

Farm Credit Administration

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February 23, 2009

To: Board of Directors
Each Farm Credit System Institution

From: Leland A. Strom
Chairman and Chief Executive Officer

Subject: Executive Compensation and Benefits Programs

A handwritten signature in blue ink that reads "Leland A. Strom". The signature is written in a cursive style with a large initial "L".

Last fall I shared my thoughts with you about the current and future challenges facing the Farm Credit System. I emphasized that as the System's safety and soundness regulator, FCA will do its part to ensure that you have the guidance you need to keep your institutions safe and strong. I also noted that FCA staff has stepped up its efforts to monitor and respond to events that may arise in the current environment, and that we will continue to communicate with you for the continued success of your institution and the System as a whole.

As we move through these challenging times, I would like to share some additional thoughts with you about the recent Government and public outcry over excessive executive compensation packages. Most of this concern has been aimed at failing or troubled financial institutions that received Federal financial assistance but continued to provide excessive compensation packages, including bonuses and other perks, to their CEOs and top executives.

System institutions are not failing or receiving assistance from the Government. As I pointed out at the Farm Credit Council Annual Meeting last month, the System is financially strong and well positioned. It has good credit quality, adequate capital, strong earnings, and sufficient liquidity. As one might expect, the System's strong financial performance is reflected in the executive compensation programs of its CEOs and senior managers. However, recognizing that System institutions are Government-sponsored enterprises and cooperatively owned, FCS boards have generally used good governance in overseeing and monitoring executive compensation programs with an eye on keeping them reasonable and fair.

Nevertheless, as the financial landscape is changing, the compensation landscape is also changing. We have all noted the growing climate of hostility with compensation and other corporate perks that are excessive relative to the firm's financial and operational performance, and return to shareholders.

While I fully support executive compensation programs that reward success and retain outstanding talent, I think it is important to also be mindful of the current business environment as well as the potential perception by the public and Congress. We expect the board of each Farm Credit System institution to be diligent and prudent in its decisions regarding the issues of

