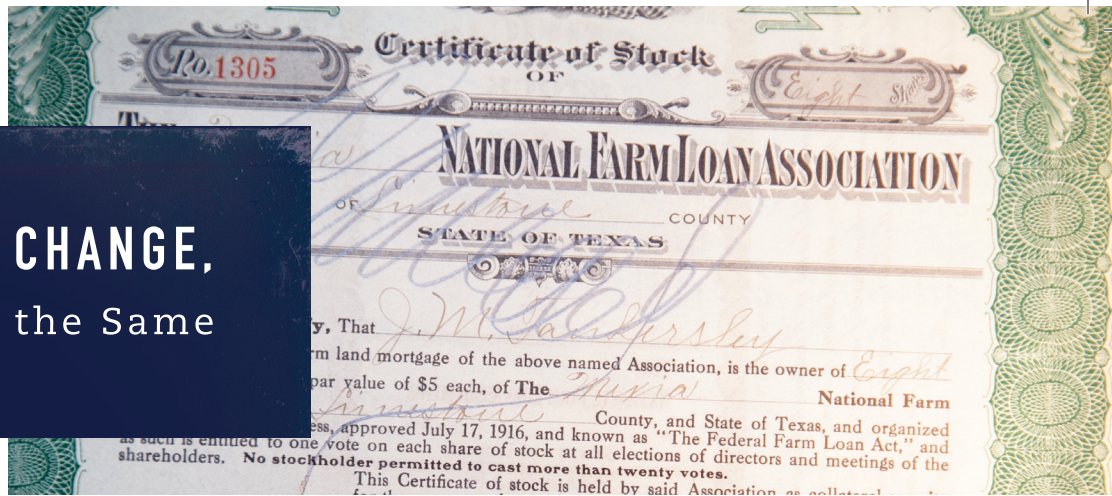


THE MORE THINGS CHANGE,  
The More They Stay the Same



### Message From the CEO

The 100th anniversary of the Farm Credit System will be celebrated across the United States this summer in recognition of an event that changed rural America for the better: the signing of the Federal Farm Loan Act on July 17, 1916.

With the passage of this historic legislation, farmers and ranchers finally had the promise of a reliable source of credit dedicated solely to agriculture and rural communities. Now they could establish, share ownership in, and purchase stock in credit cooperatives like Lone Star Ag Credit that would offer loans at reasonable interest rates and terms.

The idea of farmer-owned lending co-ops caught on quickly. Farmers started forming associations in the spring of 1917, and by Nov. 30, 1918, a year-and-a-half later, there were 3,365 Farm Credit associations operating across the country. Together, they had made 64,357 loans for a total of almost \$147.5 million by that date. When Farm Credit Associations were established in Texas, the first loan was to a Lone Star Ag Credit customer!

How times have changed. Today, Lone Star Ag Credit is one of just 74 Farm Credit associations nationwide, and our association alone has a loan portfolio of nearly \$1.6 billion.

Our loan products and services have changed dramatically too. Whereas the first Farm Credit cooperatives, known as National Farm Loan Associations, only made agricultural real estate loans, today we can meet all of our customers' rural financing needs — from operating loans to agribusiness financing to rural home mortgages, as well as leasing, insurance and cash management services. We can even finance certain rural infrastructure projects.

What has not changed is our commitment to agriculture and rural America. In 2015 alone, Lone Star returned over \$16.2 million of its profits to our eligible borrowers through our patronage programs.

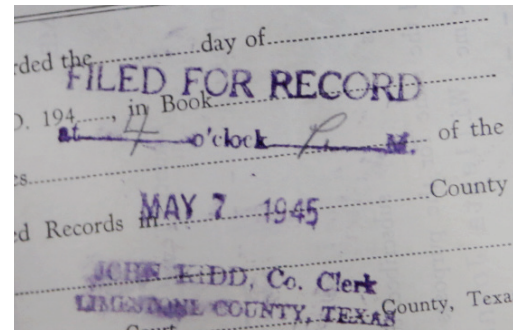
LSAC has evolved over the years to keep pace with our customers' changing credit needs. Yet the more that we have changed over the years, the more we have stayed the same. We are still dedicated to the success of our borrower-owners and to the rural communities in which they live and work. We are still governed by a borrower-elected board of directors composed primarily of agriculture producers, and we continue to be a reliable source of rural financing regardless of the ups and downs in the economy.

As Farm Credit begins its second century, we look forward to supporting our customers' children and grandchildren, as well as the new farmers who will choose to enter the agricultural arena in the years to come. Our cooperative has stood the test of time, but we have not stood still. We will continue to change and grow along with agriculture and rural America.

Thank you for being a part of Lone Star Ag Credit.

Sincerely,

Troy Bussmeir  
Chief Executive Officer



# LESS IS MORE

— at the —

# RR RANCH



*West Texas brothers make the most of minimum tillage.*

West Texas farmers Rolan and Randy Petty realize they can't change the amount of moisture they receive from Mother Nature. So instead they have changed their farming practices to conserve the soil moisture she does give them.

For the past seven years, the Petty brothers have farmed without heavy tillage, at the same time choosing improved seed varieties. The results include higher yields and lower fuel bills on their Nolan-area farm, called RR Ranch, where they are partners with other family members.

"We're really proud of the way we've been able to cut the number of trips across the field to reduce compaction and utilize the natural growth of the roots to do all of our deep tillage," Rolan says. "We're trying to conserve as much moisture as we can in West Texas. We are totally dryland, and we

have no other sources of moisture, so we are really farming by faith."

The family's switch to minimum tillage began when their father, Robert R. Petty Jr., bought a John Deere MaxEmerge planter 12 years ago.

"We saw the potential and ran with it," says Randy. "We've got it down to a science — customizing equipment with our own spin."

## A Good Fit With Lone Star

One of only a few farm families in Nolan County that has adopted minimum tillage, the Pettys are grateful that their lender, Lone Star Ag Credit, trusted their decision to switch.

Second-generation Lone Star customers, Rolan and Randy first financed ranchland with the lending co-op in 1989. In 2003 they added a line of operating credit. Today, RR Ranch is a 5,000-acre operation, consisting of 3,000 acres of dryland cotton and a rotation of wheat or

fallow land, plus pasture for 50 head of commercial Angus cattle.

"It's a real comfortable fit being with Lone Star Ag Credit," Rolan says. "They are able to address our needs and concerns. They really work closely with us. They know how things are going throughout the year, and there are no surprises at the end of the year. They help us grow when we need to, and help us through the lean years."

The Petty brothers appreciate a strong working relationship with their loan officer, Jason Jones, vice president of the Sweetwater branch, who encourages them as they build for the future.

"He understands our needs and where we come from, because he grew up here," says Randy. "He understands us more than an ordinary banker would."

## Patronage Payments a Plus

Another factor that sets Lone Star apart from other lenders is the cooperative's patronage refunds,



according to Rolan, who still recalls the first patronage check they received about 15 years ago in the springtime, long after the previous year’s cattle and crops had been sold.

“It was interesting to have income at that time of year. It was pretty neat,” says Rolan. “You really got the feeling that you were part of a co-op — that it was an institution that wasn’t just for itself, but it was for other people, that you are part of something bigger.” Although the Petty brothers have received numerous patronage payments since, they don’t take patronage for granted.

“I see it as a benefit— like a loyalty reward. It helps whenever you are looking at financing from other institutions. Definitely you have to factor the patronage in. It makes Lone Star very competitive with other lenders,” Rolan says.

Agriculture has been a big part of the Petty brothers’ lives ever since they

played with their toys in the backyard dirt and rode tractors with their dad. But Rolan says it wasn’t until he was studying agricultural systems management at Texas A&M University that he realized hands-on farming was the career for him.

## Farming + Family = Success

Today, the brothers largely credit the success of their farming partnership to their family relationships.

“It’s a big advantage to have somebody who knows exactly what it takes to get it done,” Randy says. “Where we come from, understanding one another and having the exact

same goals — we probably couldn’t do this without each other.”

As brothers and parents, they believe that a farm or ranch is the best place to raise their children. The lifestyle allows for when parents need to take time off to attend a school function or a sports event, Rolan explains, and to be there for their children. “We’re trying to pass down a good work ethic to our kids and the next generation,” he says. “This is a great way of life. It builds strong character in people.”

Lone Star Ag Credit Distributes

# RECORD DIVIDENDS

on National Ag Day



Every year, National Agriculture Day is a day to recognize and celebrate the abundance provided by agriculture. In recognition of National Ag Day, the centennial of the Farm Credit System and another successful year at Lone Star Ag Credit, our lending cooperative celebrated at all of our locations on March 15, 2016. A highlight of the event was the return of a \$12.8 million cash patronage dividend from Lone Star Ag Credit's 2015 earnings to our members. Eligible stockholders were

able to pick up their portion of this patronage payment at their local offices on National Ag Day.

“What better way to celebrate National Ag Day than to put these strong profits back in the hands of the farmers, ranchers and landowners who make our 48-county territory so great,” said Troy Bussmeir, CEO of Lone Star.

“We experienced record growth during 2015, while continuing to improve the quality of the portfolio. This allowed

our Directors to declare and pay a cash dividend of nearly \$13.0 million to our members. That is right on the heels of distributing \$4.1 million of prior allocated equities to the former Texas Land Bank stockholders in November 2015. These cash dividends significantly reduce the cost of borrowing for over 5,000 eligible stockholders of the cooperative as they reap the full benefits of borrowing from a successful lending institution.”

## GET SOCIAL WITH LONE STAR

You are Lone Star Ag Credit!  
Share your Lone Star story  
with us!

In March, we kicked off our year of celebrating the Centennial of Farm Credit at our customer appreciation dinner in Sherman, Texas, the location of the first Farm Credit loan in the Texas Farm Credit District. We will be celebrating throughout the year

showing our appreciation to our stockholders at each of our locations.

As part of the celebration, we want to hear what Lone Star means to you. We want to see photos of life on your farm. We want to know how you have realized your dreams and how Lone Star has been a part of that process. In addition, we will have a “Selfie Studio” at each appreciation gathering so that you can have fun sharing your selfies so come and get social with us!

Post your pictures on Social Media with the hashtag of #LSAC100, and share them publicly. Each month we will be randomly selecting a post that has

been shared on Facebook, Twitter, or Instagram using the hashtag #LSAC100 and will award a \$100 gift card. We look forward to seeing your posts! Lone Star Ag Credit is social on Facebook, Instagram, LinkedIn, Pinterest, Twitter, and YouTube. Find us, follow us and get social with us! You can also keep up with us at any time on our website at [www.lonestargcredit.com](http://www.lonestargcredit.com).

