



Capitalization Bylaw Amendment and Preferred Stock Authorization

Please read the following for a description of the proposed amendments to the capitalization bylaws, proposed preferred stock authorization and omnibus approval. We sincerely appreciate your participation in this important process and thank you for your continued support.

CFC stockholders and owners of Participation Certificates will consider the following:

- Proposed amendments to Articles 7 and 8 of CFC's Bylaws to authorize CFC to issue a number of shares of preferred stock that will result in a par value of issued and outstanding preferred stock not to exceed \$400,000,000.00 at any one time (Capitalization Bylaw Amendments).
- Proposed authorization for CFC to issue preferred stock through a proposed omnibus approval of the issuance and revolver of CFC's preferred stock up to the amount permitted by CFC's Bylaws, to be effective for preferred stock issuances, including reissuances (Preferred Stock Authorization).

The Capitalization Bylaw Amendments require approval by a majority of the Class B Common Stockholders voting.

The Preferred Stock Authorization requires the approval of a majority of the shares voting of Class B Common Stock and participation certificates, voting by class. Accordingly, holders of Class B Common Stock have the right to vote on both the Capitalization Bylaw Amendments and the Preferred Stock Authorization. Holders of participation certificates only have the rights to vote on the Preferred Stock Authorization.

A quorum shall be required consisting of at least three percent (3%) of the number of stockholders entitled to vote. The record date for determining stockholders who are entitled to vote is August 31, 2020. Each holder of Class B Common Stock or Participation Certificate receives one vote. As of August 31, 2020, there were 19,777 holders of Class B Common Stock and 2,019 holders of participation certificates.

The Capitalization Bylaw Amendments and the Preferred Stock Authorization have been unanimously approved by CFC's directors. **CFC's Board of Directors and management recommend that you vote "FOR" both the proposed Capitalization Bylaw Amendment and the proposed Preferred Stock Authorization.**

Background

Stockholder approval will enable CFC to access capital from investors through the issuance of preferred stock. The Board believes that it would be in the best interests of our stockholders to have the ability to raise third-party capital as a supplement to our base of member capital, which is primarily derived from retained earnings, borrower stock, and participation certificates. Preferred stock will provide CFC with the flexibility needed to continue meeting borrower needs while positioning for future growth. Each preferred stock issuance strengthens CFC's capital position and improves financial flexibility, lending capacity, and risk-bearing capability.

CFC's regulator, the Farm Credit Administration (FCA), sets limits on the amount of preferred stock that may be included in the regulatory capital ratios (FCA Regulation §628.23). These limitations ensure CFC has a balanced mix of capital from member stock, retained earnings, and investors. These rules are subject to change.

Capitalization Bylaw Amendments Summary

The Capitalization Bylaw Amendments have been proposed to authorize CFC to issue preferred stock, which is currently not permissible under the bylaws. The below summarizes the sections impacted by the bylaw amendments. The specific changes for which CFC seeks stockholder approval can be found in Addendum A.

- Section 7.01.1. Preferred stock is included as an authorized type of stock.
- Section 7.10.13. Sets forth the retirement parameters for Class A Common stock.
- Section 7.10.22. Clarifies that minimum regulatory capital standards must continue to be met after stock retirement for loans meeting specific parameters.
- Section 7.10.23. Sets forth the retirement parameters for Class B Common stock.
- Section 7.10.42. Clarifies that minimum regulatory capital standards must continue to be met after stock retirement for loans meeting specific parameters.
- Section 7.10.43. Sets forth the retirement parameters for participation certificates.
- Section 7.10.53. Sets forth the retirement parameters for Class P Common stock.
- Section 7.20.10. Any losses resulting in impairment of capital is borne first by the holders of common stock and participation certificates and second by holders of preferred stock.
- Section 7.30. Outlines the distribution priorities and parameters for each type of stock in the event of liquidation.
- Section 7.40. This section and subsections outline the rights and preferences of preferred stock including CFC authorization to issue preferred stock with an aggregate amount not to exceed \$400 million, rights of series, dividends, and redemption.
- Section 8.20.5. Sets forth the parameters required to distribute allocated surplus as approved by the association's board.
- Section 8.30.1. Sets forth the priority for dividend payments.
- Section 8.30.2. Changed "capital stock" to "common stock".
- Section 8.30.3. Sets forth that dividends on preferred stock is set forth in Section 7.40.
- Section 8.40.1. Sets forth that dividends declared by the board on preferred stock or other capital stock and distributed does not reduce patronage-sourced net earnings for the year of the distribution.
- Section 8.40.8. Sets forth that no patronage distributions or redemption of allocated surplus will be declared, paid, or set aside for payment unless previously accumulated and unpaid preferred stock dividends have been paid.
- Section 8.60. Sets forth the voting requirements for any amendments authorizing the issuance of preferred stock.

Preferred Stock Authorization Summary

In addition to the Capitalization Bylaw Amendments, which will authorize CFC to issue preferred stock pursuant to amounts and terms established by the Board, CFC is asking stockholders for omnibus approval of the issuance and revolver of preferred stock up to the amount permitted by CFC's bylaws ([extract_itex]400 million]). FCA regulation 12 CFR § 615.5230(c) requires that each issuance of preferred stock by a Farm Credit System institution must be approved by a majority of the shares voting of each class of equities adversely affected by the preference, voting by class, whether or not such classes are otherwise authorized to vote. The preferred stock for which CFC seeks stockholder approval will be preferential and senior to both Class B Common Stock and participation certificates with respect to dividends (including patronage distributions) and distributions upon liquidation.

The issuance for which CFC seeks stockholder approval is set forth in the Preferred Stock Authorization in Addendum B.

Addendum A

Capitalization Bylaw Amendments

Each impacted Article within CFC's existing bylaws are included below. The proposed revisions can be found within in boxes immediately following the impacted sections.

ARTICLE VII

CAPITALIZATION OF ASSOCIATION

7.01 General Authorization of Classes, Par or Face Value, Voting Rights, Adoption, Form, Ownership

7.01.1 The Association is authorized to have outstanding Class A Common Stock, Class B Common Stock, Class P Common Stock, and participation certificates. Each share of stock and unit of participation certificates shall have a par or face value of \$5.00. Fractional shares of stock or units of participation certificates shall not be issued. Notwithstanding any provision of this article, no class of stock shall be issued, transferred, retired, have dividends declared or paid upon it, or otherwise be dealt by the Association or any other party except in accordance with applicable law and regulations.

Proposed Revision 7.01.1:

The Association is authorized to have outstanding Class A Common Stock, Class B Common Stock, Class P Common Stock, and participation certificates. Each share of stock and unit of participation certificates shall have a par or face value of \$5.00. Fractional shares of stock or units of participation certificates shall not be issued. Notwithstanding any provision of this article, no class of stock shall be issued, transferred, retired, have dividends declared or paid upon it, or otherwise be dealt by the Association or any other party except in accordance with applicable law and regulations.

The Association is authorized under Section 7.40 to issue and have outstanding Preferred Stock in the amounts and subject to the conditions and limitations set forth in Section 7.40.

7.01.2 Class B Common Stock will have full voting rights, while Class A Common Stock, Class P Common Stock and participation certificates will have no voting rights except as provided in this section. Except as provided in this section, these capitalization bylaws and any amendments thereto shall not take effect until approved by a majority of voting stockholders in accordance with Section 4.3A(c)(2) of the Farm Credit Act of 1971, as amended, (the Act) voting in person or by written proxy at a duly authorized meeting. Preferred stock must be authorized by a majority of the shares of each class of equities adversely affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote. Cumulative voting for the election of directors or for any other purpose shall not be permitted.

7.01.3 Evidence of ownership of capital stock and participation certificates shall be by book entry except as may otherwise be required by regulation of the Farm Credit

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

7.02 Capitalization Plan

The Board of Directors shall adopt a consolidated plan of capitalization for the Association, FLCA and PCA in compliance with these bylaws and applicable regulations.

7.10 Stock Forms, Rights and Privileges

7.10.1 Class A Common Stock - Nonvoting:

7.10.11 Holder

Class A Common Stock will only be issued for the conversion of Class B Common Stock or participation certificates as provided for in Section 7.10.27 and 7.10.47, respectively.

7.10.12 Issuance

Class A Common Stock may be issued in unlimited amounts.

7.10.13 Retirement

- (1.) Class A Common Stock may be retired at the sole discretion of the Association's Board in accordance with the policy and procedure of the Association's Board provided that the Association's Board determines that the Association will meet or exceed minimum capital adequacy requirements established by regulations of the FCA, or such higher capitalization objectives that have been established by the Board, after the retirement, taking into account the payment of all declared dividends or payment of allocated equities to holders.

Proposed Revision 7.10.13 (1.):

(1.) Class A Common Stock may be retired at the sole discretion of the Association's Board in accordance with the policy and procedure of the Association's Board, provided minimum capital adequacy standards established in Regulations (including subpart H of part 615 and part 628 of the Regulations), and the capital requirements established by the Board, are met after such retirement.

- (2.) At its option the Association may retire all or a part of the shares of Class A Common Stock against the outstanding indebtedness of a borrower, in the event of default by the borrower, provided the Association meets or exceeds minimum capital adequacy requirements established by the FCA.

- (3.) Class A Common Stock shall be retired at book value not to exceed par value.

7.10.14 Dividends

Class A Common Stock shall have an equal right with other classes of common stock or participation certificates to any common dividends declared by the Board.

7.10.15 Patronage Distributions

Ownership of Class A Common Stock will not entitle holders to any patronage distributions declared by the Association's Board of Directors.

7.10.16 Transfer

Class A Common Stock may be transferred to any individual or legal entity.

7.10.17 Conversion

Class A Common Stock may be converted to either Class B Common Stock or participation certificates provided that the holder is eligible to hold such stock or participation certificates. Class A Common Stock that has been transferred may be converted only if the Association meets minimum capital adequacy standards established by FCA at the time of conversion.

7.10.18 Lien

The Association, PCA and FLCA, as applicable, shall have a first lien on all outstanding Class A Common Stock owned by a borrower as additional collateral for any indebtedness of the borrower to the Association, PCA and/or FLCA.

7.10.2 Class B Common Stock - Voting:

7.10.21 Holder

Class B Common Stock may only be issued to borrowers who are farmers, ranchers, or producers or harvesters of aquatic products.

7.10.22 Issuance Requirement

Class B Common Stock is required to be purchased by every eligible holder as a condition for obtaining a loan or loans in an amount as determined by the Board within a range between the minimum prescribed by the Farm Credit Act and a maximum not to exceed ten percent (10%) of the loan amount. The number of shares authorized to be issued and outstanding will be unlimited. Outstanding stock in excess of the above requirement may be used to satisfy the stock purchase requirement for new disbursements or new loans to the holder. Class B Common Stock is required to be purchased by every eligible holder as a condition for obtaining a lease and will be maintained in an amount as determined by the Board within a range between a minimum of one (1) share and a maximum not to exceed ten percent (10%) of the lease amount. Class B Common Stock need not be purchased by any borrower whose loan, at the time the loan is made, is designated for sale into a secondary market, and is in fact sold within the 180-day period beginning on the date of designation. If such loan is not sold into a secondary market by the expiration of the 180-day period, the borrower shall purchase Class B Common Stock in the amount set forth above for loans not sold into a secondary market. In cases where (1) stock has been issued on a loan made before February 10, 1996, the effective date of the Farm Credit System Reform Act of 1996, or (2) stock is issued on a loan made on or after February 10, 1996 that is designated for sale into a secondary market but is not sold during the 180-day period beginning on the date of designation, and where such loan is subsequently sold into a secondary market, the stock shall be retired provided that minimum regulatory capital adequacy standards are met. The retention by the

Association of a subordinated participation interest in any loan sold into a secondary market under title VIII of the Act shall not affect the application of this bylaw to such loan.

Proposed Revision 7.10.22

Class B Common Stock is required to be purchased by every eligible holder as a condition for obtaining a loan or loans in an amount as determined by the Board within a range between the minimum prescribed by the Farm Credit Act and a maximum not to exceed ten percent (10%) of the loan amount. The number of shares authorized to be issued and outstanding will be unlimited. Outstanding stock in excess of the above requirement may be used to satisfy the stock purchase requirement for new disbursements or new loans to the holder. Class B Common Stock is required to be purchased by every eligible holder as a condition for obtaining a lease and will be maintained in an amount as determined by the Board within a range between a minimum of one (1) share and a maximum not to exceed ten percent (10%) of the lease amount. Class B Common Stock need not be purchased by any borrower whose loan, at the time the loan is made, is designated for sale into a secondary market, and is in fact sold within the 180-day period beginning on the date of designation. If such loan is not sold into a secondary market by the expiration of the 180-day period, the borrower shall purchase Class B Common Stock in the amount set forth above for loans not sold into a secondary market. In cases where (1) stock has been issued on a loan made before February 10, 1996, the effective date of the Farm Credit System Reform Act of 1996, or (2) stock is issued on a loan made on or after February 10, 1996 that is designated for sale into a secondary market but is not sold during the 180-day period beginning on the date of designation, and where such loan is subsequently sold into a secondary market, the stock shall be retired provided that minimum regulatory capital adequacy standards are met after such retirement. The retention by the Association of a subordinated participation interest in any loan sold into a secondary market under title VIII of the Act shall not affect the application of this bylaw to such loan.

7.10.23 Retirement

- (1.) Except as provided in Section 7.10.22, the amount of the Class B Common Stock that exceeds the amount required in Section 7.10.22 may be retired at the sole discretion of the Board in accordance with the policy and procedure of the Association's Board provided the Association's Board determines that the Association, PCA and FLCA will meet or exceed minimum capital adequacy requirements established by regulations of the FCA, or such higher capitalization objectives that have been established by the Board after the retirement taking into account the payment of all declared dividends and/or payment of allocated equities to holders.

Proposed Revision 7.10.23 (1.):

- (1.) Except as provided in Section 7.10.22, the amount of the Class B Common Stock that exceeds the amount required in Section 7.10.22 may be retired at the sole discretion of the Board in accordance with the policy and procedure of the Association's Board, provided minimum capital adequacy standards established in Regulations (including subpart H of part 615 and part 628 of the Regulations), and the capital requirements established by the Board, are met after such retirement.

- (2.) Class B Common Stock shall be retired at book value not to exceed par value.

- (3.) At its option and upon proper notice to the borrower, the Association may retire all or part of the shares of Class B Common Stock outstanding against the outstanding indebtedness of a borrower in the event of default by the borrower.
- (4.) If the Association forgives and writes off under Section 4.14A of the Act any of the principal outstanding on a loan to a borrower who is a member of the Association, the Association shall cancel the same dollar amount of borrower stock held by the borrower in respect of the loan, up to the total amount of such stock. In any event, if the borrower has a continuing loan obligation with the Association, the borrower shall be entitled to retain at least one share of Class B Common Stock to maintain the borrower's membership and voting interest in the Association.

7.10.24 Dividends

Class B Common Stock shall have an equal right with other classes of common stock or participation certificates to any common dividends declared by the Board.

7.10.25 Patronage Distributions

Ownership of Class B Common Stock will entitle holders to any patronage distributions declared by the Association's Board of Directors as provided in Section 8.40.

7.10.26 Transfer

Class B Common Stock may be transferred to other persons or entities eligible to hold it under Section 7.10.21. Such transferred stock may be used to satisfy purchase requirements under Section 7.10.22 only if the Association, FLCA and PCA meet minimum capital adequacy requirements as established by FCA or such higher amount as established by the Board.

7.10.27 Conversion

Class B Common Stock shall be converted to Class A Common Stock within two years after the holder ceases to be a borrower. Class B Common Stock may be converted to Class A Common Stock upon member's request. Conversion will be limited to only that amount of stock which is eligible for retirement as enumerated in Section 7.10.23.

7.10.28 Lien

The Association, PCA and FLCA, as applicable, shall have a first lien on all outstanding Class B Common Stock owned by a borrower as additional collateral for any indebtedness of the borrower to the Association, FLCA and PCA.

7.10.3 [Reserved]

7.10.4 Participation Certificates - Nonvoting:

710.41 Holder

- (1.) Participation certificates will be issued as a condition of borrowing from the Association, PCA or FLCA. Participation certificates may be issued to borrowers or applicants who are:

- (a.) Rural residents to capitalize rural housing loans.
 - (b.) Persons or organizations furnishing farm-related services.
 - (c.) Other persons or organizations who are eligible to borrow from or participate with the Association but who are not eligible to hold voting stock.
- (2.) Participation certificates may be issued to any person who is not a stockholder but who is eligible to borrow from the Association, PCA or FLCA for the purpose of qualifying such person for technical assistance, financially related services and leasing services offered by the Association.
- (3.) Participation certificates may be issued at the discretion of the Association's Board to persons who sell participation interests in loans or leases to the Association, PCA or FLCA.

7.10.42 Issuance

Participation certificates are required to be purchased by every eligible borrower not eligible to hold voting stock as a condition for obtaining a loan in an amount as determined by the Board within a range between the minimum prescribed by the Farm Credit Act and a maximum not to exceed ten percent (10%) of the loan amount. Outstanding participation certificates in excess of this requirement may be used to satisfy the stock purchase requirement for new disbursements or new loans to the holders. The number of certificates authorized to be issued and outstanding will be unlimited. Participation certificates must be purchased by every eligible holder not eligible to hold voting stock as a condition for obtaining a lease in an amount as determined by the Board within a range between a minimum of one (1) unit and a maximum not to exceed ten percent (10%) of the lease amount. Participation certificates need not be purchased by any borrower whose loan, at the time the loan is made, is designated for sale into a secondary market, and is in fact sold within the 180-day period beginning on the date of designation. If such loan is not sold into a secondary market by the expiration of the 180-day period, the borrower shall purchase participation certificates in the amount set forth above for loans not sold into a secondary market. In cases where (1) participation certificates have been issued on a loan made before February 10, 1996, the effective date of the Farm Credit System Reform Act of 1996, or (2) participation certificates are issued on a loan made on or after February 10, 1996 that is designated for sale into a secondary market but is not sold during the 180-day period beginning on the date of designation, and where such loan is subsequently sold into a secondary market, the participation certificates shall be retired provided that minimum regulatory capital adequacy standards are met. The retention by the Association of a subordinated participation interest in any loan sold into a secondary market under title VIII of the Act shall not affect the application of this bylaw to such loan.

Proposed Revision 7.10.42:

Participation certificates are required to be purchased by every eligible borrower not eligible to hold voting stock as a condition for obtaining a loan in an amount as determined by the Board within a range between the minimum prescribed by the Farm Credit Act and a maximum not to exceed ten percent (10%) of the loan amount. Outstanding participation certificates in excess of this requirement may be used to satisfy the stock purchase requirement for new disbursements or new loans to the holders. The number of certificates authorized to be issued and outstanding will be unlimited. Participation certificates must be purchased by every eligible holder not eligible to hold voting stock as a condition for obtaining a lease in an amount as determined by the Board within a range between a minimum of one (1) unit and a maximum not to exceed ten percent (10%) of the lease amount. Participation certificates need not be purchased by any borrower whose loan, at the time the loan is made, is designated for sale into a secondary market, and is in fact sold within the 180-day period beginning on the date of designation. If such loan is not sold into a secondary market by the expiration of the 180-day period, the borrower shall purchase participation certificates in the amount set forth above for loans not sold into a secondary market. In cases where (1) participation certificates have been issued on a loan made before February 10, 1996, the effective date of the Farm Credit System Reform Act of 1996, or (2) participation certificates are issued on a loan made on or after February 10, 1996 that is designated for sale into a secondary market but is not sold during the 180-day period beginning on the date of designation, and where such loan is subsequently sold into a secondary market, the participation certificates shall be retired provided that minimum regulatory capital adequacy standards are met after such retirement. The retention by the Association of a subordinated participation interest in any loan sold into a secondary market under title VIII of the Act shall not affect the application of this bylaw to such loan.

7.10.43 Retirement

- (1.) Except as provided in Section 7.10.42, the amount of participation certificates that exceeds the amount required under Section 7.10.42 may be retired at the sole discretion of the Association's Board in accordance with the policy and procedure established by the Board, provided that the Association, FLCA and PCA will meet or exceed minimum capital adequacy requirements established by regulations of the Farm Credit Administration or such higher capitalization objectives that have been established by the Board after the retirement, taking into account the payment of all declared dividends or payment of allocated equities to holders.

Proposed Revision 7.10.43 (1.):

(1.) Except as provided in Section 7.10.42, the amount of participation certificates that exceeds the amount required under Section 7.10.42 may be retired at the sole discretion of the Association's Board in accordance with the policy and procedure established by the Board, provided minimum capital adequacy standards established in Regulations (including subpart H of part 615 and part 628 of the Regulations), and the capital requirements established by the Board, are met after such retirement.

- (2.) Participation certificates shall be retired at book value not to exceed par value.
- (3.) The Association, at its option, and upon proper notice to the borrower, may retire all or part of the participation certificates against the outstanding indebtedness of a borrower in the event of default by the borrower.

7.10.44 Dividends

Participation certificates shall have an equal right with other classes of common stock to any common dividends declared by the Board.

7.10.45 Patronage Distributions

Ownership of participation certificates will entitle the holder to share in any patronage distributions declared by the Association's Board of Directors as provided in Section 8.40.

7.10.46 Transfer

Participation certificates may be transferred to other persons or entities eligible to hold them under Section 7.10.41. Transferred participation certificates may be used to satisfy the purchase requirements under Section 7.10.42 only if the Association, FLCA and PCA meet minimum capital adequacy requirements as established by FCA and such higher amount as established by the Board.

7.10.47 Conversion

Participation certificates may be converted to Class A Common Stock upon the member's request. Conversion will be limited to only that amount of participation certificates which is eligible for retirement as enumerated in Section 7.10.43.

7.10.48 Lien

The Association, PCA and FLCA, as applicable, shall have a first lien on all outstanding participation certificates owned by a borrower as additional collateral for any indebtedness of the borrower to the Association, FLCA and PCA.

7.10.5 Class P Common Stock – Nonvoting:

7.10.51 Holder

This stock may be issued to borrowers eligible to hold Class B Common Stock or participation certificates. The issuance of this stock for the purposes of accepting the distribution of Association earnings shall be a condition to obtaining a loan.

7.10.52 Amount; Issuance

- (1.) Class P Common Stock may be issued in unlimited amounts. This stock shall be issued in series with the stock issued in each fiscal year constituting a separate series.
- (2.) Class P Common Stock may be issued as provided in these bylaws only for allocated surplus distributions (Section 8.20), stock dividends (Section 8.30), and patronage distributions (Section 8.40).

7.10.53 Retirement

This stock may be retired at the sole discretion of the Board in accordance with the policy and procedure of the Association's Board provided the Association's Board determines that the Association, FLCA and PCA will meet or exceed minimum capital adequacy requirements established by regulations of the FCA or such higher capitalization objectives that have been established by the Board after the retirement, taking into account the payment of all declared dividends and/or payment of allocated equities to holders.

Proposed Revised 7.10.53:

This stock may be retired at the sole discretion of the Board in accordance with the policy and procedure of the Association's Board, provided minimum capital adequacy standards established in Regulations (including subpart H of part 615 and part 628 of the Regulations), and the capital requirements established by the Board, are met after such retirement.

7.10.54 Dividends

This stock shall be eligible for any dividends declared by the Association's Board of Directors.

7.10.55 Patronage Distributions

Ownership of Class P Common Stock will not entitle holders to any patronage distributions declared by the Association's Board of Directors.

7.10.56 Transfer

This stock may be transferred to any person or legal entity.

7.10.57 Conversion

This stock may not be converted.

7.10.58 Lien

The Association, PCA and FLCA, as applicable, shall have a first lien on all outstanding Class P Common Stock owned by a borrower as additional collateral for any indebtedness of the borrower to the Association, FLCA and PCA.

7.20 Impairment

7.20.10 Any losses which result in any impairment of the Association's capital stock shall be borne ratably by each share or unit of all classes of common stock and participation certificate holders.

Proposed Revision 7.20.10:

Any losses which result in any impairment of the Association's capital stock shall be borne ratably, first by each share or unit of all classes of common stock and participation certificates, and second by each share of preferred stock (if any).

7.20.11 Impaired stock and participation certificates shall be restored in the reverse of the sequence in Section 7.20.10 until each share of stock and unit of participation certificates has a book value equal to the par or face value, respectively.

7.30 Distribution on Liquidation

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

First, to the holders of common stock and participation certificates, pro rata in proportion to the number of shares of units of stock or participation certificates then outstanding until an amount equal to the aggregate par value or unit value of all shares of such stock and participation certificates issued and outstanding has been distributed to such holders; and

Second, to the holders of allocated surplus evidenced by qualified written notices of allocation pro rata, on the basis of the oldest allocations first, until an amount equal to the balance outstanding in this account has been distributed to the holders; and

Third, to the holders of allocated surplus evidenced by nonqualified written notices of allocation on a pro rata basis until an amount equal to the balance outstanding in this account has been distributed to the holders; and

Fourth, any remaining assets of the Association after such distribution shall be distributed to the members, both past and present, in proportion to which the aggregate patronage of each such member bears to the total patronage of all such parties insofar as practicable, unless provided by law.

Proposed Revision 7.30:

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

First, ratably to the holders of Preferred Stock, in proportion to the number of shares of such Preferred Stock then issued and outstanding and consistent with the terms of such Preferred Stock until an amount equal to the liquidation preference provided for in the terms of such Preferred Stock established pursuant to this Article VII of all such shares has been distributed to such holders (except that, if the shares of Preferred Stock of different classes have different priorities upon liquidation as contemplated by Section 740.1, distribution shall be first made to the more senior series in accordance with their ranking up to the amount equal to their respective liquidation preferences before distributions are made to the more subordinated series); and

Second, to the holders of common stock and participation certificates, pro rata in proportion to the number of shares of units of stock or participation certificates then outstanding until an amount equal to the aggregate par value or unit value of all shares of such stock and participation certificates issued and outstanding has been distributed to such holders; and

Third, to the holders of allocated surplus evidenced by qualified written notices of allocation pro rata, on the basis of the oldest allocations first, until an amount equal to the balance outstanding in this account has been distributed to the holders; and

Fourth, to the holders of allocated surplus evidenced by nonqualified written notices of allocation on a pro rata basis until an amount equal to the balance outstanding in this account has been distributed to the holders; and

Fifth, any remaining assets of the Association after such distribution shall be distributed to the members, both past and present, in proportion to which the aggregate patronage of each such member bears to the total patronage of all such parties insofar as practicable, unless provided by law.

New Proposed Section 7.40: Rights and Preferences of Preferred Stock.

7.40. Rights and Preferences of Preferred Stock.

7.40.10. Authorization. The Association is authorized to issue preferred stock ("Preferred Stock") with an aggregate par value of up to \$400 million from time to time in one or more series or as may otherwise be limited by applicable regulations. The par value of each share of Preferred Stock may vary by series. Preferred Stock may be issued for consideration to holders of Association common stock, and to any person or entity so long as each of the same qualifies as a "qualified" institutional buyer" (as such term is defined in Rule 144A under the Securities Act of 1933), institutional "accredited investor" (as such term is defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act), or other such investor approved by the FCA at the time of issuance thereof. Preferred Stock shall not be issued as patronage distributions. Each series of Preferred Stock shall be subject to any transfer restrictions, minimum purchase amounts, and types of sophisticated purchasers imposed by the FCA at the time of issuance thereof. Preferred Stock may not be converted into any class of stock other than another series of Preferred Stock. Preferred Stock may be in certificate or book-entry form at the Board's option. In either case, ownership shall be confirmed and transfers registered by the Association or by a registrar or a transfer agent retained by the Association.

7.40.20. Rights of Series. Preferred Stock may be issued from time to time by resolution of the Board in one or more series, each series being so designated as to distinguish the shares thereof from the shares of all other series and classes. Subject to the limitations set forth in these Bylaws, all or any of the series of Preferred Stock and the relative rights and preferences between series may be fixed and determined by the Board in a certificate of designations adopted by the Board. The rights and preferences of each series of Preferred Stock, when established as set forth herein, shall be deemed to be part of this Article VII.

7.40.30. Dividends. Preferred Stock shall bear either cumulative or non-cumulative dividends payable in arrears, when, as and if declared by the Board out of legally available funds. Preferred Stock shall be entitled to a preference both as to dividends (and other distributions including patronage distributions) and upon liquidation, dissolution and winding up over all of the Association's common stock, participation certificates, and allocated surplus (collectively, "Junior Stock").

7.40.40. Redemption. Preferred Stock is redeemable as specified in the terms of the particular class or series of Preferred Stock. The terms of a series or class of Preferred Stock may allow redemptions of the shares of such class or series, in part or whole: (a) upon a specified maturity date; (b) at the option of the Association, on or after the expiration of a specified "no-call" feature (or at any time if there is no such feature); or (c) at the discretion of the Association, on or after a "Regulatory Event" as specified in the terms of the Preferred Stock, or any combination of the foregoing. Any redemption at the option of the Association shall be at the sole discretion of the Board and subject to any required approval of the FCA or any other governmental or regulatory body applicable to the Association. Each redemption of Preferred Stock shall be at par value, not to exceed book value, plus accrued and unpaid dividends to the redemption date for cumulative Preferred Stock, and at par value, not to exceed book value, plus (to the extent provided in the terms of the Preferred Stock) declared and unpaid dividends for prior dividend periods and accrued and unpaid dividends (whether or not declared) for the then current dividend period to the redemption date for non-cumulative Preferred Stock. No redemption of Preferred Stock shall occur unless the Association is in compliance with the minimum capital adequacy standards established by the FCA. Redemption of Preferred Stock may require prior approval by the FCA.

ARTICLE VIII

EARNINGS, SURPLUS, DIVIDENDS, PATRONAGE DISTRIBUTIONS

8.01 Application of Earnings or Losses

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

- (1.) To cover operating expenses including additions to loan valuation reserves, in accordance with generally accepted accounting principles and as provided by law;
- (2.) To restore the amount of any impairment of all capital stock and participation certificates as provided in Section 7.20 of the bylaws;
- (3.) To restore the amount of any impairment of allocated surplus in the manner determined by the Board;
- (4.) To create and maintain an unallocated surplus account as provided in Section 8.10 of these bylaws;
- (5.) To pay dividends on capital stock of the Association if authorized, subject to the limitations in Section 8.30; and,
- (6.) To make patronage distributions pursuant to Section 8.40 of these bylaws.

8.01.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 8.01.1 above, such loss shall be absorbed by: first, charges to the unallocated surplus account; second, impairment of the allocated surplus account in the manner determined by the Board; and third, impairment of capital stock as provided in Section 7.20.10.

8.10 Surplus Accounts

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amount of these two accounts shall be determined by the Association's Board, provided such amount equals or exceeds the minimum aggregate amount prescribed by FCA. At the end of any fiscal year that the surplus accounts otherwise would be less than the capital levels determined by the Board to be reasonably required for the sound operation of the Association, the Association shall apply earnings for the year to the unallocated surplus account to satisfy such capital requirements.

8.20 Allocated Surplus Account

8.20.1 The Association may create and maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis pursuant to Section 8.40 of these bylaws. Allocated surplus may be evidenced by either "qualified written notices of allocation" or "non-qualified written notices of allocation," or both, as those terms are defined in 26 U.S.C. 1388:

- (a) All allocations in the form of qualified written notices of allocation shall be issued in annual series and shall be identified by the year of issuance. Each such series shall be retired fully or on a pro rata basis, only at the discretion of the Board, in order of issuance by years as funds are available.
- (b) All allocations in the form of non-qualified notices of allocation shall be issued in annual series and identified by the year of issuance. Each annual series may be subdivided between two or more classes. Each such series, or class thereof, shall be retired in the discretion of the Board.

Allocated surplus accounts shall be transferable only to the Association or to a member in the manner established by the Board, and no transfer thereof shall be binding upon the Association unless so transferred on the books of the Association. 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 8.01.2 of these bylaws.

- 8.20.2** The Association, PCA and FLCA, as applicable, 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, FLCA and PCA.
- 8.20.3** 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.
- 8.20.4** Whenever all of the capital stock and participation certificates of the Association owned by a member are retired or otherwise disposed of, any surplus account allocations owned by such member may also be retired at the sole discretion of the Board only in accordance with Sections 8.20.5 and 8.50 of these bylaws.
- 8.20.5** Allocated surplus may be distributed, as approved by the Association's Board, in Class P Common Stock of the Association and/or in cash. The cash proceeds may be applied against the indebtedness of the borrower to the Association, PCA or FLCA. In no event shall such distributions reduce the surplus account below the minimum amount prescribed by the Association's Board or reduce the capital adequacy requirements after the payment below the minimum established by regulations of the FCA or such higher capitalization objectives that have been established by the Board. Distributions of less than the full amount of all allocations issued as part of the same series (or class thereof) shall be on a pro rata basis. Any part of a distribution in Class P Common Stock to one owner that is less than \$5.00 may be held by the Association and cumulated with subsequent partial distributions to the owner until the partial distributions equal one whole share of Class P Common Stock.

Proposed Revision 8.20.5:

Subject to the Act and the Regulations, and provided minimum capital adequacy standards established in the Regulations (including subpart H of part 615 and part 628), and the capital requirements established by the Board, are met, allocated surplus may be distributed, as approved by the Association's Board in its sole discretion, in Class P Common Stock of the Association and/or in cash. The cash proceeds may be applied against the indebtedness of the borrower to the Association, PCA or FLCA. In no event shall such distributions reduce the surplus account below the minimum amount prescribed by the Association's Board or reduce the capital adequacy requirements after the payment below the minimum established by regulations of the FCA or such higher capitalization objectives that have been established by the Board. Distributions of less than the full amount of all allocations issued as part of the same series (or class thereof) shall be on a pro rata basis. Any part of a distribution in Class P Common Stock to one owner that is less than \$5.00 may be held by the Association and cumulated with subsequent partial distributions to the owner until the partial distributions equal one whole share of Class P Common Stock.

8.30 Dividends

8.30.1 Dividends may be paid on all classes of capital stock and participation certificates of the Association, as the Board of Directors may determine by resolution, provided that at the time of declaration and after payment of the dividend, the Association will continue to exceed the regulatory minimum capital adequacy standards, and no class of stock or participation certificates is impaired. The resolution declaring the dividend shall establish a record date for determining holders eligible to receive the dividend and the payment date thereof. No dividend shall exceed 8% per annum of the total par/face value of the stock and participation certificates on which such dividend is being paid. The rate of dividend shall be the same for all classes of common stock and participation certificates. For any year with respect to which the Association is obligated to distribute patronage under Section 8.40 hereof, any dividend on capital stock and participation certificates shall not be applied against the net earnings from patronage sources as determined under Section 8.40.

Proposed Revision 8.30.1:

Dividends may be paid on all classes of common stock and participation certificates of the Association, as the Board of Directors may determine by resolution, provided that at the time of declaration and after payment of the dividend, the Association will continue to exceed the regulatory minimum capital adequacy standards, and no class of stock or participation certificates is impaired. The resolution declaring the dividend shall establish a record date for determining holders eligible to receive the dividend and the payment date thereof. No dividend shall exceed 8% per annum of the total par/face value of the stock and participation certificates on which such dividend is being paid. The rate of dividend shall be the same for all classes of common stock and participation certificates. For any year with respect to which the Association is obligated to distribute patronage under Section 8.40 hereof, no dividend shall be paid on common stock and participation certificates.

No dividends on common stock or participation certificates will be declared, paid or set aside for payment unless previously accumulated and unpaid Preferred Stock dividends have been paid in full or, in the case of non-cumulative Preferred Stock, the full dividends for the immediately preceding dividend period have been declared and paid in full, and the Association has redeemed the full number of outstanding shares for each outstanding series of term Preferred Stock required to be redeemed prior to that date.

8.30.2 Dividends on capital stock and participation certificates may be paid in cash, Class P Common Stock or partly in cash and partly in such stock. Any part of such dividends to one owner payable in stock that is less than \$5.00 may be distributed in cash or held by the Association and cumulated with subsequent dividends until the retained dividends equal \$5.00 so that the dividends may be distributed as one whole share of Class P Common Stock.

Proposed Revision 8.30.2:

Dividends on common stock and participation certificates may be paid in cash, Class P Common Stock or partly in cash and partly in such stock. Any part of such dividends to one owner payable in stock that is less than \$5.00 may be distributed in cash or held by the Association and cumulated with subsequent dividends until the retained dividends equal \$5.00 so that the dividends may be distributed as one whole share of Class P Common Stock.

8.30.3 Dividends on capital stock and participation certificates shall be distributed first from net earnings and surplus from non-patronage sources as determined under Section 8.40, and only after such earnings and surplus have been exhausted, shall dividends be paid from patronage sourced net earnings and surplus.

Proposed Revision 8.30.3:

Dividends on Preferred Stock shall be as set forth in Section 7.40.

8.40 Patronage Distributions

8.40.1 Subject to the provisions of the Act, Regulations and these Bylaws, prior to the beginning of any fiscal year or other period, the Association's Board may, by adoption of a resolution (the "Patronage Resolution"), obligate the Association to distribute, as a patronage dividend, its "Patronage-Sourced Net Earnings" for such fiscal year or other period. Patronage-Sourced Net Earnings shall mean the consolidated net earnings of the Association, PCA and FLCA attributable to patronage business ("Patronage Business") as defined in the Patronage Resolution. Members and other customers with or for whom the Association conducts Patronage Business ("Patrons") shall have the right to share in the patronage dividend on the basis of the quantity or value of their respective Patronage Business. In adopting the Patronage Resolution, the Association's Board may adopt a de minimis earnings exception which limits the patronage distribution if certain net earnings requirements are not met for the applicable fiscal year or other period. Any outstanding Patronage Resolution that is not rescinded prior to the beginning of the period to which it relates shall become irrevocable and constitute a binding legal obligation of the Association with respect to such period. Each transaction qualifying as Patronage Business shall include as part of its terms, whether the same has been expressly referred to in said transaction or not, the provisions of this Article VIII of the bylaws.

Proposed Revision 8.40.1:

Subject to the provisions of the Act, Regulations and these Bylaws, prior to the beginning of any fiscal year or other period, the Association's Board may, by adoption of a resolution (the "Patronage Resolution"), obligate the Association to distribute, as a patronage dividend, its "Patronage-Sourced Net Earnings" for such fiscal year or other period. Patronage-Sourced Net Earnings shall mean the consolidated net earnings of the Association, PCA and FLCA attributable to patronage business ("Patronage Business") as defined in the Patronage Resolution. Members and other customers with or for whom the Association conducts Patronage Business ("Patrons") shall have the right to share in the patronage dividend on the basis of the quantity or value of their respective Patronage Business. In adopting the Patronage Resolution, the Association's Board may adopt a de minimis earnings exception which limits the patronage distribution if certain net earnings requirements are not met for the applicable fiscal year or other period. Any outstanding Patronage Resolution that is not rescinded prior to the beginning of the period to which it relates shall become irrevocable and constitute a binding legal obligation of the Association with respect to such period. Each transaction qualifying as Patronage Business shall include as part of its terms, whether the same has been expressly referred to in said transaction or not, the provisions of this Article VIII of the bylaws.

Any dividend that is declared by the Board on Preferred Stock or other capital stock and distributed by the Association shall not reduce Patronage-Sourced Net Earnings for the year of the distribution. Such dividends are in addition to amounts otherwise payable to Patrons which are derived from business done with or for Patrons during the fiscal year.

8.40.2 All patronage distributions shall be in proportion to the amount or value of Patronage Business done by the Association, PCA and FLCA with or for each Patron, as determined by the Board on an equitable and nondiscriminatory basis and as set forth in the Patronage Resolution. The Board may establish, on a fair and equitable basis, separate patronage pools for Patronage Business transactions of the same type or with similar characteristics. Any such pools will make a fair allocation of income and expenses among Patrons. Earnings from transactions that do not constitute Patronage Business, including transactions with members done on a non-patronage basis, will be segregated into a separate pool and will be not available for patronage distribution. A Patron during the distribution period for which the patronage distribution is made shall be entitled to receive a ratable share of the patronage distribution regardless of whether the member continues to be a stockholder or borrower of the Association on the date the declaration of the patronage distribution is made. Net earnings of any fiscal year shall be available for patronage distribution after first making the applications as required in Section 8.01.1.

8.40.3 Patronage distributions may be in cash, Class P Common Stock, or allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution, provided that the cash portion of any patronage distribution which includes a "qualified written notice of allocation" shall not be less than the minimum amount required to qualify such distribution as a deduction for Federal income tax purposes. Distributions in the form of Class P Common Stock and allocated surplus may be in qualified or nonqualified form, as those terms are defined in 26 U.S.C. § 1388. Any portion of a patronage distribution made in the form of Class P Common Stock which is not a multiple of \$5.00 may be distributed in cash or held by the Association for the Patron and included in subsequent distributions.

8.40.4 Any part of the patronage distributions to a Patron may at the discretion of the Association be applied on the Patron's indebtedness to the Association, PCA or FLCA.

When the debt of a Patron is in default and has been in nonaccrual status, such Patron shall not be entitled to receive, and the Association shall not be obligated to distribute, a patronage distribution to such Patron while such debt is in nonaccrual status, unless the Patron contributed income to the Association on a cash basis during the relevant period, notwithstanding the nonaccrual status of the debt.

- 8.40.5** Each person who hereafter applies for and is accepted to membership in this Association and each member of this Association on the effective date of this bylaw who continues as a member after such date, and each person who thereafter applies for and is issued stock or participation certificates of this Association shall, by such act alone, consent that the amount of any distributions with respect to the member's patronage occurring after the date these bylaws were adopted, which are made in written notices of allocation and which are designated as "qualified" (as defined in 26 U.S.C. 1388), including patronage allocations of surplus account and patronage refunds paid in Class P Common Stock of the Association, and which are received by the member from the Association, will be taken into account (as income) by the member at their stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received by the member. Such members also consent by such act alone, to take into account (as income) in the same manner, the amount of any distributions with respect to patronage if the member receives written notice from the Association that such amount has been applied on the member's indebtedness to the Association, PCA or FLCA. The terms "member" and "membership" as used in this bylaw shall have the meaning set forth in Article I of these bylaws.
- 8.40.51** The Association may obtain the written consent of each Patron that the amount of any distributions with respect to Patron's patronage, which are made in written notices of allocation and which are designated as "qualified" (as defined in 26 U.S.C. 1388), including patronage allocations of surplus account and patronage refunds paid in Class P Common Stock, and which are received by the Patron from the Association, will be taken into account (as income) by such Patron at their stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notice of allocations are received by the Patron. The form of consent shall be prescribed by the Board, except that it shall be continuing in effect until revoked by the Patron, and it may be included as part of the loan application or other appropriate form signed by borrowers. Any 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. Consent may also be obtained by use of a qualified check in the manner provided for in 26 U.S.C. 1388.
- 8.40.52** Any written notice of allocation made with the Patron's consent pursuant to the above sections shall be a "Qualified Written Notice of Allocation," and any patronage distribution made in accordance with such written notice shall be a "Qualified" patronage distribution. Any written notice that is not made with the Patron's consent pursuant to the above sections shall be a "Nonqualified Written Notice of Allocation," and any patronage distribution made pursuant to such a nonqualified notice shall be a "nonqualified" patronage distribution.
- 8.40.6** Where the Association arranges for the provision of credit and/or related services to its members through PCA and/or FLCA, and such members avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from PCA and/or FLCA, all net earnings or loss attributable to such

provision of credit and/or related services shall be treated as net earnings or loss of the Association from business done with its members and all business done with PCA and FLCA shall be treated as business done with the Association.

8.40.7 Notwithstanding any provision of these bylaws, no patronage dividend may be declared or paid which would result in the failure of the Association to meet the regulatory minimum capital adequacy standards as may from time to time be promulgated by FCA pursuant to Section 4.3A of the Act, unless otherwise allowed under FCA regulations.

Proposed New Section 8.40.8

No patronage distributions or redemption of allocated surplus will be declared, paid or set aside for payment and the Association has redeemed the full number of outstanding shares for each outstanding series of term Preferred Stock that are required to be redeemed prior to that date.

8.50 Retirement of Patronage Accounts

If at any time, the Board of Directors shall determine that the financial condition of the Association, FLCA and PCA will not be impaired thereby, the capital then credited to Patrons' accounts in qualified form may be retired in full or part. The Board of Directors shall have the sole discretion to make such retirements. The Board of Directors may take into account special circumstances, such as the death of a patron, in exercising its discretion at a duly called meeting. Any capital retired under this section shall be retired at present value based upon the current revolvment cycle, if any.

8.60 Amendment to Capitalization Bylaws

Amendments to the capitalization bylaws in Articles VII and VIII, including provisions permitting cumulative voting (if any), and the capitalization bylaws of PCA and FLCA, other than technical amendments not affecting substantive rights, shall not be effective without the approval of the Association's stockholders voting in person or by proxy at a duly authorized stockholders meeting. Any amendment authorizing the issuance of preferred stock must be authorized by a majority of the shares of each class of equities adversely affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

Proposed Revision 8.60:

Amendments to the capitalization bylaws in Articles VII and VIII, including provisions permitting cumulative voting (if any), and the capitalization bylaws of PCA and FLCA, other than technical amendments not affecting substantive rights, shall not be effective without the approval of the Association's stockholders voting in person or by proxy at a duly authorized stockholders meeting. Any amendment authorizing the issuance of preferred stock must be authorized by a majority of the shares of each class of equities adversely affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote. Any amendment authorizing the issuance of preferred stock must be authorized by a majority of the shares voting of each class of equities adversely affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

Addendum B

Preferred Stock Authorization

CFC is seeking approval from its stockholders for CFC's issuance (including reissuances) of multiple series of preferred stock in an amount of up to \$400 million in the aggregate outstanding at any one time. If approved, CFC would be able to issue, redeem, and then re-issue preferred stock subject to the \$400 million limit without having to obtain a new vote of the stockholders for each issuance of preferred stock so long as the terms of such preferred stock comply with the below terms. Such issuance and re-issuances would require the approval of the CFC Board and the Farm Credit Administration, which would have the authority to require an additional stockholder vote in appropriate cases.

Any preferred stock issued pursuant to the Preferred Stock Authorization would be senior to your stock with respect to dividends and liquidation rights. Under Section 7.40 of CFC bylaws, CFC may issue preferred stock in accordance with the following terms, conditions, and limitations:

- a. **Authorized Issuance:** CFC is authorized to issue (and reissue) one or more series of preferred stock in an amount with an aggregate par value of up to \$400 million outstanding at any one time.
- b. **Board /FCA Approvals:** Issuances may be of any type of preferred stock approved by CFC's Board of Directors and reviewed and cleared by the FCA. The FCA reserves the right to require CFC to obtain subsequent vote(s) of its common stockholders with respect to preferred stock issuances (including reissuances).
- c. **Preferred Stock Purchasers:** Each series of preferred stock will be issued to "qualified institutional investors" and/or institutional "accredited investors", each as defined under federal securities law, and/or other categories of sophisticated investors approved by the CFC Board in issuances reviewed and cleared by the FCA.
- d. **Use of Proceeds:** Proceeds will be used to increase CFC's regulatory capital and for general corporate purposes.
- e. **Dividends:** The dividends on the preferred stock will accrue at a fixed rate, a floating rate, or a fixed-to-floating rate, to be determined at the time of issuance based upon market conditions.
- f. **Liquidation Priority:** In the unlikely event of liquidation of CFC, each series of preferred stock would be paid in the liquidation prior to the payoff of any common stock or participation certificates, but after all debts had been paid.
- g. **Dividend/Patronage Stopper:** Failure to declare and pay all previously accumulated and unpaid dividends on any outstanding cumulative preferred stock, or to declare and pay in full all dividends for the immediately preceding dividend period on any outstanding non-cumulative preferred stock, would result in no patronage distributions payments of retirements of any common stock or participation certificates.
- h. **Board Observers:** Failure to pay dividends for a number of dividend periods (whether or not consecutive) as specified in the term of a series of preferred stock shall result in the appointment of two observers to the CFC board nominated by the holders of all series of outstanding preferred stock that is granted the right to appoint observers pursuant to the terms of such series, voting as a single class. Observers have no voting rights but do participate in board meetings. Two preferred stock observers shall serve only until cure of all payment defaults giving rise to their appointment. Board directors, including the two preferred stock observers, may be removed from the board for cause, including failure to observe the FCA regulations regarding standard of conduct and release of information.
- i. **Voting Rights:** Preferred stockholders will not have any voting rights, except as otherwise required by law or under certain limited circumstances, included the issuance of a class of preferred stock that ranks senior to the outstanding preferred stock as to dividends and in a liquidation. Such measures must be approved by a majority vote of holders voting thereon, voting as a class.