

# CFC ORGANIZATION POLICY

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SECTION:	General	NUMBER:	1.17
SUBJECT:	Related Person Transactions and Related Credits	DATE:	12/4/17

## I. PURPOSE

This policy sets forth procedures to be followed by CFC in connection with the review, approval or ratification of "Related Person Transactions" and "Related Credits" as described below.

## II. POLICY

### A. Reporting of Related Person Transactions

1. Each Director, Executive Officer and Key Employee shall promptly notify the General Counsel in writing of any interest that such person or an immediate family member of such person had, has or will have in a Related Person Transaction.
2. Each such notice shall be in the form attached hereto as Exhibit A.
3. Copies of the Related Person Disclosure Notice shall be distributed to each Director, Executive Officer and Key Employee for completion on a quarterly basis.

### B. Review Process for Related Person Transactions

1. The General Counsel shall be responsible for the review, approval or ratification of any Related Person Transaction, unless determined otherwise in the manner set forth below.
2. Any Related Person Transaction involving the General Counsel or in which the General Counsel may otherwise have any interest other than in his or her role as General Counsel shall be referred to the Board of Directors for its review, approval or ratification.
3. The General Counsel may elect to refer any Related Person Transaction to the Board of Directors for its review, approval or ratification if the General Counsel believes such action is appropriate.
4. If such Related Person Transaction involves a Director, the Director may not participate in the deliberations or vote with respect to such approval or ratification.
5. The General Counsel shall notify the Board of Directors at each

regularly scheduled Board meeting of any action taken by the General Counsel with respect to a Related Person Transaction since the last regularly scheduled meeting of the Board of Directors, unless requested by the Board of Directors to provide more frequent updates.

6. In the event the General Counsel becomes aware of a Related Person Transaction that has not been approved under this Policy prior to its consummation, the General Counsel shall notify the Board of Directors and take all such other actions as may be necessary to suspend the consummation of the transaction pending the Board of Directors' review. The Board of Directors shall consider all of the relevant facts and circumstances with respect to such transaction, and shall evaluate all options available to CFC, including ratification, revision or termination of such transaction, and shall take such course of action as the Board of Directors deems appropriate under the circumstances.
7. In any case where the General Counsel or the Board of Directors determines not to approve or ratify a Related Person Transaction, the Board of Directors shall consider, upon the advice of the General Counsel, such further action as may be appropriate, including, but not limited to, termination or modification of the transaction.

C. Criteria for Approval or Ratification of Related Person Transactions

1. The General Counsel shall determine whether a Related Person has a material interest in a transaction. Factors to be considered in determining whether a Related Person's interest in a transaction is material may include the importance of the interest to the Related Person (financially or otherwise), the relationship of the Related Person to the transaction and of Related Persons with each other, and the dollar amount involved in the transaction.
2. The General Counsel, and where applicable, the Board of Directors, shall not approve or ratify a Related Person Transaction unless the General Counsel, or the Board, as the case may be, reasonably determines, based on a review of the available information, that the transaction is fair and reasonable to CFC and consistent with the best interests of CFC.
3. Factors to be taken into account in making the determination may include, but not be limited to, (i) the business purpose of the transaction, (ii) whether the transaction is entered into on an arms-length basis on terms fair to CFC, and (iii) whether such a transaction would violate Organization Policy No. 1.07 (Ethics Policy).

D. Review Process for Related Credits

1. The Board of Directors hereby delegates to the Chief Executive Officer (“CEO”) the authority to approve any Related Credit in the amount of \$250,000 or less, and hereby authorizes the CEO to re-delegate this authority to such officers of CFC as the CEO determines necessary or appropriate.
2. All other Related Credits shall be approved by the Board of Directors, unless the Board of Directors has delegated approval authority to the CEO pursuant to Organizational Policy No. 4.01 (Loan Committee – Board of Directors) and specifically provided therein that such delegation applies notwithstanding any other Organization Policy that sets forth approval levels.
3. All Related Persons shall abstain from participating, directly or indirectly, in the credit approval process for a Related Credit with which they are associated. To ensure compliance, (a) CFC shall not provide to the Related Person any written materials pertaining to such Related Credit, and (b) while such Related Credit is being considered and discussed, the Related Person shall leave the board meeting or disconnect from the portions of any conference call meeting, and the minutes of the meeting shall reflect such action.

E. Definitions

1. Control: A person controls an entity if the person has the power to (i) control the election of a majority of the Directors of the entity, (ii) exercise a controlling influence over the management or policies of the entity, or (iii) vote 10% of the shares or other ownership interests of the entity.
2. Executive Officer means the Chief Executive Officer, the Chief Operating Officer, the Chief Lending Officer and each Senior Vice President.
3. Immediate Family Member means:
  - child, stepchild, parent, stepparent, spouse or sibling
  - mother/father-in-law, son/daughter-in-law, brother/sister-in-law
  - anyone else sharing the household, except a tenant or employee
4. Key Employee means any person who (i) has responsibilities, powers, or influence over the organization as a whole that are similar to those of the Executive Officers or Directors; (ii) manages a discrete segment or activity of CFC that represents 10% or more of the activities, assets, income, or expenses of CFC, as compared to CFC as a whole; or (iii) has or shares authority to control or determine 10% or more of CFC’s capital expenditures,

operating budget or compensation for employees and otherwise qualifies as a Key Employee in accordance with the definition set forth in the Instructions to Internal Revenue Service Form 990, as amended from time to time.

5. Related Credit means an extension of credit to, or for the benefit of, a Related Person or any Related Entity, that is made on substantially the same terms as, and follows the underwriting procedures that are no less stringent than, those prevailing at the time for comparable extensions of credit generally offered by CFC.
6. Related Entity: An entity is a Related Entity if, with respect to such entity, a Related Person:
  - is an officer;
  - is a member of the Board of Directors or Board of Trustees;
  - is an alternate Director or alternate Trustee;
  - is an employee (including part time employee);
  - controls the entity; or
  - has a substantial beneficial interest in the entity (for example, as a part owner).
7. Related Person means a Director, Executive Officer or Key Employee of CFC, and each of his or her Immediate Family Members.
8. Related Person Transaction means any transaction in which CFC was, is or is proposed to be a direct or indirect participant, (ii) the amount involved exceeds \$120,000, and (iii) a Related Person had, has or will have a direct or indirect material interest in the Transaction in question. The following are not included within the meaning of "Related Person Transaction" for the purposes of this Policy:
  - a. Director compensation arrangements;
  - b. Executive Officer compensation arrangements (notwithstanding that such compensation may be disclosed in CFC's periodic reports filed with the Securities and Exchange Commission or otherwise disclosed publicly as Related Person Transactions);
  - c. Key Employee compensation arrangements;
  - d. Transactions in which the Related Person's interest arises only from the person's position as a Director of another entity that is a party to the transaction;
  - e. Ordinary course business and travel advances and reimbursements; and
  - f. Related Credits (as described above).

9. Transaction includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships.

III. POLICY APPLICATION

A. Modifications and/or Amendments to Related Person Transactions

Material amendments and/or modifications to Related Person Transactions previously approved or ratified by the General Counsel or the Board of Directors shall require the approval or ratification of the General Counsel or the Board of Directors, as applicable.

B. Existing Approval Policies.

The procedures set forth in this Policy 1.17 are supplemental to, and are not intended to replace or supersede, any other policies or procedures that require review and/or approval by the Board of Directors or an officer of CFC.

C. Loans to Related Persons.

Notwithstanding anything set forth in this Policy to the contrary, CFC shall not extend credit in the form of a personal loan to any Related Person, the extension of such credit being expressly prohibited by the terms of this Policy.

IV. AUTHORITIES RETAINED FOR BOARD APPROVAL

Revisions to this Policy are reserved to the Board of Directors.

V. BOARD ESTABLISHMENT OF POLICY

This Policy was established by the Board of Directors at its meeting on May 23-24, 2007.

Amendments

February 2009  
May 2009  
October 2010  
February 2013  
September 2013  
May 2014  
December 2015  
December 2016  
December 2017

APPROVED: \_\_\_\_\_

  
President

RELATED PERSON DISCLOSURE NOTICE

1. Describe your interest or your immediate family member's interest, in the transaction, including your position with or ownership in any entity that has an interest in the transaction:
  
2. State whether CFC is a party to the transaction, and if not, the nature of CFC's participation in the transaction:
  
3. Identify the other parties to the transaction:
  
4. Describe the purpose and timing of the transaction:
  
5. State the approximate dollar value of the transaction and the approximate dollar value of your interest in the transaction:
  
6. Describe the timing and status of the transaction:
  
7. Describe any other facts or circumstances that may be material to the CFC General Counsel's or the Board's consideration of the transaction: