Policy Approved: 5/8/14	FCA Regulations: 612.2130, 612.2135,
Management Directive Approved: 4/6/15	612.2140, 612.2145, 612.2160, 612.2165,
FCA Approved: None Required	612.2170, 612.2270,
Division Review Completed: 4/15/15	620.1, 620.3, 620.6
	Farm Credit Act Section: 5.17(a)(8)
	Section 514 of the Safety and Soundness Act of 1992

I. POLICY

Purpose: The purpose of this policy is to ensure the integrity of the decision-making process with respect to board actions involving organizations with which individual board members maintain a Business Relationship.

Objective: The integrity of the board decision-making process will be maintained at all times in actuality as well as in appearance.

Principles/Practices to be Encouraged: Applicable Farm Credit Administration ("FCA") regulations shall govern director responsibilities and conduct. In general, board members will be responsible for voluntary compliance. When a Conflict of Interest exists or may be perceived to exist—with respect to specific actions, discussions, or reports involving the board—it will be the responsibility of the director involved to resolve the actual or perceived Conflict of Interest. Resolution of a Conflict of Interest may be achieved by a director reporting the matter to the board, recusing himself/herself from certain discussions or decisions, resigning from the board, or taking other appropriate steps.

Conduct Requirements:

A. Prohibited Conduct. Certain types of activity or conduct are explicitly prohibited under FCA regulations and each gives rise to an actual or apparent Conflict of Interest. This prohibited conduct is specified in detail under section 612.2140 of FCA regulations and generally pertains to the following.

1. Self-Dealing. Directors shall not participate in deliberations that would affect their financial interests, or the financial interests of any Relative of the director, any person residing in the director's household, any business partner of the director or any entity controlled by the director or such other persons (alone or in concert), except those matters of general applicability that affect all shareholders/borrowers in a nondiscriminatory way.

2. Divulgence of Confidential Information. Directors shall not divulge or make use of information not generally available to the public that is

obtained as a director of the bank for matters not related to the performance of the director's official duties.

3. Special Advantage. Directors shall not use the director's position to obtain or attempt to obtain special advantage, or favoritism for the director, any Relative of the director, any person residing in the director's household, any business partner of the director or any entity controlled by the director or such other persons (alone or in concert), any other System institution, or any person transacting business with the institution, including borrowers and loan applicants.

4. Gifts or Bribery. Directors shall not use the director's position or information acquired in connection with the director's position to solicit or obtain, directly or indirectly, any gift, fee, or other present or deferred compensation or for any other personal benefit on behalf of the director, any Relative of the director, any person residing in the director's household, any business partner of the director or any entity controlled by the director or such other persons (alone or in concert), any other System institution, or any person transacting business with the institution, including borrowers and loan applicants. Directors shall not accept any gift, fee or other present or deferred compensation that is offered or could reasonably be viewed as being offered to influence official actions or to obtain information that the director has by virtue of serving on the board.

6. Acquisition of Bank-Owned or Affiliated Association-Owned Property. Directors shall not knowingly acquire, except by inheritance or through public auction or open competitive bidding available to the general public, any interest in real or personal property (including any Mineral Interest) that was owned by the bank or any of its affiliated associations within the preceding 12 months and that had been acquired by such institution as a result of foreclosure or similar action.

7. Business Transactions with Bank Borrowers and Customers. Directors shall not borrow from, lend to, or become financially obligated with or on behalf of a director, employee, or agent of the bank or any of its affiliated associations or any borrower or loan applicant of the bank unless (1) the transaction is with a Relative or any person residing in the director's household; (2) the transaction is undertaken in an official capacity in connection with the institution's discounting, lending, or participation relationships with OFIs and other lenders; or (3) the CoBank Ethics, Compliance and Standards of Conduct Officer ("ECSOC Officer") determines, pursuant to policies and procedures adopted by the board, that the potential for conflict is insignificant because the transaction is in the Ordinary Course of Business or is not material in amount and the director

does not participate in the determination of any matter affecting the financial interests of the other party to the transaction except those matters affecting all shareholders/borrowers in a nondiscriminatory way.

8. Violation of Standards of Conduct Policy. Directors shall not violate this Director Standards of Conduct policy.

9. Purchase of Systemwide Obligations. Directors shall not purchase Systemwide obligations unless they are (1) part of an offering made available to the general public; and (2) purchased through a dealer or dealer bank affiliated with a member of the selling group designated by the Federal Farm Credit Banks Funding Corporation or purchased in the secondary market.

B. Political Activity. In addition, certain activities are subject to the various laws and regulations governing political activity by CoBank directors. To ensure full compliance with these laws and regulations, CoBank directors:

1. Shall not engage in personal political activity on company time;

2. Shall not engage in any activity that would suggest that such director's personal political activity is undertaken on behalf of or at the direction of CoBank;

3. Shall not use any CoBank facility for any political activity without first seeking and receiving specific permission from the ECSOC Officer;

4. Shall not engage in Lobbying a Covered Legislative or Executive Branch Official or a member of their staff while on company time, without the prior approval of the bank; and

5. Shall not give a gift of any kind to a Covered Legislative or Executive Branch Official or a member of their staff, regardless of the pre-existing relationship, without prior approval from the ECSOC Officer. This gift ban does not include a personal campaign contribution.

C. Certain Business Transactions and Relationships: Directors may engage in Business Transactions or Relationships, directly or indirectly, with (a) any borrower, loan applicant, director, or employee of the bank; or (b) any or borrower, loan applicant, director, or employee of any affiliated association; or (c) any persons transacting business with the bank or any affiliated association, including OFIs or other lenders having an access or participation relationship with the bank or any affiliated association provided that: (i) such transaction or

relationship does not create a Conflict of Interest; and (ii) such transaction or relationship is undertaken in the Ordinary Course of Business.

D. CoBank Preferred Stock – Directors and Relatives may not acquire CoBank preferred stock or of any System Institution in the CoBank district. This prohibition shall not apply to an indirect acquisition through mutual funds or other arrangements where individual control cannot be exercised or to acquisitions by inheritance. Acquisitions by inheritance by a bank director must be promptly disclosed as defined in this policy, recusal actions taken where appropriate and a reasonable holding and divestiture plan must be developed for approval by the board.

E. Managing Actual and Apparent Conflicts of Interest (Recusal): Directors must Recuse themselves from any deliberations on a specific matter when they have an actual or apparent Conflict of Interest. The board must also immediately cease deliberations of a specific matter when a director with an actual or apparent Conflict of Interest is present. It is the responsibility of the each director and the full board to be aware of any actual and apparent Conflicts of Interest to ensure Recusals are appropriately invoked and Conflicts of Interest are managed in a manner that does not compromise the board's decision making process. The board and individual directors may seek a Recusal determination from the ECSOC Officer as needed when specific matters arise.

F. Noncompliance Penalties: The FCA may impose civil money penalties on individual directors and CoBank, and take other supervisory actions, if directors fail to disclose and manage actual or apparent Conflicts of Interest. CoBank is required to report to FCA any noncompliance with FCA disclosure and conduct regulatory requirements.

Authorities Delegated: The Chief Executive Officer, in consultation with the chairman of the board, shall designate an ECSOC Officer (the Executive Order making this designation is contained in P/D 3-9) who shall review disclosure reports provided by directors, monitor compliance with this policy, and report any findings to the Chief Executive Officer. The ECSOC Officer shall make such further reports to FCA or others or take such actions as are required by FCA regulations.

Management shall also develop a process to distribute FCA regulations related to standards of conduct and obtain director acknowledgment that such regulations are understood.

Authorities Retained: The chairman of the board may seek to resolve Conflicts of Interest with individual board members. However, the board is responsible for making final determinations on all matters relating to Conflicts of Interest or conduct with respect to individual board members.

Board Approval and Reporting Requirements:

A. Annual Disclosure. Annually, each member of the board shall prepare and sign a director disclosure form (see Exhibit 2). The completed disclosure form or the information contained therein shall be made available to the board, stockholders (as part of the director election process), ECSOC Officer, and other parties with a legitimate business interest in the bank. The disclosure form will be consistent with FCA regulations but directors shall also be required to provide information on professional background, relevant legal proceedings, customer relationships, other Business Relationships, and relevant personal information, including information required to determine whether a director is independent (see Exhibit 1 for the CoBank Director Independence Statement).

B. Disclosure by New Directors. Each newly elected or appointed director shall prepare and sign a director disclosure form (see Exhibit 2) within 30 days after the election or appointment.

C. Semi-Annual Disclosure. At least semi-annually, the board Governance Committee shall review disclosure materials submitted by board members and provide a summary report to the board of all activities, transactions, or relationships involving board members that are actual or perceived Conflicts of Interest.

D. Conflict of Interest Disclosure. Each member of the board who becomes or plans to become involved in a relationship, transaction or activity that is required to be reported under this policy or could constitute a Conflict of Interest shall promptly report such involvement in writing to the ECSOC Officer for a determination of whether the relationship, transaction or activity is, in fact, a Conflict of Interest.

E. CEO Reports. The Chief Executive Officer will bring to the attention of the chairman of the board, or the board Governance Committee, actual or perceived Conflicts of Interest identified by the ECSOC Officer. If necessary, the board Governance Committee shall recommend appropriate corrective action to the board.

II. MANAGEMENT DIRECTIVE

A. Dissemination of Regulations and Disclosure Materials

The ECSOC Officer or designee shall identify selected sections of relevant FCA regulations and bank policies that are pertinent to the operations of the bank and the conduct of the directors. The disclosure form shall contain an acknowledgment page for the board members and candidates to sign, acknowledging their receipt

and understanding of the relevant FCA regulations and bank policies. The board secretary will distribute to board members and candidates for board positions these materials and be responsible for collecting and filing the completed disclosure forms.

To comply with Conflict of Interest and loan approval regulations, the board secretary will provide copies of disclosure materials to board members, the ECSOC Officer, and the bank's Chief Credit Officer.

B. ECSOC Officer

As may be appropriate, but at least semi-annually, the ECSOC Officer will review disclosure materials submitted by board members and candidates for board positions. Based on the review of disclosure materials, on a semi-annual basis, the ECSOC Officer will report to the board about actual and apparent Conflicts of Interest that need to be managed.

C. Management Reporting Requirements

The ECSOC Officer will report to the Chief Executive Officer any activity, transaction, or relationship involving a board member that is a Conflict of Interest or that appears to be a Conflict of Interest. The Chief Executive Officer will bring all such cases to the attention of the individual board member, chairman of the board, and/or the board Governance Committee as appropriate. The ECSOC Officer will make such further reports to FCA or others or take such actions as are required by FCA regulations.

III. DEFINITIONS

Business Transaction or Relationship: A transaction or relationship of a person (or an entity controlled by the person) with another person or entity which involves: the purchase, sale, lease, ownership, or management of real or personal property; services as a real estate agent or broker; the sale or placement of insurance; sales barn activities; appraisal services; the borrowing or lending of money or other things of value; serving as an associate, director, or officer; providing or receiving financial, professional, or other services; and any other similar transaction. The term does not include relationships or transactions associated with personal, family, or household matters.

Conflict(s) of Interest: An actual or apparent Conflict of Interest exists when a person has a financial interest in a transaction, relationship, or activity that actually affects or has the appearance of affecting the director’s ability to perform official duties and responsibilities in a totally impartial manner and in the best interest of CoBank when viewed from the perspective of a reasonable person with knowledge of the relevant facts.

Covered Legislative or Executive Branch Official: Members of Congress and congressional staff; executive branch officials serving in a confidential or policymaking role—typically schedule C and above. Career employees at the federal agencies are not considered covered officials.

Lobbying: Preparation for or communication with Covered Legislative or Executive Branch Officials to influence legislation or executive branch action, including but not limited to the formulation, modification, or adoption of any federal program, policy, or position in the administration or execution of a federal program or policy (including the negotiation, award, or administration of a federal contract).

Mineral Interest: Any interest in minerals, oil, or gas, including, but not limited to, any right derived directly or indirectly from a mineral, oil, or gas lease, deed, or royalty conveyance.

OFI: Other financing institutions that have established an access relationship with CoBank under Section 1.7(b)(1)(B) of the Farm Credit Act of 1971, as amended.

Ordinary Course of Business: When applied to a Business Transaction or relationship, means: (1) a transaction or relationship that is usual and customary between two persons who are in business together; or (2) a transaction or relationship with a person who is in the business of offering goods or services that are the subject of the transaction or relationship on terms that are not preferential, i.e., not on the same terms as those prevailing at the same time for comparable transactions for other persons who are not directors of the bank.

Relative: An individual and spouse and anyone having the following relationship to either: parents, spouse, son, daughter, sibling, stepparent, stepson, stepdaughter, stepbrother, stepsister, half-brother, half-sister, uncle, aunt, nephew, niece, grandparent, grandson, granddaughter, and the spouses of the foregoing.

Recuse/Recusal: The act of abstaining from participation in an official board action or deliberation due to an actual or apparent Conflict of Interest. Abstaining from participation means the director must vacate the board meeting room and not discuss the matter with the board, other directors or management unless specifically and formally asked to provide information.

IV. EXHIBITS

Exhibit 1—CoBank Director Independence Statement.
Exhibit 2—Disclosure and Certification Form.

EXHIBIT 1

COBANK DIRECTOR INDEPENDENCE STATEMENT

I. Philosophy

The CoBank, ACB (CoBank) board of directors (board) believes that a key component for a strong and effective board is that a significant majority (75%) of the board members be considered independent. Independent board members perform an important role ensuring sound governance practices exist and decisions are in the best interests of CoBank and its stockholders. Independent directors exercising independent judgment in reaching decisions on CoBank matters is an essential element in sound governance. The board will be vigilant to ensure independence is not jeopardized and, through this Statement, is identifying criteria to determine independence of CoBank directors recognizing these directors are neither employees nor direct borrowers of CoBank.

II. Purpose and Objectives

The purpose of this Statement is to reinforce the importance of director independence and to establish the requirements for determining independence for CoBank directors.

III. Implementation

The board retains the authority to establish the criteria used to assess the independence of each director and to amend this Statement, as appropriate. The Chief Executive Officer (CEO) or his designee has full authority to conduct the analysis necessary to report to the board on director independence.

IV. Operating Principles

A. In order for a director to be recognized as independent, all of the following objective criteria must be met as of December 31 of the year for which the CoBank Annual Report is being prepared (unless otherwise indicated).

Note: The criteria for loan volume relate to: (1) CoBank loans and leases to a Farm Credit Association affiliated with CoBank where a CoBank director is also a director of that Association; and (2) CoBank loans made under Title III of the Farm Credit Act to a customer where a CoBank director is also a director or officer of that customer.

1. The loans from CoBank to an affiliated Association where a CoBank director is also a director do not comprise more than 15% of the total loans and leases of CoBank.

2. The loans from CoBank to a Title III customer where a CoBank director is also a director or officer do not comprise more than 15% of the total loans and leases of CoBank.
3. The weighted equity voting strength of an affiliated Association where the CoBank director is also a director is not sufficient to assure the affiliated Association of being able to elect more than 20% of the elected directors to the CoBank board.
4. The weighted equity voting strength of a Title III customer where a CoBank director is also a director or officer is not sufficient to assure the customer of being able to elect more than 20% of the elected directors to the CoBank board.
5. The CoBank director is not (or was not) a director of an affiliated Association whose loan was classified "doubtful" or "loss" by CoBank during the most recent six month period.
6. The CoBank director is not (or was not) a director or officer of a Title III customer whose loan was classified "doubtful" or "loss" by CoBank during the most recent six month period.
7. The director or the spouse of a director is not an employee, director or more than a 10% owner of a non-System financial institution that has more than 20% of its loan portfolio in loans that directly compete with CoBank.
8. The director has no outside business relationship with and is not an immediate family member of any CoBank senior officer.
9. At no time during the last three years has the director been employed by CoBank or has any immediate family member been an executive officer of CoBank.
10. At no time during the last three years has the director or an immediate family member received more than $120,000 in direct compensation from CoBank (other than as director and committee fees and pension and other forms of deferred compensation).
11. The director is not currently a partner at CoBank's external auditor or has not, in the last three years, personally worked on CoBank's audit. The director has no immediate family member who is currently a partner at CoBank's external auditor or has no immediate family member who works, or in the last three years, has personally worked on CoBank's audit.
12. At no time during the last three years has the director or an immediate family member been an executive officer of a company where any of CoBank's present executives serve or served on that other company's compensation committee.
13. The director has not been an executive officer or employee, nor has any immediate family member been an executive officer, of a company that makes payments to, or receives payments from, CoBank for property or services in an amount which, in any single fiscal year, exceeds the greater

of $1 million, or 2% of such other company's consolidated gross revenues, until three years after the end of such service or employment relationship

14. The director has no other material relationship with CoBank, either directly or as a partner, stockholder or officer of any organization, that has a material relationship with CoBank.

B. Annually, CoBank management will perform an analysis of the above objective criteria, including available financial information, to assist the board in determining the independence of each director. In connection with receiving the objective criteria analysis, the board will also consider any other known information that could impact the independence of any director. Following consideration of this information, the board will take action at the first board meeting in each calendar year to acknowledge which directors are independent.

C. During the year, CoBank will notify a director, and any director will notify CoBank, as soon as reasonably possible, of any information that arises that they believe, to the best of their knowledge, could cause the director to fail to meet any test for director independence at any time during the year. When a director meets any criteria test which was not previously met, the director may be considered by the board for re-designation as an independent director.

D. If the percent of independent directors falls below 75%, the board will notify the Bank Election Officer and the board Nominating Committee of the need and desire for independent directors to be elected by the stockholders.

E. All members of the board Compensation Committee and the board Audit Committee must meet all of the objective independence criteria as set forth in this CoBank Director Independence Statement.

V. <u>Reporting Requirements</u>

A. The board may direct the CEO to report on the results of the objective director independence criteria analysis in CoBank's annual and/or quarterly reports, and by other means.

B. Determination of director independence may be disclosed to the public or other outside parties.

C. This Statement will be reviewed annually in the board's discretion.

EXHIBIT 2

INTENTIONALLY OMITTED