

**CENTRAL KENTUCKY  
AGRICULTURAL CREDIT ASSOCIATION**

**BYLAWS**

Effective November 1, 2008  
As Amended January 26, 2017

**CENTRAL KENTUCKY  
AGRICULTURAL CREDIT ASSOCIATION**

**BYLAWS**

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## ARTICLE I – DEFINITIONS

- 100.1 “Act” means the Farm Credit Act of 1971, as it may be amended from time to time.
- 100.2 “Association” means the Central Kentucky Agricultural Credit Association.
- 100.3 “Board” means the board of directors of the Association.
- 100.4 “Bylaws” means these Bylaws, as they may be amended from time to time pursuant to Articles VIII or XVI hereof.
- 100.5 “Equityholder” means a holder of Participation Certificates in the Association.
- 100.6 “FCA” means the Farm Credit Administration.
- 100.7 “FCB” means the AgFirst Farm Credit Bank in Columbia, South Carolina.
- 100.8 “FLCA” means Central Kentucky FLCA, a federal land bank association with direct lending authority and a subsidiary of the Association.
- 100.9 “Member” means a holder of Stock in the Association.
- 100.10 “Participation Certificate” means an equity in the Association, the holder of which is not eligible to vote on any matter requiring a vote at any annual or special meeting of Members or Equityholders, other than the issuance of preferred stock.
- 100.11 “Patron” has the meaning ascribed to such term under Section 950 hereof.
- 100.12 “PCA” means the Central Kentucky PCA, a production credit association and a subsidiary of the Association.
- 100.13 “Regulations” means FCA regulations or directives applicable to and binding on this Association.
- 100.14 “Stock” means an equity in the Association, the holder of which is eligible to vote on all matters requiring a vote at any annual or special meeting of Members and Equityholders.
- 100.15 “System” means the Farm Credit System.

## ARTICLE II – LEGAL STATUS; AUTHORITIES

- 200 This Association is a cooperative credit institution, which is owned by its Members and Equityholders and is federally chartered pursuant to the Act. Subject to the Act and Regulations and under the supervision of the FCB, the Association in its chartered territory possesses and may exercise all lending, participation, and similar authorities granted by statute or regulation, as such statutes and regulations may be amended from time to time, to an agricultural credit association. Without limiting the foregoing, the Association is authorized:
- (a) to make, guarantee or participate with other lenders in short- and intermediate-term loans and other similar financial assistance to:
    - (1) bona fide farmers, ranchers, and producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requirements of such borrowers as specified in the Act;
    - (2) rural residents for housing financing in rural areas; and
    - (3) persons or organizations furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs; and
  - (b) to make or participate with other lenders in long-term real estate mortgage loans in rural areas, as defined by the FCA, or to producers or harvesters of aquatic products, and to make continuing commitments to make such loans under specified circumstances, for a term of not less than five, nor more than forty years; and
  - (c) to provide technical assistance to members, Equityholders, borrowers, applicants, and other eligible persons, and to make available to them, at their option, such financially related services appropriate to their on-farm and aquatic operations as is determined feasible under applicable Regulations.

### 210 Lending Authorities

Upon FCA and voting Stockholder approval, the Board may authorize PCA and FLCA to conduct some or all of the authorities granted in the Act and Regulations to Production Credit Associations and Federal Land Credit Associations, respectively (“Authorization Event”). PCA and FLCA shall be referred to collectively as the “Subsidiaries.”

Relationship with FLCA and PCA

Upon an Authorization Event, the Association, PCA and FLCA shall conduct an integrated lending operation. PCA shall possess, among other authorities granted under the Act, the authority to make, hold and participate in short and intermediate-term loans and provide financially related services to qualified borrowers in the Association's territory. FLCA shall possess, among other authorities granted under the Act, the authority to make, hold and participate in long-term real estate loans and provide financially related services to qualified borrowers in the Association's territory. In addition, upon the Authorization Event, all three institutions shall enter into a General Financing Agreement ("GFA") with the FCB for purposes of funding loans originated and made by Association, PCA and FLCA pursuant to their respective lending authorities. The indebtedness owed to FCB under the GFA shall be the joint and several obligation of all three institutions. The Association at all times will own all of the voting capital stock of FLCA and PCA.

**ARTICLE III – MEMBERSHIP; ELIGIBILITY TO BORROW**

300 Any person to whom this Association is authorized by the Act to extend credit or other services is eligible to apply for a loan or other services and to become a Member or Equityholder of this Association. In the case of a deceased or legally incompetent Member or Equityholder, the executor, administrator, guardian, or other legally authorized representative shall be considered to be the Member or Equityholder for purposes of these Bylaws. Each Member or Equityholder is authorized to speak on any question being considered at Members' and Equityholders' meetings, when recognized by the chairman. Motions, nominations and seconds may be made and voted on only by Members.

**ARTICLE IV – MEETINGS OF MEMBERS AND EQUITYHOLDERS**400 Time and Place

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

400.2 Special meetings of Members and Equityholders of the Association may be called at any time by resolution of the Board. Such meetings shall be called at any time upon written request of at least five percent of such Members, except that in no case shall the required number of signatures to such a request be less than twenty. All notices of special meetings shall state the time, place, and purpose(s) of the meeting. If the Board fails or refuses to order such notice to be made, the notice may be given by the Member(s) and/or Equityholder(s) who made the call in accordance with the provisions of Section 410 of these Bylaws.

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

410 Notice of Meetings

The chairman of the Board shall cause written notice of every annual and special meeting of Members and Equityholders to be mailed at least ten calendar days prior to the meeting to all Members and Equityholders as of the close of business no earlier than fifty calendar days preceding the meeting. The notice shall be mailed to the last known post office address of each Member or Equityholder as it appears on the records of the Association. The notice shall state the purpose and the time and place of the meeting. No business shall be transacted at special meetings other than that referred to in the notice.

The notice will include statements concerning the efforts and results of the nominating committee in obtaining candidates for the Board of Directors.

420 Quorum

Twenty Members or three percent of the total number of Members, whichever shall be larger, shall constitute a quorum for purposes of annual or special meetings. Proxies shall be included to establish a quorum count to the extent proxies are permitted under Section 450.2 of these Bylaws. If less than a quorum is present at any meeting, the chairman of the meeting may adjourn the meeting from time to time until a quorum is obtained.

430 Conduct of Annual Meetings

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

440 Nominating Committee (as amended 1-26-17)

440.1 At each annual meeting, the Members shall elect a nominating committee and alternates in the manner set forth in Section 440.5 of these Bylaws. Vacancies on any nominating committee shall be filled from among the alternates, if any, by vote of the remaining

members of the nominating committee. If there are no alternates, the remaining committee members shall fill the vacant position from Members willing to serve. The committee so elected shall serve until the next annual meeting or until its successors have been elected and qualified. No directors, salaried officers, or employees of the Association shall be eligible to serve on the nominating committee.

440.2 Each nominating committee shall review lists of Members who are eligible to serve as directors of the Association, ascertain their willingness to serve, and submit to the Board a slate of eligible candidates for election which shall include at least two nominees for each director position to be filled. The nominating committee will use the established Directors Qualification Policy to evaluate the candidates and will have access to a summary results of the annual Board self-evaluation. In doing so, the committee shall endeavor to assure representation to all sections of the Association's chartered territory and, as nearly as possible, to all types of agricultural practices within that territory.

If after diligent effort the nominating committee is unable to find more than one willing nominee for each position to be filled, the nominating committee shall submit to the Board its findings. Upon approval by the Board, the Association may, after calling for nominations from the floor, proceed with the election.

440.3 Under guidelines prescribed by the Board, the nominating committee shall present a list of candidates for Members to consider in electing the nominating committee for the ensuing year. Nominations may also be made from the floor. If the meeting is held in consecutive sectional sessions, nominations may be made from the floor only at the first session and so announced in the notice of meeting.

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

440.5 There shall be five (5) nominating committee members and two (2) alternates. There shall be at least one candidate for the nominating committee from each branch office. The candidate shall reside in a county normally served by that branch office. The five candidates who receive the most votes are elected as members of the nominating committee and the two candidates receiving the next highest number of votes are elected as alternates. In the case of a tie vote between the fifth and sixth candidates, the tie shall be broken by a flip of a coin.

450 Voting

450.1 Each Member shall be accorded full voting rights in accordance with cooperative principles. Each Member shall be entitled to only one vote regardless of the number of shares of stock owned or the number of loans outstanding, except as otherwise required by statute or regulation and except as modified by 12 CFR 615.5230 (b). In the case of a joint loan, the vote may be cast by only one of the joint holders duly authorized by the other joint holders in a writing filed with the Association. The vote of a Member which is a legal entity shall be cast by an individual duly authorized in a writing filed with the Association. If an individual who is a Member by virtue of an individual loan controls the business affairs of another Member, the controlling Member and the controlled Member shall be entitled to only one vote. For purposes of this Section, an individual shall be considered to control another Member if the individual has more than a fifty percent ownership interest in (a) the other Member, or (b) the assets securing the other Members loan. In no event may an individual vote more than once. Members shall not be entitled to cumulate votes.

450.2 Voting by proxy at annual or special meetings may be permitted for voting on mergers, consolidations, territory adjustments and election of directors, and in any other case where the use of proxies is permitted under the Act and Regulations, and when approved by resolution of the Board. Proxy forms and ballots shall be prescribed by the Board.

450.3 A list of Members shall be maintained by the Association and used when mailing or distributing proxies or ballots, and for other purposes authorized by the Board subject to the Act and Regulations. If a meeting is held in consecutive sectional sessions, the list shall be used at each sectional session to assure that no Member votes more than once. A list of Members and Equityholders shall be maintained and may be used for communication among such Members and Equityholders, as provided in Section 4.12A(a) of the Act.

450.4 When authorizing the issuance of Class A Preferred Stock, each holder of Class B Common Stock, Class C Common Stock, Class C Participation Certificates and Class A Preferred Stock shall be entitled to one vote, in person or by proxy, for each share of Stock or Participation Certificates held.

460 Minutes of Meetings

The secretary of the Association shall act as recording secretary at all meetings of Members and Equityholders, unless the chairman of the meeting designates some other person to serve in that capacity.

470 Action without Meeting

Any action required to be taken, or which may be taken, at any annual or special meeting of Members and Equityholders may be taken without a meeting, without notice, and without a vote if a written consent setting forth the action to be taken shall be signed by all of the Members, or by their duly authorized representatives, entitled to vote with respect to the subject matter thereof.

480 Lists of borrowers and stockholders

Lists of borrowers or stockholders will not be released except in accordance with the following paragraphs.

The Association, for the purpose of protecting the security position of the Association, may provide lists of borrowers to buyers, warehousemen, and others who deal in property, products or livestock of the kind that secures loans, except where prohibited by State Law.

The Association will provide a list of current stockholders' name, address and class of stock within 7 days of receipt of a written request by a stockholder. As a condition of providing the list, the Association may only require the stockholder agree and certify in writing that the stockholder will use the list exclusively for communication with stockholders for permissible purposes, not make the list available to any person, other than the stockholders attorney or accountant, without first obtaining the written consent of the Association. Permissible purposes are specified in FCA Regulation 618.8310.

As an alternative to receiving a list of stockholders, a stockholder may request the institution mail or otherwise furnish to each stockholder a communication for a permissible purpose on behalf of the requesting stockholder. This alternative may be used at the discretion of the requesting stockholder, provided that the requester agrees to defray the reasonable costs of the communication. In the event the requester decides to exercise this option, the Association must provide the requester with a written estimate of the costs of handling and mailing the communication as soon as practicable after receipt of the stockholder's request to furnish a communication. However, a stockholder may not exercise this option when requesting the list to distribute campaign material for election to the institution board or board committees.

## ARTICLE V – DIRECTORS

### 500 Composition of Board (as amended 9-22-05)

500.1 The Association shall have a board of seven directors, two of whom shall be appointed as outside directors. No individual may be elected or continue to serve as a director unless he or she is a holder of Class C voting Common Stock of the Association, is in compliance with the Regulations, is a bona fide farmer, rancher, or producer or harvester of aquatic products and either resides or farms in the Association's chartered territory. If a director's Class C Common is converted to Class B Common Stock during his or her term, such director may nevertheless complete the term for which he or she was elected or appointed.

500.2 Notwithstanding Subsection 500.1 or any provision of these Bylaws, two members of the Board shall be persons who, at the time such person(s) becomes a member of the Board, is not a director, officer, employee, stockholder or agent of any System institution. Such person shall be elected to the Board by the other members thereof, including previously elected Outside Directors. The qualifications, manner of nomination and election and related matters shall be determined from time to time by the other members of the Board. The terms and basis for removal of an outside director will be by the majority vote of two-thirds of the remaining directors currently serving on the board or by a majority vote of all voting stockholders voting, in person or by proxy. Procedures for the removal of outside directors will be established and maintained. The outside director subject to the removal action is prohibited from voting in his or her own removal action.

Such director shall be automatically removed from the Board if he or she becomes a director (other than of PCA or FLCA), officer, employee, stockholder or agent of any System institution.

500.3 The composition of the Board of Directors should be such that one individual may be designated a financial expert. In the absence of such qualified individual, the Board may hire an outside individual to provide the necessary expertise to the Board. This individual will serve in an advisory role, will not have voting rights or membership to the Board, will report only to the Board, and will have no other affiliation with institution management or the external auditor. The definition of financial expert will be outlined in the Directors Qualification Policy adopted by the Board.

### 505 Qualifications of Directors

505.1 An individual designated to vote the stock of a corporation or partnership may serve as a director provided that such individual continues to hold stock in the corporation or continues to be a member of the partnership, and meets all other requirements contained in these Bylaws for serving as a director of the Association. A legally authorized representative of a deceased or incompetent member shall be ineligible to be elected or appointed as a director unless such representative is a Member in his or her own right.

505.2 No individual shall be eligible to serve as a director who is or has been, within the year preceding the beginning of his or her term, a salaried officer or employee of the Association or of any other System institution. No individual, however, may serve as a director of the Association and another Production Credit Association, Federal Land Credit Association, Federal Land Bank Association or Agricultural Credit Association, simultaneously, other than PCA and FLCA.

505.3 No individual shall become or continue as a director if the individual is a director, officer, or employee of any other financial institution which is authorized to make the same types of loans that may be obtained through this Association. No person shall be eligible for membership on an association board who is or has been, within one year preceding the date the term of office begins, a salaried officer or employee of any bank or association in the System. If a director becomes a director of another financial institution which is authorized to make the same type of loans that may be obtained through the Association, that director will resign his/her position immediately.

505.4 No person shall become or continue as a director and his or her office shall become vacant if, after election as a director, he or she becomes convicted of a felony or any criminal offense involving dishonesty or a breach of trust, or held liable in damages for fraud.

505.5 The office of a director shall automatically become vacant in the event the director (a) files a voluntary petition for relief in bankruptcy, or otherwise institutes suit under applicable voluntary Federal or state bankruptcy, insolvency, or receivership laws; (b) is adjudged a debtor in an involuntary Federal bankruptcy proceeding or placed in receivership in a state proceeding; (c) seeks reorganization under the Federal bankruptcy laws of personal business interests or those of a corporation in which the director owns the controlling interest; (d) is party to a foreclosure proceeding (judicial or nonjudicial) involving property in which the director has an interest which is instituted because of the director's default on any indebtedness to a System institution; (e) is finally convicted of any felony; (f) is held liable in damages for fraud; or (g) is declared legally incompetent.

505.6 No individual shall be eligible for election or re-election as a director if he or she becomes seventy-two years of age on or before the date of such election or re-election.

- 505.7 If a director's loan(s) becomes delinquent or adversely classified under the Uniform Classification System adopted by the System, then the following procedures shall apply:
- (a) Any director with any portion of a loan classified "substandard with no specific reserve required" by an internal classification must within sixty (60) days from receipt of written notification thereof, prepare and submit a plan to upgrade the quality of the loan within a reasonable period of time, but not to exceed twelve (12) months after notification of the classification. Failure to upgrade the loan classification within the one year period will require the directors resignation. Plans will be submitted to and approved by the Board upon which the director sits.
  - (b) Any director with any portion of a loan classified "substandard with a specific reserve" by an internal classification must follow the procedure set forth in Paragraph 505.7(a) above except that the loan must have the specific reserve requirement offset within one hundred twenty (120) days from the date of the notification of classification to the director. Failure to have the specific reserve offset within one hundred twenty (120) days of notification or failure to upgrade the loan classification to at least "other assets especially mentioned" within one year, will require the director's resignation.
  - (c) Any director with any portion of a loan classified as doubtful or loss by an internal classification must resign immediately upon written notice of the classification.
  - (d) In the event a directors loan becomes delinquent, a plan must be submitted to the Board within sixty (60) days of written notice showing how the loan will be returned to a current status within one hundred fifty (150) days after the delinquency occurs. If loan is not current within one hundred fifty (150) days of the delinquency, resignation is required.
- 505.8 No Member shall be eligible for nomination for election as a director if any portion of the Member's loan(s) is classified less than acceptable or other assets especially mentioned, (i.e. substandard, doubtful, or loss) by an internal classification, except that an incumbent director working under an approved plan as stipulated in Paragraph 505.7(a), (b), (c) or (d) is eligible for nomination for re-election.
- 505.9 To endeavor to assure representation to all sections of the Association's chartered territory, only one director may be elected to serve from a particular county, based on the place of residence, at any one time.
- (a) Two or more Members whose residence is in the same county may be nominated as a candidate for director provided, however, they must all be nominated for the same director position.
  - (b) Members whose residence is in the same county as an active director whose term is not expiring are not eligible for nomination to any director position.
  - (c) For the purposes of this subsection 505.9, the residence of the outside director, appointed pursuant to Section 500.2 shall not be considered.
- 505.10 Nominating Committee members can not be a candidate for election to the board in the same election for which the committee is identifying board nominees.
- 505.11 Training requirements for new and existing Directors will be established in the Board of Directors Training Policy which will consider the needs of the Association.
- 505.12 The Association will establish a Directors Qualification Policy.

510

Election of Directors

- 510.1 In the manner provided in these Bylaws, the Members shall elect each year one or more directors as may be required to fill the position of each director whose term is expiring or to fill a vacancy on the Board.
- 510.2 At the annual meeting the nominating committee shall submit the slate of candidates for election, after which the chairman conducting the election will entertain nominations from the floor. If the meeting is held in consecutive sectional sessions, nominations may be made from the floor only at the first sectional session and so announced in the notice of meeting.
- 510.3 All candidates shall be listed on the ballot by the position to be filled. Except as provided in Section 440.2 of these Bylaws, two or more different candidates will stand for election for each vacancy. If more than one position is to be filled, the election for each position shall be conducted independently. The candidate receiving the largest number of votes for each position shall be declared elected.
- 510.4 The chairman conducting the election shall appoint a tellers committee of eligible Members to tally the ballots. Salaried officers and employees and Members who are directors, candidates, or members and alternates of the nominating committee are ineligible to serve on the tellers committee.
- 510.5 After the chairman conducting the election closes the floor nominations, the Members shall cast their ballots. The tellers committee shall convene to tally the ballots and shall report the results to the chairman conducting the election who shall inform the Members and the Equityholders of the results. If the meeting is held in consecutive sectional sessions, the results of the votes cast at all sessions of the meeting shall be reported only after the last sectional session.
- 510.6 The Board may elect to hold all voting for directors and nominating committee members by mail ballot. The procedure for such mail ballot shall be as follows:

Within ten business days following the date of the annual meeting, a ballot shall be mailed to each voting stockholder. The election polls shall be closed at the end of the fifteenth business day following the date on which the ballots are mailed to the voting stockholders. On the first business day after the polls are closed, the tellers committee shall convene in the Association's headquarters to tally the ballots returned prior to the closing of the polls. The tellers committee shall report the results of the election to the chief executive officer of the Association, who shall send a notice to the Members within ten business days announcing the results of the election.

- 510.7 If no person is elected to a position because of a time vote, a run-off election between those tying shall be held. The ballots shall be cast and counted and the results shall be reported to the Members and the Equityholders in the same manner as in the original election. However, if the tie is between only two candidates, and if the candidates agree, the tie may be broken by any other method approved by the Board in advance of the election and announced in the notice of meeting. If the meeting is held in consecutive sectional sessions and the tie is between more than two candidates, the tie shall be broken by reballoting, by mail, those Members who were registered in attendance at the consecutive sectional sessions of the annual meeting. Within ten business days following the last sectional session, ballots shall be mailed. The election polls shall be closed at the end of the tenth business day following the date on which the ballots are mailed to the eligible Members. On the first business day after the polls are closed, the tellers committee shall convene in the office of the Association to tally the ballots returned to the Association prior to the closing of the polls. The tellers committee shall report the results of the election to the president and chief executive officer, who shall send a notice to the Members and the Equityholders announcing the results of the election.

520 Term (as amended 12-24-2003)

- 520.1 A director shall serve until the fourth annual meeting after being elected and thereafter until such director's successor has been elected and qualified, or, with respect to directors elected to complete partially expired terms, for the unexpired portions of such terms or until the next annual meeting or special meeting of Members and Equityholders called for that purpose. No director shall serve in the event such director (a) resigns, (b) is removed from office, or (c) becomes unable to act by reason of death or disqualification. Nothing herein restricts the rights of the Members, acting pursuant to these Bylaws, to shorten any term being served by a director or to terminate any position being occupied by such director.
- 520.2 If, as a result of change in the number of directors or for other reasons, the terms of directors do not expire equitably on a staggered basis, the terms of the directors elected thereafter shall be for such periods, not to extend beyond the fourth annual meeting thereafter, as will re-establish expiration of terms of directors on an equitably staggered basis.

540 Vacancies

- 540.1 Whenever a director vacancy occurs on the Board, other than from the expiration of a term of office, the remaining directors (whether or not constituting a quorum) shall elect a qualified Member to fill the vacancy for the remaining term of the director he or she replaces. Alternatively, the Board may determine to hold the vacancy open until the next annual meeting or hold a special election to fill the vacancy and any person filling such a vacancy shall serve for the remaining term of the director he or she replaces.
- 540.2 Whenever a vacancy in the outside director position occurs on the Board, the remaining directors shall elect an individual who shall not be a director, officer, employee, Member, Equityholder or stockholder of a System institution, and who otherwise meets the qualification requirements contained in Section 500.2 of these Bylaws, to fill the vacancy until the expiration of the existing term.
- 540.3 If all or a majority of the director positions become vacant for any reason other than pursuant to Section 5.34 of the Act, the nominating committee shall first appoint qualified persons to fill sufficient director vacancies to constitute a quorum. Such directors shall then elect qualified Members to fill other director vacancies, except in the case of the outside director position which shall be appointed in accordance with Section 500.2 of these Bylaws. Individuals appointed to fill such vacancies shall serve until the next annual meeting or special meeting of Members and Equityholders called for that purpose.

550 Duties of Directors

- 550.1 The Board shall be responsible for the general control and direction of the affairs of the Association. The Board shall determine Association policy matters, periodically review the operations of the Association, and keep itself informed of the Association's fulfillment of its objectives, goals, and responsibilities in accordance with the provisions of the Act and the Regulations. The Board shall recognize that the Association, Central Kentucky FLCA and Central Kentucky PCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board shall govern the Association's affairs and establish policies with the primary objective of improving the three institution's combined financial condition.
- 550.2 The Board shall elect and fix the salary of the president and chief executive officer by working through the Compensation Committee. By working through the Compensation Committee, the Board shall prescribe the duties and responsibilities of the president and chief executive officer, who shall be responsible for the management of the Association. The Board shall provide for the payment from general funds of the reasonable and necessary expenses incurred by officers, employees, and committees of the Association in connection with the Association's business.

560 Board Meetings

- 560.1 Regular meetings of the Board shall be scheduled and held at least quarterly at such times and at such places as the Board by resolution may determine.
- 560.2 Special meetings of the Board shall be held whenever called by (a) the chairman of the Board, (b) the president and chief executive officer, or (c) a majority of the directors.



- 560.3 Meetings may be conducted by telephone conference call provided a reasonable attempt is made to reach all directors, a quorum is present, and technical arrangements permit all participating individuals to hear each other. Such participation shall constitute attendance in person at the meeting. All actions taken by telephone conference shall be ratified at the next regular meeting of the Board.
- 560.4 Notice of each meeting of the Board, except regularly scheduled meetings specified by resolution of the Board, shall be given to each director by the secretary or by another employee of the Association as may be designated by the Board. Such notice may be given by mail, telegram, or other written or electronic means, or by telephone. If given by mail, such notice shall be mailed at least ten days before the meeting date. If given by telegram or other electronic or telephonic means, such notice shall be sent at least two days before the meeting date. If given by telephone, the secretary shall make reasonable effort to reach all directors and shall certify that such notice has been given, or such efforts made, at least two days before the meeting date. Notice of any meeting may be waived in writing either before or after the meeting. On the signing of a waiver of notice of a meeting by a majority of directors, a meeting of the Board may be held at any time. Participation at a meeting shall constitute waiver of notice unless the sole purpose of participation is to object to the propriety of such meeting.
- 560.5 Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writings are filed with the minutes of the proceedings of the Board or committee.

565 Officers of the Board, Duties, Removal

- 565.1 As soon as practicable following the annual meeting of the Members and Equityholders, and at such other times as necessary to fill vacancies, the Board shall elect a chairman and a vice chairman from among the members of the Board.
- 565.2 The Chairman shall: (a) preside at all meetings of the Board; (b) unless the Board designated another person, preside at all meetings of the Association's Members and Equityholders; (c) ensure that all orders and resolutions of the Board, all statutory requirements, all Regulations, and all FCB policies and procedures are carried into effect; and (d) perform such other duties as may be prescribed by the Board. The chairman shall not be an ex officio member of any committee of the Board.
- 565.3 In the absence of the chairman, the vice chairman shall perform the duties of the chairman. In the absence from a Board meeting of both the chairman and the vice chairman, one of the other directors shall be elected by those present to preside over the meeting.
- 565.4 The chairman and the vice chairman of the Board may be removed from such positions with or without cause by a majority vote of the entire membership of the Board.

570 Honoraria

The Association may allow directors reasonable honoraria for attendance at board or committee meetings, or for special assignments. The Association may also reimburse directors for reasonable expenses incurred in connection with the meetings or assignments. However, when a director represents both this Association and another System institution at a single meeting or on a single assignment, the honoraria and expenses may be shared on a pro rata basis between the two institutions.

580 Quorum

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

585 Removal

A director may be removed from the Board by a majority vote of the Members present at an annual or special meeting upon a motion for removal, duly made, seconded and carried, provided the notice of meeting contains a statement that such removal is to be considered.

590 Resignation

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

595 Boards of PCA and FLCA

Upon being elected or appointed as a director of the Association, such director shall automatically become a member of the Boards of Directors of PCA and FLCA and shall remain on such Boards so long as such individual remains a member in good standing of the Association's Board.

**ARTICLE VI – OFFICERS AND EMPLOYEES**

600 Appointment and Qualification

- 600.1 The Board shall appoint a president and chief executive officer of the Association who shall serve at the pleasure of the Board, and shall continue in office until a successor is appointed and takes office unless the president and chief executive officer resigns, dies, retires, or is removed by the Board. Other Association officers shall be a secretary, a treasurer, and any other salaried officers as may be provided for by the Board. Individuals may be appointed to these positions by the Board or by the president and chief executive officer as prescribed in Section 610.1 of these Bylaws. A combination of these offices may be held by one individual, except that no person may serve simultaneously as president and chief executive officer, and secretary.

- 600.2 No individual shall be eligible to become a salaried officer or employee of the Association if, within the previous twelve months, such individual served as a director of the Association.
- 600.3 Except with the prior written consent of the FCA, no individual shall be eligible to become or continue to serve as a salaried officer or employee of the Association if he or she has been convicted of any criminal offense involving dishonesty or breach of trust.

610 Duties of Officers

- 610.1 The president and chief executive officer shall: (a) perform such duties and exercise such authority as may be delegated by the Board; (b) be responsible for the ordinary and usual business operations of the Association; and (c) unless such power is reserved to or limited by the Board, employ, supervise, and dismiss any and all officers and employees of the Association, fix their compensation within salary plans approved by the FCB and the Board of Director's Compensation Committee, and designate the order of precedence in which the other officers shall act in the absence of any officer. The president and chief executive officer may have the title of manager, general manager, or any other title as determined by the Board.
- 610.2 The secretary shall: (a) keep a complete record of all meetings of the Association and of the Board but not of meetings of the nominating committee; (b) be responsible for the corporate records of the Association; (c) keep the corporate seal, if any, and affix it to all Association documents requiring a seal; (d) make such reports as may be required by the Act or the Regulations; and (e) perform such other duties as may be required by the president and chief executive officer and the Board.
- 610.3 The treasurer shall: (a) have custody of all funds, securities, and assets of the Association; (b) provide full and complete records of all assets and liabilities of the Association; (c) make such reports as may be required; (d) maintain complete Stock ownership records; and (e) perform such other duties with respect to the finances of the Association as may be prescribed by the president and chief executive officer, or by the Board.

620 Removal

The president and chief executive officer may be removed from office by a majority vote of the entire membership of the Board.

625 Joint Management

Unless the Board directs otherwise, all officers appointed hereunder shall have the same positions and authorities with respect to Association, Central Kentucky FLCA and Central Kentucky PCA.

**ARTICLE VII – COMMITTEES**

700 Executive Committee

The Board may elect from its members two directors to act with the president and chief executive officer, or another employee designated by the Board, as an executive committee. The executive committee shall have such authorities as may be delegated by the Board. Any of the directors who are not regular members of the executive committee may be designated by the Board as alternate members. A majority of the committee, whether regular or alternate, shall constitute a quorum, one person of which shall be the president and chief executive officer or other designated officer. Meetings of the executive committee may be conducted by telephone conference call provided a reasonable attempt is made to reach all committee members, a quorum is present, and the technical arrangements permit all participating individuals to hear each other. All actions taken by the executive committee shall be reported to the Board at its regular meeting, or earlier if required.

710 Loan Committee

The Board may delegate to the president and chief executive officer, individual employee(s), and committee(s) of employees of the Association the authority to approve applications for loan or participations within specified limits. No loan shall be made unless the application therefor has received the unanimous approval of the qualified members of the loan committee present at the meeting at which action is taken. The loan committee shall have and may exercise such other authorities as the Board may delegate to it. Such delegated authority may include the authority to communicate on an ongoing basis with loan committees or other appropriate persons and entities at other associations respecting participations of loans. Periodic reports of all actions taken by the loan committee shall be submitted to the Board at its regular meeting, or earlier if required.

711 Compensation Committee

The Board will elect from its members a Compensation Committee. The duties of the Compensation Committee will be outlined in the Compensation Committee Charter.

712 Audit Committee

The Board will elect from its members an Audit Committee. The duties of the Audit Committee will be outlined in the Audit Committee Charter.

720 Other Committees

The Board may, at its discretion, appoint such other committees as may be necessary, may appoint or discharge members of such committees, and shall prescribe the duties and responsibilities of the committees it establishes.

730 Withdrawal from Meeting

A member of the Board or an employee or director serving on any committee shall withdraw from the meeting of the Board or committee during its deliberation and determination of any matter related to the director's or employee's personal interests, and the minutes shall reflect such withdrawal.

740 Minutes

Each committee shall keep a written record of its proceedings and retain such minutes for a minimum of three years.

750 Vacancies

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

**ARTICLE VIII – CAPITAL STOCK AND PARTICIPATON CERTIFICATES**

800 Authorization Classes and Par or Face Value

The Association is authorized to have outstanding nonvoting Class A Preferred Stock, nonvoting Class B Common Stock, voting Class C Common Stock and nonvoting Class C Participation Certificates in the amounts set forth in Section 820. Each share of Stock and unit of Participation Certificates shall have a par or face value of \$5. Fractional shares of Stock or units of Participation Certificates shall not be issued. All transfers, exchanges, conversions, and retirements of Stock and Participation Certificates shall be at book value not to exceed par. Other classes of stock may be provided for by amendment to these Bylaws, adopted from time to time by the Board, pursuant to the Act and the Regulations and as provided in Article XVI, except that no preferred Stock may be provided for unless approved by a majority of the shares of each class of Stock and Participation Certificates affected by the preference, voting as a class, whether or not such classes are otherwise entitled to vote.

810 Evidence of Ownership

Evidence of ownership of Stock and Participation Certificates may be by book entry or in definitive form as prescribed by the Board in accordance with the Act and the Regulations.

820 Issue

820.1 Up to 50 million shares of Class A Preferred Stock may be issued to investors in accordance with the Act, the Regulations, and the Bylaws, when authorized by a majority vote of holders of Class A Preferred Stock, a majority vote of holders of Class B Common Stock, a majority vote of holders of Class C Common Stock and a majority vote of holders of Class C Participation Certificates affected by the preference, voting as a Class, whether or not such classes are otherwise authorized to vote.

820.2 Up to 50 million shares of Class B Common Stock may be issued to investors in such amounts as may be permitted under a plan adopted by the Board in accordance with the Act and the Regulations, and as allocated surplus distributions, dividend payments and patronage distributions in accordance with Article IX of these Bylaws. An unlimited number of shares of nonvoting Class B Common Stock may be issued under Section 840.2 of these Bylaws.

820.3 An unlimited number of shares of voting Class C Common (hereinafter "Class C") Stock may be issued to a bona fide farmer, rancher, producer, or harvester of aquatic products, as a condition of obtaining a loan with the Association.

820.4 As a condition of obtaining a loan, an unlimited number of shares of Class C Participation Certificates (hereinafter "Participation Certificates") may be issued to borrowers or applicants who are:

- (a) rural residents for housing financing;
- (b) persons or organizations furnishing to farmers farm-related services; and
- (c) persons or organizations who are eligible to borrow or participate in loans from the Association but are not eligible to hold voting stock. Unlimited number of shares of Participation Certificates may also be issued for allocated surplus distributions, dividend payments and patronage distributions in accordance with Article IX of these Bylaws. In addition, Participation Certificates may be issued to any person who is not a Member but who is eligible to borrow from the Association, for the purpose of qualifying such person for technical assistance, financially related services, and leasing services offered by the Association. Holders of Participation Certificates shall not be entitled to vote.

820.5 As a condition for obtaining a loan from Association, PCA or FLCA, each borrower shall be required to purchase Class C Stock or Participation Certificates, pursuant to the Act and Regulations, in an amount as may be determined by the Board at its discretion within a range between a minimum of two percent (2%) of the loan amount or \$1,000.00, whichever is less, and a maximum not to exceed ten percent (10%) of the loan amount, however, the Board may require new borrowers to purchase more Stock or Participation Certificates if the Association is deemed not to be in compliance with the capital requirements of the Act and Regulations. Class C Stock and Participation Certificates shall be issued in multiples of \$5 only. Until the Association meets the minimum permanent capital adequacy standards established by the FCA in 12 CFR Part 615, Subpart H, all Stock and Participation Certificates required to be purchased as a condition for obtaining a loan shall be purchased from the Association.

820.6 Dividends on any of the foregoing classes of Stock and Participation Certificates shall be payable solely at the discretion of the Board and shall be noncumulative.

825 Loans Designated for Sale or Sold Into the Secondary Market

- 825.1 Notwithstanding any other provisions of these Bylaws, no voting stock or participation certificate purchase requirement shall apply with respect to a loan that is made on or after April 1, 1996, and is designated at the time made for sale into a secondary market; provided that, if a loan designated for sale into a secondary market is not sold within 180 days following the date of such designation, the voting stock or participation certificate purchase requirement otherwise applicable to the loan in the absence of the bylaw provision shall apply.
- 825.2 Notwithstanding any other provision of these Bylaws, all outstanding voting stock or participation certificates held by a borrower with respect to a loan shall be retired if: (i) the loan is made prior to April 1, 1996, it is sold into a secondary market, and the permanent capital of the Association would not, after or due to such retirement, fail to meet the applicable minimum capital adequacy standards established by the Act or Regulations; or (ii) the loan is made on or after April 1, 1996, it is designated at a time made for sale into a secondary market, it is sold into such market after the 180 day period beginning on the date of such designation, and the permanent capital of this Association would not, after or due to such retirement, fail to meet the applicable minimum capital adequacy standards established by the Act or Regulations.

830 Transfer

- 830.1 Class B Common Stock, Class C Common Stock and Participation Certificates may be transferred to persons or organizations eligible to receive or to hold such Stock or Participation Certificates as provided in Section 820 of these Bylaws. Class A Preferred Stock may be transferred in the manner set forth in the resolution authorizing the issuance of such Stock. If the Association does not meet the minimum permanent capital standards established by the FCA under CFR 12 Part 615, Subpart H, all Stock required to be purchased as a condition for obtaining a loan shall be purchased from the Association.
- 830.2 The Association shall serve as its own transfer agent in all matters relating to its Stock and Participation Certificates.

840 Conversion

- 840.1 Each class of Stock and Participation Certificates may be converted into any other class of Stock (except Class A Preferred Stock) or Participation Certificates for which the holder is eligible as provided in Section 820.
- 840.2 Class C Stock shall be converted into Class B Common Stock within two years after the holder thereof ceases to be a borrower from the Association.

850 Retirements

- 850.1 Class B Common Stock, Class C Common Stock and Participation Certificates are retireable solely at the discretion of the Board and not upon a date certain or upon the happening of any event, such as the repayment of the loan, and not pursuant to any automatic retirement or revolvment plan, provided minimum permanent capital adequacy standards established in 12 CFR Part 615, Subpart H, are met and continue to be met. If retired, Class B Common and C Stock and Participation Certificates, shall be retired at book value, not to exceed par. The proceeds thereof shall be paid to the holder or applied against his or her indebtedness to the Association.
- 850.2 Subject to Regulations, when the debt of a borrower is in default, the Association may, upon notice to such borrower, order the retirement of any Stock or Participation Certificates held by the borrower and the proceeds thereof applied against the borrower's indebtedness to the Association.

860 Impairment

- 860.1 Any losses which result in an impairment of the Association's capital shall be borne ratably by, first, each share of Class B Common Stock, Class C Common Stock and unit of Participation Certificates outstanding; and second, by each share of Class A Preferred Stock outstanding, all as of the date such losses are determined.
- 860.2 Impaired Stock and Participation Certificates shall be restored in the reverse of the sequence set forth in Section 860.1 until each share of Stock and unit of Participation Certificates has a book value equal to the par value or face value, respectively.

870 Lien

Except with respect to Stock or Participation Certificates held by other System institutions, the Association, PCA and FLCA, as applicable, shall have a first lien on all Stock and Participation Certificates in the Association owned by any borrower as additional collateral for any indebtedness of such borrower to the Association.

880 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 the outstanding Stock and Participation Certificates in the following order of priority:

- (a) First, to the holders of Class A Preferred Stock until an amount equal to the aggregate par value of all shares of said stock then issued and outstanding has been distributed to such holders;
- (b) Second, to the holders of Class B Common Stock, Class C Common Stock and Participation Certificates, pro rata in proportion to the number of shares or units of each such class of stock or participation certificates then issued and outstanding, until an amount equal to the aggregate par value or face amount of all such shares or units has been distributed to such holders;

- (c) Third, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of the year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed;
- (d) Fourth, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of the year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed;
- (e) Fifth, all unallocated surplus earned after April 1, 1995, shall be distributed to all Patrons from April 1, 1995, through the date of liquidation on a patronage basis; and
- (f) Sixth, any remaining assets of the Association after such distribution shall be distributed ratably to the holders of all classes of stock and participation certificates in proportion to the number of shares or units of such class of stock or participation certificates held by such holders.

890 Amendment to Capitalization Bylaws and Issuance of Preferred Stock

Any amendment to Articles VIII and IX of these Bylaws or to the capitalization bylaws of PCA and FLCA, other than those of a strictly technical nature not affecting substantive rights, shall not become effective unless approved by Voting Stockholders at a duly authorized meeting of Members. Any amendment authorizing the issuance of preferred stock shall not become effective unless 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.

**ARTICLE IX – EARNINGS, SURPLUS, DIVIDENDS AND PATRONAGE DISTRIBUTIONS**

900 Capitalization Plan

The Board shall adopt, maintain and amend from time to time, as the Board deems appropriate, a capitalization plan for the Association. The capitalization plan shall be designated to enable the Association to meet the capital adequacy standards established in the Regulations. Subject to these Bylaws, the capitalization plan shall provide for, among other things, the manner in which the Association's stock, participation certificates and allocated equities shall be issued, transferred and retired. In connection with the Capitalization Plan, no dividends shall be cumulated.

910 Application of Earnings or Losses

910.1 At the end of each fiscal year, the Association shall apply its earnings (including patronage allocations and funds received from the FCB) for such fiscal year in the following order:

- (a) to cover operating expenses, including additions to loan valuation reserves as provided by law;
- (b) to restore the amount of any impairment of Stock and Participation Certificates as prescribed in Section 860.2 of these Bylaws;
- (c) to restore the amount of any impairment of allocated surplus in the reverse order of such impairment;
- (d) to create and maintain an unallocated surplus account as provided in Section 920 of these Bylaws;
- (e) to pay dividends on Stock of the Association if authorized pursuant to Section 940 of these Bylaws;
- (f) to make patronage distributions if authorized pursuant to Section 950 of these Bylaws; and
- (g) to transfer any remaining earnings to the unallocated surplus account.

910.2 In the event of a net loss for any fiscal year, after applying earnings for such fiscal year as provided in Section 910.1(a) above, such loss shall be absorbed by; first, charges to the unallocated surplus account; second, impairment of allocated surplus evidenced by nonqualified written notices of allocation in the reverse order of year of issuance and pro rata by year of issuance; third, impairment of allocated surplus evidenced by qualified written notices of allocation in the reverse order of year of issuance and pro rata by year of issuance; fourth, impairment of Class C Common Stock, Class B Common Stock and Participation Certificates, concurrently; and fifth, impairment of Class A Preferred Stock.

920 Surplus Accounts

The Association shall create and maintain an unallocated surplus account and may maintain an allocated surplus account. The minimum aggregate amounts of these two accounts shall be as prescribed by the Board of Directors. Except as provided in Section 910, the unallocated surplus account may not be reduced and no part thereof may be transferred to the allocated surplus account.

930 Allocated Surplus Account

930.1 As set forth in the Capitalization Plan, the Association may create, and subject to the Regulations and Association Policy may maintain an allocated surplus account consisting of earnings held therein and allocated to borrowers on a patronage basis. Allocated surplus may be issued as either "qualified written notices of allocation" or "non-qualified written notices of allocation," 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.

Only those persons to which allocated surplus may be issued may own such allocated surplus. Notice of allocations to evidence the amount of earnings distributed to each Patron shall be given all participants. In the event of a net loss for any fiscal year, such allocated surplus account shall be subject to impairment in order specified herein, and on the basis of latest allocations first.

- 930.2 The Association, PCA and FLCA, as applicable, shall have a first lien and security interest on all surplus account allocations owned by any borrowers, and all distributions thereof, as additional collateral for such borrowers' indebtedness to the Association.
- 930.3 When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all surplus account allocations owned by such borrower to be applied against the indebtedness based on its fair value.
- 930.4 Any surplus allocated to a borrower shall be retired at the sole discretion of the Board. There is no express or implied right granted to a Patron to have such allocated surplus retired upon request.
- 930.5 Upon approval of the Board, any retirement of allocated surplus may be paid, oldest allocations first, in cash, in other forms of available equities or applied against any of the Patron's indebtedness to the Association, PCA and FLCA in accordance with Section 930.3. In no event shall such retirement reduce the Association's permanent capital below the minimum required by the Regulations. Retirements of less than the full amount of allocations issued in the same series shall be on a pro rata basis. Any part of an allocated surplus distribution in stock to one Patron that is less than the par amount of one share may be held by the Association and included with subsequent distributions.
- 930.6 All qualified notices of allocation shall satisfy the definition of a "qualified written notice of allocation" as defined in Section 1388 of the Code. All nonqualified notices of allocation shall satisfy the definition of a "nonqualified written notice of allocation" as also defined in Section 1388 of the Code.
- 930.7 A record of the holders of allocated surplus shall be kept and maintained by the Association. Allocations of "qualified" amounts will be maintained separately from allocations of "nonqualified" amounts. Such surplus accounts shall be transferable only to the Association or to an eligible Member of the Association 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.

940

#### Dividends

- 940.1 The Board, at its sole discretion, may declare dividends on the Stock and Participation Certificates of the Association, provided, however, that no dividend shall exceed twenty percent (20%) of the par value of the respective Stock and Participation Certificates. Such dividends may be paid on Class A Preferred Stock alone or on all classes of Stock and Participation Certificates. No dividends may be paid on Class B Common Stock, Class C Common Stock and Participation Certificates during any fiscal year with respect to which the Association has obligated itself to distribute earnings on a patronage basis pursuant to these Bylaws. The rate of dividends paid on Class B Common Stock for any fiscal year may not be less than the rate of dividends paid on Class C Stock or Participation Certificates for such year and, similarly, the rate of dividends on Class C Common Stock may not be less than the rate paid on Participation Certificates. Notwithstanding the foregoing, dividends shall not be paid on common stock or participation certificates in any year with respect to which the Association has obligated itself to distribute patronage refunds under Section 950 hereof.
- 940.2 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 thirty calendar days prior to the effective date of the declaration.
- 940.3 Dividends on Stock and Participation Certificates may be paid in cash, Class B Common Stock, or partly in cash and partly in Stock, except that dividends on Stock held by the FCB shall be paid in cash. If any part of such dividends payable in Stock to one borrower are less than \$5, the dividends may be distributed in cash or held by the Association and accumulated with subsequent dividends until the retained dividends equal \$5, so that the dividends may be distributed as one whole share of Class B Common Stock.
- 940.4 Dividends on Class A Preferred Stock shall be paid in accordance with, and subject to, the resolution authorizing the issuance of such Class A Preferred Stock.

950

#### Patronage Distributions

- 950.1 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, obligate the Association to distribute patronage dividends, as defined in 26 USC 1388, to Patrons (defined as Members, Equityholders, and other customers, borrowers and financial institutions with which the Association, PCA and FLCA conduct business and as identified by the Board in the obligating resolution), on the basis of quantity or value of business done with the Association and its Subsidiaries, all or any portion of the available consolidated net earnings of the Association and its Subsidiaries for such fiscal year or for that and subsequent fiscal years. For this purpose, the available consolidated net earnings shall be defined as the consolidated net income of the Association, PCA and FLCA for such fiscal year attributable to business done with or for Patrons. Any such outstanding resolution that is not rescinded prior to the beginning of a fiscal year shall become irrevocable and constitute a binding legal obligation of the Association with respect to such fiscal year.

Net earnings of any fiscal year shall be available for patronage distribution only after making the applications as required in subsections (a) through (e) of Section 910.1, including the setting aside of a portion of the net earnings in the unallocated surplus account, as deemed prudent for sound capital accumulation, and 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 of the Association and any non-patronage sourced net earnings not so applied shall be set aside in the unallocated surplus account. The Board in its resolution may establish a minimum level of available earnings and if the available earnings fall below this level no patronage distribution will be made.

950.2 All patronage distributions shall be in the proportion that the amount of interest earned by the Association, PCA and FLCA on their loans to each Patron bears to the total interest earned by the Association, PCA and FLCA on all such loans outstanding during the fiscal year, or such other proportionate patronage basis as may be approved by the Board consistent with the requirements of Subchapter T of the Internal Revenue Code. Any earnings pools that may be established for the payment of patronage distributions shall be established on a rational and equitable basis and shall ensure that each Patron receives its fair share of earnings of the Association and bears its fair share of expenses of the Association. The Board shall retain discretion not to pay patronage distributions on one or more such pools provided all Patrons are treated fairly and equitably.

950.3 The patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated surplus account, or any one or more of such forms of distribution, except that at least twenty percent of any patronage distribution to a borrower which includes a "qualified written notice of allocation" shall always be in cash. Cash distributions may not exceed twenty percent of the patronage distribution if such distribution would cause the surplus account at the end of the fiscal year for which the distribution is paid to be less than the minimum amount prescribed by the Board. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. All qualified notices of allocated surplus shall satisfy the definition of a "qualified written notice of allocation" as defined in Section 1388 of the Code. All nonqualified notices of allocated surplus shall satisfy the definition of a "nonqualified written notice of allocation" as set forth in Section 1388 of the Code. Any part of a patronage distribution in Class B Common Stock or Participation Certificate to one Patron that is not a multiple of \$5.00 may be distributed in cash or held by the Association for the patron and included in a subsequent distribution.

Any part of the patronage distribution to a borrower, except for the portion required to be paid in cash in order to qualify the distribution as a deduction for Federal income tax purposes, may, at the discretion of the Association, be applied against the borrower's indebtedness to the Association, PCA and FLCA.

950.4 Each holder of Class C Stock, and each person who thereafter applies for and is issued Class C Stock shall, by such act of membership alone, consent that the amount of any distributions with respect to his or her 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 and patronage refunds paid in Class B Stock of the Association), will be taken into account as income by such person at the 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. Such holder of Class C Stock also consents by such act alone, to take into account as income in the same manner the amount of any distributions with respect to patronage provided he or she receives written notice that such amount has been applied on his or her indebtedness to the Association, PCA or FLCA.

950.5 The Association may obtain the written consent of each Patron that the amount of any distributions with respect to such party's patronage, which are made in or evidenced by qualified written notices of allocations as defined in 26 U.S.C. 1388 (including patronage allocations of surplus account, patronage refunds paid in Class B Stock, or distributions with respect to patronage that have been applied to the holder's indebtedness to the Association, PCA or FLCA and for which the holder has received written notice), will be taken into account as income by the Patron at the 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. 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. Consent may also be obtained by use of a qualified check in the manner provided for in 26 U.S.C. 1388.

950.6 PCA and FLCA – In the event of an Authorization Event under Section 210 hereof, where the Association arranges for the provision of credit and/or related services to its Patrons through PCA and/or FLCA, and such Patrons 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 Patrons and all business done with PCA and FLCA shall be treated as business done with the Association.

## ARTICLE X – EXECUTION OF DOCUMENTS

### 1000 FCB Transactions, Releases, and Uniform Commercial Code Transactions

All documents required to be executed in connection with transactions with the FCB, and all releases of security, including releases and satisfactions of judgments, subordination agreements, and all security agreements, financing continuation and termination statements, and other writings relating to secured transactions within the meaning of the Uniform Commercial Code, may be executed in the name of the Association by the president and chief executive officer or by the president and chief executive officer's designee (who shall be identified by name in a report to the Board and recorded in the minutes of the Board).

### 1010 Other Transactions

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the Association, shall be signed by the president and chief executive officer or other officer of the Association designated by resolution of the Board and, when required, shall be attested to by such officer(s) or employee(s) as may be designated by the Board. When the association holds a mortgage containing a provision for foreclosure under a power of sale, the Board or the president and chief executive officer if he or she has been delegated such authority by the board, may, at either's discretion, designate and authorize an attorney for the association to exercise such power and convey the mortgaged property in the name of the association. No person shall sign and attest the same document.

### 1020 Expenses and Checks

The president and chief executive officer or such employee(s) as may be designated by the president and chief executive officer shall, subject to subsequent approval by the Board unless prior approval is required by the Board under its established policies, approve and pay all expenses of the Association, and shall sign all checks and vouchers issued by the Association.

## **ARTICLE XI – RECORDS AND REPORTS**

### 1100 Records

Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of Members and Equityholders, the Bylaws and any amendments thereto, resolutions of the board, and reports of all committees shall be recorded in the minute books of the Association. The minutes of all committees and of the Board shall be signed by their respective chairmen or presiding officers and attested to by the person acting as secretary of the meeting. The foregoing materials, and such others as the Board may specify from time to time, shall be retained by the Association in accordance with the records retention program approved by the Board.

### 1110 Reports

The Association shall make available to each of its Members and Equityholders such reports as are required by the Act and Regulations.

## **ARTICLE XII – UNCLAIMED PROPERTY**

The Association shall make diligent efforts to pay the proceeds of any retirement of Stock and accrued dividends to the owners thereof. If, after a period of ten years from the date such funds become payable, the Association is unable to determine the address or whereabouts of the owners or the heirs and assigns of the owner, such funds may be taken into income of the Association unless other disposition is required by the Act, the Regulations, or applicable state law.

## **ARTICLE XIII – FISCAL YEAR**

The fiscal year of the Association shall end on December 31st of each year.

## **ARTICLE XIV – SEAL**

The Association may have such seal as the Board may determine.

## **ARTICLE XV – INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS**

### 1500 Indemnification

- 1500.1 The Association shall indemnify, to the fullest extent of the law any director, officer or employee who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he/she is or was a director, officer or employee of the Association, or is or was serving, pursuant to authorization in writing by the Association's Board of Directors or its President or his/her delegate as a director, officer, employee, partner, agent, administrator, advisor, fiduciary or member of another corporation, non-profit or cooperative organization, partnership, unincorporated association, joint venture, trust, retirement or other employee benefit plan or other organization or entity, against expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him/her in connection with such action, suit or proceeding.
- 1500.2 A director's, officer's or employee's conduct with respect to a retirement or other employee benefit plan for a purpose he/she reasonably believed to be in the interests of the participants in and beneficiaries of the retirement or other employee benefit plan is conduct that satisfies the requirement that he/she acted in a manner reasonably believed to be in or not opposed to the best interests of the Association.
- 1500.3 The Association may indemnify any agent of the Association to the same extent as and under the same provisions applicable to directors, officers and employees, but only by specific action of and to the extent designated by the Board of Directors.
- 1500.4 Notwithstanding the provisions of Section 1500 of this Article, any director, officer or employee of the Association serving on any committee, special asset group or similar body required or permitted pursuant to the Farm Credit Act of 1971, as amended, shall be deemed to be doing so pursuant to authorization in writing by the Association's Board of Directors or its President or his/her delegate.
- 1500.5 As used in this Article, "party" means a defendant or respondent in an action, suit or proceeding.

### 1510 Additional Indemnification Provision

Notwithstanding any other provision of this Article, a director, officer or employee of the Association who has been wholly successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section 1500 of this Article to which he/she was a party shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him/her in connection with such action, suit or proceeding.

### 1520 Procedure

Any indemnification under Section 1500 of this Article (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer, or employee is proper in the circumstances. Such determination



shall be made (1) by the Board of Directors by a majority vote of a majority consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a majority is not obtainable (or, even if obtainable, a majority of disinterested directors so directs), by independent legal counsel in a written opinion. For the purposes of this 1520, independent legal counsel shall be selected by a majority of disinterested directors or, if such a majority is not obtainable, by the Board of Directors.

1530 Advances of Expenses

Notwithstanding the provisions of Section 1520, reasonable expenses incurred in defending any action, suit or proceeding referred to in Section 1500 of this Article, shall be paid by the Association in advance of the final disposition of such action, suit or proceeding, if the director, officer or employee shall undertake in writing to repay such amount to the extent that it is ultimately determined, as provided herein, that such person is not entitled to indemnification, for such amount. Advances of expenses shall be made promptly and, in any event, within 30 days, upon the written request of the director, officer or employee. Notwithstanding the foregoing, no advance shall be made by the Association and to the extent if a determination is reasonably made pursuant to Section 1520 that the director, officer or employee is not entitled to indemnification for such expenses pursuant to Section 1500.

1535 Right of Claimant to Bring Suit

- (a) If a claim for indemnification or advancement under this Article is not paid in full by the Association within thirty days after a written claim therefore has been received by the Association, the claimant may any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Association) that the claimant has not met the standards of conduct which make it permissible under the applicable law for the Association to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Bank.
- (b) Neither the failure of the Association (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he/she has met the applicable standard of conduct, nor an actual determination by the Association (including its Board of Directors or independent legal counsel) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

1536 Contractual Rights

The right to be indemnified or to the reimbursement or advancement of expenses pursuant to this Article (i) is a contract right based upon good and valuable consideration, pursuant to which the person entitled thereto may bring suit as if the provisions hereof were set forth in a separate written contract between the Association and the director, officer or employee, (ii) is intended to be retroactive and shall be available with respect to events occurring prior to the adoption hereof, and (iii) shall continue to exist after the rescission or restrictive modification hereof with respect to events occurring prior thereto. However, this Article does not constitute a contract of employment or any terms and conditions of employment, and does not alter the employment status of any employee.

1537 Requested Service

Any director, officer or employee of the Association serving, in any capacity, (i) another entity of which a majority of the securities entitled to vote in the election of its directors or comparable executives is held directly or indirectly by the Association and/or other Farm Credit System entities, (ii) any employee benefit plan of the Association or of any entity referred to in clause (i) above, or (iii) any committee, subcommittee, special asset group or other similar body related to the Farm Credit System, shall be deemed to be doing so pursuant to authorization in writing by the Association's Board of Directors.

1540 Other Rights

The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expense may be entitled under any insurance or other agreement, vote of directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such person. The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association or who is or was serving in any of the capacities referred to in Section 1500 hereof against any liability asserted against him/her or incurred by him/her in any such capacity, or arising out of his/her status as such, whether or not the Association would have the power to indemnify him/her against such liability under the provisions of this Article.

1550 FCA Penalties

Notwithstanding any other provision of these Bylaws, the Association will not indemnify, nor purchase or maintain insurance to indemnify, directors, officers, employees, or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the FCA, which results in a final order assessing civil money penalties personally against such individual(s) or requiring affirmative action by such individual(s) to make payments to the Association, PCA or FLCA.

## ARTICLE XVI – AMENDMENTS

1600 Amendments

Subject to the Act, Regulations and Section 890 of these Bylaws, these Bylaws may be altered, amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the entire membership of the Board at any meeting of the Board with respect to which notice of

intention to alter, amend, repeal or adopt new bylaws at such meeting has been given, and which notice includes a copy of the proposed amendment(s).

1610

Effective Date

These Bylaws shall become effective as of November 1, 2008, and the Bylaws and amendments thereto in effect prior to said date are hereby rescinded.

**CERTIFICATION**

I, the undersigned, Corporate Secretary of Central Kentucky Agricultural Credit Association, an Agricultural Credit Association; hereby certify that at a meeting duly held on the 23<sup>rd</sup> day of October 2008, the Board of Directors of said Association duly adopted the foregoing as the Bylaws of said Association.

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Marcus G. Barnett  
Corporate Secretary

**CERTIFICATION**

I, the undersigned, Corporate Secretary of Central Kentucky Agricultural Credit Association, an Agricultural Credit Association, hereby certify that at a meeting duly held on the 26<sup>th</sup> day of January, 2017, the Board of Directors of said Association duly adopted an Amendment to Section 440.5 of the Bylaws of said Association as incorporated herein.

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Marcus G. Barnett  
Corporate Secretary

**CENTRAL KENTUCKY PCA**

**BYLAWS**

Effective November 1, 2008

**BYLAWS**  
**of the**  
**CENTRAL KENTUCKY PCA**

Definitions

“Act” - the Farm Credit Act of 1971, as it may be amended from time to time.

“Annual Meeting” – the annual meeting of Stockholders pursuant to Article IV of these Bylaws.

“Association” - this Central Kentucky PCA, a production credit association and a subsidiary of Central Kentucky ACA.

“Authorization Event” – shall have the meaning set forth in Section 100 hereof.

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

“Bylaws” - these Bylaws, as they may be amended from time to time pursuant to Article XVI hereof.

“Central Kentucky ACA” – the Central Kentucky ACA, an agricultural credit association.

“Central Kentucky FLCA” – the Central Kentucky FLCA, a federal land bank association with direct lending authority and a subsidiary of Central Kentucky ACA.

“FCA” - the Farm Credit Administration.

“FCB” - the AgFirst, FCB or any successor entity thereto.

“Member” - a holder of stock or participation certificates in Central Kentucky ACA.

“Regulations” - FCA regulations or directives applicable to and binding on the Association.

“Stock” - Capital Stock of the Association as described in Section 800 of these Bylaws.

“Stockholders” – Central Kentucky ACA and any other person or entity holding Stock under Article VIII.

“System” - the Farm Credit System.

“1987 Act” – the Agricultural Credit Act of 1987, as the same may be amended from time to time.

## ARTICLE I – LEGAL STATUS; AUTHORITIES

### 100 Introductory Statement

This Association is a cooperative credit institution, which is owned indirectly by the Members of Central Kentucky ACA and is federally chartered pursuant to the Act. Subject to the Act and Regulations, Central Kentucky ACA may authorize Association to conduct and exercise in its chartered territory all lending, participation and similar authorities granted by statute or regulation, as such statutes and regulations may be amended from time to time, to a Production Credit Association (“Authorization Event”). Without limiting the foregoing, these authorities include authority to:

- (a) Make, guarantee or participate with other lenders in short and intermediate-term loans and provide other similar financial assistance to:
  - (1) bona fide farmers and ranchers and producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requirements of such borrowers as specified in the Act;
  - (2) rural residents for housing financing in rural areas; and
- (b) provide technical assistance to borrowers, applicants and Members, and make available to them, at their option, such financially related services appropriate to their on-farm and aquatic operations as is determined feasible under applicable regulations.

### 110 Relationship with Central Kentucky ACA and Central Kentucky FLCA

Upon an Authorization Event, the Association, Central Kentucky ACA and Central Kentucky FLCA shall conduct an integrated lending operation. Central Kentucky FLCA shall possess, among other authorities granted under the Act, the authority to make, hold and participate in long-term real estate loans and provide financially related services to qualified borrowers in the Association’s territory. The Association shall possess, among other authorities granted under the Act, the authority to make, hold and participate in short and intermediate-term loans and provide financially related services to qualified borrowers in the Association’s territory. In addition, upon the Authorization Event, all three institutions shall enter into a General Financing Agreement (“GFA”) with the FCB for purposes of funding loans originated and made by Central Kentucky FLCA and Association pursuant to their respective lending authorities. The indebtedness owed to FCB under the GFA shall be the joint and several obligation of all three institutions. Central Kentucky ACA at all times will own all of the voting capital stock of Association and Central Kentucky FLCA.

## ARTICLE II – ELIGIBILITY TO BORROW

### 200 Eligibility to Borrow

Eligible borrowers of the Association shall include any person or entity to whom a Production Credit Association is authorized by the Act, and regulations thereunder, to extend credit and other services, who or which is, or is about to become, a Member of Central Kentucky ACA.

## ARTICLE III – MEETINGS OF STOCKHOLDERS

### 300 Meetings

All annual and special meetings of the Stockholders of the Association shall be called and conducted in the manner, and pursuant to the procedures and requirements, set forth in the Bylaws of Central Kentucky ACA.

### 310 Voting

All voting rights shall be held by Central Kentucky ACA.

## ARTICLE IV - RESERVED

## ARTICLE V – BOARD OF DIRECTORS

### 500 Composition

The Board of Directors shall consist of the members in good standing of the Board of Directors of Central Kentucky ACA. Any director shall automatically be removed from the Board and his or her office shall automatically become vacant in the event that such director resigns or is removed for any reason from the Board of Directors of Central Kentucky ACA. Upon a member’s term expiration, resignation or removal from the Board of Directors of Central Kentucky ACA, such member’s duly appointed or elected replacement or successor shall automatically become a member of the Association’s Board.

### 510-540 Reserved

### 550 Duties of Directors

550.1 The Board shall be responsible for the general control and direction of the affairs of the Association. The Board shall determine Association policy matters, periodically review the operations of the Association, and keep itself informed of the Association’s fulfillment of its objectives, goals, and responsibilities in accordance with the provisions of the Act and the Regulations. The Board shall recognize that the Association, Central Kentucky ACA and Central Kentucky FLCA are responsible for, and dependent on, each

other's financial condition. Accordingly, the Board shall govern the Association's affairs and establish policies with the primary objective of improving the three institutions' combined financial condition.

550.2 The Board shall elect and fix the salary of the president and chief executive officer by working through the Compensation Committee. By working through the Compensation Committee, the Board shall prescribe the duties and responsibilities of the president and chief executive officer, who shall be responsible for the management of the Association. The Board shall provide for the payment from general funds of the reasonable and necessary expenses incurred by officers, employees, and committees of the Association in connection with the Association's business.

560

#### Board Meetings

- 560.1 Regular meetings of the Board shall be scheduled and held at least quarterly at such times and at such places as the Board by resolution may determine.
- 560.2 Special meetings of the Board shall be held whenever called by (a) the chairman of the Board, (b) the president and chief executive officer, or (c) a majority of the directors.
- 560.3 Meetings may be conducted by telephone conference call provided a reasonable attempt is made to reach all directors, a quorum is present, and technical arrangements permit all participating individuals to hear each other. Such participation shall constitute attendance in person at the meeting. All actions taken by telephone conference shall be ratified at the next regular meeting of the Board.
- 560.4 Notice of each meeting of the Board, except regularly scheduled meetings specified by resolution of the Board, shall be given to each director by the secretary or by another employee of the Association as may be designated by the Board. Such notice may be given by mail, telegram, or other written or electronic means, or by telephone. If given by mail, such notice shall be mailed at least ten days before the meeting date. If given by telegram or other electronic or telephonic means, such notice shall be sent at least two days before the meeting date. If given by telephone, the secretary shall make a reasonable effort to reach all directors and shall certify that such notice has been given, or such efforts made, at least two days before the meeting date. Notice of any meeting may be waived in writing either before or after the meeting. On the signing of a waiver of notice of a meeting by a majority of directors, a meeting of the Board may be held at any time. Participation at a meeting shall constitute waiver of notice unless the sole purpose of participation is to object to the propriety of such meeting.
- 560.5 Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board or committee.

565

#### Officers of the Board, Duties, Removal

- 565.1 As soon as practicable following the annual meeting of the Stockholders, and at such other times as necessary to fill vacancies, the Board shall elect a chairman and a vice chairman from among the members of the Board.
- 565.2 The Chairman shall: (a) preside at all meetings of the Board; (b) unless the Board designates another person, preside at all meetings of the Association's Stockholders; (c) ensure that all orders and resolutions of the Board, all statutory requirements, all Regulations, and all FCB policies and procedures are carried into effect; and (d) perform such other duties as may be prescribed by the Board. The chairman shall not be an ex officio member of any committee of the Board.
- 565.3 In the absence of the chairman, the vice chairman shall perform the duties of the chairman. In the absence from a Board meeting of both the chairman and the vice chairman, one of the other directors shall be elected by those present to preside over the meeting.
- 565.4 The chairman and the vice chairman of the Board may be removed from such positions with or without cause by a majority vote of the entire membership of the Board.

570

#### Honoraria

The Association may allow directors reasonable honoraria for attendance at board or committee meetings, or for special assignments. The Association may also reimburse directors for reasonable expenses incurred in connection with the meetings or assignments. However, when a director represents both this Association and another System institution at a single meeting or on a single assignment, the honoraria and expenses may be shared on a pro rata basis between the two institutions.

580

#### Quorum

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

### **ARTICLE VI – OFFICERS AND EMPLOYEES**

600

#### Appointment and Qualifications

- 600.1 The Board shall appoint a president and chief executive officer of the Association who shall serve at the pleasure of the Board, and shall continue in office until a successor is appointed and takes office unless the president and chief executive officer resigns, dies, retires, or is removed by the Board. Other Association officers shall be a secretary, a treasurer, and any other salaried officers as may be provided for by the Board. Individuals may be appointed to these positions by the Board or by the president and chief executive

officer as prescribed in Section 610.1 of these Bylaws. A combination of these offices may be held by one individual, except that no person may serve simultaneously as president and chief executive officer, and secretary.

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

600.3 Except with the prior written consent of the FCA, no individual shall be eligible to become or continue to serve as a salaried officer or employee of the Association if he or she has been convicted of any criminal offense involving dishonesty or breach of trust.

610 Duties of Officers

610.1 The president and chief executive officer shall: (a) perform such duties and exercise such authority as may be delegated by the Board; (b) be responsible for the ordinary and usual business operations of the Association; and (c) unless such power is reserved to or limited by the Board, employ, supervise, and dismiss any and all officers and employees of the Association, fix their compensation within salary plans approved by the FCB and the Board of Director's Compensation Committee, and designate the order of precedence in which the other officers shall act in the absence of any officer. The president and chief executive officer may have the title of manager, general manager, or any other title as determined by the Board.

610.2 The secretary shall: (a) keep a complete record of all meetings of the Association and of the Board but not of meetings of the nominating committee; (b) be responsible for the corporate records of the Association; (c) keep the corporate seal, if any, and affix it to all Association documents requiring a seal; (d) make such reports as may be required by the Act or the Regulations; and (e) perform such other duties as may be required by the president and chief executive officer and the Board.

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

620 Removal

The president and chief executive officer may be removed from office by a majority vote of the entire membership of the Board.

625 Joint Management

Unless the Board directs otherwise, all officers appointed hereunder shall have the same positions and authorities with respect to Association, Central Kentucky ACA and Central Kentucky FLCA.

**ARTICLE VII – COMMITTEES**

700 Executive Committee

The Board may elect from its members two directors to act with the president and chief executive officer, or another employee designated by the Board, as an executive committee. The executive committee shall have such authorities as may be delegated by the Board. Any of the directors who are not regular members of the executive committee may be designated by the Board as alternate members. A majority of the committee, whether regular or alternate, shall constitute a quorum, one person of which shall be the president and chief executive officer or other designated officer. Meetings of the executive committee may be conducted by telephone conference call provided a reasonable attempt is made to reach all committee members, a quorum is present, and the technical arrangements permit all participating individuals to hear each other. All actions taken by the executive committee shall be reported to the Board at its regular meeting, or earlier if required.

710 Loan Committee

The Board may delegate to the president and chief executive officer, individual employee(s), and committee(s) of employees of the Association the authority to approve applications for loan or participations within specified limits. No loan shall be made unless the application therefor has received the unanimous approval of the qualified members of the loan committee present at the meeting at which action is taken. The loan committee shall have and may exercise such other authorities as the Board may delegate to it. Such delegated authority may include the authority to communicate on an ongoing basis with loan committees or other appropriate persons and entities at other associations respecting participations of loans. Periodic reports of all actions taken by the loan committee shall be submitted to the Board at its regular meeting, or earlier if required.

711 Compensation Committee

The Board will elect from its members a Compensation Committee. The duties of the Compensation Committee will be outlined in the Compensation Committee Charter.

712 Audit Committee

The Board will elect from its members an Audit Committee. The duties of the Audit Committee will be outlined in the Audit Committee Charter.

720 Other Committees

The Board may, at its discretion, appoint such other committees as may be necessary, may appoint or discharge members of such committees, and shall prescribe the duties and responsibilities of the committees it establishes.

730 Withdrawal from Meeting



A member of the Board or an employee or director serving on any committee shall withdraw from the meeting of the Board or committee during its deliberation and determination of any matter related to the director's or employee's personal interests, and the minutes shall reflect such withdrawal.

740 Minutes

Each committee shall keep a written record of its proceedings and retain such minutes for a minimum of three years.

750 Vacancies

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

**ARTICLE VIII – CAPITALIZATION, EARNINGS, SURPLUS, DIVIDENDS**

800 Authorization, Classes, Par or Face Value

The Association is authorized to have the following classes of capital stock, each with a par or face value of \$5.00 per share or unit, in such amounts as may be necessary to conduct its business unless a maximum number is specified for the class:

- (a) Class C Common Stock – Voting
- (b) Class D Common Stock – Nonvoting (10,000,000 shares)
- (c) Such other classes of capital stock as may be provided for from time to time in amendments of these Bylaws as provided in Article XVI.

Each share of stock shall have a par or face value of \$5.00. Fractional shares shall not be issued. All transfers, exchanges, conversions and retirements shall be at book value not to exceed par.

805 Ownership and Transfer

Stock may be transferred to such persons or entities eligible to receive or hold such stock as enumerated in Section 810 of these Bylaws, provided that Stock may not be transferred or retired at any time during which the Association is not in compliance with the minimum capital adequacy requirements of the FCA.

Evidence of ownership of Stock may be by book entry or in definitive form as prescribed by the Board in accordance with the Act and the Regulations. The Association shall be its own transfer agent in all matters relating to its capital stock.

810 Issue

810.1 Class C Common Stock – Voting. Upon the Authorization Event, the Association shall issue to Central Kentucky ACA Class C Common Stock with a par value equal to the net book value of assets (less liabilities) transferred to the Association. Thereafter, Class C Common Stock shall be issued only to Central Kentucky ACA in such amounts and at such times determined by the Board. Class C Common Stock shall have voting rights.

810.2 Class D Common Stock – Nonvoting. Class D Common Stock shall be issued to other Farm Credit institutions as necessary. Class D Stock may be retired only at the discretion of the Board and shall have no voting rights.

815 Retirement

All classes of stock may be retired only at the discretion of the Board of Directors subject to the following conditions:

- (a) The Association shall be in compliance with existing Farm Credit Administration capital adequacy regulations applicable to it;
- (b) Stock, when retired, shall be retired at book value not to exceed par or face value.

820 Liens

The Association shall have a lien on all Central Kentucky ACA stock, participation certificates and allocated surplus held by any borrower as additional collateral for any indebtedness of the borrower to the Association. Stock may not be pledged or hypothecated to third parties.

When the debt of the borrower is in default, the Association may direct Central Kentucky ACA to retire any stock, participation certificates and allocated surplus held by the borrower and the proceeds thereof applied against the indebtedness to the Association.

825 Distribution on Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities shall be distributed:

First, to the holder of Class C common stock and Class D common stock, without preference, in proportion to the number of shares then issued and outstanding until an amount equal to the aggregate par value of all such shares has been distributed to stockholders;

Second, any remaining assets of the Association after such distributions shall be distributed to the holders of Class C Common Stock and Class D Common Stock in proportion to the number of shares held immediately prior to the liquidation distribution.

830 Impairment and Restoration

Any net losses to the extent they exceed surplus, shall, except as otherwise provided in the Act, be treated as impairing all shares of Class C Common Stock and Class D Common Stock, pro rata to each share outstanding, without preference to class of stock. Impaired stock shall be restored on a pro rata basis, without preference to class of stock, until each share of stock has a book value equal to par or face value

840 Applications of Earnings

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

- 840.1 First, to cover operating and non-operating expenses including additions to loan loss reserves.
- 840.2 Second, to restore the amount of any impairment of capital stock as prescribed in Section 830 of these Bylaws.
- 840.3 Third, to restore the amount of any impairment to surplus.
- 840.4 Fourth, to create and maintain a surplus account.
- 840.5 Fifth, to pay patronage as provided in Section 870 hereof.
- 840.6 Sixth, to pay dividends on capital stock as provided in Section 860.

845 Absorbing Losses

In the event of a net loss for any fiscal year after applying earnings for such fiscal year as provided in Section 840, such loss shall be absorbed as follows;

- 845.1 First, by charges to the surplus account.
- 845.2 Second, to the impairment of capital stock as provided in Section 830.

850 Surplus

The Association shall create and maintain an unallocated surplus account in an amount prescribed from time to time by the Board of Directors. The surplus may not be reduced except as provided in Section 845.1.

860 Dividends

- 860.1 Subject to the Act and the Regulations thereunder, and provided that, at the time of declaration thereof, no class of stock shall be impaired, noncumulative dividends may be declared and paid on any one or more classes of stock, as the Board from time to time may determine, subject to the preferences established in this Section. All dividends will be declared on a per share basis.
- 860.2 If dividends are declared on common stock, they must be declared at the same rate per share or unit on Class C and Class D Common Stock.
- 860.3 Dividends may be paid in the form of any class of stock which the recipient thereof is eligible to hold, or in cash, or any combination thereof, as the Board from time to time may determine.
- 860.4 Notwithstanding other provisions of this Section, dividends may not be declared unless the Association, after recording the liability, will meet its capital adequacy requirements.

865 Effective Date

Dividends, when paid, shall be paid to holders of record on the effective date of declaration.

870 Patronage Refunds

The Association shall be organized and operated on a cooperative basis for the mutual benefit of Central Kentucky ACA's Members and other patrons. The net earnings or loss of the Association from business done with or for Members and other patrons shall be consolidated with the net earnings of Central Kentucky ACA and Central Kentucky FLCA and shall be distributed to Members and other patrons in accordance with the provisions of Article IX of the Bylaws of Central Kentucky ACA as patronage dividends on the basis of business done with the Association, Central Kentucky ACA and Central Kentucky FLCA.

**ARTICLE IX – RESERVED**

**ARTICLE X – EXECUTION OF DOCUMENTS**

1000 FCB Transactions, Releases, and Uniform Commercial Code Transactions

All documents required to be executed in connection with transactions with the FCB, and all releases of security, including releases and satisfactions of judgments, subordination agreements, and all security agreements, financing continuation and termination statements, and other writings relating to secured transactions within the meaning of the Uniform Commercial Code, may be executed in the name of the Association by the president and chief executive officer or by the president and chief executive officer's designee (who shall be identified by name in a report to the Board and recorded in the minutes of the Board).

1010 Other Transactions

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the Association, shall be signed by the president and chief executive officer or other officer of the Association designated by resolution of the Board and, when required, shall be attested to by such officer(s) or employee(s) as may be designated by the Board. When the association holds a mortgage containing a provision for foreclosure under a power of sale, the Board or the president and chief executive officer if he or she has been delegated such authority by the board, may, at either's discretion, designate and authorize an attorney for the association to exercise such power and convey the mortgaged property in the name of the association. No person shall sign and attest the same document.

1020 Expenses and Checks

The president and chief executive officer or such employee(s) as may be designated by the president and chief executive officer shall, subject to subsequent approval by the Board unless prior approval is required by the Board under its established policies, approve and pay all expenses of the Association, and shall sign all checks and vouchers issued by the Association.

**ARTICLE XI – RECORDS AND REPORTS**

1100 Records

Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of Stockholders, the Bylaws and any amendments thereto, resolutions of the board, and reports of all committees shall be recorded in the minute books of the Association. The minutes of all committees and of the Board shall be signed by their respective chairmen or presiding officers and attested to by the person acting as secretary of the meeting. The foregoing materials, and such others as the Board may specify from time to time, shall be retained by the Association in accordance with the records retention program approved by the Board.

1110 Reports

The Association shall make available to each of its Stockholders such reports as are required by the Act and Regulations.

**ARTICLE XII – UNCLAIMED PROPERTY**

The Association shall make diligent efforts to pay the proceeds of any retirement of Stock and accrued dividends to the owners thereof. If, after a period of ten years from the date such funds become payable, the Association is unable to determine the address or whereabouts of the owners or the heirs and assigns of the owner, such funds may be taken into income of the Association unless other disposition is required by the Act, the Regulations, or applicable state law.

**ARTICLE XIII – FISCAL YEAR**

The fiscal year of the Association shall end on December 31st of each year.

**ARTICLE XIV – SEAL**

The Association may have such seal as the Board may determine.

**ARTICLE XV – INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS**

1500 Indemnification

- 1500.1 The Association shall indemnify, to the fullest extent of the law any director, officer or employee who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he/she is or was a director, officer or employee of the Association, or is or was serving, pursuant to authorization in writing by the Association's Board of Directors or its President or his/her delegate as a director, officer, employee, partner, agent, administrator, advisor, fiduciary or member of another corporation, non-profit or cooperative organization, partnership, unincorporated association, joint venture, trust, retirement or other employee benefit plan or other organization or entity, against expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him/her in connection with such action, suit or proceeding.
- 1500.2 A director's, officer's or employee's conduct with respect to a retirement or other employee benefit plan for a purpose he/she reasonably believed to be in the interests of the participants in and beneficiaries of the retirement or other employee benefit plan is conduct that satisfies the requirement that he/she acted in a manner reasonably believed to be in or not opposed to the best interests of the Association.
- 1500.3 The Association may indemnify any agent of the Association to the same extent as and under the same provisions applicable to directors, officers and employees, but only by specific action of and to the extent designated by the Board of Directors.

1500.4 Notwithstanding the provisions of Section 1500 of this Article, any director, officer or employee of the Association serving on any committee, special asset group or similar body required or permitted pursuant to the Farm Credit Act of 1971, as amended, shall be deemed to be doing so pursuant to authorization in writing by the Association's Board of Directors or its President or his/her delegate.

1500.5 As used in this Article, "party" means a defendant or respondent in an action, suit or proceeding.

1510 Additional Indemnification Provision

Notwithstanding any other provision of this Article, a director, officer or employee of the Association who has been wholly successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section 1500 of this Article to which he/she was a party shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him/her in connection with such action, suit or proceeding.

1520 Procedure

Any indemnification under Section 1500 of this Article (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer, or employee is proper in the circumstances. Such determination shall be made (1) by the Board of Directors by a majority vote of a majority consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a majority is not obtainable (or, even if obtainable, a majority of disinterested directors so directs), by independent legal counsel in a written opinion. For the purposes of this 1520, independent legal counsel shall be selected by a majority of disinterested directors or, if such a majority is not obtainable, by the Board of Directors.

1530 Advances of Expenses

Notwithstanding the provisions of Section 1520, reasonable expenses incurred in defending any action, suit or proceeding referred to in Section 1500 of this Article, shall be paid by the Association in advance of the final disposition of such action, suit or proceeding, if the director, officer or employee shall undertake in writing to repay such amount to the extent that it is ultimately determined, as provided herein, that such person is not entitled to indemnification, for such amount. Advances of expenses shall be made promptly and, in any event, within 30 days, upon the written request of the director, officer or employee. Notwithstanding the foregoing, no advance shall be made by the Association and to the extent if a determination is reasonably made pursuant to Section 1520 that the director, officer or employee is not entitled to indemnification for such expenses pursuant to Section 1500.

1535 Right of Claimant to Bring Suit

- (a) If a claim for indemnification or advancement under this Article is not paid in full by the Association within thirty days after a written claim therefore has been received by the Association, the claimant may any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Association) that the claimant has not met the standards of conduct which make it permissible under the applicable law for the Association to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Bank.
- (b) Neither the failure of the Association (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he/she has met the applicable standard of conduct, nor an actual determination by the Association (including its Board of Directors or independent legal counsel) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

1536 Contractual Rights

The right to be indemnified or to the reimbursement or advancement of expenses pursuant to this Article (i) is a contract right based upon good and valuable consideration, pursuant to which the person entitled thereto may bring suit as if the provisions hereof were set forth in a separate written contract between the Association and the director, officer or employee, (ii) is intended to be retroactive and shall be available with respect to events occurring prior to the adoption hereof, and (iii) shall continue to exist after the rescission or restrictive modification hereof with respect to events occurring prior thereto. However, this Article does not constitute a contract of employment or any terms and conditions of employment, and does not alter the employment status of any employee.

1537 Requested Service

Any director, officer or employee of the Association serving, in any capacity, (i) another entity of which a majority of the securities entitled to vote in the election of its directors or comparable executives is held directly or indirectly by the Association and/or other Farm Credit System entities, (ii) any employee benefit plan of the Association or of any entity referred to in clause (i) above, or (iii) any committee, subcommittee, special asset group or other similar body related to the Farm Credit System, shall be deemed to be doing so pursuant to authorization in writing by the Association's Board of Directors.

1540 Other Rights

The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expense may be entitled under any insurance or other agreement, vote of directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such person. The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association or who is or was serving in any of the capacities referred to in Section 1500 hereof against any liability asserted against him/her or incurred by

him/her in any such capacity, or arising out of his/her status as such, whether or not the Association would have the power to indemnify him/her against such liability under the provisions of this Article.

1550 FCA Penalties

Notwithstanding any other provision of these Bylaws, the Association will not indemnify, nor purchase or maintain insurance to indemnify, directors, officers, employees, or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the FCA, which results in a final order assessing civil money penalties personally against such individual(s) or requiring affirmative action by such individual(s) to make payments to the Association, Central Kentucky ACA or Central Kentucky FLCA.

**ARTICLE XVI – AMENDMENTS**

1600 General

Except as provided elsewhere in this Article, these Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted, by the affirmative vote of a majority of the Board at any meeting of the Board with respect to which notice of intention to alter, amend, repeal or adopt new Bylaws at such meeting has been given and which notice includes a copy of the proposed amendment(s).

1610 Amendments to Provisions Respecting Capitalization

Any amendment to Article VIII, other than those strictly of a technical nature not affecting any substantive rights, shall not become effective unless approved by Central Kentucky ACA's voting stockholders voting, in person or by proxy, at a duly authorized stockholders' meeting. Any issuance of preferred stock by the Association must be approved by a majority vote of the shares of each class of equities of Central Kentucky ACA affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

1620 Effectiveness

These Bylaws shall become effective on November 1, 2008. Amendments to these Bylaws shall become effective in accordance with the resolution of the Board of Directors approving such Bylaws.

**CERTIFICATION**

I, the undersigned, Corporate Secretary of Central Kentucky PCA, a Production Credit Association; hereby certify that at a meeting duly held on the 23<sup>rd</sup> day of October 2008, the Board of Directors of said Association duly adopted the foregoing as the Bylaws.

---

Marcus G. Barnett  
Corporate Secretary

**CENTRAL KENTUCKY FLCA**

**BYLAWS**

Effective November 1, 2008

**BYLAWS**  
**of the**  
**CENTRAL KENTUCKY FLCA**

Definitions

“Act” - the Farm Credit Act of 1971, as it may be amended from time to time.

“Annual Meeting” – the annual meeting of Stockholders pursuant to Article IV of these Bylaws.

“Association” - this Central Kentucky FLCA, a Federal Land Bank Association with direct lending authority and a subsidiary of Central Kentucky ACA.

“Authorization Event” – shall have the meaning set forth in Section 100 hereof.

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

“Bylaws” - these Bylaws, as they may be amended from time to time pursuant to Article XVI hereof.

“Central Kentucky ACA” – the Central Kentucky ACA, an agricultural credit association.

“Central Kentucky PCA” – the Central Kentucky PCA, a production credit association and a subsidiary of Central Kentucky ACA.

“FCA” - the Farm Credit Administration.

“FCB” - the AgFirst, FCB or any successor entity thereto.

“Member” - a holder of stock or participation certificates in Central Kentucky ACA.

“Regulations” - FCA regulations or directives applicable to and binding on the Association.

“Stock” - Capital Stock of the Association as described in Section 800 of these Bylaws.

“Stockholders” – Central Kentucky ACA and any other person or entity holding Stock under Article VIII.

“System” - the Farm Credit System.

“1987 Act” – the Agricultural Credit Act of 1987, as the same may be amended from time to time.



## ARTICLE I – LEGAL STATUS; AUTHORITIES

### 100 Introductory Statement

This Association is a cooperative credit institution, which is owned indirectly by the Members of Central Kentucky ACA and is federally chartered pursuant to the Act. Subject to the Act and Regulations, Central Kentucky ACA may authorize Association to conduct and exercise in its chartered territory all lending, participation and similar authorities granted by statute or regulation, as such statutes and regulations may be amended from time to time, to a Farm Credit Bank with respect to the provision of long-term mortgage credit and related services (“Authorization Event”). Without limiting the foregoing, these authorities include authority to:

- (a) Make, guarantee or participate with other lenders in long-term real estate loans for a term of not more than 40 years and provide other similar financial assistance to:
  - (1) bona fide farmers and ranchers and producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requirements of such borrowers as specified in the Act;
  - (2) rural residents for housing financing in rural areas; and
  - (3) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs, and
- (b) provide technical assistance to borrowers, applicants and Members, and make available to them, at their option, such financially related services appropriate to their on-farm and aquatic operations as is determined feasible under applicable regulations.

### 110 Relationship with Central Kentucky ACA and Central Kentucky PCA

Upon an Authorization Event, the Association, Central Kentucky ACA and Central Kentucky PCA shall conduct an integrated lending operation. Central Kentucky PCA shall possess, among other authorities granted under the Act, the authority to make, hold and participate in short and intermediate-term loans and provide financially related services to qualified borrowers in the Association’s territory. The Association shall possess, among other authorities granted under the Act, the authority to make, hold and participate in short and intermediate-term loans and provide financially related services to qualified borrowers in the Association’s territory. In addition, upon the Authorization Event, all three institutions shall enter into a General Financing Agreement (“GFA”) with the FCB for purposes of funding loans originated and made by Central Kentucky PCA and Association pursuant to their respective lending authorities. The indebtedness owed to FCB under the GFA shall be the joint and several obligation of all three institutions. Central Kentucky ACA at all times will own all of the voting capital stock of Association and Central Kentucky PCA.

## ARTICLE II – ELIGIBILITY TO BORROW

### 200 Eligibility to Borrow

Eligible borrowers of the Association shall include any person or entity to whom a Federal Land Bank Association with direct lending authority is authorized by the Act, and regulations thereunder, to extend credit and other services, who or which is, or is about to become, a Member of Central Kentucky ACA.

## ARTICLE III – MEETINGS OF STOCKHOLDERS

### 300 Meetings

All annual and special meetings of the Stockholders of the Association shall be called and conducted in the manner, and pursuant to the procedures and requirements, set forth in the Bylaws of Central Kentucky ACA.

### 310 Voting

All voting rights shall be held by Central Kentucky ACA.

## ARTICLE IV - RESERVED

## ARTICLE V – BOARD OF DIRECTORS

### 500 Composition

The Board of Directors shall consist of the members in good standing of the Board of Directors of Central Kentucky ACA. Any director shall automatically be removed from the Board and his or her office shall automatically become vacant in the event that such director resigns or is removed for any reason from the Board of Directors of Central Kentucky ACA. Upon a member’s term expiration, resignation or removal from the Board of Directors of Central Kentucky ACA, such member’s duly appointed or elected replacement or successor shall automatically become a member of the Association’s Board.

### 510-540 Reserved

### 550 Duties of Directors

550.1 The Board shall be responsible for the general control and direction of the affairs of the Association. The Board shall determine Association policy matters, periodically review the operations of the Association, and keep itself informed of the Association’s

fulfillment of its objectives, goals, and responsibilities in accordance with the provisions of the Act and the Regulations. The Board shall recognize that the Association, Central Kentucky ACA and Central Kentucky PCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board shall govern the Association's affairs and establish policies with the primary objective of improving the three institutions' combined financial condition.

- 550.2 The Board shall elect and fix the salary of the president and chief executive officer by working through the Compensation Committee. By working through the Compensation Committee, the Board shall prescribe the duties and responsibilities of the president and chief executive officer, who shall be responsible for the management of the Association. The Board shall provide for the payment from general funds of the reasonable and necessary expenses incurred by officers, employees, and committees of the Association in connection with the Association's business.

560

#### Board Meetings

- 560.1 Regular meetings of the Board shall be scheduled and held at least quarterly at such times and at such places as the Board by resolution may determine.
- 560.2 Special meetings of the Board shall be held whenever called by (a) the chairman of the Board, (b) the president and chief executive officer, or (c) a majority of the directors.
- 560.3 Meetings may be conducted by telephone conference call provided a reasonable attempt is made to reach all directors, a quorum is present, and technical arrangements permit all participating individuals to hear each other. Such participation shall constitute attendance in person at the meeting. All actions taken by telephone conference shall be ratified at the next regular meeting of the Board.
- 560.4 Notice of each meeting of the Board, except regularly scheduled meetings specified by resolution of the Board, shall be given to each director by the secretary or by another employee of the Association as may be designated by the Board. Such notice may be given by mail, telegram, or other written or electronic means, or by telephone. If given by mail, such notice shall be mailed at least ten days before the meeting date. If given by telegram or other electronic or telephonic means, such notice shall be sent at least two days before the meeting date. If given by telephone, the secretary shall make a reasonable effort to reach all directors and shall certify that such notice has been given, or such efforts made, at least two days before the meeting date. Notice of any meeting may be waived in writing either before or after the meeting. On the signing of a waiver of notice of a meeting by a majority of directors, a meeting of the Board may be held at any time. Participation at a meeting shall constitute waiver of notice unless the sole purpose of participation is to object to the propriety of such meeting.
- 560.5 Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board or committee.

565

#### Officers of the Board, Duties, Removal

- 565.1 As soon as practicable following the annual meeting of the Stockholders, and at such other times as necessary to fill vacancies, the Board shall elect a chairman and a vice chairman from among the members of the Board.
- 565.2 The Chairman shall: (a) preside at all meetings of the Board; (b) unless the Board designates another person, preside at all meetings of the Association's Stockholders; (c) ensure that all orders and resolutions of the Board, all statutory requirements, all Regulations, and all FCB policies and procedures are carried into effect; and (d) perform such other duties as may be prescribed by the Board. The chairman shall not be an ex officio member of any committee of the Board.
- 565.3 In the absence of the chairman, the vice chairman shall perform the duties of the chairman. In the absence from a Board meeting of both the chairman and the vice chairman, one of the other directors shall be elected by those present to preside over the meeting.
- 565.4 The chairman and the vice chairman of the Board may be removed from such positions with or without cause by a majority vote of the entire membership of the Board.

570

#### Honoraria

The Association may allow directors reasonable honoraria for attendance at board or committee meetings, or for special assignments. The Association may also reimburse directors for reasonable expenses incurred in connection with the meetings or assignments. However, when a director represents both this Association and another System institution at a single meeting or on a single assignment, the honoraria and expenses may be shared on a pro rata basis between the two institutions.

580

#### Quorum

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

### **ARTICLE VI – OFFICERS AND EMPLOYEES**

600

#### Appointment and Qualifications

- 600.1 The Board shall appoint a president and chief executive officer of the Association who shall serve at the pleasure of the Board, and shall continue in office until a successor is appointed and takes office unless the president and chief executive officer resigns, dies, retires, or is removed by the Board. Other Association officers shall be a secretary, a treasurer, and any other salaried officers as may

be provided for by the Board. Individuals may be appointed to these positions by the Board or by the president and chief executive officer as prescribed in Section 610.1 of these Bylaws. A combination of these offices may be held by one individual, except that no person may serve simultaneously as president and chief executive officer, and secretary.

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

600.3 Except with the prior written consent of the FCA, no individual shall be eligible to become or continue to serve as a salaried officer or employee of the Association if he or she has been convicted of any criminal offense involving dishonesty or breach of trust.

610 Duties of Officers

610.1 The president and chief executive officer shall: (a) perform such duties and exercise such authority as may be delegated by the Board; (b) be responsible for the ordinary and usual business operations of the Association; and (c) unless such power is reserved to or limited by the Board, employ, supervise, and dismiss any and all officers and employees of the Association, fix their compensation within salary plans approved by the FCB and the Board of Director's Compensation Committee, and designate the order of precedence in which the other officers shall act in the absence of any officer. The president and chief executive officer may have the title of manager, general manager, or any other title as determined by the Board.

610.2 The secretary shall: (a) keep a complete record of all meetings of the Association and of the Board but not of meetings of the nominating committee; (b) be responsible for the corporate records of the Association; (c) keep the corporate seal, if any, and affix it to all Association documents requiring a seal; (d) make such reports as may be required by the Act or the Regulations; and (e) perform such other duties as may be required by the president and chief executive officer and the Board.

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

620 Removal

The president and chief executive officer may be removed from office by a majority vote of the entire membership of the Board.

625 Joint Management

Unless the Board directs otherwise, all officers appointed hereunder shall have the same positions and authorities with respect to Association, Central Kentucky ACA and Central Kentucky PCA.

**ARTICLE VII – COMMITTEES**

700 Executive Committee

The Board may elect from its members two directors to act with the president and chief executive officer, or another employee designated by the Board, as an executive committee. The executive committee shall have such authorities as may be delegated by the Board. Any of the directors who are not regular members of the executive committee may be designated by the Board as alternate members. A majority of the committee, whether regular or alternate, shall constitute a quorum, one person of which shall be the president and chief executive officer or other designated officer. Meetings of the executive committee may be conducted by telephone conference call provided a reasonable attempt is made to reach all committee members, a quorum is present, and the technical arrangements permit all participating individuals to hear each other. All actions taken by the executive committee shall be reported to the Board at its regular meetings, or earlier if required.

710 Loan Committee

The Board may delegate to the president and chief executive officer, individual employee(s), and committee(s) of employees of the Association the authority to approve applications for loan or participations within specified limits. No loan shall be made unless the application therefor has received the unanimous approval of the qualified members of the loan committee present at the meeting at which action is taken. The loan committee shall have and may exercise such other authorities as the Board may delegate to it. Such delegated authority may include the authority to communicate on an ongoing basis with loan committees or other appropriate persons and entities at other associations respecting participations of loans. Periodic reports of all actions taken by the loan committee shall be submitted to the Board at its regular meeting, or earlier if required.

711 Compensation Committee

The Board will elect from its members a Compensation Committee. The duties of the Compensation Committee will be outlined in the Compensation Committee Charter.

712 Audit Committee

The Board will elect from its members an Audit Committee. The duties of the Audit Committee will be outlined in the Audit Committee Charter.

720 Other Committees

The Board may, at its discretion, appoint such other committees as may be necessary, may appoint or discharge members of such committees, and shall prescribe the duties and responsibilities of the committees it establishes.

730 Withdrawal from Meeting

A member of the Board or an employee or director serving on any committee shall withdraw from the meeting of the Board or committee during its deliberation and determination of any matter related to the director's or employee's personal interests, and the minutes shall reflect such withdrawal.

740 Minutes

Each committee shall keep a written record of its proceedings and retain such minutes for a minimum of three years.

750 Vacancies

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

**ARTICLE VIII – CAPITALIZATION, EARNINGS, SURPLUS, DIVIDENDS**

800 Authorization, Classes, Par or Face Value

The Association is authorized to have the following classes of capital stock, each with a par or face value of \$5.00 per share or unit, in such amounts as may be necessary to conduct its business unless a maximum number is specified for the class:

- (a) Class C Common Stock – Voting
- (b) Class D Common Stock – Nonvoting (10,000,000 shares)
- (c) Such other classes of capital stock as may be provided for from time to time in amendments of these Bylaws as provided in Article XVI.

Each share of stock shall have a par or face value of \$5.00. Fractional shares shall not be issued. All transfers, exchanges, conversions and retirements shall be at book value not to exceed par.

805 Ownership and Transfer

Stock may be transferred to such persons or entities eligible to receive or hold such stock as enumerated in Section 810 of these Bylaws, provided that Stock may not be transferred or retired at any time during which the Association is not in compliance with the minimum capital adequacy requirements of the FCA.

Evidence of ownership of Stock may be by book entry or in definitive form as prescribed by the Board in accordance with the Act and the Regulations. The Association shall be its own transfer agent in all matters relating to its capital stock.

810 Issue

810.1 Class C Common Stock – Voting. Upon the Authorization Event, the Association shall issue to Central Kentucky ACA Class C Common Stock with a par value equal to the net book value of assets (less liabilities) transferred to the Association. Thereafter, Class C Common Stock shall be issued only to Central Kentucky ACA in such amounts and at such times determined by the Board. Class C Common Stock shall have voting rights.

810.2 Class D Common Stock – Nonvoting. Class D Common Stock shall be issued to other Farm Credit institutions as necessary. Class D Stock may be retired only at the discretion of the Board and shall have no voting rights.

815 Retirement

All classes of stock may be retired only at the discretion of the Board of Directors subject to the following conditions:

- (a) The Association shall be in compliance with existing Farm Credit Administration capital adequacy regulations applicable to it;
- (b) Stock, when retired, shall be retired at book value not to exceed par or face value.

820 Liens

The Association shall have a lien on all Central Kentucky ACA stock, participation certificates and allocated surplus held by any borrower as additional collateral for any indebtedness of the borrower to the Association. Stock may not be pledged or hypothecated to third parties.

When the debt of the borrower is in default, the Association may direct Central Kentucky ACA to retire any stock, participation certificates and allocated surplus held by the borrower and the proceeds thereof applied against the indebtedness to the Association.

825 Distribution on Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities shall be distributed:

First, to the holder of Class C common stock and Class D common stock, without preference, in proportion to the number of shares then issued and outstanding until an amount equal to the aggregate par value of all such shares has been distributed to stockholders;

Second, any remaining assets of the Association after such distributions shall be distributed to the holders of Class C Common Stock and Class D Common Stock in proportion to the number of shares held immediately prior to the liquidation distribution.

830 Impairment and Restoration

Any net losses to the extent they exceed surplus, shall, except as otherwise provided in the Act, be treated as impairing all shares of Class C Common Stock and Class D Common Stock, pro rata to each share outstanding, without preference to class of stock. Impaired stock shall be restored on a pro rata basis, without preference to class of stock, until each share of stock has a book value equal to par or face value

840 Applications of Earnings

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

- 840.1 First, to cover operating and non-operating expenses including additions to loan loss reserves.
- 840.2 Second, to restore the amount of any impairment of capital stock as prescribed in Section 830 of these Bylaws.
- 840.3 Third, to restore the amount of any impairment to surplus.
- 840.4 Fourth, to create and maintain a surplus account.
- 840.5 Fifth, to pay patronage as provided in Section 870 hereof.
- 840.6 Sixth, to pay dividends on capital stock as provided in Section 860.

845 Absorbing Losses

In the event of a net loss for any fiscal year after applying earnings for such fiscal year as provided in Section 840, such loss shall be absorbed as follows;

- 845.1 First, by charges to the surplus account.
- 845.2 Second, to the impairment of capital stock as provided in Section 830.

850 Surplus

The Association shall create and maintain an unallocated surplus account in an amount prescribed from time to time by the Board of Directors. The surplus may not be reduced except as provided in Section 845.1.

860 Dividends

- 860.1 Subject to the Act and the Regulations thereunder, and provided that, at the time of declaration thereof, no class of stock shall be impaired, noncumulative dividends may be declared and paid on any one or more classes of stock, as the Board from time to time may determine, subject to the preferences established in this Section. All dividends will be declared on a per share basis.
- 860.2 If dividends are declared on common stock, they must be declared at the same rate per share or unit on Class C and Class D Common Stock.
- 860.3 Dividends may be paid in the form of any class of stock which the recipient thereof is eligible to hold, or in cash, or any combination thereof, as the Board from time to time may determine.
- 860.4 Notwithstanding other provisions of this Section, dividends may not be declared unless the Association, after recording the liability, will meet its capital adequacy requirements.

865 Effective Date

Dividends, when paid, shall be paid to holders of record on the effective date of declaration.

870 Patronage Refunds

The Association shall be organized and operated on a cooperative basis for the mutual benefit of Central Kentucky ACA's Members and other patrons. The net earnings or loss of the Association from business done with or for Members and other patrons shall be consolidated with the net earnings of Central Kentucky ACA and Central Kentucky PCA and shall be distributed to Members and other patrons in accordance with the provisions of Article IX of the Bylaws of Central Kentucky ACA as patronage dividends on the basis of business done with the Association, Central Kentucky ACA and Central Kentucky PCA.

**ARTICLE IX – RESERVED**

**ARTICLE X – EXECUTION OF DOCUMENTS**

1000 FCB Transactions, Releases, and Uniform Commercial Code Transactions

All documents required to be executed in connection with transactions with the FCB, and all releases of security, including releases and satisfactions of judgments, subordination agreements, and all security agreements, financing continuation and termination statements, and other writings relating to secured transactions within the meaning of the Uniform Commercial Code, may be executed in the name of the Association by the president and chief executive officer or by the president and chief executive officer's designee (who shall be identified by name in a report to the Board and recorded in the minutes of the Board).

1010 Other Transactions

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the Association, shall be signed by the president and chief executive officer or other officer of the Association designated by resolution of the Board and, when required, shall be attested to by such officer(s) or employee(s) as may be designated by the Board. When the association holds a mortgage containing a provision for foreclosure under a power of sale, the Board or the president and chief executive officer if he or she has been delegated such authority by the board, may, at either's discretion, designate and authorize an attorney for the association to exercise such power and convey the mortgaged property in the name of the association. No person shall sign and attest the same document.

1020 Expenses and Checks

The president and chief executive officer or such employee(s) as may be designated by the president and chief executive officer shall, subject to subsequent approval by the Board unless prior approval is required by the Board under its established policies, approve and pay all expenses of the Association, and shall sign all checks and vouchers issued by the Association.

**ARTICLE XI – RECORDS AND REPORTS**

1100 Records

Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of Stockholders, the Bylaws and any amendments thereto, resolutions of the board, and reports of all committees shall be recorded in the minute books of the Association. The minutes of all committees and of the Board shall be signed by their respective chairmen or presiding officers and attested to by the person acting as secretary of the meeting. The foregoing materials, and such others as the Board may specify from time to time, shall be retained by the Association in accordance with the records retention program approved by the Board.

1110 Reports

The Association shall make available to each of its Stockholders such reports as are required by the Act and Regulations.

**ARTICLE XII – UNCLAIMED PROPERTY**

The Association shall make diligent efforts to pay the proceeds of any retirement of Stock and accrued dividends to the owners thereof. If, after a period of ten years from the date such funds become payable, the Association is unable to determine the address or whereabouts of the owners or the heirs and assigns of the owner, such funds may be taken into income of the Association unless other disposition is required by the Act, the Regulations, or applicable state law.

**ARTICLE XIII – FISCAL YEAR**

The fiscal year of the Association shall end on December 31st of each year.

**ARTICLE XIV – SEAL**

The Association may have such seal as the Board may determine.

**ARTICLE XV – INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS**

1500 Indemnification

- 1500.1 The Association shall indemnify, to the fullest extent of the law any director, officer or employee who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he/she is or was a director, officer or employee of the Association, or is or was serving, pursuant to authorization in writing by the Association's Board of Directors or its President or his/her delegate as a director, officer, employee, partner, agent, administrator, advisor, fiduciary or member of another corporation, non-profit or cooperative organization, partnership, unincorporated association, joint venture, trust, retirement or other employee benefit plan or other organization or entity, against expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him/her in connection with such action, suit or proceeding.
- 1500.2 A director's, officer's or employee's conduct with respect to a retirement or other employee benefit plan for a purpose he/she reasonably believed to be in the interests of the participants in and beneficiaries of the retirement or other employee benefit plan is conduct that satisfies the requirement that he/she acted in a manner reasonably believed to be in or not opposed to the best interests of the Association.
- 1500.3 The Association may indemnify any agent of the Association to the same extent as and under the same provisions applicable to directors, officers and employees, but only by specific action of and to the extent designated by the Board of Directors.

1500.4 Notwithstanding the provisions of Section 1500 of this Article, any director, officer or employee of the Association serving on any committee, special asset group or similar body required or permitted pursuant to the Farm Credit Act of 1971, as amended, shall be deemed to be doing so pursuant to authorization in writing by the Association's Board of Directors or its President or his/her delegate.

1500.5 As used in this Article, "party" means a defendant or respondent in an action, suit or proceeding.

1510 Additional Indemnification Provision

Notwithstanding any other provision of this Article, a director, officer or employee of the Association who has been wholly successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section 1500 of this Article to which he/she was a party shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him/her in connection with such action, suit or proceeding.

1520 Procedure

Any indemnification under Section 1500 of this Article (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer, or employee is proper in the circumstances. Such determination shall be made (1) by the Board of Directors by a majority vote of a majority consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a majority is not obtainable (or, even if obtainable, a majority of disinterested directors so directs), by independent legal counsel in a written opinion. For the purposes of this 1520, independent legal counsel shall be selected by a majority of disinterested directors or, if such a majority is not obtainable, by the Board of Directors.

1530 Advances of Expenses

Notwithstanding the provisions of Section 1520, reasonable expenses incurred in defending any action, suit or proceeding referred to in Section 1500 of this Article, shall be paid by the Association in advance of the final disposition of such action, suit or proceeding, if the director, officer or employee shall undertake in writing to repay such amount to the extent that it is ultimately determined, as provided herein, that such person is not entitled to indemnification, for such amount. Advances of expenses shall be made promptly and, in any event, within 30 days, upon the written request of the director, officer or employee. Notwithstanding the foregoing, no advance shall be made by the Association and to the extent if a determination is reasonably made pursuant to Section 1520 that the director, officer or employee is not entitled to indemnification for such expenses pursuant to Section 1500.

1535 Right of Claimant to Bring Suit

- (a) If a claim for indemnification or advancement under this Article is not paid in full by the Association within thirty days after a written claim therefore has been received by the Association, the claimant may any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Association) that the claimant has not met the standards of conduct which make it permissible under the applicable law for the Association to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Bank.
- (b) Neither the failure of the Association (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he/she has met the applicable standard of conduct, nor an actual determination by the Association (including its Board of Directors or independent legal counsel) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

1536 Contractual Rights

The right to be indemnified or to the reimbursement or advancement of expenses pursuant to this Article (i) is a contract right based upon good and valuable consideration, pursuant to which the person entitled thereto may bring suit as if the provisions hereof were set forth in a separate written contract between the Association and the director, officer or employee, (ii) is intended to be retroactive and shall be available with respect to events occurring prior to the adoption hereof, and (iii) shall continue to exist after the rescission or restrictive modification hereof with respect to events occurring prior thereto. However, this Article does not constitute a contract of employment or any terms and conditions of employment, and does not alter the employment status of any employee.

1537 Requested Service

Any director, officer or employee of the Association serving, in any capacity, (i) another entity of which a majority of the securities entitled to vote in the election of its directors or comparable executives is held directly or indirectly by the Association and/or other Farm Credit System entities, (ii) any employee benefit plan of the Association or of any entity referred to in clause (i) above, or (iii) any committee, subcommittee, special asset group or other similar body related to the Farm Credit System, shall be deemed to be doing so pursuant to authorization in writing by the Association's Board of Directors.

1540 Other Rights

The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expense may be entitled under any insurance or other agreement, vote of directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such person. The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association or who is or was serving in any of the capacities referred to in Section 1500 hereof against any liability asserted against him/her or incurred by

him/her in any such capacity, or arising out of his/her status as such, whether or not the Association would have the power to indemnify him/her against such liability under the provisions of this Article.

1550 FCA Penalties

Notwithstanding any other provision of these Bylaws, the Association will not indemnify, nor purchase or maintain insurance to indemnify, directors, officers, employees, or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or action instituted by the FCA, which results in a final order assessing civil money penalties personally against such individual(s) or requiring affirmative action by such individual(s) to make payments to the Association, Central Kentucky ACA or Central Kentucky PCA.

**ARTICLE XVI – AMENDMENTS**

1600 General

Except as provided elsewhere in this Article, these Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted, by the affirmative vote of a majority of the Board at any meeting of the Board with respect to which notice of intention to alter, amend, repeal or adopt new Bylaws at such meeting has been given and which notice includes a copy of the proposed amendment(s).

1610 Amendments to Provisions Respecting Capitalization

Any amendment to Article VIII, other than those strictly of a technical nature not affecting any substantive rights, shall not become effective unless approved by Central Kentucky ACA's voting stockholders voting, in person or by proxy, at a duly authorized stockholders' meeting. Any issuance of preferred stock by the Association must be approved by a majority vote of the shares of each class of equities of Central Kentucky ACA affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote.

1620 Effectiveness

These Bylaws shall become effective on November 1, 2008. Amendments to these Bylaws shall become effective in accordance with the resolution of the Board of Directors approving such Bylaws.



**CERTIFICATION**

I, the undersigned, Corporate Secretary of Central Kentucky FLCA, a Federal Land Bank Association; hereby certify that at a meeting duly held on the 23<sup>rd</sup> day of October 2008, the Board of Directors of said Association duly adopted the foregoing as the Bylaws.

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Marcus G. Barnett  
Corporate Secretary