

Jill Long Thompson, Board Chair and Chief Executive Officer
Kenneth A. Spearman, Board Member
Leland A. Strom, Board Member



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
March 12, 2015**

These minutes reflect the business transacted at the March 12, 2015, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act (Act), 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The FCA Board meeting was held at the FCA office in McLean, Virginia, beginning at 9:00 a.m. and concluding at 9:43 a.m. Members of the Board present were:

Jill Long Thompson, Board Chair and Chief Executive Officer
Kenneth A. Spearman, Member
Leland A. Strom, Member

Others present included **Charles Rawls**, General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA and Farm Credit System Insurance Corporation (FCSIC); and two members of the general public. (A list of staff attendees is attached as Exhibit A.)

Before starting the meeting **Board Chair Long Thompson** welcomed guests including **Mr. Jeffery Hall**, Senate-Confirmed Presidential Nominee to the FCA Board. She also expressed her sentiments as this was likely her last Board Meeting. She thanked fellow Board Members and staff of the Agency and wished them luck in the future. **Mr. Strom** also noted that this was likely his last Board Meeting and thanked fellow Board Members and staff. **Mr. Spearman** thanked **Board Chair Long Thompson** and **Mr. Strom** for their contributions to the Agency and the Farm Credit System and wished them well.

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

Board Chair Long Thompson reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

Mr. Spearman moved to adopt the Agenda as published.

Mr. Strom seconded the motion.

There being no further discussion, **Board Chair Long Thompson** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

Mr. Strom noted that the Agenda did include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the meeting be closed at that point.

Mr. Spearman seconded the motion.

There being no further discussion, **Board Chair Long Thompson** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

OPEN SESSION

Approval of Minutes

Minutes for February 12, 2015 (BM-12-MAR-15-01)

Mr. Spearman moved to approve the minutes for the February 12, 2015, regular Board Meeting.

Mr. Strom seconded the motion.

There being no further discussion, **Board Chair Long Thompson** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-12-MAR-15-01)**

(A copy of the "Board Action Item" is attached as Exhibit C.)

Reports

Report on the Farm Credit System's Funding Condition

J.C. Floyd and **David Lewandrowski** of the Office of Office of Regulatory Policy presented the **Report on the Farm Credit System's Funding Conditions**.

Board Chair Long Thompson asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

(A copy of the PowerPoint presentation is attached as Exhibit D.)

Farm Credit System Building Association Auditor's Report on 2014 Financial Audit

Rick Albrecht, President of the Farm Credit System Building Association (FCSBA), and **Craig Hunter** and **Brynn McNeil** of Cherry Beakert, LLP presented the FCSBA Auditor's Report on 2014 Financial Audit.

Board Chair Long Thompson asked if there were any questions or further discussion from the Board.

There was no further discussion.

(A copy of the PowerPoint presentation is attached as Exhibit E.)

CLOSED SESSION

Board Chair Long Thompson thanked members of the public for attending the meeting and announced that the next topic on the Agenda was a closed session item pursuant to previous Board action and asked members of the public to exit. The **Board Chair** also instructed all to exit except for Board Members, Executive Assistants, the General Counsel, and the Secretary to the Board so that the Board could meet with Craig Hunter and Brynn McNeil as approved by the Board previously.

Board Chair Long Thompson convened the closed session of the meeting at 9:37 a.m. and instructed the **Secretary** to activate the electronic recording device so that the proceedings of the closed session were properly recorded as required by the Government in the Sunshine Act.

Board Chair Long Thompson then instructed the **General Counsel** to furnish the **Secretary** with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in closed session may be properly closed to the public.

(A copy of the Certification is attached hereto as Exhibit F.)

Members of the Board present were:

Jill Long Thompson, Board Chair and Chief Executive Officer
Kenneth A. Spearman, Member
Leland A. Strom, Member

The above named constitute the full Board.

Others present included **Dale Aultman**, Secretary to the Board; and **Charles Rawls**, General Counsel. (A list of staff attendees is attached hereto as Exhibit A).

Executive Session with External Auditor

The **Board** met with Craig Hunter and Brynn McNeil from Cherry Bekaert LLP, as approved by the Board previously.

ADJOURNMENT

There being no further business to come before the Board, **Board Chair Long Thompson** called for a motion to adjourn the meeting.

Mr. Strom moved that the meeting be adjourned.

Mr. Spearman seconded the motion.

Board Chair Long Thompson called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

The meeting adjourned at 9:43 a.m.

NO NOTATIONAL VOTE ACTIONS

There were no notational vote actions approved by the FCA Board from February 13, 2015 through March 11, 2015.

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held March 12, 2015.

Kenneth A. Spearman
Board Chairman and Chief Executive Officer

Dale L. Aultman
Secretary to the Board

Approved: _____

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
March 12, 2015**

JILL LONG THOMPSON, Board Chair and Chief Executive Officer
KENNETH A. SPEARMAN, Board Member
LELAND A. STROM, Board Member

OFFICE	OPEN SESSION	EXECUTIVE SESSION
Office of the Board		
Aultman, Dale	X	X
Smulkstys, Inga	X	X
Calhoun, Gaye	X	
Johansen, Mark	X	X
Buccolo, Deb	X	
Middleton, Russell	X	X
COO		
Hoffman, William	X	
EEOI		
Burlew, Thais	X	
OCPA		
Stokke, Mike	X	
Meaux, Willy	X	
OSMO		
Rea, Laurie	X	
OGC		
Rawls, Charles	X	X
Strickland, Joy	X	
Donner, Mary Alice	X	

OFFICE	OPEN SESSION	EXECUTIVE SESSION
OE		
Coleman, Robert	X	
Paulson, Roger	X	
OIG		
Dean, Elizabeth	X	
Cherry Beakert, LLP		
Hunter, Craig (Auditor)	X	X
McNeil, Brynn (Auditor)	X	X
ORP		
Mardock, Barry	X	
Lewandowski, David	X	
Floyd, J.C.	X	
Nerdahl, Tim	X	
OMS		
Smith, Stephen	X	
FCSIC		
Rubin, Howard	X	
Pfitzinger, Rick	X	
FCSBA		
Albrecht, Rick	X	
GENERAL PUBLIC	2	

**PUBLIC ANNOUNCEMENT OF
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
Farm Credit Administration Board
Regular Meeting
March 12, 2015**

Summary: Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b(e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

Date and Time: The regular meeting of the Board will be held March 12, 2015. The meeting is scheduled to be held at the office of the Farm Credit Administration in McLean, Virginia, from 9:00 a.m. until such time as the Board may conclude its business.

Address: Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090. Submit attendance requests via e-mail to VisitorRequest@FCA.gov. See SUPPLEMENTARY INFORMATION for further information about attendance requests.

For Further Information Contact: Dale L. Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

Supplementary Information: Parts of this meeting of the Board will be open to the public (limited space available), and parts will be closed to the public. Please send an e-mail to VisitorRequest@FCA.gov at least 24 hours before the meeting. In your e-mail include: name, postal address, entity you are representing (if applicable), and telephone number. You will receive an e-mail confirmation from us. Please be prepared to show a photo identification when you arrive. If you need assistance for accessibility reasons, or if you have any questions, contact Dale L. Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are:

OPEN SESSION

Approval of Minutes

- 1 February 12, 2015

Reports

- 2 Report on Farm Credit System’s Funding Conditions
- 3 Farm Credit System Building Association Auditor’s Report on 2014 Financial Audit

CLOSED EXECUTIVE SESSION

- 4 Executive Session – FCS Building Association Auditor’s Report¹

March 2, 2015

Date

Dale L. Aultman
Secretary to the Board

¹ Session Closed – Exempt pursuant to 5 U.S.C. Section 552b(c)(2)

Farm Credit Administration

1501 Farm Credit Drive
McLean, Virginia 22102-5090
(703) 883-4000

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for February 12, 2015 Board Meeting

BM-12-MAR-15-01

Effective Date: March 12, 2015

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for the February 12, 2015, regular Board Meeting as submitted.

DATED THIS 12th DAY OF MARCH 2015

BY ORDER OF THE BOARD

Dale L. Aultman
Secretary to the Board



The Farm Credit System's Funding Conditions

Exhibit D -- Version at 3/11/2015



Recent High Finance Headlines

The Return to 5000 Took Almost 15 Years



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.





Recent High Finance Headlines

- **Germany Sells Five-Year Debt at Negative Yield for First Time on Record**
- **Move Reflects Plummeting Borrowing Costs Across Europe**





Funding Conditions Topics



- Global Market
- Agency Debt Market
- Yields & Spreads on FCS Debt
- Funding Corporation Activity
- FCS Liquidity



Global Market

- E.U.
- Federal Reserve Monetary Policy
- U.S. Treasury
- Ukraine





Credit Rating Agencies - Outlook for the United States

- Standard & Poors - AA+
Outlook - Stable
- Moody's - Aaa
Outlook - Stable
- Fitch – AAA
Outlook – Stable (Up from Negative Mar `14)



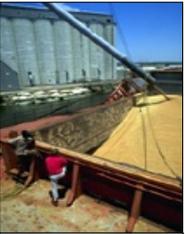


Agency Debt Outstanding

Billions of Dollars	2010	2011	2012	2013	2014
F.H.L.B.	\$ 796	\$ 692	\$ 688	\$ 767	\$847
Fannie Mae	794	742	622	534	570
Freddie Mac	728	674	552	511	454
FCS	188	194	197	208	225
Tenn.V.A.	23	25	25	26	25
Farmer Mac	8	10	12	12	12*
Total	\$2,537	\$2,330	\$2,096	\$2,058	\$2,133



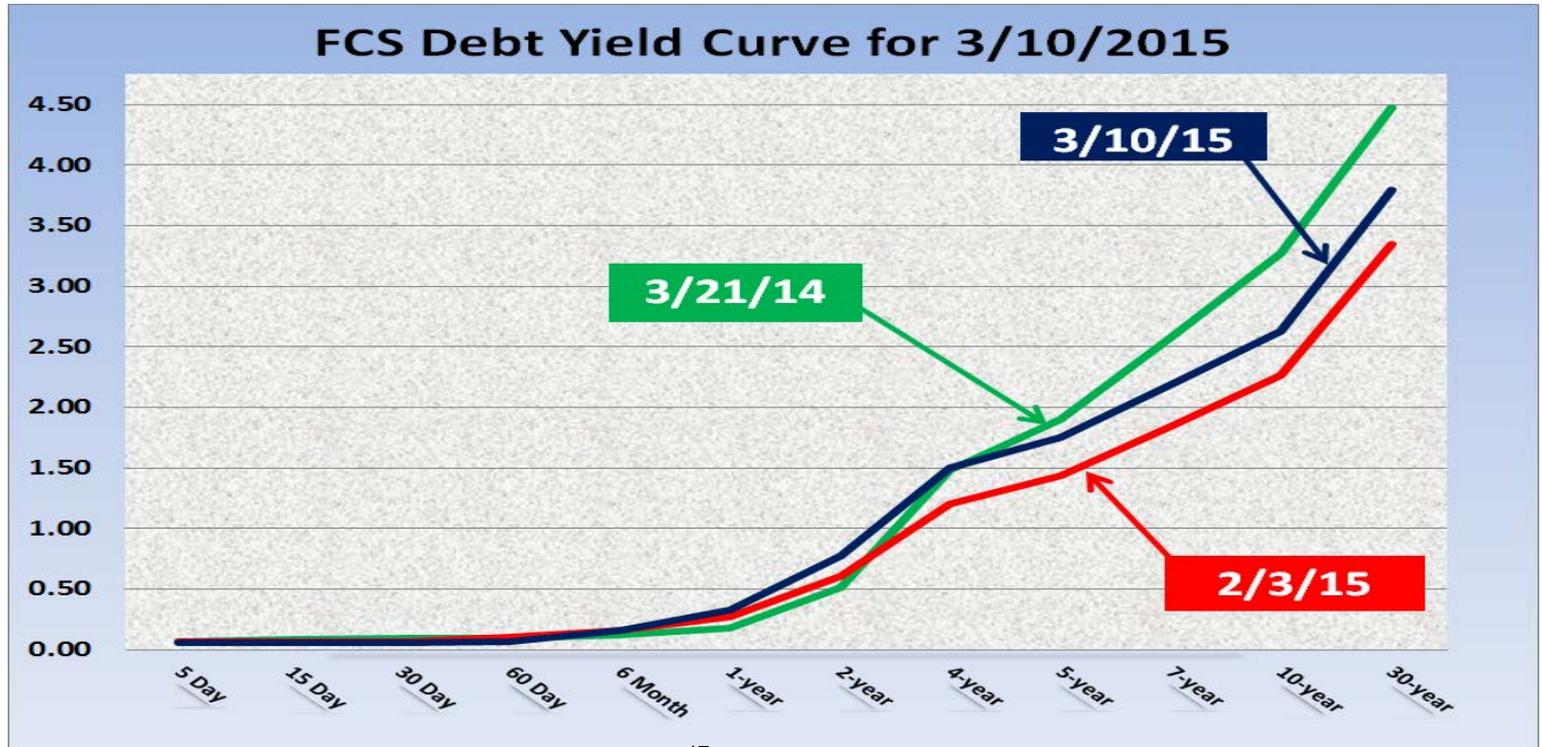
System High Level Financials



- Assets - \$282.8 billion (+ 8.5%)
- Cash & Invt.- \$ 57.8 billion (+11.5%)
- Capital - \$ 45.7 billion (+ 7.3%)
- Net Income - \$ 4.7 billion (+1.8%)

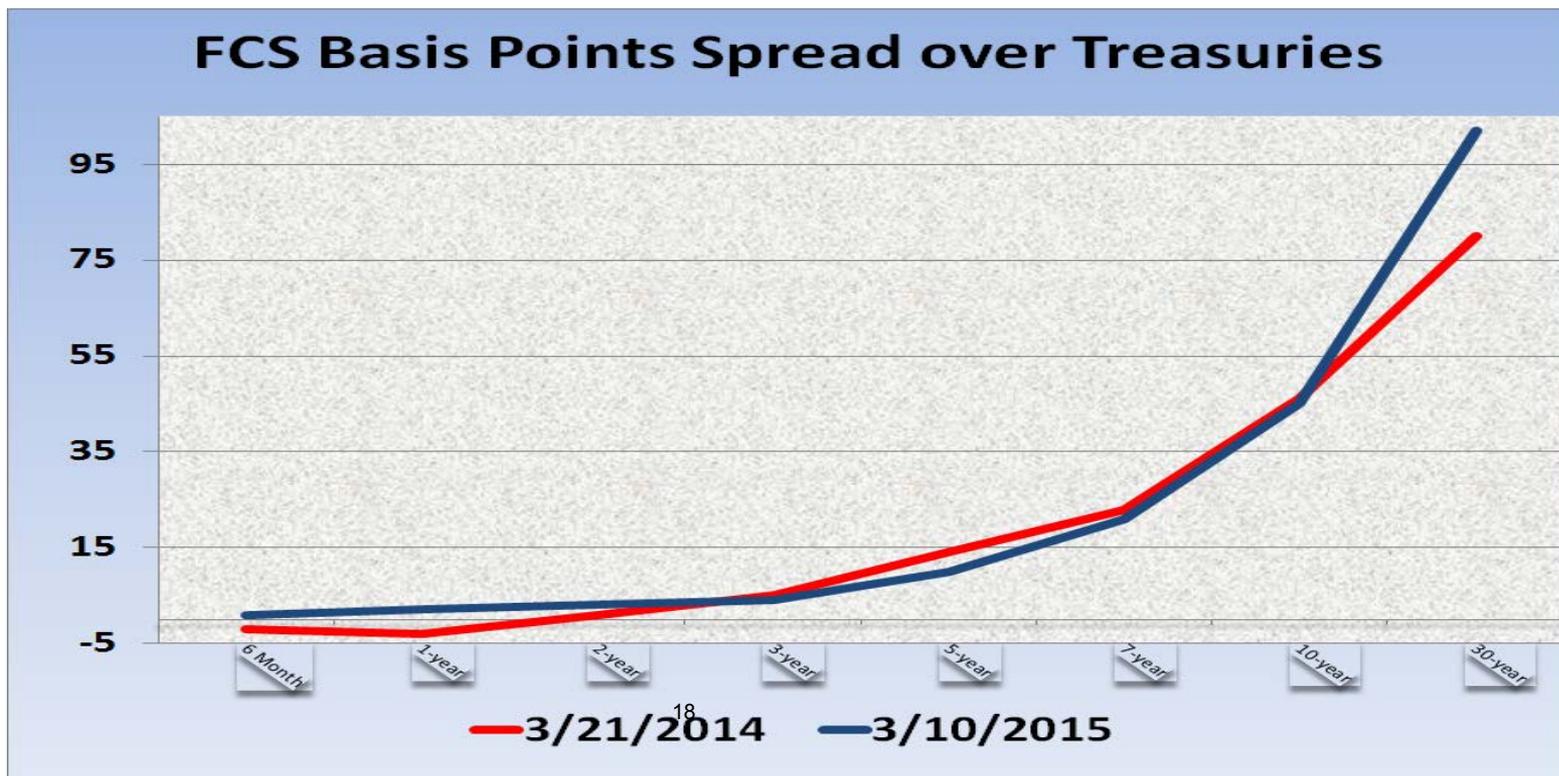


FCS Debt Yields Still Low





Tight Spreads over Treasuries





Funding Activity by FCS



(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Retail Bonds	Other ¹	Total
			Callable	Non-Callable	LIBOR	Prime	Other			
02/28/2015	21,060	8,200	56,988	57,071	64,515	6,850	8,025	352	26	221,086
12/31/2014	26,985	8,200	56,509	57,534	61,170	7,225	8,851	389	28	224,889
12/31/2013	18,643	11,375	56,465	57,222	42,285	7,370	12,790	405	38	206,594
12/31/2012	14,557	15,325	52,020	50,113	41,955	7,505	14,771	225	46	196,516
12/31/2011	14,375	21,450	46,429	43,986	36,155	5,805	15,656	356	66	184,277

¹ Includes Linked Deposits



Calls Diminishing Factor for FCS

- Calls in 2014 - \$19 billion
- Calls in 2013 - \$24 billion
- Calls in 2012 - \$63 billion
- Net Interest Spreads
 - 2.50% for 2014, versus 2.64% and 2.71% for 2013 and 2012, respectively.





Debt Maturity

- Weighted Average Maturity of FCS Debt has been reduced.

- ❖ Sept./2014 - 2.77 years
- ❖ Dec./2013 - 2.96 years
- ❖ Dec./2012 - 2.91 years
- ❖ Dec./2011 - 2.80 years



Regulatory Min. Days of Liquidity

- Level 1 = First 15 days
- Level 2 or better = Second 15 days
- Level 3 or better = Next 60 days
- Supplemental Liquidity Buffer (SLB)





Days of Liquidity

- As of 12/31/14 System = 173 days:
 - Level 1 = 32 days, Level 2 = 49 days,
 - Level 3 = 84 days, SLB = 8 days
- As of 12/31/13 System = 194 days:
 - Level 1 = 36 days, Level 2 = 55 days,
 - Level 3 = 83 days, SLB = 20 days





Investments for Liquidity



FCS Investments Available-For-Sale

(Fair Value at 9/30/14 by contractual maturity)

(\$ millions)	Due in 1 year or less	Due after 1 year - 5 years	Due after 5 years - 10 years	Due after 10 years	Total	Weighted Avg. Yield
Commercial paper, CDs, bankers' acceptances, and other securities	5,434	279			5,713	0.28%
US Treasury securities	5,073	3,126	1,803		10,002	0.94
US agency securities	103	3,595	1,268	388	5,354	1.59
Mortgage-backed securities*	3	373	1,450	23,082	24,908	1.52
Asset-backed securities	13	968	103	956	2,040	1.07
Total fair value	\$10,626	\$8,341	\$4,624	\$24,426	\$48,017	1.24%
Total amortized cost	\$10,618	\$8,296	\$4,630	\$24,281	\$47,825	

* Agency collateralized (\$20,345), Agency whole-loan pass through (\$3,341), Non-agency (\$1), Private label-FHA/VA (\$110)



Summary

- Strong Demand for FCS Debt
- Debt Yields Still Low
- Risk Premiums Steady
- Interest Spreads Narrowed
- Bottom Line Still Benefitting
- Substantial High Quality Liquidity



Cherry Bekaert LLP

FCS Building Association Report Regarding Financial Statement Audit for the Year Ended

December 31, 2014

Audit Team

Craig Hunter, Partner

Brynn McNeil, Senior Manager



FCS Building Association

► Overview of Audit Results

- We have completed our audit procedures related to the FCS Building Association's year ended December 31, 2014 financial statements.
- Our procedures and scope were substantially consistent with our planned audit strategy and we did not experience any significant problems during the audit process.
- We issued an unmodified (clean) opinion on the Company's financial statements
- We received excellent cooperation from the Company's personnel.

General Financial Statement Comments

- ▶ Strong Balance Sheet as of December 31, 2014
 - Cash reserve balance of \$1.2 million
 - Current Ratio of 3 to 1
 - Total Liabilities to Equity Ratio 1 to 14

- ▶ Operating loss for the year ended December 31, 2014, as budgeted

- ▶ No new or unusual transactions noted for fiscal year 2014

- ▶ No significant new disclosures noted for fiscal year 2014

Areas of Focus for the 2014 Audit

- ▶ Procedures with respect to internal control
- ▶ Leasing activities
- ▶ Capital expenditures and repairs and maintenance
- ▶ Related party transactions (FCSBA and FCA)
- ▶ We identified no significant deficiencies or material weaknesses

Required Communications

- ▶ The auditor's responsibility under generally accepted auditing standards – reasonable assurance that financial statements are materially correct
- ▶ Significant accounting policies are disclosed in Note 2 of the F/S's
- ▶ We have considered management judgments and accounting estimates included in the financial statements and believe them to be reasonable
- ▶ There were no disagreements with management during the engagement
- ▶ There were no major issues discussed with management prior to our being retained
- ▶ No irregularities or fraud identified as part of our audit



CERTIFICATE OF CLOSED MEETING

The General Counsel, in accordance with the Government in the Sunshine Act, 5 U.S.C. §552b(f)(1), hereby certifies that the Farm Credit Administration Board regular meeting of March 12, 2015 was properly closed to the public on the basis of the exemptions set forth below:

- Information related solely to the internal practices of an Agency – 5 U.S.C. §552b(c)(2).

Date: March 12, 2015

Charles R. Rawls
General Counsel