



FARM CREDIT

Supporting Rural Infrastructure



RURAL COMMUNITIES AND AGRICULTURE ARE AT THE HEART OF EVERYTHING WE DO

To fulfill our mission, Farm Credit helps companies invest in the infrastructure that helps rural communities grow and thrive.

Whether it's helping a company to find the capital to invest in a small rural town's electrical infrastructure, or modern cellular technology and high-speed internet, our loans help support rural communities. This means more jobs and more economic growth in rural communities, improving the quality of life for rural residents and growing the rural economy that agriculture relies on.



FARM CREDIT SUPPORTS LONG-TERM INVESTMENT IN RURAL COMMUNITIES

The Farm Credit System supports more than the agriculture industry. Its mission includes supporting other vital industries across rural America through loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states.

Some of Farm Credit's investments include vital communications systems across rural America, such as the expansion of fiber optic networks and broadband Internet, along with upgrades in wireless technology and satellite TV. This helps rural communities remain viable and attract residents and businesses.



Farm Credit is a major provider of credit and financial services to the nation's rural energy sector. Our customer-owners include hundreds of rural electric generation, transmission and distribution cooperatives that deliver power to millions of people in rural communities.

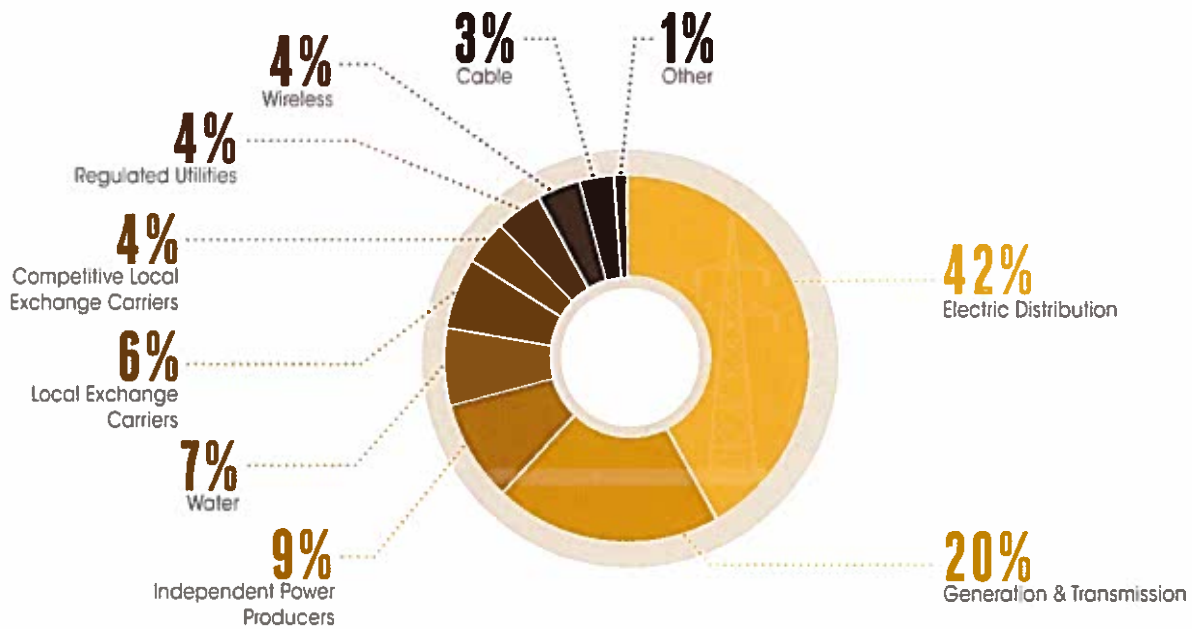
Finally, Farm Credit works with water and wastewater not-for-profit associations, municipalities, and investor-owned utility companies to provide the capital to meet their needs.

With a long-term perspective and billions of dollars at work throughout the country, we have the necessary experience and expertise to partner with local banks and others to help rural communities thrive.

Visit our Website at FARMCREDITBANK.com

RURAL INFRASTRUCTURE

PORTFOLIO



Average Loan Volume

\$20.1
BILLION
in 2016

22% OF PORTFOLIO



FOR THE YEAR
(\$ in millions)

| | 2016 | 2015 | 2014 |
|------------------|-----------|-----------|-----------|
| Period-end Loans | \$ 20,604 | \$ 19,552 | \$ 16,104 |
| Average Loans | 20,092 | 17,770 | 15,192 |
| Net Income | 308 | 255 | 280 |

CoBank's Rural Infrastructure operating segment includes the following banking divisions: Electric Distribution, Water & Community Facilities; Power, Energy & Utilities; Project Finance; and Communications. It serves rural utilities and other customers across a wide variety of industries, including electric generation, transmission and distribution cooperatives; water and wastewater companies; broadband, wireline, cable and wireless communications service providers; and rural health care and other community facilities.

ELECTRIC DISTRIBUTION, WATER & COMMUNITY FACILITIES BANKING DIVISION

PEDERNALES ELECTRIC COOPERATIVE

JOHNSON CITY, TEXAS



Texas-based Pedernales Electric Cooperative enjoys the distinction of being the largest electric distribution co-op in the United States. It serves over 275,000 members spread among 24 counties in the Texas hill country west of Austin and is constantly adding to its 21,000 miles of power lines.

Keeping up with ongoing population growth and the associated demand on their electric distribution system is the single biggest challenge faced by Chief Executive Officer John Hewa and his board of directors.

"We need to make sure that we're growing in a wise and economical manner," Hewa says. "It's one thing to take on growth and be able to manage it safely and securely. It's another thing to grow in a way that maximizes economies of scale and benefits the entire cooperative. That is one of our top priorities here at PEC."

Pedernales could need as much as a half billion dollars for its capital investments over the next five years, and Hewa wanted a dependable lender that could provide reliable and efficient financing. The co-op's relationship with CoBank began in March 2016 with the establishment of a \$200 million revolving line of credit, which was

followed by an additional term loan commitment of \$100 million in November.

"We're thrilled about our relationship with CoBank," says Hewa. "We know that today and into the future our capital needs are substantial, and we want to know we have the right partners at the table, to make sure we are as economical as we can be for the membership."

One important initiative for Pedernales is an on-bill financing program for solar energy, allowing members to pay for renewable energy enhancements through a surcharge on their monthly electric bills. "We want to benefit members who want to make that investment," Hewa says. "At the same time, we want to make sure we're not subsidizing those investments with other members' dollars."

Pedernales and CoBank's Knowledge Exchange Division are even collaborating on a research project, a case study on Pedernales members' solar initiative. "We're very proud of the fact that our relationship with Pedernales goes far beyond financing," says Rob West, executive vice president of infrastructure banking at CoBank. "We have established a true partnership with them."



1 KEN GAJDOS

Relationship Manager
CoBank

2 JOHN D. HEWA

CEO
Pedernales Electric Cooperative

3 EMILY PATAKI

Board President
Pedernales Electric Cooperative



EJ WATER COOPERATIVE

DIETERICH, ILLINOIS



The economic downturn of 2008-2009 created problems for many co-ops throughout the country, but it also presented opportunities. When the recession hit, rather than reduce services, EJ Water Cooperative in Dieterich, Illinois, took advantage of historically low interest rates to invest in infrastructure it would need when the economy rebounded.

Fast-forward to 2017, and the co-op is reaping the benefits of two new water treatment plants that have opened in the past six years. Combined, the plants can produce 4.5 million gallons of water a day for area residents and businesses. The extra capacity has allowed EJ to expand its business across downstate Illinois. Today, in addition to providing water for 10,000 member households, it also sells water on a wholesale basis to 12 communities in its service area, which extends over 2,400 square miles.

"Our leadership team is always looking for ways to improve our service to our customers," says Chief Executive Officer Bill Teichmiller. "We knew these upgrades were going to have long-term positive impacts."

EJ's primary source of debt capital for investments is long-term USDA Rural Development loans. Nonetheless, water and wastewater projects usually require interim

financing before construction begins. CoBank played that role for both of EJ's new treatment plants, which was critical to getting them completed in a timely fashion.

"We use CoBank's interim financing tool on every project now, because it's so easy," says Teichmiller. "The bank understands Rural Development, and Rural Development understands CoBank."

EJ has been a CoBank borrower since 2006, and has also taken advantage of the bank's bridge financing options. When the federal government temporarily shut down in 2013, EJ thought it would have to suspend several construction projects—but CoBank stepped in to fill the void. "CoBank set up an emergency \$1 million bridge line for us within a week," Teichmiller says. "When things aren't going so well, CoBank's always there for us."

"As one of the fastest-growing water systems in Illinois, EJ's forward-thinking approach has served them and their customers well," says Christopher Shaffner, sector vice president and manager of CoBank's rural water lending business. "It's a privilege to serve as their financial partner as they provide a vital service to rural communities in their service territory."

1 MIKE HALL

Board Vice President
EJ Water

2 DIANE AHERIN

Board President
EJ Water

3 BILL TEICHMILLER

CEO
EJ Water

4 JULIA MCCUSKER

Senior Relationship Manager
CoBank





POWER, ENERGY & UTILITIES BANKING DIVISION

SEMINOLE ELECTRIC COOPERATIVE

TAMPA, FLORIDA

Seminole Electric Cooperative, Inc., has a vital mission to fulfill: providing power to 1.6 million members and businesses in 42 of Florida's 67 counties. The generation and transmission cooperative owns and operates two large generating stations fueled by coal and natural gas, and delivers energy through its nine member electric distribution cooperatives.

In recent years, in response to the evolving desires of its members, Seminole has also embarked on an ambitious move into large-scale renewable energy.

"There was grassroots interest on the part of our member co-ops' end-users about solar, and how that might fit in our portfolio," says Seminole CEO Lisa Johnson. "However, it was imperative to our membership that we do this in the most economical way possible."

Thus was born the Cooperative Solar project, a new 2.2-megawatt facility that is scheduled to begin commercial operations in early 2017. Located on a reclaimed phosphate mine in Bowling Green, Florida, the \$4.4 million facility consists of more than 8,000 photovoltaic panels mounted on motorized pedestals

designed to track solar movements and maximize energy production.

Johnson had been familiar with CoBank from her long career in the G&T industry and appreciated the bank's familiarity with the co-op model. "We were eager to explore a variety of solar power options, but knew we needed a trusted financial partner for the effort—and that was CoBank," notes Johnson. The bank's relationship with Seminole spans more than 25 years.

Seminole relied on CoBank and its leasing subsidiary, Farm Credit Leasing, to finance the project, opting for an innovative net-lease agreement that enabled Seminole to capitalize on federal tax incentives for renewable projects.

"Seminole needed cost-effective, flexible and creative financing solutions for its initial foray into renewable energy," says Todd Telesz, senior vice president of CoBank's Power, Energy and Utilities Banking Division. "We're extremely proud that Seminole entrusted us with the opportunity to help them bring this important project to fruition, while keeping the costs as low as possible to ensure an economical project for Seminole's members."



1 MIKE REHNER

Senior Relationship Manager
CoBank

2 LISA JOHNSON

CEO & General Manager
Seminole Electric

COMMUNICATIONS BANKING DIVISION

UNION WIRELESS

MOUNTAIN VIEW, WYOMING



Union Telephone Company got its start in a tiny town in southwestern Wyoming in 1914, when founder John D. Woody built a telephone by hand, fashioning a connector plug out of two slightly different caliber rifle shells.

Since then, the company has come a long way, evolving from a small-town local phone carrier to a regional wireless and broadband services provider. Now known as Union Wireless, the company is still run by the Woody family. John D.'s son Howard, the company's president, still comes into the office every afternoon, at the age of 94.

Serving customers across Wyoming and neighboring states, Union now has 4,000 wireline phone customers—and ten times as many wireless customers, covering more than 120,000 square miles and serviced by over 400 cell towers.

Eric Woody, John D.'s great-grandson and Union's chief technical and operations officer, said the move into wireless and broadband was critical not only for the company's growth but to meet the needs of the communities it serves. "Rural America depends on reliable communications service to keep it connected to the rest of the world, even more than urban communities do," he says.

Woody likens the maintenance of network infrastructure to painting the Golden Gate Bridge: As soon as you get

to one end, you have to go back to the beginning to start over again. That kind of work requires a flexible capital structure, and Union has chosen to rely solely on CoBank for its funding needs, the result of a relationship that stretches back 25 years.

In July 2016, CoBank closed on \$60.5 million in credit facilities to, among other things, support the company's FCC Mobility Fund network upgrade project. "We have a lot of confidence in CoBank," says John Woody, Union's CEO and John D. Woody's grandson. "They understand our industry and have been there for us for an awfully long time."

"Wireless and broadband services are vital to the quality of life in rural America," says Ted Koerner, senior vice president and manager of CoBank's Communications Banking Division. "Regional service providers like Union are essential to the delivery of these services to rural communities, as well as everything from small local phone companies to large national carriers. CoBank's mission is to serve the full spectrum of companies that support rural America and provide all of them with credit they can rely on."

1 ERIC WOODY

Chief Technology & Operations Officer
Union Wireless

3 JOHN WOODY

Vice President & CEO
Union Wireless

2 STACEY AUGBE

Chief Administrative & Information Officer
Union Wireless

4 LENNIE BLAKESLEE

Lead Relationship Manager
CoBank

5 BRIAN WOODY

Chief Customer Relations Officer
Union Wireless

