



December 11, 2009

Mr. Gary K. Van Meter, Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22101-5090

Dear Mr. Van Meter:

Thank you for the opportunity to comment on the treatment of capital stock and allocated surplus for regulatory capital purposes.

As you may or may not be aware, under our current capital plan this institution declares a patronage distribution, revolves allocated surplus or retires stock only when the board of directors determines it is in the best interest of the Association. Unlike capital plans of old, where capital served as a compensating balance, we have since evolved from these membership interests and compensating balances, to stock that is subject to impairment and allocated surplus that can only be retired or distributed at the sole discretion of the board of directors.

Admittedly, some customers could have expectations regarding stock retirement, surplus revolvment and distribution; however, expectations do not eclipse the legal right and fiduciary responsibility of the board to act in the association's best interest. We would contend that our institution's bylaws, capital plans and written disclosures, and most importantly, our course of action, collectively assert control over our capital, thereby affording it qualities of the highest level. Moreover, our communications with members have been consistent with this assertion throughout the history of our current program.

In support of this contention, the association informed its members in May 2008 there would not be a patronage distribution in 2009, due to unexpected losses. In addition, management recommended, and the board approved, suspending the C-Stock retirement at its normal retirement interval until further notice. And, while not an approved action, the board also communicated to the membership it anticipated extending the 2004 allocated surplus revolvment for at least an additional year, all in an effort to demonstrate a commitment to rebuild the Association's capital position.

The consequences of our capitalization actions, though not without concern, have not had the dire results as some might believe. Because we price our loans to market and provide high quality service, our members viewed patronage as an "enhancement" to the financing package, not the "enticement." Additionally, we do not believe that our marketing efforts have been adversely affected by the board's decisions. In fact, it is our belief that our members are most interested in their ability to access capital from a safe, sound, reliable competitive source.

Sincerely,

A handwritten signature in black ink that reads "Richard S. Monson". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Richard S. Monson
Chief Executive Officer

cc. Tim Amerson, AgFirst FCB