

We disagree with the proposal to recapitalize the FHLB system. The board should consider a risk based system to tie the level of retained earnings to the risk on the balance sheet. This makes common sense when one is trying to keep a sufficient amount of capital to guard against a default on the system debt. Obviously some areas of lending carry considerably more risk than others and should require a higher amount of capital to support the type of lending. Fully collateralized advances and US Treasury bills should not require very much capital to carry!

I also cannot determine why excess stock will be required to be purchased by the FHLB when the object is to increase the capital of the FHLB system. It seems to me that this is the last thing that should be considered when you want to move the system to a higher equity position.

Finally, as a stockholder in the FHLB system we have a substantial investment in the organization and do not want to see it fail. We also believe that we are entitled to a fair return on our investment and do not think that we should have our income confiscated under this arbitrary ruling. It appears that this rule will substantially reduce our dividend income for several years with no increase in the value of our shares.

Mark Haas