



INDEPENDENT COMMUNITY  
BANKERS of AMERICA®

October 21, 2013

Honorable Jill Long Thompson  
Board Chair and Chief Executive Officer  
Farm Credit Administration  
McLean, Virginia 22110

Honorable Kenneth Spearman  
Board Member  
Farm Credit Administration  
McLean, Virginia 22102

Honorable Leland Strom  
Board Member  
Farm Credit Administration  
McLean, Virginia 22102

Dear FCA Board Members:

As you may be aware, there have been several news articles recently about Verizon Communication's deal to buy out Vodafone's 45 percent share of their Verizon Wireless venture. We were surprised to learn that the Term Loan Credit Agreement effective October 1<sup>st</sup>, 2013 lists a number of large commercial banks but also includes CoBank as one of the major lenders<sup>1</sup>.

According to the Term Loan Credit Agreement filed with the Securities and Exchange Commission (SEC), CoBank is providing \$362.5 million in 3-year commitments and \$362.5 million in financing in 5-year commitments. These totals represent over six percent in each category, the largest percentage of any lender in either category. In total, CoBank is financing \$725 million of the \$12 billion loan, over 6 percent of the loan's total

CoBank's financing is certainly not going to a "rural" telecommunications cooperative. Vodafone is a British multinational telecommunications company headquartered in London and ranks as the world's second-largest mobile telecommunications company in terms of revenues and number of subscribers. Verizon Communications, headquartered in New York City, recently reported a third quarter profit of \$2.2 billion and revenues of over \$30 billion, and hardly represents a rural telephone cooperative in need of financing by a government sponsored enterprise (GSE) as evidenced by the significant number of commercial banks engaged in this large loan.

On its face, CoBank's involvement appears to be an effort to leverage their GSE status deeply into the realm of multi-national, non-agricultural, non-rural and non-cooperative corporate financial deals. This is not the purpose for which CoBank was created as part of the Farm Credit System.

---

<sup>1</sup> <http://www.sec.gov/Archives/edgar/data/732712/000119312513390031/d606572dex101.htm>

WILLIAM A. LOVING, JR.  
*Chairman*

JOHN H. BUHRMASTER  
*Chairman-Elect*

JACK A. HARTINGS  
*Vice Chairman*

NANCY A. RUYLE  
*Treasurer*

TIMOTHY K. ZIMMERMAN  
*Secretary*

JEFFREY L. GERHART  
*Immediate Past Chairman*

CAMDEN R. FINE  
*President and CEO*

The FCA's website list of general lending activities authorized for the FCS does not mention providing credit to large, multi-national, non-agricultural corporations. FCA's website states:

"FCS provides credit and other services to agricultural producers and farmer-owned cooperatives. It also makes loans for the following: agricultural processing and marketing activities; rural housing; certain farm-related businesses; agricultural and aquatic cooperatives; rural utilities; and foreign and domestic companies involved in international agricultural trade."

CoBank's involvement in this deal raises many questions. We ask FCA to respond to a few of these questions in order to facilitate a broader discussion regarding CoBank's activities and the scope and eligibility of FCS lending in general.

- 1) Was the FCA aware of CoBank's involvement in this loan?
- 2) Does FCA exercise any oversight over CoBank's determinations as to who is an eligible borrower other than as part of the examination process?
- 3) Is there any prior approval required by FCA of CoBank when CoBank provides loan financing of several hundred million dollars?
- 4) Is the \$735 million loan commitment by CoBank at or near CoBank's lending limit and if so wouldn't CoBank be taking unwarranted risks with their financial involvement in this loan?
- 5) Given that this loan does not involve an agricultural cooperative or a rural based telecommunications entity, under what specific statutory authority is CoBank authorized to consider a large multi-national, non-rural, non-cooperative and non-agricultural corporation eligible for its taxpayer advantaged GSE financing?
- 6) Since GSE's were created to fill credit niches unmet by other lenders, why was CoBank allowed to participate in this loan since no credit niche is being met that could not be met by the numerous other commercial lenders involved in this deal?
- 7) Why would FCA consider CoBank's participation in this loan to be a rural oriented loan since these corporations have a large international presence and are headquartered in London and New York City?

Please provide your written responses to these questions to Mark Scanlan at 202-659-8111 or [mark.scanlan@icba.org](mailto:mark.scanlan@icba.org). Thank you for your attention to this matter.

Sincerely,

*Signed*

Camden R. Fine  
President & CEO