



## **Update on Publication of Financial Statements**

November 9, 2017

The Board of Directors and Management of Lone Star, ACA (the "Association") have determined that we do not have sufficient information at this time to publish the Association's Third Quarter 2017 financial statements on a timely basis.

During the second quarter of 2017, Association management discovered appraisal and accounting irregularities affecting a segment of the Association's lending portfolio. The investigation referenced in our prior notification is ongoing, with its conclusion anticipated during the 4<sup>th</sup> quarter of 2017. The Association will work diligently to prepare all prior reports once the investigation is complete. Although final loss amounts are still being quantified, Lone Star currently remains in compliance with its regulatory capital requirements. The Association is not in compliance with some requirements of its general financing agreement with the Farm Credit Bank of Texas, its funding bank. However, the Association is meeting the conditions of the waiver issued by the Farm Credit Bank of Texas. Conditions could change further once the investigation is complete. The Association expects to remain fiscally sound and a reliable source of financing for its members, both now and in the future.