

Statement Regarding Strategic Alliances
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Recently, two Farm Credit System association boards of directors chose to form a strategic alliance between their associations, consolidating their staff and functions but keeping their boards separate.

Although each board of directors remains separate and responsible for its own association, the two associations have appointed a coordinating committee to make recommendations to each board. In this way, the corporate charters of both associations will remain intact under the governance of each individual board, but the institutions will have joint management and a common business model and platform.

According to the associations involved, the alliance will help them better serve their agricultural borrowers now and into the future by integrating their day-to-day business operations, technology systems and management teams.

System institutions have formed alliances in the past, mainly as joint management agreements. The FCA Board does not have a statutory approval role over alliances, but I want to take this opportunity to express some thoughts on this current alliance.

The anticipated advantages the associations have identified may provide the planned efficiencies, but this alliance is the first of its kind and we do not know for certain that it will produce these benefits. Therefore, it is important for the boards of these associations to remain vigilant and responsive to the needs of the member-borrowers who elected them and whom they serve.

As a former board member myself in various System institutions, I know firsthand the important role that directors play in the success of the institution, and I believe it is important to ensure that any alliance structure does not interfere with a board's ability to serve its members in any way.

In any nonmerger alliance between associations, each individual board remains accountable, and continues to have a fiduciary duty, to its stockholders. Therefore, each association's board of directors remains responsible for ensuring that its association operates in a safe and sound manner, complies with all laws and regulations, and serves as an independent board to meet the needs of its member-borrowers.

In my opinion, FCA should continue to expect each board of directors to remain autonomous and to provide independent leadership for its association.