§ 615.5230 Implementation of cooperative principles.

(a) Voting shareholders of Farm Credit banks and associations shall be accorded full voting rights in accordance with cooperative principles.

(1) Each voting shareholder of an association or bank for cooperatives must:
   (i) Have only one vote, regardless of the number of shares owned or the number of loans outstanding, except as otherwise required by statute or regulation and except as modified by paragraph (b) of this section;
   (ii) Unless regional election of directors is provided for in the bylaws pursuant to §615.5230(a)(3), be accorded the right to vote in the election of each director (except for a director that is elected by the other directors);
   (iii) Unless regional election of directors is provided for in the bylaws, or unless otherwise provided in the bylaws, be allowed to cumulate such votes and distribute them among the candidates in the shareholder’s discretion.

(2) Each voting shareholder of a Farm Credit Bank must:
   (i) Have one vote that is assigned a weight proportional to the number of the association’s voting shareholders in a manner that does not discriminate against agricultural credit associations that have resulted from the merger or consolidation of Federal land bank associations and production credit associations; and
   (ii) Have the right to vote in the election of each director and be allowed to cumulate such votes and distribute them among the candidates in the shareholder’s discretion, except that cumulative voting for directors may be eliminated if 75 percent of the associations that are shareholders of the Farm Credit Bank vote in favor of elimination. In a vote to eliminate cumulative voting, each association shall be accorded one vote.

(3) The regional election of stockholder-elected directors is permitted under the following conditions:
   (i) A bylaw establishing regional elections is approved by a majority of voting shareholders, voting in person or by proxy, prior to implementation;
   (ii) The bylaw provides that all voting shareholders of the institution, whether or not they reside in the director’s region, have the right to vote in any shareholder vote to remove each director;
   (iii) There are an approximately equal number of voting shareholders in each of the institution’s voting regions. The regions shall be deemed to have an approximately equal number of voting shareholders if no region contains more than 25 percent more voting shareholders than in any other region. At least once every 3 years, the institution shall count the number of voting shareholders in each region and, if the regions do not have an approximately equal number of shareholders, shall adjust the regional boundaries to achieve such result; and
   (iv) An institution may provide for more than one director to represent a region. In such case, for purposes of determining whether the regions have an approximately equal number of voting shareholders, the number of voting shareholders in the region with more than one director shall be divided by the number of director positions representing that region, and the resulting quotient shall be the number that is compared to the number of voting shareholders in other regions.

(b) Each equityholder of each institution shall be equitably treated in the operation of the institution.

(1) Each issuance of preferred stock (other than preferred stock outstanding on October 5, 1988, and stock into which such outstanding stock is converted that has substantially similar preferences) shall be approved by a majority of the shares of each class of equities adversely affected by the preference, voting as a class, whether or not such classes are otherwise authorized to vote;

(2) Any dividends paid to the holders of common stock and participation certificates shall be on a per share basis and without preference as to rate or
§ 615.5250 Disclosure requirements for borrower stock.

(a) For sales of borrower stock, which for this subpart means equities purchased as a condition for obtaining a