

PROPOSAL TO THE BOARD OF FARM CREDIT SERVICES OF AMERICA

AgStar Financial Services, ACA hereby proposes to consolidate with Farm Credit Services of America, ACA on the terms set forth below. This offer is based on three promises: (1) to return immediate value to producers in your four-state territory in recognition of their long-standing commitment to FCSAmerica; (2) to give all of our stockholders financial and ownership stakes in a new organization dedicated to providing an expanded list of financial services to farmers, ranchers and rural America; and (3) to preserve each association's franchise value and capital in an organization rooted in cooperative principles and committed to the long-term interests of our marketplace. Underlying these promises is a belief that AgStar stockholders hold dearly – and one we believe your stockholders share – that an organization owned and controlled by its customers and entrusted with a special mission carried out over successive generations, will be best positioned to meet the needs of future generations.

<i>Issue</i>	<i>Proposal</i>
Merger Form	FCSAmerica and AgStar would consolidate with the resulting entity (“New Association”) remaining a member of the Farm Credit System and changing its name to AgStar Financial Services.
Headquarters & Offices	The New Association would have its headquarters in Omaha, Nebraska. Each Association's branch office structure would be maintained.
Effective Date	April 1, 2005, dependent on board, stockholder and regulatory approval.
Stockholder Dividend	By July 1, 2005, the New Association would distribute \$650 million to the FCSAmerica stockholders on a patronage basis. AgStar stockholders would receive a monetary distribution that would equalize capital levels at an amount to be determined.
Preservation of Stockholder Capital	This proposal will preserve \$800 million of capital paid into FCSAmerica by current and past stockholders to continue to serve future generations of farmers in the Midwest.
On-going Patronage Program	The New Association would adopt a patronage program to provide current and future customers a continuing financial stake in their financial services provider. The program would result in the ongoing allocation and revolvment of dividends to create a return to stockholders. The economic value of FCSAmerica is directly linked to its market presence and its earnings capacity. Commitment to a patronage program will create stockholder value while preserving existing capital and ownership of a value-added, financial services company.
Governance	The Initial Board of the New Association would be composed of both the boards of AgStar and FCSAmerica. The board will develop a plan to achieve proportional representation within three years.

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Management	AgStar's CEO will be appointed CEO of the New Association. He will appoint an executive team from among the current management of AgStar and FCSAmerica.
Employees	The New Association will retain the branch delivery structure and employees of both organizations.
Due Diligence	Upon reaching agreement, each Association will immediately begin due diligence and have due diligence reports completed and approved no more than 60 days after the acceptance date.
Termination of on-going negotiations	Upon reaching agreement, each Association will terminate negotiations and withdraw from any proposed agreements with any institution regarding any other potential sale, merger or joint venture of any type. Any cost incurred in terminating such relationships will be paid by the respective entity.

Our organizations have been built by generations of farmers and ranchers dedicated to the ideal of providing a dependable source of credit and financial services to all agricultural producers, regardless of their age, tenure in farming or the size of their operations. We are the trustees of that legacy, charged with the responsibility of preserving and building on the strength of the system to ensure its ability to meet the changing needs of agricultural producers and the rural marketplace. Our vision is to have our clients see value in being an owner of a broad based, value-added financial services company that meets their product needs and creates a return for them as a stockholder.

In closing, FCSAmerica and AgStar together can create an organization stronger and more committed to agriculture and rural America than any competitor inside or outside the System. Our proposal's chief virtue is that it builds on, rather than dissipates, the value we have worked so hard to create.

We would be happy to provide clarification or answer questions on any aspect of the proposal outlined above.

Submitted: August 18, 2004

The Board of Directors of AgStar Financial Services