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February 14, 2008

To: Chairman, Board of Directors

 Each Farm Credit Bank and Association

From: Nancy C. Pellett

 Chairman and Chief Executive Officer

Subject: Floor Nomination Procedures for System Associations and Banks

In the election of directors, the role of the nominating committee is to present, for stockholder vote, a slate of eligible candidates for service on the institution’s board of directors.1 A floor nomination is the only other manner of nominating candidates to serve as stockholder-elected directors. This bookletter provides guidance on the procedures Farm Credit System (System) associations are expected to use in accepting nominations from the floor. Farm Credit banks that allow floor nominations should also follow the guidance provided by this bookletter.

Background

Section [4.15](http://ww3.fca.gov/readingrm/handbook/Statutes/SEC.%204.15.docx) of the Farm Credit Act of 1971, as amended (Act), addresses nominations for director elections. Section [4.15](http://ww3.fca.gov/readingrm/handbook/Statutes/SEC.%204.15.docx) requires System associations to have nominating committees and to accept floor nominations, while instructing the Farm Credit Administration (FCA) to issue regulations on Farm Credit bank director elections so a choice of nominees is assured. FCA regulation § [611.325](http://ww3.fca.gov/readingrm/handbook/FCA%20Regulation/611.325.docx) requires Farm Credit banks and associations to have nominating committees. Also, FCA regulation § [620.21](http://ww3.fca.gov/readingrm/handbook/FCA%20Regulation/620.21.docx)(d)(4) requires Farm Credit banks andassociations to disclose in their annual meeting information statements whether floor nominations are allowed and states that associations must accept floor nominations. We encourage Farm Credit banks to accept floor nominations as well.

Floor Nomination Procedures

The manner of conducting floor nominations is generally guided by an institution’s bylaws and general corporate law principles. However, an association’s general authority to administer the election of stockholder directors is subject to the specific requirements of section [4.15](http://ww3.fca.gov/readingrm/handbook/Statutes/SEC.%204.15.docx) of the Act. Section [4.15](http://ww3.fca.gov/readingrm/handbook/Statutes/SEC.%204.15.docx) requires that "[nominations] shall . . . be accepted from the floor," which is an express right granted to the stockholder that may not be unduly restricted in a way that effectively weakens it. Thus, procedures for nominations from the floor may not be unduly burdensome nor have the effect of denying voting stockholders the right to name candidates through floor nominations.

For example, a System association whose bylaws, policies or procedures require that floor nominations have signatures in support of the nomination before adding the nominee to the ballot, has converted the floor nomination into a nomination by petition, effectively denying voting stockholders the right to name candidates from the floor. Section [4.15](http://ww3.fca.gov/readingrm/handbook/Statutes/SEC.%204.15.docx) does not require stockholder support before a floor nomination is placed on the election ballot. Also, the recognized authority on parliamentary procedures, Robert's Rules of Order, explains that nominations from the floor are made at meetings where elections are pending and do not need a “second" before being placed on a ballot, although members may second a nomination to show support.2

System associations may establish other procedural requirements for director elections, such as determining that a floor nominee is willing to accept the floor nomination. Also, FCA regulations require that all nominees, including those named from the floor, be eligible for the director position for which the person is nominated and make the disclosures required by FCA regulation § [620.21](http://ww3.fca.gov/readingrm/handbook/FCA%20Regulation/620.21.docx)(d)(1) and (d)(5).

Please contact Andrew D. Jacob, CFA, Director, or Gary Van Meter, Deputy Director, Office of Regulatory Policy, at (703) 883-4414, Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090, or by e-mail to jacoba@fca.gov or vanmeterg@fca.gov if you have any questions regarding this communication.

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1FCA provided guidance on the nominating committee process in [BL-043 Revised](http://ww3.fca.gov/readingrm/handbook/FCA%20Bookletters/BL-043%20REVISED.docx) (March 8, 2007).

 2Rule 46, Robert’s Rules of Order Newly Revised, 10th edition, at 417—424 (Perseus Books (2000)).

Copy to: The Chief Executive Officer

 Each Farm Credit Bank and Association

 Federal Farm Credit Banks Funding Corporation