

CAPITAL BYLAWS
OF
AGTRUST, ACA

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TABLE OF CONTENTS

ARTICLE VII -- CAPITAL STOCK AND PARTICIPATION CERTIFICATES

700	Authorization
705	Ownership
706	Stockholder approval
707	First lien
710	Class A - common stock
710.1	Holder
710.2	Amount
710.3	Retirement
710.4	Voting
710.5	Dividends
710.6	Patronage distributions
710.7	Transfer
710.8	Conversion
710.9	Cancellation
720	Class B- voting stock
720.1	Holder
720.2	Amount
720.3	Retirement
720.4	Voting
720.5	Dividends
720.6	Patronage distributions
720.7	Transfer
720.8	Conversion
720.9	Cancellation
730	Class P common stock - nonvoting
730.1	Holder
730.2	Amount
730.3	Retirement
730.4	Voting
730.5	Dividends
730.6	Patronage distributions
730.7	Transfer
730.8	Conversion
730.9	Cancellation
740	Participation certificates
740.1	Holder
740.2	Amount
740.3	Retirement
740.4	Voting
740.5	Dividends
740.6	Patronage distributions

740.7	Transfer
740.8	Conversion
740.9	Cancellation
750	Impairment
760	Distribution on liquidation

ARTICLE VIII -- DIVIDENDS AND PATRONAGE DISTRIBUTIONS

800	Application of earnings or losses
810	Surplus accounts
820	Allocated surplus account
830	Dividends
840	Patronage distributions
850	Retirement of patronage accounts
860	Limitation
870	Stockholder approval

ARTICLE VII--CAPITAL STOCK AND PARTICIPATION CERTIFICATES

700 Authorization

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 or participation certificate issued shall have a par value of \$5.00. Fractional shares of stock or participation certificate shall not be issued. Except where expressly stated in these Bylaws, all transfers, exchanges, conversions and retirements of stock and participation certificates shall be at the sole discretion of the Board at book value not to exceed par.

705 Ownership

Evidence of ownership of stock and participation certificates shall be by book entry. The Association shall be its own transfer agent in all matters relating to its capital stock and participation certificates.

706 Approval

The Bylaws in this Article and any amendment thereto shall not become effective until approved by a majority of the Voting Stockholders in accordance with Section 4.3A(c)(2) of the Act, voting in person or by written proxy at a duly authorized meeting. Each issuance of preferred stock shall be approved by a majority of the shares of each class of equities affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

707 First Lien

The Association, PCA and FLCA, as applicable, shall have first lien on all stock and participation certificates to secure any indebtedness of the holder of such stock or participation certificates to the Association, PCA and FLCA.

710 Class A Common Stock

710.1 Holder

Class A Stock will be issued only for conversion of Class B Stock of borrowers upon repayment of the related loan. Such conversion must occur within two years of repayment.

710.2 Amount

Class A Stock issued upon conversion of Class B Stock may be issued in unlimited amounts. Par value will be the same as the converted Class B Stock.

710.3 Retirement

Retirement shall be at the sole discretion of the Board provided that minimum capital adequacy standards established by the FCA, and the capital requirements established by the Board, are met.

710.4 Voting

Holders of Class A Stock shall not vote except as may be provided in Section 706 regarding the issuance of preferred stock.

710.5 Dividends

Dividends may be paid on Class A Stock at the sole discretion of the Board under the following conditions:

1. After payment of the dividend, the Association will continue to exceed the regulatory minimum capital adequacy standards or any board-established capital standard whichever is higher.
2. Current earnings or earned surplus is sufficient to pay the dividend amount.

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

710.6 Patronage Distributions

Class A Stock shall not share in any patronage distribution.

710.7 Transfer

Class A Stock may be transferred to any person eligible to hold Class A Stock.

710.8 Conversion

Class A Stock held by a former borrower may be converted to Class B Stock when the former borrower receives a new loan and meets the eligibility requirements of 710.1.

If the Association meets the minimum capital adequacy standards, Class A Stock transferred to a third party may be converted to Class B Stock to satisfy stock purchase requirements for a new loan to the third party.

710.9 Cancellation

Cancellation of Stock Ownership in Default--If the holder of Class A Stock has a loan which is in default, the Association may retire at book value, not to exceed par, all or part of such stock owned by the borrower in total or partial liquidation of the debt.

720 Class B Voting Stock

720.1 Holder

This stock may be issued as a condition for obtaining a loan to borrowers who are farmers, ranchers or producers or harvesters of aquatic products.

720.2 Amount

Class B Stock purchased as a condition to obtaining a loan may be issued in unlimited amounts.

Class B Stock shall be purchased by borrowers eligible to hold it as a condition for obtaining a loan in an amount as may be determined by the Board at its discretion within a range between a minimum of 2% of the loan amount or \$1,000, whichever is less, and a maximum not to exceed 5% of the loan amount. As provided in the capitalization plan, such requirement may be applied at the borrower level such that additional stock purchases may not be required for each additional loan.

Class B 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 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 outstanding on 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.

720.3 Retirement

Except as provided in Section 720.2, Class B Stock may be retired and paid at the sole discretion of the Board provided that the minimum capital adequacy standards established by the FCA, and the capital requirements established by the Board, are met.

720.4 Voting

Holders of Class B Stock shall be entitled to full voting rights. Each Class B stockholder shall only have one vote, regardless of the number of shares owned or the number of loans outstanding, except as provided in Section 706 regarding the issuance of preferred stock. Cumulative voting for directors will not be permitted.

720.5 Dividends

Dividends may be paid on Class B Stock at the sole discretion of the Board under the following conditions:

1. After payment of the dividend, the Association will continue to exceed the regulatory minimum capital adequacy standards or any board-established capital standard, whichever is higher.
2. Current earnings or earned surplus is sufficient to pay the dividend amount.

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

720.6 Patronage Distributions

Holders of Class B Stock shall be eligible to receive patronage distributions in accordance with Article VIII of these Bylaws.

720.7 Transfer

Class B Stock may be transferred to persons who assume liability for the transferor's loan, provided the assumptor is eligible under these Bylaws to hold voting stock. Such a transfer shall be a necessary condition to the release of the transferor from liability on the loan.

Outstanding Class B Stock may be transferred to a third party eligible to hold it as a condition to obtaining a loan when the Association meets minimum regulatory capital adequacy standards.

Class B Stock shall not be pledged or hypothecated to third parties and may be transferred on the Association's books only as authorized by these Bylaws.

720.8 Conversion

Any outstanding Class B Stock shall be converted to Class A (nonvoting) Stock within two years after repayment of the related loan.

720.9 Cancellation of Stock Ownership in Default

If the debt of a holder of Class B Stock is in default, the Association may retire at book value, not to exceed par, all or part of such stock owned by the borrower in total or partial liquidation of the debt.

730 Class P Common Stock - Nonvoting

730.1 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.

730.2 Amount

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 for allocated surplus distributions (Section 820), stock dividends (Section 830), and patronage distributions (Section 840).

730.3 Retirement

This stock may be retired at the sole discretion of the Board in accordance with the policy and procedure of the Board provided that the minimum capital adequacy standards established by the FCA, and the capital requirements established by the Board, are met after the retirement, taking into account the payment of all declared dividends and/or payment of allocated equities to holders. There is no express or implied right for Class P Stock to be retired at the end of any revolvment cycle or at any other time.

730.4 Voting

Holders of Class P Stock shall not vote except as may be provided in Section 706 regarding the issuance of preferred stock.

730.5 Dividends

Dividends may be paid on Class P Stock at the sole discretion of the Board under the following conditions:

1. After payment of the dividend, the Association will continue to exceed the regulatory minimum capital adequacy standards or any board-established capital standard, whichever is higher.
2. Current earnings or earned surplus is sufficient to pay the dividend amount.

This stock shall have an equal right to any dividends on common stock declared by the Board.

730.6 Patronage Distributions

Ownership of Class P Stock will not entitle holders to any patronage distributions declared by the Board.

730.7 Transfer

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

730.8 Conversion

This stock may not be converted.

730.9 Cancellation of Stock Ownership in Default

If the debt of a holder of Class P Stock is in default, the Association may retire at book value, not to exceed par, all or part of such stock owned by the borrower in total or partial liquidation of the debt.

740 Participation Certificates

740.1 Holder

1. Participation Certificates will be issued as a condition for obtaining a loan from the Association by borrowers or applicants who are:
 - a. rural residence borrowers;
 - b. persons or organizations furnishing farm-related services; or,
 - c. other persons or organizations that are eligible to borrow from the Association, but are not eligible to hold Class A Stock.
2. Subject to the Act and Regulations, Participation Certificates may be issued to any person who is not a member but who is eligible to borrow from the Association, or from another System institution, 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 Board to lending institutions that originate loans in which the Association agrees to purchase a participation interest.

740.2 Amount

Participation Certificates issued under Section 740.1(1) and (2) may be issued in unlimited amounts. Up to 10 million participation certificates may be issued under Section 740.1(3).

Participation Certificates shall be purchased by borrowers eligible to hold it as a condition for obtaining a loan in an amount as may be determined by the Board at its discretion within a range between a minimum of 2% of the loan amount or \$1,000, whichever is less and at a maximum not to exceed 5% of the loan amount. As provided in the capitalization plan, such requirement may be applied at the borrower level such that additional stock purchases may not be required for each additional loan.

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 outstanding on 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.

740.3 Retirement

Except as provided in Section 740.2, retirement shall be at the sole discretion of the Board provided that the minimum capital adequacy standards established by the FCA, and the capital requirements established by the Board, are met.

740.4 Voting

Holders of Participation Certificates shall not have voting rights except as may be provided in Section 706 of these Bylaws regarding issuance of preferred stock.

740.5 Dividends

Dividends may be paid on Participation Certificates at the sole discretion of the Board under the following conditions:

1. After payment of the dividend, the Association will continue to exceed the regulatory minimum capital adequacy standards or any board-established capital standard whichever is higher.
2. Current earnings or earned surplus is sufficient to pay the dividend amount.

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

740.6 Patronage Distributions

Holders of Participation Certificates shall be eligible to receive patronage distributions in accordance with Article VIII of these Bylaws.

740.7 Transfer

Participation Certificates may be transferred to persons who assume liability for the transferor's loan, provided the assumptor is eligible under these Bylaws to hold such equities. Such a transfer shall be a necessary condition to the release of the transferor from liability on the loan. Outstanding Participation Certificates may be transferred to a third party eligible to hold them as a condition to obtaining a loan when the Association meets minimum regulatory capital adequacy standards.

Participation Certificates shall not be pledged or hypothecated to third parties and may be transferred on the Association's books only as authorized by these Bylaws.

740.8 Conversion

Participation Certificates shall not be converted to any other class of stock.

740.9 Cancellation

If the debt of a holder of Participation Certificates is in default, the Association may retire at book value, not to exceed par, all or part of such equities owned by the borrower in total or partial liquidation of the debt.

750 Impairment

750.1 Any losses which result in impairment of Association capital stock will be borne ratably by each share or unit of Class A Stock, Class B Stock, Class P Stock and Participation Certificates.

750.2 Any restoration of impairment shall be apportioned ratably to each share or unit of each class of common stock or participation certificates until the book value of all such stock or participation certificates is at least equal to the par value.

760 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;

Second, to the holders of allocated surplus evidenced by Qualified Written Notices of Allocation as defined in Section 8.20.1 of these Bylaws 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;

Third, to the holders of allocated surplus evidenced by Nonqualified Written Notices of Allocation as defined in Section 8.20.1 of these Bylaws 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;

Fourth, any remaining assets of the Association after such distribution shall be distributed to 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 otherwise provided by law.

ARTICLE VIII--DIVIDENDS AND PATRONAGE DISTRIBUTIONS

800 Application of Earnings or Losses

800.1 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 loss allowances, 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 720 of the Bylaws;
3. To restore the amount of any impairment of allocated surplus;
4. To create and maintain an unallocated surplus account as provided in Section 810 of these Bylaws;
5. To pay dividends on capital stock of the Association if authorized;
6. To make patronage distributions if authorized pursuant to Section 840 of these Bylaws; and
7. To transfer any remaining earnings to the unallocated surplus account.

800.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 800, such loss shall be absorbed by: first, charges to the unallocated surplus account; second, impairment of the allocated surplus account to the extent evidenced by “Nonqualified Written Notices of Allocations”, in the reverse order of issuance, third, impairment of the allocated surplus account to the extent evidenced by “Qualified Written Notices of Allocation,” in the reverse order of issuance; and fourth, impairment of capital stock as provided in Section 750.1.

810 Surplus Accounts

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The Association’s Board shall determine the minimum aggregate amount of these two accounts. At the end of any fiscal year that the surplus accounts otherwise would be less than the amount determined to be sufficient by the Board, the Association shall apply earnings for the year to the unallocated surplus account in such amount as the Board may determine.

820 Allocated Surplus Account

820.1 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 840 of these Bylaws. Allocated surplus may be issued as either “qualified written notices of allocation” or “non-qualified written notices of allocations,” or both, as those terms are defined under Internal Revenue Code (“Code”) Section 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 year as funds are available.
- (b) All allocations in the form of non-qualified written notices of allocation shall be issued in annual series and identified by the year of issuance. Each annual series may be subdivided between two or more classes. Each such series, or class thereof, shall be retired at the discretion of the Board.

In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment in the reverse order of issuance as specified in Section 800.2.

- 820.2 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 his indebtedness to the Association, PCA and FLCA.
- 820.3 When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association may, in the Board's sole discretion, order any and all surplus account allocations owned by such borrower to be applied on the indebtedness.
- 820.4 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 820.5 and 850 of these Bylaws.
- 820.5 Allocated surplus may be distributed; oldest allocations first or otherwise as approved by the Association's Board, in its sole discretion, in Class P Common Stock of the Association and/or in cash, provided minimum capital adequacy standards established by the FCA, and the capital requirements established by the Board, are met. The cash proceeds may be applied against the indebtedness of the borrower to the Association. In no event shall such distributions reduce the surplus account below the minimum amount prescribed by the Association's Board or reduce capital adequacy ratios 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 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.

830 Dividends

- 830.1 Dividends may be paid on the capital stock and participation certificates of the Association, as the Board may determine by resolution. Such dividends may be paid on all classes of common stock and participation certificates. Such dividend shall not exceed 8% of the total par/face value of the common stock and participation certificates on which such dividend is being paid. The rate of dividend paid on common stock and participation certificates shall be the same for all classes. No dividends on common

stock and participation certificates shall be paid in any year with respect to which the Association has passed a resolution authorizing the distribution of patronage under Section 840.

- 830.2 Dividends may be paid in cash, Class P 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 Stock.
- 830.3 Dividends may be paid to holders of record on the effective date of the declaration, provided the stock or participation certificates were outstanding for at least 180 calendar days prior to the effective date of the declaration.

840 Patronage Distributions

- 840.1 Subject to the provisions of the Act and Regulations, prior to the beginning of any fiscal year, the Association's Board may, by adoption of a resolution (the "Patronage Resolution"), obligate the Association to distribute as patronage dividends to members and other customers with whom business is conducted on a patronage basis ("Patrons"), on the basis of quantity or value of business done with the Association, PCA and FLCA, all or any portion of the available consolidated net earnings of the Association, PCA and FLCA for such fiscal year or for that and subsequent fiscal years. For this purpose, the available consolidated net earnings shall be defined as the net income of the Association, FLCA and PCA attributable to business done with or for Patrons. In adopting said 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 such fiscal year or for that and subsequent fiscal years. Such resolution shall establish an irrevocable, legal obligation to distribute patronage in accordance with the provisions hereof. The terms "member" and "membership" as used in this bylaw shall have the meaning set forth in Article II of these Bylaws.

Notwithstanding the foregoing and in accordance with the provisions hereof, the Association shall be obligated to distribute as patronage dividends to Patrons the available consolidated net earnings of the Association, FLCA and PCA for the fiscal year beginning the effective date of these Bylaws.

- 840.2 All patronage distributions shall be in the proportion that the amount of interest and other income earned by the Association, PCA and FLCA on their loans and other transactions with each Patron bears to the total interest and other income earned by the Association on all such loans and transactions during the fiscal year, except that another proportionate patronage basis may be used as determined by the Association's Board. A Patron who pays interest or otherwise contributes to the Association's consolidated net income, as applicable, during the distribution period for which the patronage distribution is made shall be entitled to receive a pro-rata share of the patronage distribution regardless of whether the Patron continues to be a Stockholder or borrower of the Association, FLCA or PCA on the date the declaration of the patronage distribution is made. The Association's Board may establish earnings pools for the payment of patronage provided such earnings pools are established in a rational and equitable basis that will ensure that each Patron receives its fair share of the Association's consolidated earnings and bears its fair share of the expenses. The Board

retains discretion not to pay patronage with respect to one or more such pools provided all members are treated fairly and equitably.

- 840.3 Net earnings of any fiscal year shall be available for patronage distribution after first making the applications as required in Section 800.1, including (i) the setting aside of a portion of the net earnings in the unallocated surplus account, as deemed prudent for sound capital accumulation; and (ii) making provision for payment of the Association's federal income or related taxes for the fiscal year; provided, that, these amounts shall first come from net earnings, if any, attributable to sources other than patronage transactions with or for Patrons and any non-patronage-sourced net earnings not so applied shall be set aside in the unallocated surplus account.
- 840.4 Patronage distributions may be in either qualified or nonqualified form and may be in cash, Class P Common Stock of the Association, allocations of earnings retained in an allocated surplus account or any one or more of such forms of distributions, except that, with respect to qualified patronage distributions, at least the minimum amount required to qualify the refund as a deductible patronage distribution for federal income tax purposes to any borrower for any fiscal year shall always be in cash. Cash distributions may not exceed the minimum amount required to qualify the refund as a deductible patronage distribution for federal income tax purposes if the permanent capital of the Association, PCA and FLCA through the payment of patronage would, after such action, fail to meet the minimum permanent capital adequacy requirement established by regulations of the FCA or such higher capitalization objectives that have been established by the Board. Any part of a patronage distribution in Class P Common Stock to one borrower that is not a multiple of \$5.00 may be distributed in cash or held by the Association for the member and included in a subsequent distribution.
- 840.5 Any part of the patronage distributions to a Patron, except the minimum amount required to be paid in cash to qualify the distribution as a deductible patronage distribution for federal income tax purposes, may at the discretion of the Association, be applied on the member's indebtedness to the Association, FLCA and PCA.
- 840.55 If a borrower's loan has been placed in nonaccrual status, the borrower's rights to patronage distributions with respect to such loan while the loan is in nonaccrual status and after it has been reinstated to accrual status, shall be set forth in the Patronage Resolution.
- 840.6 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 or evidenced by "Qualified Written Notices of Allocation", 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, FLCA or PCA.

840.7 The Association may obtain the written consent of each Patron that the amount of any distributions with respect to the Patron's patronage, which are made in or evidenced by "Qualified Written Notices of Allocation" (as defined in 26 U.S.C. 1388), including patronage allocations of surplus account, patronage refunds paid in stock or distributions with respect to patronage that has been applied to the Patron's indebtedness to the Association, FLCA or PCA and for which the Patron has received written notice, will be taken into account (as income) by the Patron at their stated dollar amounts in the manner provided for in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received by the member. The form of consent shall be prescribed by the Association's Board, except that it shall be continuing in effect until revoked by the Patron, and may be included as part of the loan application or other appropriate form signed by borrowers. Consent may also be obtained by use of a qualified check in the manner provided for in 26 U.S.C. 1388.

840.8 Any written notice of allocation made with the member'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 member's consent pursuant to this section 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.

840.9 Where the Association arranges for the provision of credit and/or related services to its members through FLCA and/or PCA, and such members avail themselves of the arrangements made and maintained by the Association by borrowing or acquiring related services from FLCA and/or PCA, all net earnings or loss attributable to such provision of credit and/or related services shall be treated as net earnings or loss of the Association from business done with its Patrons and all business done with FLCA and PCA shall be treated as business done with the Association.

850 Retirement of Patronage Accounts

If at any time, the Board shall determine that the financial condition of the Association, PCA and FLCA will not be impaired thereby, the patronage allocated to Patrons' accounts may be retired in full or part. The Board, in its sole discretion, shall have the power to retire the patronage allocated to any member in such events as death or bankruptcy, or to settle a dispute, on such terms and conditions as may be deemed appropriate by the Board, or in any instance in which the interests of the Association and its Stockholders are deemed to be furthered thereby, and funds are determined by the Board to be available for such purpose, provided minimum capital adequacy standards established by the FCA, and the capital requirements established by the Board, are met. Any allocated patronage retired under this section may, at the Board's discretion, be retired at present value based upon the current revolvment cycle, if any. There is no express or implied right granted to a Patron to have allocated patronage retired upon request.

860 Limitation

Notwithstanding any other provision of these Bylaws, no dividend or patronage refund may be declared or paid which would result in the failure of the Association to meet the regulatory minimum permanent capital adequacy standards as may from time to time be promulgated by the FCA pursuant to Section 4.3 of the Act.

870 Amendments to Capitalization Bylaw; Issuance of Preferred Stock

Amendments to the capitalization Bylaws in Articles VII and VIII (including provisions permitting cumulative voting, if any), and the capitalization bylaws of FLCA and PCA, other than technical amendments not affecting substantive rights, shall not be effective without the approval of a majority of the Association's shareholders 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 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.