FCA Board Approves Final Rule on Termination of FCS Institution Status

McLEAN, Va., July 13, 2006 — The Farm Credit Administration (FCA or Agency) Board today approved a final rule amending regulations that govern how a Farm Credit System (FCS or System) bank or association may terminate its FCS charter and become a financial institution under another Federal or State chartering authority.

The changes are intended to provide that interested parties have sufficient time and opportunity to review termination proposals and that a significant portion of equity holders vote on the termination.

“We are confident that this final rule ensures a clear, timely, and balanced process for a System bank or association wishing to terminate its System charter,” said Nancy C. Pellett, FCA Board Chairman and CEO.

Specific changes include the following:

- The rule separates FCA’s review of a terminating institution’s disclosure information from the Agency’s approval of the termination itself.
- The rule permits a terminating institution to communicate with stockholders and the public during the termination process.
- The rule allows the FCA to require a terminating institution to obtain independent analyses regarding the termination and to hold informational meetings for stockholders. (Unlike the proposed rule, the final rule allows the terminating institution to deduct from its exit fee any costs it incurs in conducting studies to determine the impact of the termination on parties other than the institution and its stockholders.)
- The rule strengthens protections that enable directors to consult with, and be reimbursed for reasonable expenses of, independent legal and financial
advisors. (In a change from the proposed rule, the final rule allows an institution’s board to deny reimbursement of expenses deemed unreasonable with a two-thirds vote.) In addition, the rule allows directors to express their opinions about the termination publicly or privately.

- The rule requires that a quorum of 30 percent of voting stockholders be present in person or by proxy for any vote on the termination.

A fact sheet more fully describing the final rule is available on FCA’s Web site at www.fca.gov. (Click on News and Events, then News Releases, then 2006, then 07/13/2006. A PDF of the fact sheet is attached at the bottom of the news release text.) Following its publication in the Federal Register, the final rule will take effect after 30 days during which either house of Congress is in session.

In other business, the FCA Board approved an update to, and reaffirmation of, its Policy Statement on Equal Employment Opportunity Programs and Diversity (FCA-PS-62). The policy statement provides guidance on affirmative employment, diversity, workplace harassment, and the disabled veterans affirmative action program. The policy statement is posted on the FCA Web site under Legal Info. Click on FCA Handbook, then FCA Board Policy Statements, then FCA-PS-62 Equal Employment Opportunity Programs and Diversity.

Notational Votes

Since the June FCA Board meeting, three notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

The FCA Board voted to reopen the comment period for the proposed rule intended to reduce regulatory burden on FCS institutions. The comment period will end July 17, 2006.

The FCA Board approved the withdrawal of the reproposed rule on Farmers’ Notes and terminated this rulemaking by publishing a notice in the Federal Register.

The Board also approved Amended and Restated Articles of Incorporation for Farm Credit Financial Partners, Inc., to allow the institution to issue up to two million shares of Class A Stock, two million shares of Class B Stock, and two million shares of Class C Stock.

###

The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System. FCA charters, regulates, and examines the 109 banks, associations, and service corporations of the System. System institutions make loans to agricultural producers and their cooperatives nationwide. Members of the FCA Board are Nancy C. Pellett, Chairman and CEO, Douglas L. “Doug” Flory, and Dallas P. Tonsager.

Note: FCA news releases are available on the Internet. Access the FCA Home Page at www.fca.gov.