



3000 Briarcrest Drive, Suite 601
Bryan, Texas 77802

October 23, 2018

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

Via Electronic Mail

RE: Eligibility Criteria for Outside Directors - RIN 3052-AC97 / 83 Federal Register
42807-42810 (August 24, 2018)

Dear Mr. Mardock:

The Board of Directors and the management team of Capital Farm Credit, ACA ("Capital") appreciate the opportunity to respond to the FCA's request for comments concerning the proposed rule on Eligibility Criteria for Outside Directors ("Proposed Rule"), which was published in the August 24, 2018 *Federal Register*.

Capital has reviewed the comments being submitted by the Farm Credit Council. We support those comments, including the concerns regarding the authority of the FCA to limit the eligibility of outside directors. Capital is sending this letter to focus on the matters that are of particular interest to Capital. We respectfully submit the following comments.

Capital believes having a board of directors comprised of the highest quality members is vital to the success of an institution, and Capital agrees with the FCA that outside directors can strengthen a board by adding specific expertise to it.

The proposed subsection 611.220 (b)(1) imposes significant and unnecessary limitations on the eligibility of outside directors. As proposed, eligibility for being an outside director will exclude any candidate who has an immediate family member who is a director, officer, employee, agent, stockholder, or borrower of a Farm Credit System (System) institution. It also excludes any candidate who has a controlling interest in an entity that borrows from a System institution or an affiliated organization of a System

institution. Furthermore, it excludes a candidate who has an immediate family member who has a controlling interest in such an institution or organization. Capital opposes the expanded exclusions. All directors are required to avoid conflicts of interest. Any potential conflict of interest that arises because of a family or business relationship should be addressed for the outside directors in the same manner as such matters are handled for stockholder-elected directors, which is to address them through the standard of conduct process. The expanded exclusions will needlessly limit the pool of eligible outside directors and will hinder the appointment of qualified outside director candidates.

Capital shares the Farm Credit Council's concerns regarding the definitions in the Proposed Rule. In addition to the issues noted in the Farm Credit Council comment letter, the definitions of controlling interest and entity in this Proposed Rule do not align with the definitions in the FCA's proposed standard of conduct rule. Capital requests consistency in the definitions.

In conclusion, Capital believes that rather than revising the regulations to impose more limitations on the selection of outside directors, it should be recognized that each System institution has the right to adopt bylaws for the outside director selection process that best fits the institution. Capital encourages FCA to use its examination powers to monitor outside director selection processes and institute enforcement actions if unsafe or unsound practices are identified instead of implementing the proposed revisions to the regulations.

Thank you for this opportunity. Capital appreciates your consideration of these comments.

Sincerely,

CAPITAL FARM CREDIT

A handwritten signature in cursive script that reads "Ben R. Novosad".

Ben R. Novosad
CEO