must contain at least one individual with past or present Association board experience from each voting region in which (i) any Affiliated Association is headquartered, and (ii) a Modified Equity Regional Director position is up for election during the election cycle(s) in which the slated Nominating Committee members will serve. No sitting board member may be included on the Nominating Committee slate. Voting stockholders will be presented the slate of members for the Nominating Committee, and will be given an opportunity to add individuals and/or reject individuals. Following the election to select Nominating Committee members, the Governance Committee (or its equivalent) will designate the chair of the Nominating Committee. The Nominating Committee must always have at least seven members, and five members shall constitute a quorum. The act of the majority of the Nominating Committee members present at a meeting at which a quorum is present shall be the act of the Nominating Committee. A Nominating Committee member may not be a candidate for election to the board in the same election for which the Nominating Committee is identifying nominees. A Nominating Committee member may resign from the Nominating Committee to run for election to the board only if the individual did not attend any Nominating Committee meeting. Members of the Nominating Committee shall serve for two election cycles unless re-elected; provided, however, that no Nominating Committee member shall serve for more than four consecutive election cycles.
- b. Board Resource. The Governance Committee (or its equivalent) may assign a current director, who is not up for election at the time, to serve only as a non-voting resource for the Nominating Committee. A director serving in that capacity may discuss with the Nominating Committee his or her views on the role of the board and discuss the functions of the board, needed skills and expertise, time requirements to serve on the board, minimum attendance at board meetings, and mandatory training required of directors. A director serving in that capacity may not be present at or participate in the Nominating Committee's deliberations when voting to slate candidates.

- c. Solicitation, Identification and Evaluation of Prospective Director Candidates. The Election Officer will notify voting and non-voting stockholders that the Nominating Committee seeks nominees and that all stockholders are encouraged to recommend prospective candidates to the Nominating Committee.
- d. Nominating Committee Activities. The Nominating Committee shall be encouraged to consult with stockholders, past or present directors, industry leaders, and the like, to assist the Nominating Committee in identifying and evaluating qualified candidates. In the event a board member is seeking re-election, the Nominating Committee may obtain data from the Election Officer regarding such director's attendance record at board and committee meetings and other official bank activities. The Nominating Committee may interview prospective candidates, including incumbent directors, to determine whether the candidate qualifies for prospective nomination.
- e. Nominating Committee Charge. The Nominating Committee shall be provided a specific charge by the board for each election cycle as to the types of industry background and expertise of director candidates to be nominated by the Nominating Committee. When interviewing, evaluating, scoring and slating director candidates, the Nominating Committee shall take into consideration the board's specific needs, including proper board representation by industry, geography, and business experience, including diversity in the broadest sense. The Nominating Committee must nominate at least two candidates for each director position being voted on by voting stockholders. If two qualified nominees cannot be identified, the Nominating Committee must provide a written explanation to the board of the efforts to identify candidates or the reasons for disqualifying any other candidate that resulted in fewer than two nominees.
- f. Conflict of Interest. Members of the Nominating Committee must avoid the appearance of a conflict of interest as well as any actual conflict. It is recognized that Nominating Committee members may have first-hand knowledge of individual candidates. It is important that Nominating Committee members share their knowledge and insights about these candidates with the entire Nominating Committee. However, in any case where a Nominating Committee member serves as a director or officer of a company and a candidate is also a director or officer of that company, the affected Nominating Committee member must recuse himself/herself (*i.e.*, physically remove themselves) from the portion of the meeting where the Nominating Committee makes its determination about the slate of candidates for that position. Recusal is also appropriate in any case where a Nominating Committee member has a related party business relationship with a company, and a candidate is an officer or director of that company. This provision shall not prohibit the affected Nominating Committee member from providing his/her input to the Nominating Committee or participating in candidate interviews.
- g. Resources. The Nominating Committee shall be furnished reasonable access to administrative resources in order for the committee to perform its duties, the FCA regulations and guidance on nominating committees, a current list of

stockholders, the most recent bank bylaws, and the most recent version of this policy on director qualifications and elections. On the request of the Nominating Committee, the bank shall also provide a summary of the current board self-evaluation. The bank shall require a pledge of confidentiality by committee members prior to releasing evaluation documents.

- h. Nominating Committee Compensation and Reimbursement of Expenses. Members of the Nominating Committee shall receive compensation for attendance at in person meetings, video conferences and conference calls, and reimbursement for travel and related expenses incurred to attend any Nominating Committee interview meeting for potential director candidates. Nominating Committee compensation and reimbursement of travel expenses shall be in accordance with board policy 2-1, Director Compensation, Travel and Reimbursements.
- i. Completion of Nomination Process. The Nominating Committee shall conclude its work within a time period established by the board each year.
- j. Notification of Director Candidates. Following the conclusion of the Nominating Committee's work and prior to the commencement of the election, the bank shall send written notice to those stockholders eligible to vote in the election informing them of the nominated candidates for each Regional Director election.
- k. Board Needs Assessment. Annually, the Governance Committee shall conduct an assessment of the industry skills and expertise seated on the board of directors. After taking into account the loan volume of each of the bank's principal business segments and the bank's Business and Financial Plan, the Governance Committee shall then develop a recommended charge to the Nominating Committee which will be specific as to the industry backgrounds and qualifications that the Nominating Committee is to use for purposes of identifying qualified director candidates, except that this criteria shall not be used by the Nominating Committee as the sole reason not to name any candidate to the candidate slate.

As part of the board needs assessment, all directors whose terms are due to expire will be asked to indicate (by December 1 of the year before their term expires) their interest in being reelected for another term. The desire of an Appointed/Outside Director to be reelected or retire from the board will be taken into account as part of the board needs assessment. Even if an Appointed/Outside Director wishes to remain on the board and has performed well as a director, the board may determine that its needs going forward merit the election of an Appointed/Outside Director with different skills or background.

- l. Right to Petition for Nomination. Floor nominations are not permitted. Interested candidates may petition to run for election as a Regional Director provided the following criteria are met:
 - 1) For One-Vote Regional Director positions the petitioner must gather petition signatures from either 10% or 30, whichever is greater, of the total eligible

voting stockholders of the voting region corresponding to the position. For Modified Equity Regional Director positions, the petitioner must gather petition signatures from voting stockholders numbering no less than five and holding no less 20% of the Modified Equity Vote of the voting region corresponding to the position. Eligible voting stockholders are those voting stockholders of record as of the record date established by the board. Each eligible voting stockholder may provide a petition signature for only one petitioner for a Regional Director position in any election;

- 2) For a petition signature to be valid, it must, at a minimum, be the signature of the board chair or board president of the voting stockholder and such signer must complete all required information on a petition form supplied to the petitioner by the Election Officer;
- 3) The completed petition must be submitted to the Election Officer by the petition deadline established by the board;
- 4) The petitioner must meet the standard director qualification criteria set out in the bank's bylaws and this policy; and
- 5) The petitioner must have participated in the Nominating Committee process described in paragraph N(2)(a) above, including the submission of any required documentation to the Nominating Committee, for the election in which it is seeking nomination by petition.

m. Stockholder Lists. Stockholder lists shall not be made available to the petitioner nor shall completed petitions be accepted by the bank until such time as the Nominating Committee's work is completed and its selections have been announced to all stockholders of the bank. Notwithstanding the foregoing, within seven days after submitting a written request, a stockholder may be furnished a stockholder list pursuant to the requirements of FCA regulations §618.8310.

3. Election of Regional Directors.

a. Voting Process

- 1) Within the period required by FCA regulations, the Election Officer shall cause the annual meeting information statement to be sent to the bank's stockholders. Such notice shall set forth the appropriate rules regarding the Regional Directors election process, including the date by which votes must be received and the record date establishing eligible voters.
- 2) Stockholders that have not been a borrower from the bank within the two years preceding a date fixed by the board prior to the commencement of voting and other ineligible stockholders are not entitled to vote.

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- 3) The elections for One-Vote Regional Directors shall be conducted on the basis of each eligible voting stockholder being entitled to only one vote for a candidate in the voting stockholder's respective region.
 - 4) The elections for Modified Equity Regional Directors shall be conducted on the basis of each eligible voting stockholder being entitled to one vote, plus a number of votes (or fractional part thereof) equal to two times the number of eligible voting stockholders in that region multiplied by the percentage (or fractional part thereof) of the total voting stock in the region of all such stockholders located in the applicable region held by the individual voting stockholder on the Record Date ("Modified Equity Votes"). For purposes of electing the Modified Equity Regional Directors, the total maximum number of votes for each region shall be the number of eligible voting stockholders of the bank located in the region multiplied by three. A stockholder may only cast its Modified Equity Vote for a single director candidate running for one of the Modified Equity Regional Director seats in the stockholder's region.
 - 5) Affiliated Associations within a region may voluntarily hold a formal caucus meeting prior to the director elections each year in order to establish collective support for a particular director candidate and submit a binding combined vote of all participating Affiliated Associations.
- b. Majority of Votes Cast Needed to Elect. If no candidate receives a majority of votes cast, the two candidates receiving the most votes shall have a runoff. In the event of a tie, a runoff shall be held.
 - c. Procedure. The board shall adopt appropriate procedures to ensure that all votes have been cast by duly authorized persons acting on behalf of the eligible voting stockholder.
 - d. Candidate Assistance. In the ballot package to be sent to stockholders, the bank will provide a common format by which candidates can describe their backgrounds, experience, and reasons for seeking election to the board. The bank, upon request, will also provide stockholder lists and labels so that candidates or stockholders acting on behalf of candidates can prepare their own mailings or in other ways contact voting stockholders.
4. Prohibited Activities and Exceptions to Ensure Impartiality in the Election of Directors.
 - a. No associate or agent of any System institution, including the bank, shall take any part, directly or indirectly, in the nomination or election of members to the board of directors, or make any statement, either orally or in writing, which may be construed as intended to influence any vote in such nominations or elections. This paragraph shall not (i) prohibit any customer representative from serving on the Nominating Committee; (ii) prohibit any bank associate from providing names of potential director candidates to the Nominating Committee; (iii) prohibit the Election Officer from providing biographical and other similar information or

engaging in other activities pursuant to policies and procedures for nominations and elections, or (iv) affect the right of an associate or agent to nominate or vote for directors of an institution in which the associate or agent is a voting member.

- b. No property, facilities, or resources of the bank shall be used by any candidate for nomination or election or by any other person for the benefit of any candidate for nomination or election, unless the same property, facilities, or resources are simultaneously available and made known to be available for use by all declared candidates. However, no stockholder of the bank shall be prohibited from using its own property, facilities or reasonable resources for the purpose of supporting a bank director candidate.
- c. No director, associate, or agent of the bank or any System institution shall, for the purpose of furthering the interests of any candidates for nomination or election, furnish or make use of records that are not made available for use by all declared candidates.
- d. The bank shall not distribute or mail either directly or at the expense of the bank any campaign materials for individual candidates.
- e. No bank director shall, in his or her capacity as a director of the bank, make any statement, either orally or in writing, which may be construed as intending to influence any vote in the bank's director nominations or elections. This provision shall not prohibit a director, in his or her personal capacity as a stockholder of the bank, from supporting a director candidate, nor shall it prohibit director candidates from engaging in campaign activities on their own behalf.

Authorities Delegated: The Election Officer shall be responsible for all administrative activities related to the election process.

Authorities Retained: The board will retain overall responsibility for the election process and appointment process, and exclusive responsibility for making all determinations of candidate eligibility and qualifications.

Board Approval and Reporting Requirements: Election results shall be announced by the Election Officer in accordance with the annual election calendar approved by the board.

FCA Approval Requirements: The voting process accorded the voting stockholders of the bank as of January 1, 2012, in all operations of the bank, including director elections, may not be altered, amended or revoked without FCA approval.

II. MANAGEMENT DIRECTIVE – None

III. DEFINITIONS

Act: The Farm Credit Act of 1971, as amended.

Affiliated Association: An Association that is within the bank's Title I chartered territory and has a general financing agreement with the bank or CoBank, FCB.

Affiliated Organization: An entity that is legally distinct from any System institution, but is organized and operated for the benefit of, and in support of, a System institution and conducts activities that advance the mission of a System institution.

Agricultural Cooperative: A cooperative and any of its affiliates in various agricultural sectors, including grain handling and marketing, farm supply, food processing, dairy, livestock, fruit, nuts and vegetables, cotton, biofuels and forest products, that receives loans, leases and other financial services from the bank's Agribusiness banking group.

Appointed Director: A member of the board appointed by a majority of all seated directors. An Appointed Director need not be an Outside Director.

Association: An Agricultural Credit Association, a Federal Land Credit Association, and/or a Production Credit Association under the Act and the FCA regulations.

Borrower: For purposes of the definition of Outside Director only, an individual, sole proprietorship, partnership, joint venture, trust, corporation, or other business entity to which the bank or a System institution has a current loan or a commitment to make a loan or holds a participation interest in a loan. The term Borrower also includes any person or entity to whom the bank, Farm Credit Leasing Services Corporation or a System institution has a current lease or a commitment to make a lease, or who guarantees repayment of a loan.

Controlling Interest: An individual that, directly or indirectly, or acting through or in concert with one or more persons: (1) owns 10 percent or more of the equity in an entity; (2) owns, controls, or has the power to vote 10 percent or more of any class of voting securities of an entity; or (3) has the power to exercise a controlling influence over the management of policies of such entity.

Election Officer: Defined in paragraph N(1)(b).

Family: Parents, spouses or civil union partners, children, siblings, uncles, aunts, nephews, nieces, grandparents, grandchildren, and the spouses of the foregoing, whether arising from biological, adoptive, marital, or other legal means (e.g., stepparents, stepchildren, half-siblings, in-laws). The term also includes anyone residing in the household or who is a legal or financial dependent, regardless of any familial relationship.

Farmer: An individual who (1) is engaged (a) in the business of production of food and fiber, including dairy farming, ranching and raising of livestock or poultry; and/or (b) in producing or harvesting aquatic products for economic gain in open water under uncontrolled conditions; and/or (c) in the production of agricultural products including aquatic products under controlled conditions, all in their unmanufactured states, and (2) derives more than 50

percent of his/her gross income, excluding nonfarm related passive income, from such activity.

FCA: Farm Credit Administration.

FCL: Farm Credit Leasing Services Corporation, a wholly-owned subsidiary of CoBank.

Immediate Family Member: Spouse, parents, siblings, children, mothers-and fathers-in-law, brothers- and sisters-in-law, and sons- and daughters-in-law.

Modified Equity Regional Director: A Regional Director elected on a modified equity basis.

Modified Equity Vote: Defined in paragraph N(3)(a)(4).

OFI: Any other financing institution that has established an access relationship with the bank or CoBank, FCB under the Act.

One-Vote Regional Director: A Regional Director elected on the basis of a one vote per eligible voting stockholder.

Outside Director: A member of the board who is appointed by a majority of all seated directors and who (1) is not a director, officer, employee, agent, stockholder, or Borrower of the bank, Farm Credit Leasing Services Corporation or a System institution; (2) does not have an Immediate Family Member who is a director, officer, employee, agent, stockholder, or Borrower of the bank or any Affiliated Organization in which the bank has an ownership interest; (3) does not have a Controlling Interest in an entity that borrows from a System institution or an Affiliated Organization of a System institution; and (4) does not have an Immediate Family Member with a Controlling Interest in an entity that borrows from the bank. At any given time, an Outside Director is eligible to serve on the board of directors of only one System institution or Affiliated Organization.

Regional Director: A board member elected by the voting stockholders of the bank from the voting region in which the board member resides.

Rural Infrastructure Industry: A wide range of industries, including electric generation, transmission and distribution, wireline, wireless and cable communications, and water and waste water industries that receive loans, leases and other financial services from the bank's Rural Infrastructure banking group.

System: Farm Credit System.

IV. EXHIBITS – None