



ROBIN CARNAHAN
SECRETARY OF STATE
STATE OF MISSOURI

JAMES C. KIRKPATRICK
STATE INFORMATION CENTER
(573) 751-4936

DAVID B. COSGROVE
COMMISSIONER OF SECURITIES
(573) 751-4136

November 2, 2005

Ms. Margaret Johnston
Mitchell, Williams, Selig,
Gates & Woodyard, P.L.L.C.
425 West Capital Avenue,
Suite 1800
Little Rock, AR 72201-3525

Re: Farmer's Home Holding Company, Inc. §409.6-605(d), RSMo Cum. Supp. 2004.
File No. 2005-01487

Dear Ms. Johnston,

On behalf of your client, Farmer's Home Holding Company, Inc., ("Holding Company") you have requested that the Missouri Securities Division take no action to require registration of the issuance of shares of stock in the Holding Company as part of the demutualization of Farmers Home Mutual Fire ("Farmers Home") from a mutual insurance company to a stock insurance company. You made the following representations, among others, in your correspondence.

BACKGROUND

A. FARMERS HOME

1. Farmers Home is a mutual insurance company whose business is concentrated in property and casualty insurance products.
2. Currently, Farmers Home has approximately 10,645 in-force policyholders ("Policyholders"), the majority of which are located in Arkansas.
3. As a mutual insurance company, Farmers Home has no authorized, issued or outstanding stock.
4. Through the purchase of Farmers Home insurance policies, Farmers Home's Policyholders acquire insurance coverage from Farmers Home and ownership interests ("Equity Rights") in Farmers Home pursuant to the Arkansas Insurance Code and Farmers Home's Articles of Incorporation and Bylaws.

B. HOLDING COMPANY

5. The Holding Company is an Arkansas corporation incorporated by Ross E. Ford, Jr., Kelly L. Ford and W. Kyle Harris (collectively, the "Sponsors") for the sole purpose of proposing this Demutualization to the Board of Farmers Home.
6. At the appropriate time, the Sponsors will contribute assets to the Holding Company sufficient to fulfill its obligations under a certain Agreement and Plan of Conversion (the "Plan").

C. THE PROPOSED DEMUTUALIZATION

7. The Demutualization is the process by which Farmers Home will convert from a mutual insurance company to a stock insurance company in accordance with Ark. Code Ann. §23-69-141 *et seq.* (the "Arkansas Demutualization Law").
8. At the time Farmers Home converts from a mutual property and casualty insurance company to a stock property and casualty insurance company, it will become a wholly-owned subsidiary of the Holding Company.
9. If the Demutualization becomes effective, Members (defined below) will no longer own Farmers Home, but, in exchange for their Equity Rights in Farmers Home, Members will elect to receive consideration in the form of cash and/or shares of the Holding Company's Common Stock.
10. "Members" are members of Farmers Home who were Policyholders of policies that were in force at any time during the three (3) year period ending on August 31, 2005 (the "Record Date") (the date the Plan was submitted to the Arkansas Insurance Commissioner (the "Commissioner") pursuant to the Arkansas Demutualization Law), and who are in existence on the Record Date. (Currently the number of Members is approximately 14,620, forty-four (44) of whom reside in the state of Missouri.)
11.
 - A. In accordance with the Arkansas Demutualization Law, Farmers Home will convert from a mutual property and casualty insurance company to a stock property and casualty insurance company, organized and existing under the Arkansas Insurance Code.
 - B. 221,400 shares of Farmers Home common stock shall be issued to the Holding Company in exchange for \$2,214,000, which shall be all of the issued and outstanding stock of Farmers Home.
 - C. Members will receive consideration, either cash, shares of the common stock of the Holding Company ("Holding Company Common Stock") or a combination, in exchange for their Equity Rights in Farmers Home.
12. As a result of these transactions, the Holding Company will become the parent company of Farmers Home.
13. The Demutualization is conditioned upon the occurrence of certain events, including:

- A. Public fairness hearing before the Commissioner on the Demutualization;
 - B. Obtaining all necessary approvals of the Commissioner;
 - C. Obtaining approval of the Plan by three-fourths (3/4) of the Members voting at a special meeting of the Policyholders (in person or by proxy);
 - D. Not more than 20% of the total consideration for the extinguishment of Equity Rights is in the form of the Holding Company Common Stock; and
 - E. The satisfaction of all other conditions set forth in the Plan and the applicable conditions imposed by the Commissioner.
14. Additionally, the Demutualization will not take place if the Holding Company would be required to register its stock under Section 12 of the Securities Exchange Act of 1934 because the number of stockholders of the Company exceeds 500.
15. The Farmers Home Board of Directors adopted resolutions proposing the Plan on August 29, 2005.
16. On August 31, 2005, Farmers Home submitted the Plan to the Commissioner in accordance with the Arkansas Demutualization Law.
17. The Commissioner has designated October 21, 2005, for a public hearing (the "Hearing") to receive comments and information to aid the Commissioner in approving or disapproving the Plan. Ark. Code Ann. § 23-69-141.
18. Among other things, pursuant to the requirements of the Commissioner, the notice of the Hearing to the Members must be accompanied by a copy of a preliminary Policyholder Information Statement (the "Statement") which (a) describes certain aspects of the Plan; (b) contains information about Farmers Home and its business, including financial statements; (c) contains information about the Holding Company, including financial statements; (d) contains information relevant to the ownership of the Holding Company Common Stock issued to Members who elect to receive stock under the Plan; and (e) other matters.
19. However, the Statement does not include offering materials or voting materials and is not intended to constitute an offer to sell securities to any Member in its preliminary form.

20. Farmers Home is providing over three (3) weeks prior notice of the Hearing to its Members and prior notice of the Hearing will be published pursuant to the notice requirements of the Arkansas Demutualization Law. Members and the general public will be invited to appear and will have a right to be heard at the Hearing.

21. Under the Arkansas Demutualization Law, the Plan may not take effect unless and until, after the Hearing, the Commissioner makes the findings required to approve the Plan, including:

- A. it is equitable to the Members;
- B. it is subject to approval by vote of not less than three-fourths (3/4) of the Members voting thereon in person, by proxy or by mail at a meeting called for that purpose (the "Special Meeting"), pursuant to such reasonable notice and procedure as approved by the Commissioner;
- C. the equity of each Member in Farmers Home is determinable under a fair formula approved by the Commissioner;
- D. the Members entitled to participate in the purchase of stock or distribution of assets includes all current Policyholders and all living persons who had been Policyholders within three (3) years prior to the date the Plan was submitted to the Commissioner;
- E. the Plan gives each Member preemptive rights to acquire his or her proportionate part of all of the proposed capital stock within a designated reasonable time and to apply the amount of his or her equity in Farmers Home to the purchase;
- F. no shares offered to Members are priced higher than shares thereafter offered to others and the price of shares offered to Members is not more than double the par value of the shares.
- G. the Plan allows Members who elect cash consideration an amount not less than fifty percent (50%) of the amount of his or her equity; and
- H. the Plan requires Farmers Home to maintain applicable capital and surplus requirements.

22. If Approved by the Commissioner, a final version of the Statement (the "Final Statement"), a copy of the Plan accompanied by voting materials and an offering


of the Holding Company Common Stock to the Members shall be mailed to the Members with the notice of the Special Meeting.

23. If the Plan is approved by the Members, Members will receive consideration in the form of cash or Holding Company Common Stock (the "Consideration"). If a Member elects to receive stock, that Member will receive one share of stock for each \$10 of such Members Equity Rights. If a Member elects to receive cash, that Member will receive cash equal to 54.869% of the value of such Members Equity Rights. The total value of the Equity Rights, if approved by the Commissioner as fair, is \$4,036,063.00.

24. The Demutualization has been structured as a tax free reorganization, with no recognition of income, gain or loss for the Holding Company or Farmers Home under U.S. tax laws. Members will not be taxed on the receipt of Holding Company Common Stock under the Plan. Members may however be taxed on the gain from later sales of such stock. Members receiving cash under the plan will generally be liable for a capital gains tax on the full amount of the tax in the year it is received.

Based on the foregoing representations, the Securities Division will take no action to require registration of the issuance of shares of stock in Farmer's Holding Company, Inc. as a part of the demutualization of Farmers Home Mutual Fire from a mutual insurance company to a stock insurance company. This no action position does not constitute an exclusion from the anti-fraud provisions of the Missouri Securities Act of 2003. This position is based on the facts presented, and, should the facts prove to differ from those presented, the position of this office may differ.

Sincerely,


David B. Cosgrove
Commissioner of Securities