



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 the Chairman of 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*.

Although I support all of the comments made by Lone Star in its comment, I wanted to comment further on how some of the proposed changes would impact my role as a director of a Farm Credit System institution and willingness to serve on a System board.

Specifically, I am deeply concerned for Lone Star, myself, and Lone Star's other directors about the FCA's proposed changes to the Standards of Conduct (SOC). I have an entrepreneurial background and currently own several diverse businesses. I am also involved as a minority investor in a few other businesses and mentor several younger men and women who have either started a small business or anticipate doing so. My community involvement includes serving on several non-profit and charitable boards as a director.

In my most recent annual SOC disclosure, which was submitted under the present rules, I listed twenty (20) companies I own and/or on which I serve as an officer and director and twelve (12) entities where I serve as a director. In making those disclosures, I felt that I had met the legal requirements imposed on me as a director and satisfied the purposes of the regulations. By contrast, most of the proposed changes to the SOC regulations leave "interpretation of meaning" up to someone outside the association but with the director being subject to liability if the regulator disagrees with the interpretation of the regulations by the director, the association, or the SOC official or the policies and procedures put in place by the association. Further, under the proposed SOC rules, the ambiguous language used in some of the proposed rules (*e.g.*, "family" and "other guidance") coupled with the subjectivity permitted by the proposed rules invites uncertainty, risk of disagreement, inconsistent interpretations from one association to another, and piecemeal determinations made on a "case by case" basis by the FCA in a way that cannot be predicted or anticipated in advance and that will not allow for useful guidance to be

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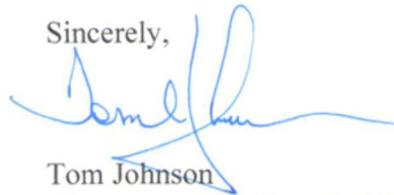
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obtained across the System for the benefit of the System; it is unclear how an association can learn SOC best practices when the practices may vary from association to association and regulator to regulator. In my opinion, the proposed SOC rules will have a severe “chilling effect” on any sophisticated board member from wanting to serve on a Farm Credit System institution board, with their net worth possibly at stake. I am convinced that the proposed changes to the SOC rules will have the opposite effect of what FCA is trying to do, *i.e.*, “attract stronger and more sophisticated directors.”

Standards of Conduct are vital to the safety and soundness of the System. However, I find the proposed changes so troubling and so unpredictable that, as written and as compared to the current SOC regulations (as well as Regulation O and other SOC-type regulations outside of Farm Credit), I am seriously considering not running for re-election next year when my term expires. I am concerned that several of my fellow board members may be inclined to arrive at the same decision unless we get the SOC changes more clearly defined to achieve the objectives of the original purpose of SOC.

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

Sincerely,



Tom Johnson
Chairman of the Board of Directors
Lone Star Ag Credit