

2024 Proposed Bylaw Changes

These changes will be considered during the first general session of the 2024 AFR State Convention on Friday, Feb. 23, at 1:15 p.m. Delegates wishing to participate in the bylaws consideration should be registered and in the room by that time.

By Brandon Wilson on behalf of Whitworth, Wilson & Evans, PLLC

NOTE: The following revisions were approved by the Board of Directors on Oct. 12, 2023, for consideration by the membership at the Annual Meeting in February 2024. Any text that appears in italics is text that is being added by these proposals. Any text that appears with a strikethrough is text that is being deleted or removed by these proposals.

THE OKLAHOMA STATE UNION OF THE FARMERS EDUCATIONAL AND CO-OPERATIVE UNION OF AMERICA, INC.

RATIONALES FOR CERTAIN BYLAW AMENDMENT PROPOSALS

The following are provided for your information as to the thought process for certain bylaw proposals. There are many bylaw proposals that are stylistic, add necessary punctuation, or otherwise are needed because other bylaws are being proposed to be revised. Other revisions have been proposed to make the bylaws of the State Union more aligned with its affiliate, the Mutual Company. Therefore, this document does not provide an explanation to every bylaw proposal being proposed. We encourage you, therefore, to review the entire document should you have questions about the totality of the revisions.

However, certain proposals are more weighty—or substantive. And below, we have drafted quick explanations for some of these proposals:

Section 2.1: ELIGIBILITY

Any person, without regard to sex, race, creed, color, national origin or handicap status, sixteen (16) years of age or over, and of a good moral character and habits, believing in God, bearing allegiance to the Government of the United States of America is eligible for Membership in the STATE UNION if all of the following requirements are met:

1. The person meets the Membership requirements of Sections 2.2 or 2.3;
2. The person's application for Membership is approved; and
3. The person does not act against the purposes or interests of the STATE UNION or the welfare of family-type farming. Any legal entity, such as a corporation, limited liability corporation, public or private association, or a trust is also eligible for Membership, so long as the legal entity is of a good reputation, applies for Membership and is approved, and generally supports the purposes of STATE UNION.

Section 2.1 RATIONALE: Although the Bylaws of STATE UNION did not specifically provide for legal entity membership, the practice of the STATE UNION has been to admit legal entities as members of STATE UNION. Therefore, this new language is simply codifying that practice.

Section 2.2: MEMBERSHIP

Membership is available to any person or legal entity who has an interest in furthering the purposes of the STATE UNION including any person or legal entity that derives a portion of his or her income from engaging in agricultural pursuits, the production of agricultural, horticultural, livestock, poultry, or forestry products or, from employment of by the STATE UNION, the National Union, a County Charter, a Local Charter, agriculture related co-operative or, any associated business enterprise, division or subdivision of any of the aforementioned.

Each person or legal entity must apply for and may be admitted to the Membership in the STATE UNION through an approval process as determined by the Board and upon payment of the prescribed membership dues. Dues must be paid to be considered a Membership entitled to vote and to receive benefits of membership as set forth in these Bylaws and/or other policies as set forth by the Board.

Section 2.2 RATIONALE: Although the STATE UNION Bylaws did not provide for legal entity membership, the practice of the STATE UNION has been to admit legal entities as members of STATE UNION. Therefore, this new language is simply codifying that practice.

Section 2.3: FAMILY MEMBERS

By virtue of their relationship to a Member an individual person who is a member as set forth in Section 2.2 above, any spouse and/or child sixteen (16) years of age or over and who has not reached their twenty-first (21st) birthday shall be a member of the STATE UNION without payment of additional dues as long as the person who maintains Membership to whom they are related is in good standing. A family member of a STATE UNION member shall have the same rights as a

"Dues-Along Member", unless such family member is himself or herself a Policyholder-Member, as such phrase is defined in Section 2.4.1. Any child who attains the age of twenty-one (21), to acquire a Membership with voting Membership with voting rights and/or be entitled to other benefits of Membership, must file an application, be accepted, and, pay dues.

Section 2.3 RATIONALE: The Board has recommended a change to the definition of "Membership". (Please see Section 2.4 below). To make "Policyholder-Members" and "Dues Alone Members" consistent, this change to this Section 2.3 would be necessitated. Also, because a legal entity can be a member under the proposals, the language needed to be clarified that the family relationship is to an "individual person who is a member" in contradistinction to a legal entity. Someone related to or affiliated with or employed by a company who is a member, for example, does not obtain some type of "family membership."

Section 2.4: MEMBERSHIP DEFINED

For purposes of these Bylaws, any person meeting the requirements of Section 2.2 or 2.3 may be referred to as a Member. However, the term Membership shall refer only to the Membership defined in Section 2.2 above. When determining voting rights at the County Charter, Local Charter or when determining the number of Delegates pursuant to Sections 4.4 and 4.5, each household, irrelevant of the number of Family Members, shall be counted as one (1) Membership and, only Memberships shall received voting rights.

There are two types of members of STATE UNION: (1) Policyholder-Members and (2) Dues Alone-Members.

2.4.1. Policyholder-Members
A "Policyholder-Member" is defined as a person or legal entity who is a member of STATE UNION and a policyholder of one or more policies of insurance with American Farmers & Ranchers Mutual Insurance Company. Such person or legal entity is both a member of STATE UNION and a policyholder of one or more policies of insurance with American Farmers & Ranchers Mutual Insurance Company.

2.4.2: Dues Alone-Members
A "Dues Alone-Member" is defined as a person or legal entity who is a member of STATE UNION by virtue of applying for membership in the STATE UNION, being approved, and paying the required membership dues, but such person or legal entity is not a policyholder of one or more policies of insurance with American Farmers & Ranchers Mutual Insurance Company.

Section 2.4 RATIONALE: The STATE UNION Bylaws define membership differently than the affiliate organization, AFRMIC, does. For example, a policyholder husband and a policyholder wife in AFRMIC can both be members (i.e., 2 members). But in State Union, they would be a part of one (1) "family membership." This is not inherently contradictory. However, the back-of-the-house operations require the organizations to spend extra funds to prepare each year to account for the possible difference in delegate counts, since, generally speaking, the same delegates appear for the joint annual meetings of both organizations. Thus, to make the delegate numbers the same, and in order to make the STATE UNION Bylaws consistent with its affiliate organization, AFRMIC, clarification between "Policyholder-Members" and "Dues Alone-Members" is recommended.

Section 3.4: RIGHTS AND DUTIES OF THE MEMBERSHIP

3.4.1. Rights and Duties – Policyholder-Members
The Policyholder-Members Membership, through their respective County Delegates and Local Delegates and eligible Alternates, shall have the right to vote on the following:

1. Elect, or otherwise accept, the seating of Officers and Directors;
2. Determine the amount and allocation of Membership Dues;
3. Amend the Bylaws;
4. Amend the Certificate (Articles of Incorporation); and,
5. Dissolve, merge or sell the assets of the STATE UNION other than in the regular course of activities; and,
6. The Membership, through their respective County Delegates, shall have the right to vote on all matters arising at properly noticed sSpecial mMeetings of the Membership in accordance with Section 5.2. Wherever these Bylaws refer to a circumstance where "Membership" has a right or obligation to vote or elect, such "Membership" refers only to Policyholder-Members, unless specifically provided for otherwise. The Policyholder-Members shall have the

following duties:

- A. Maintain current dues to be entitled to voting rights;
- B. Choose their respective County Delegates and Local Delegates;
- C. Follow the Bylaws of their respective County and Local Charters and these Bylaws of the STATE UNION; and
- D. Follow the policies of their respective County and Local Charters and the policies of STATE UNION.

3.4.2. Rights and Duties – Dues Alone-Members

A Dues Alone-Member shall have the same rights of participation in the activities of the STATE UNION as a Policyholder-Member, except that a Dues Alone Member shall not be able to, through any Local Delegate or eligible Alternate, vote on any of the topics identified in Section 3.4.1(1) through (6). A Dues Alone-Member may serve on a committee of the Board, including, but not limited to, the Policy Committee.

A Dues Alone-Member shall have the following duties:

- A. Pay and remain current on membership dues;
- B. Follow the Bylaws of their respective County and Local Charters and these Bylaw of the STATE UNION; and,
- C. Follow the policies and purposes of the members respective County and Local Charter and the policies and purposes of STATE UNION.

Section 3.4 RATIONALE: If the distinction between "Policyholder-Members" and "Dues Alone-Members" proposed in Section 2.4 is accepted, then revisions to Section 3.4 "Rights and Duties" is appropriate.

Section 4.4: DETERMINATION OF VOTING MEMBERSHIPS AND ELIGIBLE DELEGATES

The Membership of the STATE UNION, for purposes of calculating the Local Delegates as set forth below in Section 4.5 entitled to vote on behalf of the Membership at the Annual Meeting, will be those Policyholder-Members Memberships of record on December 31st of the year immediately preceding the Annual Meeting. To be eligible for election as a Local Delegate or an Alternate Delegate to the Annual Meeting, a person must have been a member membership in the STATE UNION for at least the entire calendar year (beginning January 1) preceding the year of the Annual Meeting. Memberships who do not belong to a Charter will not be represented by a Delegate. The Policyholder-Members, at the Local Charter level, may elect Delegates or Alternate Delegates that are either Policyholder-Members or Dues-Along Members. A Local Delegate or any Alternate Delegates may be any Member including a Member that is a "Family Member" defined in a spouse or child included in Section 2.2.

Section 4.4 RATIONALE: These changes are to clarify that (1) it is the Policyholder-Membership that is determined for delegate count. But, (2) (and this is important), while only the Policy-Holder members are counted for purposes delegate counting and only Policy-Holder members, at the Local Level, are allowed to elect delegates, the delegates themselves can be any STATE UNION member, whether a Policyholder-Member or a Dues Alone-Member. In other words, and as an example: A 18 year-old young man (perhaps the son of a policyholder) who is not a holder of any AFRMIC policies can be a delegate to the Annual Meeting, assuming the that the Policyholder-Members elect him to go to the Annual Meeting. He cannot himself vote at the local level, but if he is "deputized" (so to speak), he is allowed to serve as a voting delegate at the Annual Meeting.

Section 4.5: SELECTION NUMBER OF DELEGATES

The Policyholder-Members of each Local Charter shall elect one (1) delegate for every fifty (50) Policyholder-Members in the Local Charter, or fraction thereof (hereinafter referred to as "Local Delegate(s)"), provided however, that a Local Charter must have at least fifteen (15) Policyholder-Members to be entitled to a Local Delegate. The Policyholder-Members of each Local Charter may also elect one or more alternate delegate(s) who shall attend the Annual Meeting in place of an elected Local Delegate who cannot attend (hereinafter referred to as "Alternate(s)"). Alternates have no voting rights except when representing an elected delegate. A plurality of votes will determine all elections; therefore, the candidate receiving the most votes will be elected. [Current Section 4.5 stricken entirely]

Section 4.5 RATIONALE: Under the current STATE UNION Bylaws, each Local

Charter receives 1 Delegate for every 50 "Memberships." Meanwhile, under the past and current AFRMIC Bylaws, there is 1 Delegate for every 50 policyholders. The issue is that the definition of "Memberships" in STATE UNION is different than the definition of "Policyholders" in AFRMIC. Thus, those numbers likely almost never (and may never) match. By creating "Policyholder-Members" and "Dues Alone-Members", and then using "Policyholder-Members" as the touchstone for delegate count, then the "membership" number in STATE UNION and the "policyholder" number in AFRMIC should theoretically match and be easier to identify.

Section 6.1: Authority and Composition

All powers and authority which may be granted to a Board of Directors of a corporation under the laws of Oklahoma shall be vested in the Board. Any decision of the Board regarding the business of the STATE UNION shall be binding upon the Officers of the STATE UNION. Any one Officer or Director shall not have the authority to contract on behalf of the STATE UNION unless determined otherwise by a vote of the Board.

The control of STATE UNION shall be vested in a Board of nine (9) Directors, each of whom shall have met the eligibility requirements of Section 6.3. seven (7) Directors pursuant to the terms of the current Amended and Restated Bylaws of the Oklahoma State Union of the Farmers Educational and Co-operative Union of America, Inc. dated February 19, 2016 until the 2017 Annual Meeting, at which time, the control of State Union shall be vested in a Board of nine (9) Directors. The nine (9) Directors shall have staggered terms of one (1) to three (3) years or until their successors are chosen and qualified according to their positions and terms of office described in Section 6.2 below. The Board of Directors shall be divided into three (3) classes. Each class shall consist, as nearly as possible, of one-third of the whole number of the Board of Directors. Except as otherwise provided for herein, the term of those Directors whose term is expiring as of the 2017 Annual Meeting of the members of STATE UNION and the American Farmers & Ranchers Mutual Insurance Company, an Oklahoma Corporation, shall be considered Directors in the first class; the term of office of those Directors whose term expires as of the 2018 Annual Meeting of Members of State Union and the American Farmers & Ranchers Mutual Insurance Company shall be considered Directors of the second class; and the term of office of those Directors whose term expires as of the 2019 Annual Meeting of the Members of State Union and the American Farmers & Ranchers Mutual Insurance Company shall be considered Directors of the third class. Except as otherwise provided herein, at each Annual Meeting the election of the successors to the class of Directors whose terms have expired in that year shall be elected to hold office for a term of three (3) years. Following the 2019 Annual Meeting, the Board of STATE UNION will be composed of nine (9) Directors, whose eligibility and election is provided for in Sections 6.4 and 6.5.

Section 6.1 RATIONALE: The changes essentially remove language that is no longer relevant.

Section 6.8-9: REMOVAL OR RESIGNATION

[Current 6.9 strike and replace with below] A Director may be removed with cause, by the affirmative vote of two-thirds (2/3) of the entire Board of Directors at any regular or specially called meeting, but only after the affected Director is given notice and an opportunity to be heard. For purposes of this Section 6.8, "with cause" means that the Director has done, in the opinion of the Board, one or more of the following things: (a) committed some act that breached the Director's fiduciary duties toward the STATE UNION or any of the STATE UNION's subsidiaries or affiliates or otherwise failed to abide by the Board policies and procedures adopted by the Board; (b) committed a public offense for which imprisonment is a possible punishment; (c) misappropriated STATE UNION funds; (d) committed an act of fraud, dishonesty, or moral turpitude in the conduct of any business; (e) used alcohol or drugs to an extent that, in the good faith determination of the Board of Directors, materially interferes with the performance of the Director's duties and responsibilities; or (f) been excessively absent from Board Meetings in any one year period where, in the good faith determination of the Board of Directors, such absences materially interfere with the performance of the Director's duties and responsibilities. Prior to any vote for removal with cause, the Board

of Directors shall give the affected Director notice of the reason for removal and an opportunity to be heard. The Board of Directors may adopt such additional rules and procedures for this notice and hearing as it may in its discretion consider necessary for the best interests of the STATE UNION. The Policyholder-Members may, by majority vote, override the removal of a Director at an Annual Meeting or Special Meeting called according to these Bylaws. Any Director may resign at any time by giving written notice to the President or to the Secretary of the STATE UNION. No Director may resign if the STATE UNION would then be left without at least one duly elected Director in charge of STATE UNION's affairs, except upon notice to the Oklahoma Secretary of State and to the Internal Revenue Service.

RATIONALE: This change mirrors the language in AFRMIC's Bylaws.

Section 7.2: QUORUM

A majority (over 50%) of the total number of Directors and Voting Officers shall constitute a quorum. [remaining as is proposed].

RATIONALE: Since the Secretary and Vice-President of STATE UNION both vote, revising the Quorum requirement seems reasonable.

AMERICAN FARMERS & RANCHERS MUTUAL INSURANCE COMPANY

PROPOSED AMENDMENT TO THE BYLAWS

Article IV

Section 6 – Eligibility.

Eligibility for a Director of the Corporation is specified in the Certificate of Incorporation, as amended, and states as follows: No person shall be eligible to serve as a member of the Board of Directors of the Corporation who is not a member of the Oklahoma State Union of the Farmers Educational and Co-operative Union of America, Inc. ("State Union"). No person shall be eligible to serve as a member of the Board of Directors unless such person is a policy holder of one or more policies of insurance issued by the Corporation, and who has had such insurance since, at least, December 31 of the year prior to the year in which the candidate files. The Directors shall be elected from the members of the State Union by the Policyholders through a vote at the Annual Meeting. A plurality of votes will determine all elections; therefore, the candidate receiving the most votes will be elected. Once a Director has been elected or otherwise appointed, to be eligible for re-election he/she must have a current farm mutual director certificate from National Association of Mutual Insurance Companies (NAMIC) or a similar certificate and be current on continuing education opportunities from NAMIC or other similar organization at the time he/she files for reelection, provided the candidate has had adequate opportunity to obtain such certification.

A candidate for a Director position must file in writing with the Secretary of the Corporation between one hundred and twenty (120) calendar days and ninety (90) calendar days between October 15 and October 20 in the year prior to the next Annual Meeting thereby making the filing period thirty five (30-5) calendar days. Provided, however, that in the event that October 15 falls on a legal holiday as defined by Oklahoma statutes or a weekend, the filing period shall begin running the previous day that is not a holiday or weekend day. And in the event that October 20 falls on a legal holiday as defined by Oklahoma statutes or a weekend, the filing period shall run until the next day that is not a holiday or weekend day. In the case of there being no candidate for a position, the Board shall re-open the filing period for a period of time prior to the Annual Meeting to be determined by the Board.

RATIONALE: This change is being proposed to make this specific Bylaw of AFRMIC consistent with the Bylaws (proposed) of the State Union.