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ARIZONA CORPORATION COMMISSION

JAMES MATTHEWS
EXECUTIVE SECRETARY

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007-2996
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470

March 20, 1996

Christine A. Will, Esq.
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
125 West 55th Street
New York, NY 10019-5389

RE: Farm Family Mutual Insurance Company
A.R.S. § 44-1844(A)(6)

Dear Ms. Will:

On the basis of the facts set forth in your letter of March 8, 1996, and in reliance upon your opinion as counsel, the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona (the "Act") should the transaction take place as set forth in your letter.

As this position is premised upon the facts set forth in your letter, it should not be relied on for any other set of facts or by any other person. Please also note that this position applies only to the registration requirements of the Act; the anti-fraud provisions of the Act continue to be applicable.

We have attached a photocopy of your letter. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

A handwritten signature in black ink, appearing to read "DRH".

DEE RIDDELL HARRIS
Director of Securities

DRH:lb
Attachment

LEBOEUF, LAMB, GREENE & MACRAE L.L.P.

A LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

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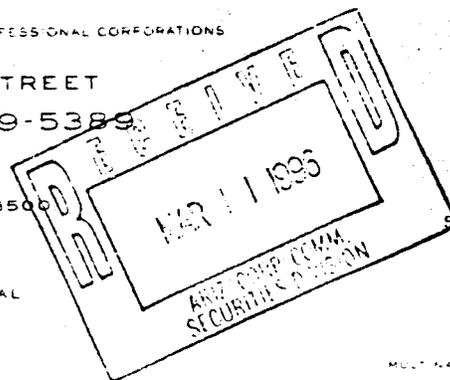
125 WEST 55TH STREET
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WRITER'S DIRECT DIAL

(212) 424-8138



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March 8, 1996

VIA FEDERAL EXPRESS

Dee R. Harris, Director
Corporation Commission
Securities Division
1300 West Washington Street, 3rd Floor
Phoenix, Arizona 85007

Re: Reorganization and Conversion of
Farm Family Mutual Insurance Company

Dear Mr. Harris:

On behalf of our client, Farm Family Mutual Insurance Company, a nonassessable mutual insurance company organized under the laws of the State of New York (the "Company"), we are writing to request written confirmation from you that the securities registration requirements under the Arizona Securities Act, Title 44, Chapter 12 of the Arizona Revised Statutes, as amended ("A.R.S.") will not apply to the transactions contemplated under the Plan of Reorganization and Conversion of Farm Family Mutual Insurance Company dated as of February 14, 1996 (the "Plan"). Please refer to the enclosed copy of the Plan for definitions of the capitalized terms used in this letter and not otherwise defined herein.

The Plan provides for the reorganization and conversion of the Company from a mutual property/casualty insurance company to a stock property/casualty insurance company, all of the capital stock of which will be wholly owned by Farm Family Holdings, Inc., a corporation organized under the laws of the State of Delaware (the "Holding Company"). Under the Plan, (i) Eligible Policyholders will receive either shares of common stock, par value \$.01 per share of the Holding Company (the

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"Holding Company Common Stock") or cash and (ii) holders of Surplus Notes may elect to receive shares of Common Stock or cash in exchange for their Surplus Notes (holders of Surplus Notes who elect to receive shares are referred to herein and in the Plan as "Participating Surplus Note Holders").

Upon effectiveness of the Plan, the Company will become a stock property/casualty insurance company and will issue to a transfer agent, for the respective accounts of the Eligible Policyholders entitled to receive such stock pursuant to Section 7.1 of the Plan and each Participating Surplus Note Holder electing to receive such stock pursuant to Section 8.1 of the Plan, a global certificate representing the number of shares of common stock of the Company ("Company Common Stock") allocated to such Eligible Policyholders and Participating Surplus Note Holders in accordance with the provisions of the Plan. The transfer agent, on behalf of the Eligible Policyholders that receive shares of Company Common Stock and Participating Surplus Note Holders that elect to receive shares of Company Common Stock, will transfer such shares of Company Common Stock to the Holding Company in exchange for an equal number of shares of Holding Company Common Stock.

The Plan has been submitted to the Superintendent of Insurance of the State of New York (the "Superintendent") for approval, after notice and public hearing. In addition, the effectiveness of the Plan is contingent upon the approval by the affirmative vote of not less than two-thirds of the votes cast by the Voting Policyholders of the Company at a Special Meeting scheduled for June 3, 1996 (the "Special Meeting") and upon the Board of Directors of the Company declaring the Plan effective.

We are writing to request confirmation that (i) the transfer of the Company Common Stock to the transfer agent for the accounts of the Eligible Policyholders and Participating Surplus Note Holders and the issuance of Holding Common Stock and the exchange of Company Common Stock for Holding Common Stock pursuant to the Plan will constitute transactions which are exempt from securities registration requirements under your statute or that (ii) if you are unable to confirm the availability of such exemption, that you will recommend no enforcement action if the proposed transactions are effected in your state without registration of the Company Common Stock or the Holding Company Common Stock under your statute.

We respectfully submit that the securities transactions contemplated under the Plan could be considered to be of the kind described in A.R.S. §44-1844.A(6), which exempts from securities

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registration "any transaction or series of transactions incident to a statutory or judicially approved reorganization, merger, triangular merger, consolidation, or sale of assets, incident to a vote by securities holders pursuant to the articles of incorporation, the applicable corporate statute or other controlling statute, a partnership agreement or the controlling agreement among securities holders."

We respectfully suggest that the reorganization and conversion of the Company contemplated by the Plan could be viewed as coming within the spirit of the above-cited exemption in that there will be an issuance of Company Common Stock to the transfer agent pursuant to the Plan in exchange for the interests of the Eligible Policyholders and Participating Surplus Note Holders and a subsequent exchange of securities (the Company Common Stock for the Holding Company Common Stock) pursuant to the Plan which is similar to the kind of exchange of securities that would be effected pursuant to a reorganization or merger.

It should be noted that, pursuant to the requirements under Section 7307 of the New York Insurance Law applicable to demutualizations of New York domiciled mutual insurance companies, the Plan is subject to approval by at least two-thirds of the votes cast by the Voting Policyholders of the Company at the Special Meeting and is also subject to the approval of the Superintendent, after notice and public hearing, which administrative approval is subject to judicial review under New York law. Thus the conversion and reorganization of the Company could be viewed as a "statutory reorganization or merger" under the above-cited exemption.

In addition, it should be noted that the Holding Company Common Stock is expected to be approved for listing, subject to notice of issuance, on the New York Stock Exchange prior to the Effective Date of the Plan. Consequently, the Holding Company Common Stock will be an exempt security pursuant to A.R.S. § 44-1843.A(7).

Lastly, due to the highly regulated nature of the insurance industry, as evidenced by the requirements that the transactions contemplated under the Plan be approved by the New York Superintendent of Insurance and that such transactions meet the requirements for reorganizations and conversions of mutual insurance companies contained in the New York Insurance Law, we respectfully suggest that such transactions are not the kind for which registration is necessary or appropriate for the protection of investors.

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Based upon the foregoing, we hereby request written confirmation from your office that (i) the transfer of the Company Common Stock to the transfer agent for the accounts of the Eligible Policyholders and Participating Surplus Note Holders and the issuance of Holding Common Stock and the exchange of Company Common Stock for Holding Common Stock, pursuant to the Plan, will constitute transactions that are exempt from securities registration requirements under your statute or that (ii) if you are unable to confirm the availability of such exemption, that you will recommend no enforcement action if the proposed transactions are effected in your state without registration of the Company Common Stock or the Holding Company Common Stock under your statute.

Enclosed is a check for \$200.00 in payment of the fee for this request.

If you have any questions regarding this matter or if you require additional information in order to respond to this request, please contact the undersigned.

Due to the proposed timetable for the transactions contemplated under the Plan, we would appreciate receiving a response to this request at your earliest convenience.

Sincerely,


Christine A. Will

Kindly acknowledge receipt of this filing by signing the enclosed duplicate of this letter and returning it in the envelope provided.

Received by: _____

Date: _____