



AG CREDIT

June 20, 2014

Barry F. Mardock
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Via Email

Re: Proposed Rule on Standards of Conduct

Dear Mr. Mardock:

I am a Director on Lone Star Ag Credit's Board of Directors and am writing this letter to comment on the Farm Credit Administration's Proposed Rule regarding Standards of Conduct and Referral of Known or Suspected Criminal Violations that was published in the February 20, 2014 *Federal Register*.

As an agricultural business owner, I have daily business transactions with a customer/supplier base of approximately 2,000 entities. I have no way of knowing who is an association customer; I have never seen a customer list and would have a hard time identifying names and entities, even if I did see a list. And, since we do a lot of business with absentee landowners, there is no reasonable expectation for me to be "familiar" with customers who are in state or out of state.

Lone Star's Board of Directors is not involved in making the loans, does not sit on loan committee, does not review the loan files, and does not decide the terms of the loans; therefore, the only situation in which I would recognize a "shared" customer is if the customer appeared on the distressed loan list, paid off loan list, or new loans closed list, *e.g.* I would never consider requesting that kind of information from my business customers, and it is not customary in my line of business to ask a person how many cows they have, how many acres they farm, or how much money they have in what bank, especially a proud Texan. Therefore, putting the burden of discovering a potential "conflict of interest," including the appearance of a conflict, on association staff or the SOC official would be an extremely burdensome and inefficient task. Further, even if I were to recognize a "shared" customer, I would have no ability to affect the loan in any way since directors are not a part of the loan approval process or loan committee; as a director, I would only discover it "after the fact."

If a director was required to get pre-approval for ordinary business transactions as proposed, then it would be intrusive and burdensome enough for me to re-consider my ability to serve as a director of a Farm Credit System institution. Specifically, as a director, I am aware of the importance of standards of conduct and am aware of what my business can and cannot do in terms of transactions with known customers, *e.g.*, under the current regulations. Under the proposed rules, however, I would be put in a position to forego making purchases that do not violate any current SOC regulations if I was unable to get pre-approval in time to make such

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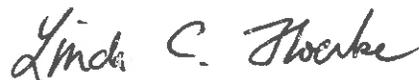
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purchases (which purchases cannot always be predicted in advance, may happen on weekends, or may happen at times when the SOC official cannot be reached). For example, as recently as last weekend, my square baler broke, and I was forced to run out and buy another one that day so I could complete my work. To my knowledge, the person from whom I bought the equipment was not a customer of Lone Star Ag Credit. However, if I had to get pre-approval from an SOC official before buying the baler as set forth in the proposed SOC rule, then I may not have been able to make that purchase, which was time sensitive and required to be made.

I have a lot to contribute to Farm Credit as a director based on my work and experience in the agricultural industry. The proposed Standards of Conduct rule, however, may force me to choose between my work and my role as a director, pitting the benefit of my work and experience against my role as a director in Farm Credit. I simply may not be able to put my business decisions on hold – decisions that are made in good faith and in compliance with the current regulations – or put my business at a disadvantage by not being able to make required purchases timely or quickly when necessary to comply with proposed rules that do not benefit the System or the association but which would expose my business to harm or poor management decisions.

Thank you for the opportunity to comment on the proposed Standards of Conduct rule. I appreciate your consideration of these matters.

Sincerely,



Linda Floerke
Director, Lone Star Ag Credit