

What is the purpose of this brochure?

This brochure is designed to help you, as a member of the nominating committee, in your yearlong task of identifying and evaluating candidates for election to your bank's or association's board of directors. This is a very important service to your cooperative.

What is a nominating committee?

A nominating committee is a committee of voting stockholders. It is responsible for identifying, evaluating, and nominating candidates for the board of directors at a Farm Credit bank or association. Because a nominating committee is not a committee of the board, its independence from the influence of board and management is critical to the success of your financial cooperative and the preservation of stockholder control.

Must all director candidates be selected by a nominating committee?

Generally, director candidates are nominated by a nominating committee. However, at an association, any eligible voting stockholder may be nominated from the floor to stand for election. Farm Credit banks may also allow floor nominations, but they are not required to do so.

How large is a nominating committee and how long do members serve?

A nominating committee consists of at least three members, all of whom are elected by the institution's voting stockholders. An institution may have a larger committee to better represent all of the regions in its territory.

The term of office for association nominating committee members is one year, and they may be re-elected. The term of office for Farm Credit bank nominating committee members is decided by each bank.

Who serves on a nominating committee?

For both associations and banks, eligibility to serve on a nominating committee is limited to voting stockholders who are not directors, director candidates, officers, employees, or agents of the association or bank. Out-of-territory voting stockholders may also be eligible to serve.

Bank and association nominating committee members may not stand for election to the board of directors in the same election in which the committee is identifying director candidates.

What are my responsibilities as a nominating committee member?

Your main responsibility is to nominate individuals for service on the board of directors. This involves the following:

- Identifying, from the current list of voting stockholders, individuals who are eligible, qualified, and willing to serve as directors
- Evaluating the qualifications of potential nominees, keeping in mind the desired director qualifications provided by the institution and the types of agriculture practiced within the institution's territory
- Considering whether any obstacles exist that would prevent a director candidate from performing his or her duties
- Nominating at least two suitable nominees for each open position
- Preparing a written report on your efforts to identify director candidates
- Nominating director candidates for special elections that are held when mid-term vacancies occur
- Keeping records of meetings

When nominating director candidates, you must try to ensure representation on the board from all areas of your institution's

territory and, as nearly as possible, from all types of agriculture practiced in the territory. The nominating committee's goal should be to nominate candidates from diverse demographics, with a variety of experience, skills, and viewpoints. Diversity in demographics includes income, age, gender, and ethnicity differences.

What is the source of my nominating committee's authority?

Your committee's authority is based on Section 4.15 of the Farm Credit Act of 1971, as amended, and FCA regulations at §§ 611.320 and 611.325.

How does a nominating committee determine a person's eligibility to serve as a director?

The bylaws of your bank or association contain director eligibility requirements. For example, institutions may require director candidates to be free of apparent conflicts of interest and to meet age and term limits. They may also require the loans of any director candidates to be in good standing. Consult your institution's bylaws, and nominate only those director candidates who meet those qualifications.

Also, each Farm Credit bank and association must establish and maintain a written policy identifying desirable director qualifications. Your nominating committee should consult this policy when evaluating director candidates. Keep in mind that the Farm Credit Act requires a director candidate to be a voting stockholder of the association.

For a more detailed discussion of the role of Farm Credit bank and association directors, please see FCA's handbook, "The Director's Role," which is available from your institution or on FCA's website at www.fca.gov.

Are individuals who are not members of a nominating committee allowed to participate in that committee's activities?

Your Farm Credit bank's or association's current directors, director candidates, officers, employees, and agents are not only prohibited from serving on your nominating committee, they also cannot be present when you deliberate or vote on the nominees for your slate of director candidates. However, you may invite them to your meetings to answer questions on general matters such as director qualifications and duties, issues the institution will face in the future, and any specific skills and knowledge not adequately represented on the current board.

You may also accept from your bank or association staff the names of stockholders who might be willing to be director candidates, although you must perform your own evaluation of any person who is recommended. You may not allow others to influence the nomination process, and you must preserve your committee's independence in selecting director candidates.

What help can a nominating committee receive from its Farm Credit bank or association?

Your Farm Credit bank or association is required to provide your committee with reasonable access to administrative resources. This includes a current list of stockholders, the most recent bylaws, the current policy on desirable director qualifications, and a copy of the policies and procedures that your bank or association has adopted to ensure impartial elections and to govern nominating committee operations.

The committee may also request a summary of the current board's self-evaluation; in return, the board may require a pledge of confidentiality. You may also obtain candidate

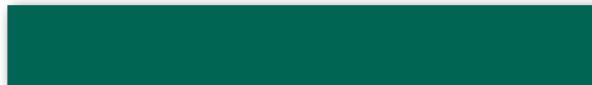
biographical information and other similar information from your bank or association. Your institution's staff may assist with logistical, clerical, and administrative support to help the committee perform its duties effectively.

How do I indicate interest in serving on my institution's nominating committee?

Contact your Farm Credit bank or association to find out its procedures for electing nominating committee members. Each institution determines how candidates for nominating committee membership are identified. Your bank or association can tell you how you can notify the appropriate party of your interest in serving on the nominating committee.

Where can I get further information about nominating committees?

FCA issued a Bookletter on March 8, 2007, that discusses the important role nominating committees play in the System's cooperative institutions. To read the Bookletter, go to the FCA website at www.fca.gov, select "Bookletters" from the Quick Links menu, and select "BL-043 Revised, Guidance on Farm Credit Bank and Association Nominating Committees" from the list.



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