



*Regarding: proposed rule change RIN 3052-AC97 (Eligibility Criteria for Outside Directors)*

AgTexas Farm Credit Services acknowledges and appreciates the objectives of the FCA in amending its regulations affecting governance of Farm Credit System Institutions; in an effort to strengthen the safety and soundness of system institutions, strengthen the independence of system institution boards and incorporate best corporate governance practices. AgTexas also appreciates the opportunity to comment on these proposed amendments to organization, definitions and eligibility criteria for outside directors.

AgTexas recognizes the importance of sound governance, particularly as it relates to well-balanced boards of directors where stockholder interests are represented through the stockholder elected directors and outside independent views are provided by the outside appointed directors. To this end, it is important that outside directors appointed to system boards remain free from bias that may result from close business relationships with the system entity they are appointed to serve. However, we are concerned that FCA's proposed amendment is overly-restrictive and inconsistent, at least in part.

1. Statute is clear and unambiguous as to qualifications for directors. *"At least one must be elected by the other directors, which member shall not be a director, officer, employee, or stockholder of a System institution."* (The statutes also exclude "agents" of System institutions from service on System association boards.) Other than that statutory requirement, the Act is clear that all other aspects are dictated by the institution's bylaws.
2. The Act is equally clear in Sec. 517(b) that the FCA shall NOT have authority, EITHER DIRECT OR INDIRECT, to approve bylaws or any amendments to bylaws.
3. The provisions of the Proposed Rule expanding the definitions to exclude "borrowers" are entirely too broad and inconsistent with existing and proposed FCA regulatory definitions. This includes the definitions of "controlling interest" and "entity". Whatever merit the expansion may have, as currently drafted it is entirely too broad. For example, a situation could arise where an association wanted to consider the Dean of its State University School of Agriculture or its Business School for service on its association board, but she would be excluded from consideration if her daughter-in-law was employed as an administrative assistant with the associations consulting law-firm. In many cases the candidate may not even know such a relationship exists.
4. The provisions of the Proposed Rule to exclude individuals from serving as an outside director if they have an immediate family member who is a stockholder or a borrower of a System institution, other than the institution for which they are being considered, is overly restrictive. For example, a situation could arise where an association identifies a highly qualified outside director candidate who is otherwise eligible to serve, but he would be excluded from consideration if his son-in-law leased a utility tractor through Farm Credit Leasing for use in

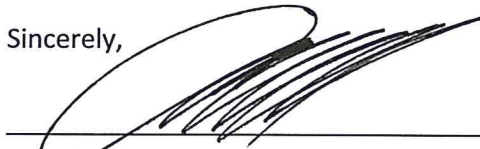
conjunction with his small, part-time cow-calf operation in rural Central Texas. Once again, in such cases the candidate may not know that such a relationship exists.

5. FCA's belief that including the specific additional eligibility criteria in the Proposed Rule will not adversely affect the board's ability to select qualified candidates is not correct. Highly qualified outside director candidates that are willing to serve are difficult to find. Their role is unique because they are not stockholder owners of the organization, therefore they do not possess the same vested interest in the association as stockholder elected directors. Outside directors choose to serve out of their care and concern for Farm Credits mission to serve America's farmers, ranchers and Rural America. Often times these public servants have a direct connection to agriculture or they have family and friends involved in agriculture. These men and women are asked to accept some level of liability as a fiduciary without having a vested ownership interest in the business or receiving any other material benefit for their service.

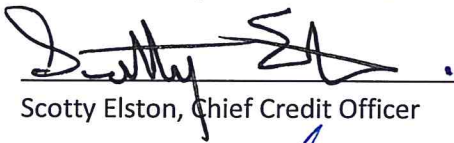
AgTexas desires to maintain sound corporate governance in accordance with FCA guidelines. We acknowledge the necessity for board members to act responsibly, independently and in the best interest of AgTexas and its membership. We believe these goals can be accomplished, while maintaining important flexibility, within the context of our comments offered above.

Thank you in advance for your consideration,

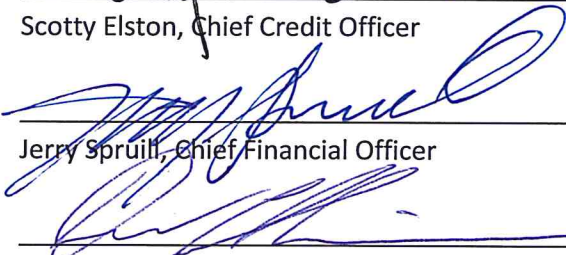
Sincerely,



Tim McDonald, Chief Executive Office

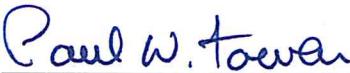


Scotty Elston, Chief Credit Officer



Jerry Spruill, Chief Financial Officer

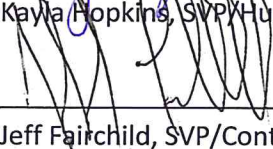
Dave Cullins, SVP/Administration



Paul Fowler, SVP/Lending Operations



Kayla Hopkins, SVP/Human Resources



Jeff Fairchild, SVP/Controller