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AGCAROLINA FARM CREDIT, ACA BYLAWS

DEFINITIONS

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

“Agreement” - Agreement and Plan of Consolidation by and between Tar Heel Farm Credit, ACA and AgCarolina Farm Credit, ACA.

“Annual Meeting” - the annual meeting of Members pursuant to Article III of these Bylaws.

“Association” - this AgCarolina Farm Credit, ACA

“Authorization Event” - shall have the meaning set forth in Section 110 hereof.

“Board” - All references in these Bylaws to the “Board” shall refer both to the directors of the Association 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 Articles VII and XV hereof.

“Code” - the Internal Revenue Code of 1986, as amended.

“FCA” - the Farm Credit Administration.

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

“FLCA” - AgCarolina Farm Credit, FLCA, a Federal land bank association with direct lending authority and a subsidiary of the Association.

“Member” - a holder of stock or participation certificates in the Association, except another System institution.

“PCA” - the AgCarolina Farm Credit, PCA, a production credit association and a subsidiary of Association.

“Predecessor Association” - AgCarolina Farm Credit, ACA and Tar Heel Farm Credit, ACA prior to their consolidation pursuant to the Agreement.

“Patron” - shall have the meaning ascribed to such term under Section 860.

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



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“Subsidiary” - PCA or FLCA.

“System” - the Farm Credit System.

“Voting Stockholder” - shall have the meaning ascribed to such term under Section 200.

ARTICLE I --- PREAMBLE 100

AgCarolina Farm Credit, ACA, hereinafter the “Association,” is a federally chartered, member-owned, cooperative credit institution operating pursuant to the Farm Credit Act of 1971, as amended from time to time (the “Act”), and to the regulations and other applicable and binding issuances of the Farm Credit Administration (the “FCA”) and other federal agencies having jurisdiction over the Association, as such regulations and other issuances may be amended from time to time (collectively, the “Regulations”). The Association possesses and may exercise all lending, participation and similar authorities granted by the Act, other federal statutes, or the Regulations, as they may be amended from time to time.

Without limiting the foregoing, the Association: (a) pursuant to Section 2.4 of the Act, may make or participate with other lenders in short- and intermediate-term loans and other similar financial assistance to (x) bonafide farmers and ranchers and the producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requirements of such borrowers, (y) rural residents for housing financing and (z) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs; and (b) pursuant to Section 1.7 of the Act, may (x) make or participate with other lenders in long-term real estate mortgage loans in rural areas, as defined by the FCA, (y) make or so participate in such loans to producers or harvesters of aquatic products and (z) make continuing commitments to make such loans under specified circumstances, for terms (with respect to items (b)(x)-(b)(z)) of not less than 5 nor more than 40 years.

The Association also may provide technical assistance to borrowers, applicants, and members, and may make available, at its option, financially related services appropriate to its operations, to the extent authorized by the Bank, the Act and the Regulations. These bylaws (the “Bylaws”) constitute rules for the internal operation of the Association. Unless otherwise noted, “Section” shall refer to a section of these Bylaws.

110 Lending Authorities.

Upon FCA and Voting Stockholder approval, the Board may authorize AgCarolina Farm Credit, PCA (“PCA”) and AgCarolina Farm Credit, FLCA (“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.”

120 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,



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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 II --- MEMBERSHIP 200

Members of the Association shall include all holders of legal title to capital stock or participation certificates as evidenced on the books of the Association, except any Farm Credit System entity. Any person to whom an agricultural credit association is authorized by the Act and Regulations to extend credit and other services is eligible to apply for a loan or other services and become a member of the Association. In the case of a deceased or legally incompetent member, such member's executor, administrator, guardian, or other legally authorized representative shall be considered to be the member, but only for the purpose of voting.

Each member is authorized to speak on any question being considered at members' meetings when recognized by the chairman of the meeting. Motions and nominations or seconds thereto may be made and voted on only by members eligible to vote thereon. (Except with respect to matters subject to section 615.5230(b)(1) of the Regulations, as amended from time to time, the term "voting stockholder" means a holder of Association equity who is eligible, under the Act, Regulations and these Bylaws, to vote in respect of any matter presented for a vote of such equity holders. With respect to matters subject to the aforementioned section, the term "voting stockholder" means a holder of Association equity who is eligible to vote pursuant to such section.)

ARTICLE III --- MEETINGS OF MEMBERS

300 Time and Place

300.1 Annual Meetings

There shall be an annual meeting of members at such place(s) in the Association's chartered territory or within a reasonable distance thereof at such date(s) and time(s) as the board of directors (the "Board") may by resolution provide.

300.2 Special Meetings



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Special meetings of members 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 the voting stockholders. Each notice of a special meeting shall state the time, place, and purpose of the meeting. If the Board fails or refuses to order such notice to be made, the notice may be given by the person or persons who made the call, but only in accordance with the provisions of Section 310.

300.3 Sectional Sessions

The Board may provide for the annual meeting or special meetings of members 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 annual or special meeting for the purpose of notice thereof to members. Each member 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 sectional session of the meeting. The last sectional session must be scheduled for a time no later than fifteen 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 voting stockholder shall be counted or permitted to vote at more than one session. The votes duly 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 both holders of Class C Common Stock and other members, must be introduced at the first sectional session, and this requirement must be announced in the notice of meeting.

305 Action Without Meeting

Except as otherwise required by the Act or Regulations, any action required to be taken, or which may be taken, at any annual or special meeting of members may be taken without a meeting, without notice, and without a vote, if consent in writing, setting forth the action to be taken, shall be signed by 75% of the voting stockholders, or by duly authorized representatives thereof.

310 Notice of Meetings

The chairman of the Board shall cause written notice of each annual and special meeting of members to be mailed not less than ten days nor more than twenty days before the date of the meeting to all record holders of stock and participation certificates. The record date for the determination of those entitled to notice shall be on a date set by the Board, which date shall be not less than 10 nor more than 90 days prior to the date of the meeting. The notice shall be mailed to the last known post office address of the member as it appears on the Association's records. The notice shall state the purpose and the time and place of the meeting. No business shall be transacted at any special meeting other than the business referred to expressly in the notice.



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320 Quorum

As to each respective matter presented to members at an annual or special meeting, three percent of the voting stockholders of the Association shall constitute a quorum. Proxies will be included to establish a quorum. If less than a quorum is present, the chairman of the meeting may adjourn the meeting from time to time until a quorum is obtained.

330 Conduct of Annual Meeting

At the annual meeting of members, reports of the Board shall be given by a person designated by the Board. The reports required or authorized by Section 1010 shall be presented.

Other items of business which may come before the meeting include but are not limited to:

- a) determination of the existence 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 committees;
- f) unfinished business;
- g) new business; and
- h) a report of the Association's key operating data.

335 Minutes of Meeting

The secretary of the Association shall act as recording secretary at all meetings of members, unless some other person is designated by the chairman of the meeting to serve in that capacity.

340 Nominating Committees

340.1 Election of Nominating Committees

Voting stockholders shall elect a nominating committee composed of 10 (ten) voting stockholders to serve for the following year. Voting for Nominating Committee positions may take place at the annual meeting of stockholders or by mail balloting as prescribed by section 425.5 of these Bylaws. Votes shall be tallied using the same process as that used in tallying votes for Directors at such annual meeting or through such mail balloting. At least one member of the Nominating Committee shall be elected from such geographic regions of the State of North Carolina as shall be specified by action of the Board and shall coincide with the geographic regions specified by the action of the Board for the 10 (ten) Board positions. At least one (1) eligible member permanently domiciled within each of these geographic regions shall be elected to the Nominating Committee from such geographic region; provided, however, that all the voting stockholders shall be permitted to vote for each Nominating Committee position, whether or not the domiciles of such voting stockholders



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coincide with the domicile of any of the nominees for the Nominating Committee position attached to a particular geographic region.

Four alternates may be elected. Except for stockholders residing outside of the Association's chartered territory, alternates may be elected and serve without respect to any geographic requirements. Vacancies on such nominating committee shall be filled by vote of the remaining members thereof from among the alternates, if any. Board members, salaried officers, and employees of the Association are not eligible to serve on the Nominating Committee.

Stockholders residing outside of the Association's chartered territory are not eligible to be elected or appointed as a member of the Nominating Committee. Nominees may be re-nominated and stand for re-election to serve successive terms.

Nominees and members of the Nominating Committee should meet the same qualifications for election and service as are set forth for Directors in Sections 410 and 420 of these Bylaws.

No person shall be eligible for election or appointment to the Board of Directors in the same election cycle for which the Nominating Committee is identifying candidates if that person was elected to serve on the Nominating Committee and attended any meeting called by the Nominating Committee.

340.2 Functions of the Nominating Committee

The Nominating Committee shall review lists of members who are eligible to serve as Directors. The Nominating Committee shall evaluate the qualifications of Director candidates as specified in the Association's Director Qualifications Policy. The Committee shall have access to the Board's annual evaluation and individual Director evaluations. All evaluation information shall be provided to the Nominating Committee on a confidential basis by the Board Chairman. The Committee shall have access to the Board's Director Training Policy and a record of training activities of the Board and individual Director participation in the training activities.

The nominating committee shall ascertain the willingness of eligible members to serve, and shall submit for election a slate of such members to run as candidates for the Board. Except as provided below, with respect to each position to be filled, the slate shall include at least two nominees satisfying the qualifications set forth in Section 420 hereof.

If the nominating committee, after diligent effort, is unable to identify more than one eligible member who is willing to run for a Director position that is to be filled, it shall promptly submit to the Board of Directors a written explanation of the reasons why it is unable to find more than one such person. If, after 10 business days following receipt of such explanation, the Board has not sent to the Nominating Committee a written objection to such explanation, the Nominating Committee shall be deemed to have authority to submit a slate of nominees providing for only one nominee for the particular position or positions. A written explanation of the reasons why it is



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unable to find more than one such person who is willing to run for a Director position shall also be reported in the Annual Meeting Information Statement.

The Nominating Committee shall also perform the functions specified in Section 450.2 hereof.

340.3 Nomination of Candidates

The nominating committee shall present a list of candidates, who shall be voting stockholders, for the members to consider in electing the nominating committee for the following year. Nominations also may be made from the floor by voting stockholders.

340.4 Quorum and Minutes

A majority of the Nominating Committee shall constitute a quorum for transacting the business of the Nominating Committee. In the event that one or more members of the Nominating Committee, including alternates, is disqualified in accordance with these bylaws, or is unable to serve, the Nominating Committee may vote and transact its business with a quorum of the remaining qualified members. The committee shall keep minutes of its meetings, including a list of committee members present at such meetings and the names of stockholders selected to be nominees for Director positions or the following year's nominating committee, which minutes shall be turned over to the Association's President. The deliberations of the Nominating Committee, including but not limited to the identity of prospective nominees considered but not nominated for Director or nominating committee positions, shall be treated as confidential and shall not be disclosed by the Nominating Committee or its members unless specifically requested by action of the Association's Board of Directors.

350 Voting

350.1 Voting, Voting Strength, and Designee for Voting Stock

Each voting stockholder shall be entitled to only one vote regardless of the number of single or joint loans the stockholder may have with the Association. In the case of a joint loan, the vote may be cast by only one of the joint holders, and by such person only if duly authorized in writing by the other joint holder(s). The vote of a stockholder that is a legal entity shall be cast by an individual stockholder of the entity, duly authorized in a writing filed with the Association. If a voting stockholder controls another voting stockholder, the controlling stockholder and the controlled stockholder shall be considered to be one person and shall be entitled to only one vote.

For purposes of this Section, a voting stockholder shall be deemed to "control" another voting stockholder if the stockholder is the beneficial holder of, directly or indirectly, more than a fifty percent ownership interest in (a) the other stockholder or (b) the primary collateral (as determined by the Association) securing the other stockholder's loan. In no event may a voting stockholder vote more than once, nor shall any voting stockholder be entitled to cumulate votes.



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350.2 Proxy Voting

Voting by proxy at members' meetings shall be permitted by authorization of the Board. Proxy forms and ballots shall be as prescribed by the Board.

350.3 Lists of Voting Stockholders

A list of holders of Class C Common Stock shall be maintained by the Association. The list shall show the names, addresses, and classes of stock held of such holders of Stock. The list shall be used when distributing ballots at an annual or special meeting and the nomination and election of Association Board members and Nominating Committee members and for other purposes as prescribed or authorized by the Act and Regulations. The list shall also be used at each sectional session to ensure that each holder of Class C Common Stock voting is permitted to vote at the meeting and that no holder of Class C Common Stock is permitted to vote more than once. Similar lists respecting other members may be kept and used by the Association for similar purposes.

The aforementioned Lists of Voting Stockholders must also be provided to any stockholder within 7 days or receiving a written request for the list from the stockholder. Prior to obtaining the list, the stockholder must certify in writing that the stockholder will: 1) Utilize the list exclusively for communicating with stockholders for permissible purposes, and 2) Not make the list available to any person, other than the stockholder's attorney or accountant, without first obtaining the written consent of the institution.

350.4 Issuance of Preferred Stock

Notwithstanding any other provision of these Bylaws, the authorization to issue preferred stock shall require the affirmative vote of a majority of the shares of each class of stock and participation certificates affected by the preference, voting as a class, whether or not otherwise authorized to vote, in person or by proxy, at a duly authorized meeting of stockholders. Votes shall be tallied by the Association's outside auditors, or a tellers committee if the Board, at least 90 days' prior to a scheduled vote, directs the appointment of a tellers committee. The procedures used by the Association's outside auditors, or a tellers committee if one is appointed, shall be those used by the Association's outside auditors, or tellers committee, as applicable, in the election of Directors.

ARTICLE IV --- DIRECTORS

400 General Powers; Duties of Directors.

400.1. General Duty

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 Act and Regulations, and with FCB



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policies, procedures, and objectives. The Board shall recognize that the Association, FLCA, and 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.

400.2. Establish Role of President

The Board shall select and fix the salary of the President. However, the Board may delegate to the Board Compensation Committee the authority to select and fix the level of compensation of the President. The Compensation Committee must approve the overall compensation program for senior officers. The Compensation Committee shall set the appropriate levels of Compensation for the Association President with the Board taking subsequent action to affirm the action of the Committee. Also, the Board shall prescribe the duties and responsibilities of the president, who shall be responsible for the management of the Association. The Board shall provide for payment from general funds of reasonable and necessary expenses incurred by officers, employees, and committees of the Association in connection with the Association's business.

405 Number of Directors.

The number of Directors of the Association shall be not more than twelve (12). This number shall include 10 Directors elected by the stockholders and two (2) "Outside Directors" as provided for in Section 420.4 herein.

410 Tenure; Prohibition to Continue as Director.

410.1 Tenure.

For the purposes of these Bylaws, a "full term" on the Board shall be four years for all stockholder elected Directors and all Outside Directors.

Unless earlier terminated because of resignation, removal from office, death, disability or disqualification, shortening of a term or elimination of a position by the stockholders, or as otherwise provided in these Bylaws, the term of each Director shall commence and end as provided in a), b), and c) below.

a) For each stockholder elected Director:

- 1) The Director's term, whether a full term or a partial term resulting from a vacancy, shall begin on the latter of (i) the day such Director's election is certified to the Association's President by the Association's outside auditors, or (ii) January 1 of the year immediately following the year in which such Director's election occurs; and,



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- 2) The Director's term shall extend up to, but not including, the later of (i) the day such Director's successor's election is certified to the Association's President by the Association's outside auditors, or (ii) December 31 of the year in which such Director's successor's election occurs (the successor may be the Director whose term is ending, if re-elected).
- b) For each Director elected by the Board to fill a vacancy in a stockholder elected Board position:
 - 1) The Director's term shall begin on the day elected; and,
 - 2) The Director's term shall extend up to, but not including, the later of (i) the day such Director's successor's election is certified to the Association's President by the Association's outside auditors, or (ii) December 31 of the year in which such Director's successor's election occurs, which election for a successor shall be held in the calendar year such Director is elected by the Board (the successor may be the Director who was elected by the Board).
 - c) For each Board elected Outside Director:
 - 1) The Director's term, whether a full term or a partial term resulting from a vacancy, shall begin on the day elected; and,
 - 2) The Director's term shall extend until the last day of the Director's term, unless there is not a qualified successor to fill the position, and then the term shall continue until the day the successor's term begins.

If as a result of a change in the number of Directors, or for other reasons, the terms of the 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 third annual meeting thereafter, as shall reestablish expiration of terms of Directors on an equitably staggered basis.

410.2 Prohibition to Continue as Director.

The office of any elected or appointed Director shall automatically become vacant in the event that such Director:

- a) Files a voluntary petition for relief in bankruptcy, or otherwise institutes proceedings under applicable voluntary federal or state bankruptcy, insolvency, or receivership laws; or
- b) Is adjudged a debtor in an involuntary federal bankruptcy or placed in receivership in a state proceeding; or



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- c) Seeks reorganization under the Bankruptcy Code of personal business interests or of a corporation or other business entity which the director controls (as defined in Section 350.1); or
- d) Is a party to a foreclosure proceeding (judicial or nonjudicial) involving property in which the Director has an interest, which proceeding has been instituted because of the Director's default in indebtedness to a Farm Credit System institution or any other federally or state chartered financial institution ; or
- e) Is convicted of any felony or other crime involving moral turpitude while holding office; or
- f) Is adjudicated incompetent; or
- g) Is held liable in damages for fraud, breach of fiduciary duty, or other intentional wrong involving deceit or breach of trust.

420 Qualifications of Directors

420.1 General Qualifications.

Except for the Outside Directors, no person shall be nominated, elected, appointed, or allowed to continue to serve as a Director, unless he or she is a holder of Class C Common Stock; is a bona fide farmer, rancher, or producer or harvester of aquatic products; and transacts business in the Association's chartered territory. No person shall be nominated, elected, appointed, or allowed to continue to serve if such person's service is prohibited by the Regulations. If the Class C Common Stock held by a Director is converted during the Director's term into other stock, such conversion shall not disqualify the Director from completing his or her term. An individual designated to vote the Class C Common Stock of a corporation or partnership may be a Director so long as that individual holds stock in the corporation or is a member of the partnership and meets all the other requirements for serving as a Director. Unless the context dictates otherwise, all references herein to a "Director" shall refer to a Director of the Association.

420.2 Geographic Qualifications.

Except for the Outside Directors, Directors shall be elected from such geographic regions of the State of North Carolina as shall be specified by action of the Board. The Board shall establish 10 (ten) geographic regions from the chartered territory of the Association. At least one (1) eligible member who is permanently domiciled within each of these geographic regions shall be elected to the Board from such geographic region; provided, however, that all the voting stockholders shall be permitted to vote for each directorship, whether or not the domiciles of such voting stockholders coincide with the domicile or business location of any of the candidates for a vacant directorship attached to a particular geographic region. Except during such period as is necessary for filling a vacancy created by one of the other provisions of this Article IV, at no time shall the Board be without at least one (1) director domiciled in each geographic region.



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Stockholders residing outside of the Association's chartered territory are not eligible to be elected or appointed to a stockholder-elected position on the Board of Directors.

420.3 Additional Qualifications of Directors

An individual who is a salaried officer or an employee of the Association or of any other organization within the Farm Credit System is not eligible to be elected or appointed and may not serve as a Director. A former salaried officer or employee of an association or any other organization within the Farm Credit System is not eligible to be elected or appointed as a Director of the Association within one (1) year after ceasing to be employed by such association or organization within the Farm Credit System. A legally authorized representative of a deceased or adjudicated incompetent Director is not eligible to be elected or appointed as a Director or a member of a nominating committee unless such representative is also a voting stockholder in his or her own right.

An individual is not eligible to be elected or appointed as a Director, or if a Director, shall automatically be removed from the Board, if the Association has sustained a charge-off on that individual's loan or a loan(s) of a borrower in which the person has a controlling interest (as defined in Section 350.1 herein) or a material (as defined in Regulation Section 620.1(h)) financial interest. Further, if all or a portion of such loan is adversely classified such individual shall not be eligible to be elected or appointed as a Director, or if already a Director, the individual shall immediately vacate his Directorship without further Board action.

Loan classifications to be used in administering the preceding paragraph shall be those determined by the Association or by external examiners approved by the Association or the FCA. The adverse classification of any Director's loan may be reviewed by the Board if the Director requests said review in writing within 10 days of receiving notice of the adverse classification. If the individual requests a review by the Board as set forth in this section, the Director's seat shall become and remain vacant until the review is complete.

Additional qualifications of Directors are also provided in the Association's Director Qualifications Policy.

420.4 Outside Director.

At least two members of the Board shall be persons who, at the time that such persons become members of the Board, are not directors (other than of PCA or FLCA), officers, employees, agents or stockholders of any System institution (the "Outside Directors"). The Outside Director(s) shall be elected to the Board by the other members thereof.

Except as otherwise expressly provided in these Bylaws, the qualifications, terms, manner of nomination and election, basis for removal and related matters respecting the Outside Director(s) shall be as provided in these Bylaws with respect to the other members of the Board. The Outside



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Director shall automatically be terminated if he/she becomes a director (other than of PCA or FLCA), officer, employee, agent, or stockholder of a System Institution.

420.5 Disqualification for Service as Director of Outside Financial Institution.

No individual shall become or continue as a Director if the individual is a director who serves on the executive committee or loan committee, an officer, an employee, or chairman of the board of any non-System financial institution which is authorized to make the same types of loans that are or may be made by the Association.

420.6 Financial Expert

The Association must have at least one Director who is a "Financial Expert" as defined by the regulations of the Farm Credit Administration. A Financial Expert is an individual recognized as having education or experience in accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution's financial statements.

420.7 Director Training

All Directors shall annually participate in Director Training activities. Training of new and existing Directors shall be further outlined in the Association's Director Training Policy.

425 Election of Directors.

425.1 Election to Fill Expired Terms and Vacancies.

In the manner provided by these Bylaws, each year the voting stockholders shall elect one (1) 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.

425.2 Nominations Made From Floor and Casting Ballots.

At each annual meeting, the Nominating Committee shall submit a slate of candidates for election to the Board. Candidates shall be selected by the nominating committee in accordance with the qualifications and disqualifications of Directors set forth in Section 420 of these Bylaws. After the Nominating Committee submits its slate of candidates, the Chairman of the meeting shall entertain nominations from the floor. Both nominators and nominees must be voting stockholders. Each candidate for election to the Board shall be entitled to address each annual meeting at which such nomination is made for a period not to exceed three minutes. Other stockholders, including stockholders seconding nominations made from the floor, shall not be permitted to address the annual meeting during the election. Unless voting is conducted by mail balloting, the voting stockholders assembled at the annual meeting shall then cast ballots and the



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When the debt of the borrower is in default, the Association may direct AgCarolina 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.

725 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.

730 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.

740 Applications of Earnings

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

- 740.1 First, to cover operating and non-operating expenses including additions to loan loss reserves.
- 740.2 Second, to restore the amount of any impairment of capital stock as prescribed in Section 730 of these Bylaws.
- 740.3 Third, to restore the amount of any impairment to surplus.
- 740.4 Fourth, to create and maintain a surplus account.
- 740.5 Fifth, to pay patronage as provided in Section 770 hereof.
- 740.6 Sixth, to pay dividends on capital stock as provided in Section 760.



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745 Absorbing Losses

In the event of a net loss for any fiscal year after applying earnings for such fiscal year as provided in Section 740, such loss shall be absorbed as follows:

745.1 First, by charges to the surplus account.

745.2 Second, to the impairment of capital stock as provided in Section 730.

750 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 745.1.

760 Dividends

760.1 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.

760.2 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.

760.3 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.

760.4 Notwithstanding other provisions of this Section, dividends may not be declared unless the Association, after recording the liability, will meet its capital adequacy requirements.

765 Effective Date

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

770 Patronage Refunds

The Association shall be organized and operated on a cooperative basis for the mutual benefit of AgCarolina 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 AgCarolina ACA and PCA and shall be distributed to Members and other patrons in accordance with the provisions of



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Article VIII of the Bylaws of AgCarolina ACA as patronage dividends on the basis of business done with the Association, AgCarolina ACA and PCA.

ARTICLE VIII RESERVED

ARTICLE IX EXECUTION OF DOCUMENTS

900 Transactions with Supervising Bank, Releases, and Uniform Commercial Code Transactions

All documents required to be executed in connection with transactions with the Bank, and 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 North Carolina Uniform Commercial Code or other applicable law, may be executed in the name of the Association by the President or the President's designee who shall be identified by name in a report to the Board and recorded in the minutes thereof.

910 Other Transactions

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the Association, shall be signed by the President or any other officer of the Association designated by the President, and, when required, shall be attested to by other officer(s) or employee(s) designated by the President. When the Association holds a deed of trust containing a provision for foreclosure by the Association under a power of sale, the Board or the President, if that officer 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 property in the name of the Association. No person shall sign and attest the same document.

920 Expenses and Checks

The President or any other employee(s) designated by the President shall be delegated authority to approve and pay all expenses of the Association and shall sign all checks and vouchers issued by the Association.

ARTICLE X RECORDS AND REPORTS

1000 Records

Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of members and Directors, the Bylaws and any amendments thereto, resolutions of the Board and reports of all committees thereof 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, are to be retained by the Association pursuant to a records retention program to be developed and approved by the Board.



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1010 Reports

The Association shall make available to each member such reports as are required by the Act and Regulations and such other reports as the Board deems advisable. The financial statements included in each annual report of the Association shall be audited by independent accountants.

ARTICLE XI UNCLAIMED PROPERTY

The Association shall seek to pay to the owners the proceeds of any retirement of stock and participation certificates and any accrued dividends. In the event the Association, after a period of three years from the date payable, is unable to determine the address or whereabouts of the owner or the heirs and assigns of the owner, the funds may be disposed of in accordance with state or federal law as applicable.

ARTICLE XII FISCAL YEAR

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

ARTICLE XIII SEAL

The following impression or ink-stamp facsimile thereof is the seal of the Association:



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ARTICLE XIV INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

1400 Indemnification

1400.1 The Association shall indemnify any Director, officer or employee who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a Director, officer or employee of the Association, or is or was serving at the request or direction of the Association as a Director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

1400.2 The Association shall indemnify any Director, officer or employee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he or she is or was a Director, officer or employee of the Association, or is or was serving at the request or direction of the Association as a Director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee, or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees) actually or reasonably incurred by him or her in connection with the defense or settlement of such action or suit, as well as amounts paid in settlement, if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Association and, to the extent of amounts paid in settlement, that settlement was in the best interests of the Association; provided, however, that no indemnification shall be made in respect of any claim, issue or matter as to which such Director, officer or employee shall have been adjudged to be liable for negligence or misconduct in their performance of his or her duty to the Association unless and only to the extent that a court of competent jurisdiction shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

1400.3 A Director's, officer's or employee's conduct with respect to a retirement or other employee benefit plan for a purpose that he or she reasonably believed to be in the interests of the participants in and beneficiaries of the retirement or other employee



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benefit plan is conduct that satisfies the requirement that he or she acted in a manner reasonably believed to be in or not opposed to the best interests of the Association.

1400.4 The termination or abatement of a claim, threatened claim, suit or other proceeding by way of a judgment, order, settlement, conviction, or upon a plea of guilty or nolo contendere or its equivalent is not, of itself, determinative that the Director, officer or employee did not meet the standard of conduct described in this Section 1400.

1400.5 The Association may indemnify any other 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.

1410 Additional Indemnification Provisions

1410.1 A Director, officer or employee of the Association who has been successful, on the merits or otherwise, in the defense of any suit or proceeding referred to in Section 1400 to which he or she was a party shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection with such suit or proceeding.

1420 Procedure

Any indemnification under Section 1400 (unless ordered by a court) shall be made by the Association only as authorized in a specific case upon a determination that indemnification of the Director, officer or employee is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1400. Such determination shall be made: (a) by the Board by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding; or (b) if such a quorum is not obtainable, and a quorum of the disinterested directors so directs, by independent legal counsel in a written opinion.

1430 Advances of Expenses

Notwithstanding the provisions of Section 1420, reasonable expenses incurred in defending any civil or criminal action, suit or proceeding 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 to repay such amount in the event it is ultimately determined, as provided herein, that such person is not entitled to indemnification. Advances of expenses shall be made promptly and, in any event, within 90 days, upon the written request of the Director, officer or employee.

Notwithstanding the foregoing, no advance shall be made by the Association if a determination is reasonably made at any time by the Board by a majority vote of a quorum of disinterested Directors, or (if such a quorum of disinterested Directors so directs) by independent legal counsel in a written opinion, that, based upon the facts known to the Board or counsel at the time such determination is made, such person acted in bad faith and in a manner opposed to the best interests of the Association, or that such person deliberately breached his or her duty to the Association or its stockholders, or, with respect to any



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criminal proceeding, that such person believed or had reasonable cause to believe his or her conduct was unlawful.

1440 Other Rights

The indemnification provided by this Article XIV shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any insurance or other agreement, vote of shareholders or Directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a Director, officer or employee and shall inure to the benefit of 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 1400 against any liability asserted against or incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of this Article.

1450 FCA Penalties.

Notwithstanding any other provision of these Bylaws, the Association will not indemnify, nor purchase or maintain insurance to indemnify, any of its directors, officers, employees or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or enforcement 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, AgCarolina ACA or PCA.

1460 Applicable Law

The interpretation of this Article XIV shall be under the law of the State of North Carolina.

ARTICLE XV AMENDMENTS

1500 General

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

1510 Amendments to Provisions Respecting Capitalization

Any amendment to Article VII, other than those strictly of a technical nature not affecting any substantive rights, shall not become effective unless approved by AgCarolina ACA's voting stockholders



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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 AgCarolina ACA affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote. Votes shall be tallied by AgCarolina ACA's outside auditors, or a tellers committee if AgCarolina ACA's Board, at least 90 days' prior to a scheduled vote, directs the appointment of a tellers committee. The procedures used by the outside auditors, or a tellers committee if one is appointed, shall be those used by AgCarolina ACA's outside auditors, or a tellers committee, as applicable, in the election of Directors for AgCarolina ACA.

1520 Effectiveness

These Bylaws shall become effective on January 1, 2003. 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 AgCarolina Farm Credit, FLCA, a Federal Land Bank Association, hereby certify that at a meeting duly held on the 19th day of July, 2006, the Board of Directors of said association duly adopted amendments to the foregoing Bylaws.

Matthew J. Currin, Jr., Corporate Secretary



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AGCAROLINA FARM CREDIT, PCA BYLAWS

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 III of these Bylaws.

“Association” - this AgCarolina Farm Credit, PCA, a production credit association and a subsidiary of AgCarolina 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 of the Association 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 XV hereof.

“AgCarolina ACA” - the AgCarolina Farm Credit, ACA, an agricultural credit association.

“FCA” - the Farm Credit Administration.

“FCB” - the AgFirst Farm Credit Bank or any successor entity thereto.

“FLCA” - the AgCarolina Farm Credit, FLCA, a Federal land bank association with direct lending authority and a subsidiary of AgCarolina Farm Credit ACA.

“Member” - a holder of stock or participation certificates in AgCarolina ACA, except another System institution.

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

“Stock” - Capital Stock of the Association as described in Article VII of these Bylaws.

“Stockholders” – AgCarolina ACA and any other person or entity holding Stock under Article VII.

“System” - the Farm Credit System.



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“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 AgCarolina ACA and is federally chartered pursuant to the Act. Subject to the Act and Regulations, AgCarolina 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,
 - (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 AgCarolina ACA and FLCA

Upon the Authorization Event, the Association, AgCarolina ACA and FLCA shall conduct an integrated lending operation. 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. 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. AgCarolina ACA possesses the powers and authorities of both the Association and FLCA. 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 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. AgCarolina ACA at all times will own all of the voting capital stock of Association and FLCA.



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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 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 AgCarolina 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 AgCarolina ACA.

310 Voting

All voting rights shall be held by AgCarolina ACA.

ARTICLE IV BOARD OF DIRECTORS

400 General Powers; Duties of Directors.

400.1. General Duty

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 Act and Regulations, and with FCB policies, procedures, and objectives. The Board shall recognize that the Association, AgCarolina ACA and 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 institution's combined financial condition.

400.2. Establish Role of President

The Board shall select and fix the salary of the President. However, the Board may delegate to the Board Compensation Committee the authority to select and fix the level of compensation of the President. The Compensation Committee must approve the overall compensation program for senior officers. The Compensation Committee shall set the appropriate levels of Compensation for the Association President with the Board taking subsequent action to affirm the action of the Committee. Also, the Board shall prescribe



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the duties and responsibilities of the president, who shall be responsible for the management of the Association. The Board shall provide for payment from general funds of reasonable and necessary expenses incurred by officers, employees, and committees of the Association in connection with the Association's business.

410 Composition

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

420 Reserved

430 Officers of the Board.

430.1 General.

As soon as practicable following each annual meeting of the members of the board, and at such other times during the year as may be necessary to fill vacancies, the Board shall elect a chairman and a vice-chairman from among the members of the Board.

430.2 Duties of the Chairman and Vice-Chairman.

The chairman shall:

- a) Preside over all meetings of the Board (and the chairman or the Board's designee shall preside over all meetings of the Association members);
- b) See that all orders and resolutions of the Board, all applicable provisions of the Act and Regulations and all policies and procedures prescribed by the Association are carried into effect; and
- c) Perform such other duties as may be prescribed by the Board.

In the absence of the chairman, the vice-chairman shall perform the duties of the chairman. In the absence of both the chairman and the vice-chairman, one of the other Directors shall be elected by those present to preside over the meeting.

430.3 Removal of Officers of the Board.



The chairman and vice-chairman may be removed from their positions as officers of the Board at any time by a majority vote of the entire membership of the Board.

435 Meetings

435.1 Regular Meetings.

Regular meetings of the Board shall be held at least quarterly and whenever called by (a) the chairman; (b) the President; or (c) a majority of the Directors. Business 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 persons participating to hear each other at the same time. All actions taken by telephone conference call shall be ratified at the next regular meeting of the Board.

435.2 Special Meetings.

Special meetings of the Board shall be held whenever called by (a) the chairman; (b) the President; or (c) a majority of the Directors. Business 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 persons participating to hear each other at the same time. All actions taken by telephone conference call shall be ratified at the next regular meeting of the Board or by Action Without Meeting pursuant to paragraph 435.3.

435.3 Action Without Meeting.

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. The writing or writings shall be filed with the minutes of the proceedings of the Board or committee, as the case may be.

440 Notice

Oral or written 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 President, or other designated employee of the Association, not less than forty-eight hours prior to the time of 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.

445 Quorum; Manner of Acting

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.

460 Resignation



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A Director may resign by delivering written notice to the Board specifying the date upon which such resignation is to be effective or by any other means by which actual notice is received by the Board's Chairman or Vice-Chairman.

465 Absence from Board Meeting

The absence of a Director from three (3) consecutive regular meetings of the Board, unless explained to the satisfaction of the other Directors, shall automatically terminate the Director's service and the resulting vacancy shall be filled as provided elsewhere in this Article IV.

470 Honoraria

The Association may allow Directors reasonable honoraria for attendance at meetings, committee meetings, or for special assignments. The Association may also reimburse Directors for reasonable expenses incurred in connection with the meetings or assignments.

ARTICLE V OFFICERS AND EMPLOYEES

500 Election of Senior and Other Officers

500.1 Association Officers

The Board shall elect a President who shall serve at the pleasure of the Board, and shall continue in office until a successor is elected and takes office, unless the President shall resign, die, retire, or be removed by the Board. Other Association officers shall be a Vice President, a Secretary, a Treasurer, and any other salaried officers provided for by the Board. Individuals may be appointed to these positions by the Board or by the President as prescribed in Section 510.1. Any combination of these offices may be held by one individual.

500.2 Previous Directors as Salaried Employees

No individual shall be eligible to become a salaried officer or employee if within the previous twelve months the individual served as a Director of the Association or of a Farm Credit Bank.

510 Duties of Officers

510.1 Duties of the President

The President:

- a) Shall perform such duties and exercise such authority as vested in him or her by the Board;



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- b) Shall be responsible for the ordinary and usual business operations of the Association; and
- c) Shall employ, supervise, and dismiss any and all other officers and employees of the Association, fix their compensation, and designate the order of precedence in which the other officers shall act in the absence of any officer. Compensation programs for Senior Officers also need Compensation Committee review and approval.

The President may have the additional title of Chief Executive Officer or such other title as may be determined by the Board.

510.2 Duties of the Secretary

The Secretary:

- a) Shall keep a complete record of all meetings of the Association and the Board except those of the nominating committee;
- b) Shall be responsible for the corporate records of the Association;
- c) Shall keep the corporate seal, if any, and shall affix it to all papers requiring a seal;
- d) Shall make all reports required by law; and
- e) Shall perform such other duties as may be required by the President or by the Board.

510.3 Duties of the Treasurer

The Treasurer:

- a) shall have custody of all funds, securities, and assets of the Association;
- b) shall provide full and complete records of all assets and liabilities of the Association;
- c) shall make such reports as may be required;
- d) shall keep complete equity ownership records; and
- e) shall perform such other duties with respect to the finances of the Association as may be prescribed by the President or by the Board.



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The Treasurer may have the additional title of Chief Financial Officer or such other title as may be determined by the Board.

520 Removal

The President may be removed from office with or without cause by a majority vote of the entire Board. Any removal shall be subject to the terms of any employment contract by and between the President and the Association.

530 Service Contract

The Board may enter into a contract with the Bank pursuant to which the Bank may perform on behalf of the Association some of the administrative or clerical duties and responsibilities that would otherwise be performed by officers and employees of the Association. The duties to be performed by the Bank under such contract shall not, however, include discretionary duties which, under these Bylaws, are required to be performed by the Board or President.

540 Joint Management.

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

ARTICLE VI --- COMMITTEES

600 Board Committees

The Board may establish standing or ad hoc Committees as may be necessary. The Board shall prescribe the duties and responsibilities of each such committee. The Board has established the following Committees:

6. Executive Committee
7. Governance Committee
8. Audit Committee
9. Compensation Committee
10. Credit Committee

610 Standing Committees

The Board has established Standing Committees including the following: Executive Committee, Governance Committee, Audit Committee, Compensation Committee, and Credit Committee. The Audit, Compensation, and Credit Committees shall each consist of four members. The Governance Committee shall consist of five members and the Executive Committee shall consist of two members. The members of each Committee shall act with the President to address responsibilities that have been assigned by the



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Board. The Governance Committee shall annually meet to review Committee assignments and address prescribed Committee member rotation.

Each Committee shall have such authorities as may be delegated by the Board. Any or all of the Directors who are not regular members of this committee may be designated by the Board as alternate members. A majority of the committee, whether regular or alternate, shall constitute a quorum, provided that the President or a designated employee alternate is present. Meetings of Committees may be conducted by telephone conference call provided a reasonable attempt is made to reach all members, a quorum is present, and the technical arrangements permit all persons participating to hear each other at the same time. Actions taken under this authority shall be reported to the Board at its next regular meeting.

620 Credit and Lending Authority

The Board, may delegate to the President, individual employee(s), or committee(s) of employees of the Association the authority to approve applications for membership and loans or participations within specified limits. No loan shall be made unless the application therefore has received the approval of a majority of the members of the loan committee present at the meeting at which action was taken. The loan committee shall have, possess, and exercise such other power and authority as may be delegated to it by the Association President. Periodic reports of all actions on loans and applications shall be submitted to the Board at its regular meetings, or earlier, if required.

630 Quorum

A majority of any committee shall constitute a quorum.

640 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 so state.

645 Minutes

Each Board Committee shall keep a written record of its proceedings.

ARTICLE VII CAPITALIZATION, EARNINGS, SURPLUS, DIVIDENDS

700 Authorization, Classes, Par or Face Value

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

1. Class C Common Stock - Voting



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2. Class D Common Stock - Nonvoting (10,000,000 shares)
3. Such other classes of capital stock as may be provided for from time to time in amendments of these Bylaws as provided in Article XV.

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

705 Ownership and Transfer

Stock may be transferred to such persons or entities eligible to receive or hold such stock as enumerated in Section 710 of these Bylaws, provided that Stock may not be transferred or retired at any time during which the Association is not in compliance with the minimum capital adequacy requirements of the FCA.

Evidence of ownership of capital stock may be by book entry or in definitive form prescribed by FCA.

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

710 Issue

710.1 Class C Common Stock - Voting. Upon the Effective Date of these Bylaws, the Association shall issue to AgCarolina ACA one share of Class C Common Stock. Thereafter, Class C Common Stock shall be issued only to AgCarolina ACA in such amounts and at such times determined by the Board. Class C Common Stock shall have voting rights.

710.2 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.

715 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.

720 Liens

The Association shall have a lien on all AgCarolina 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.



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When the debt of the borrower is in default, the Association may direct AgCarolina 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.

725 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.

730 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.

740 Applications of Earnings

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

- 740.1 First, to cover operating and non-operating expenses including additions to loan loss reserves.
- 740.2 Second, to restore the amount of any impairment of capital stock as prescribed in Section 730 of these Bylaws.
- 740.3 Third, to restore the amount of any impairment to surplus.
- 740.4 Fourth, to create and maintain a surplus account.
- 740.5 Fifth, to pay patronage as provided in Section 770 hereof.
- 740.6 Sixth, to pay dividends on capital stock as provided in Section 760.



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745 Absorbing Losses

In the event of a net loss for any fiscal year after applying earnings for such fiscal year as provided in Section 740, such loss shall be absorbed as follows:

745.1 First, by charges to the surplus account.

745.2 Second, to the impairment of capital stock as provided in Section 730.

750 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 745.1.

760 Dividends

760.1 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.

760.2 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.

760.3 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.

760.4 Notwithstanding other provisions of this Section, dividends may not be declared unless the Association, after recording the liability, will meet its capital adequacy requirements.

765 Effective Date

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

770 Patronage Refunds

The Association shall be organized and operated on a cooperative basis for the mutual benefit of AgCarolina 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 AgCarolina ACA and FLCA and shall be distributed to Members and other patrons in accordance with the provisions of



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Article VIII of the Bylaws of AgCarolina ACA as patronage dividends on the basis of business done with the Association, AgCarolina ACA and FLCA.

ARTICLE VIII RESERVED

ARTICLE IX EXECUTION OF DOCUMENTS

900 Transactions with Supervising Bank, Releases, and Uniform Commercial Code Transactions

All documents required to be executed in connection with transactions with the Bank, and 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 North Carolina Uniform Commercial Code or other applicable law, may be executed in the name of the Association by the President or the President's designee who shall be identified by name in a report to the Board and recorded in the minutes thereof.

910 Other Transactions

Bonds, contracts, conveyances, and all other documents, except checks and vouchers of the Association, shall be signed by the President or any other officer of the Association designated by the President, and, when required, shall be attested to by other officer(s) or employee(s) designated by the President. When the Association holds a deed of trust containing a provision for foreclosure by the Association under a power of sale, the Board or the President, if that officer 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 property in the name of the Association. No person shall sign and attest the same document.

920 Expenses and Checks

The President or any other employee(s) designated by the President shall be delegated authority to approve and pay all expenses of the Association and shall sign all checks and vouchers issued by the Association.

ARTICLE X RECORDS AND REPORTS

1000 Records

Copies of the organization papers of the Association, returns of Association elections, proceedings of all regular and special meetings of members and Directors, the Bylaws and any amendments thereto, resolutions of the Board and reports of all committees thereof 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, are to be retained by the Association pursuant to a records retention program to be developed and approved by the Board.



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1010 Reports

The Association shall make available to each member such reports as are required by the Act and Regulations and such other reports as the Board deems advisable. The financial statements included in each annual report of the Association shall be audited by independent accountants.

ARTICLE XI UNCLAIMED PROPERTY

The Association shall seek to pay to the owners the proceeds of any retirement of stock and participation certificates and any accrued dividends. In the event the Association, after a period of three years from the date payable, is unable to determine the address or whereabouts of the owner or the heirs and assigns of the owner, the funds may be disposed of in accordance with state or federal law as applicable.

ARTICLE XII FISCAL YEAR

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

ARTICLE XIII SEAL

The following impression or ink-stamp facsimile thereof is the seal of the Association:

ARTICLE XIV INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

1400 Indemnification

1400.1 The Association shall indemnify any Director, officer or employee who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a Director,



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officer or employee of the Association, or is or was serving at the request or direction of the Association as a Director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

- 1400.2 The Association shall indemnify any Director, officer or employee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he or she is or was a Director, officer or employee of the Association, or is or was serving at the request or direction of the Association as a Director, officer, employee, agent, administrator, advisor, fiduciary or member of another corporation, partnership, joint venture, trust, retirement or other employee benefit plan or other enterprise, as well as any committee, subcommittee, or other body of the Farm Credit System existing under authority of statute or otherwise, against expenses (including attorney's fees) actually or reasonably incurred by him or her in connection with the defense or settlement of such action or suit, as well as amounts paid in settlement, if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Association and, to the extent of amounts paid in settlement, that settlement was in the best interests of the Association; provided, however, that no indemnification shall be made in respect of any claim, issue or matter as to which such Director, officer or employee shall have been adjudged to be liable for negligence or misconduct in their performance of his or her duty to the Association unless and only to the extent that a court of competent jurisdiction shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.
- 1400.3 A Director's, officer's or employee's conduct with respect to a retirement or other employee benefit plan for a purpose that he or 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 or she acted in a manner reasonably believed to be in or not opposed to the best interests of the Association.
- 1400.4 The termination or abatement of a claim, threatened claim, suit or other proceeding by way of a judgment, order, settlement, conviction, or upon a plea of guilty or nolo contendere or its equivalent is not, of itself, determinative that the Director, officer or employee did not meet the standard of conduct described in this Section 1400.



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1400.5 The Association may indemnify any other 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.

1410 Additional Indemnification Provisions

1410.1 A Director, officer or employee of the Association who has been successful, on the merits or otherwise, in the defense of any suit or proceeding referred to in Section 1400 to which he or she was a party shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection with such suit or proceeding.

1420 Procedure

Any indemnification under Section 1400 (unless ordered by a court) shall be made by the Association only as authorized in a specific case upon a determination that indemnification of the Director, officer or employee is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1400. Such determination shall be made: (a) by the Board by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding; or (b) if such a quorum is not obtainable, and a quorum of the disinterested directors so directs, by independent legal counsel in a written opinion.

1430 Advances of Expenses

Notwithstanding the provisions of Section 1420, reasonable expenses incurred in defending any civil or criminal action, suit or proceeding 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 to repay such amount in the event it is ultimately determined, as provided herein, that such person is not entitled to indemnification. Advances of expenses shall be made promptly and, in any event, within 90 days, upon the written request of the Director, officer or employee.

Notwithstanding the foregoing, no advance shall be made by the Association if a determination is reasonably made at any time by the Board by a majority vote of a quorum of disinterested Directors, or (if such a quorum of disinterested Directors so directs) by independent legal counsel in a written opinion, that, based upon the facts known to the Board or counsel at the time such determination is made, such person acted in bad faith and in a manner opposed to the best interests of the Association, or that such person deliberately breached his or her duty to the Association or its stockholders, or, with respect to any criminal proceeding, that such person believed or had reasonable cause to believe his or her conduct was unlawful.

1440 Other Rights

The indemnification provided by this Article XIV shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any insurance or other agreement, vote of shareholders or Directors or otherwise, both as to actions in their official capacity and as to actions in



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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 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 1400 against any liability asserted against or incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of this Article.

1450 FCA Penalties.

Notwithstanding any other provision of these Bylaws, the Association will not indemnify, nor purchase or maintain insurance to indemnify, any of its directors, officers, employees or agents against expenses, penalties, or other payments incurred as a result of an administrative proceeding or enforcement 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, AgCarolina ACA or FLCA.

1460 Applicable Law

The interpretation of this Article XIV shall be under the law of the State of North Carolina.

ARTICLE XV AMENDMENTS

1500 General

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

1510 Amendments to Provisions Respecting Capitalization

Any amendment to Article VII, other than those strictly of a technical nature not affecting any substantive rights, shall not become effective unless approved by AgCarolina 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 AgCarolina ACA affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote. Votes shall be tallied by AgCarolina ACA's outside auditors, or a tellers committee if AgCarolina ACA's Board, at least 90 days' prior to a scheduled vote, directs the appointment of a tellers committee. The procedures used by the outside auditors, or a tellers committee if one is appointed, shall be those used by AgCarolina ACA's outside auditors, or a tellers committee, as applicable, in the election of Directors for AgCarolina ACA.



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1520 Effectiveness

These Bylaws shall become effective on January 1, 2003. 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 AgCarolina Farm Credit, PCA, a Production Credit Association, hereby certify that at a meeting duly held on the 19th day of July, 2006, the Board of Directors of said association duly adopted amendments to the foregoing Bylaws.

Matthew J. Currin, Jr., Corporate Secretary