

Premier Farm Credit, ACA
Audit Committee Charter
Adopted on: September 23, 2004
Revision Date: March 18, 2010

MISSION STATEMENT

The Audit Committee (Committee) of Premier Farm Credit, ACA (Association) is established by and reports to the Board of Directors (Board) to assist the Board in fulfilling its fiduciary and oversight responsibilities.

The mission of the Committee is to review financial statements and significant accounting policies, oversee financial reporting regarding its disclosure to shareholders, and to U.S. AgBank, FCB (AgBank), for both AgBank District reporting and reporting to the Federal Farm Credit Banks Funding Corporation (Funding Corporation) for disclosure to investors, oversee the audit activities of the independent auditor; and monitor internal controls, including those relating to compliance with laws and regulations.

MEMBERSHIP

The Committee shall consist of three (3) directors, including all directors designated by the Board to be financial experts, who meet the independence criteria outlined in the Director Independence Criteria Policy and who are designated by the Board to be independent members. The Committee will appoint the Chairman and Vice Chairman. Any Board member may attend Committee Meetings.

TERMS OF OFFICE

Committee members will serve three-year staggered terms. One third of the Committee members shall be appointed by the Board annually. If there is a vacancy, the Board will appoint a member to the Committee.

OFFICERS

The Committee will select a Chairman and Vice Chairman.

QUALIFICATIONS OF MEMBERS

Members of the Committee should have a practical knowledge of finance and accounting and be able to read and understand fundamental financial statements or be able to do so within a reasonable period of time after appointment to the Committee. Each member shall be knowledgeable in public and corporate finance and in financial reporting and disclosure practices or accounting procedures. Each member must be deemed independent for service on this Committee by the Board.

The financial expert advisor must have education or experience in accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution's financial statements. If the Association hires a financial advisor as permitted under FCA regulations, that advisor will also serve as an advisor to the Audit Committee.

VOTING AND QUORUM

- Quorum - A majority of the Committee members shall constitute a quorum.
- Voting - Voting on Committee matters shall be on a one member-one vote basis. When a quorum is present, the vote of a majority of the Committee members present shall constitute the action or decision of the Committee.

MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings as circumstances require as determined by the Committee. The Committee will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared in consultation with the Chair and Vice Chair and provided in advance to members, along with appropriate briefing materials. The Committee may, at times, handle duties and responsibilities of the Committee in concert with the Board during, before, or after Board meetings. Minutes of all Committee meetings will be prepared, approved by the Committee, and reported to the Board. Minutes will include attendance and will be retained for at least seven (7) fiscal years.

RESPONSIBILITIES AND AUTHORITIES

For the purpose of achieving the Committee's objectives, the Committee shall have the following responsibilities and authorities. These responsibilities will be discharged with the assistance of appropriate management, independent auditors, and the Vice President-Credit. The Committee shall have the authority to take corrective actions and/or conduct or authorize special or investigative audits into matters within the Committee's scope of responsibilities. The Committee shall have access to all books, records, facilities, and personnel of the Association necessary to fulfill its responsibilities. Unless otherwise authorized by an amendment to this Charter, the Committee shall not delegate any of its authority to any subcommittee.

(A) Financial Reporting and Disclosure

- 1) Review quarterly and annual report and any reports or other significant financial information including any certification, report, opinion, or review rendered by the independent auditors. The Board hereby delegates to the Committee the authority to approve the release and certification of quarterly and annual reports.

- 2) Prior to issuance, review any annual, quarterly, and interim press release of financial results.
- 3) Prior to the release of annual reports to shareholders, review a report on disclosures made by the Chief Executive Officer, Chief Financial Officer, and Chief Credit Officer during their certification process about any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the Association's ability to record, process summarize and report financial information, and any fraud, whether or not material, that involves management or other employees who have a significant role in internal controls.
- 4) Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other required information.
- 5) After the Committee reviews a financial policy, procedure or report, it will record in its minutes its agreement or disagreement with the items under review.

(B) Independent Auditors

- 1) Review and approve the scope of the annual audit plan. Ensure that the Vice President-Credit is involved in the development of the scope of all external audits.
- 2) The Committee is responsible to recommend to the Board the selection, compensation, and retention or discharge of the independent auditors, who shall report directly to the Committee for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Association. This includes resolution of disagreements between management and the independent auditors regarding financial reporting.
- 3) On a regular basis, meet separately in executive session with the independent auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- 4) Review and confirm the independence of the independent auditors by obtaining statements from the auditors on relationships between the auditors and the Association, including non-audit services, and discussing the relationships with the auditors, including matters specifically required in Statement of Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance) and Part 621 of Farm Credit Administration regulations. Receive written disclosures and a letter from the independent auditors in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committee), and discuss with the independent auditors their independence from the Association.

- 5) Review any significant recommendations made by the independent auditors and management's response to the recommendations.

(C) Internal Control

- 1) Evaluate the adequacy, effectiveness, and material weaknesses of the Association's auditing and accounting principles and practices after discussion with the independent auditors and management.
- 2) Oversee system of internal controls, including information technology security and control and those controls relating to compliance with applicable laws and regulations or relating to the preparation of quarterly and annual reports.
- 3) Approve and oversee completion of contracts when internal audit and/or credit review functions are outsourced.
- 4) Ensure that the Vice President-Credit has full responsibility for contracting with independent parties to perform any contract audits according to the audit plan or special request.
- 5) On a regular basis, meet separately with the Vice President-Credit to discuss any matters that the Committee or Vice President-Credit believes should be discussed in an executive session.

(D) Compliance

- 1) Review all examination and other reports from regulators submitted and monitor management's response to any findings included in these reports.
- 2) Review, on an annual basis, the Association's Standards of Conduct Policy for Board of Directors and for Employees and ensure management has established a system to monitor compliance with these policies.
- 3) Review, on an annual basis, with management, the Association's Codes of Ethics for Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Chief Credit Officer.

(E) Other Responsibilities

- 1) Establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters (Whistleblower Program).
- 2) Perform an annual self-evaluation of the Committee's performance and communicate the results to the Board.

- 3) Perform such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board.

RESOURCES

The Committee shall have the authority to engage independent counsel and other advisers as the Committee deems necessary to carry out its duties, with funding to be provided by the Association, as determined by the Committee, for: (a) compensating any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services at Premier Farm Credit; (b) compensating independent counsel and/or other advisers engaged by the Committee; and (c) paying ordinary administrative expenses the Committee incurs in carrying out its duties. A two-thirds majority vote of the full Board is required to deny an Audit Committee's request for resources.

COMMITTEE CHARTER

This Charter will be reviewed by the Board at least annually and may be amended from time to time by action of the Board. The Committee will review and assess the adequacy of this Charter annually, requesting Board approval for any proposed changes.

This Charter will be posted on the "public" area of the Association website and copies made available in printed form upon request.

REPORTING

The Committee will:

- Make regular reports to the Board on the routine discharge of its responsibilities under this Charter.
- Ensure that the Board is kept informed of substantial or exceptional matters or developments pertaining to major areas of its responsibility and, if decision making is involved or a recommendation is developed, report on the process followed, the options considered, and the rationale used to support the Committee's decision or recommendation.
- Prepare annually a report for the Board that summarizes the work performed by the Committee to discharge its responsibilities and authorities.