



October 16, 2015

Gary K. Van Meter, Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Mr. Van Meter:

A condition of approval for the merger of Lone Star, ACA, and Texas Land Bank, ACA, was to ensure that an interim and a final study would be performed for the purpose of evaluating whether the Association has achieved all the benefits proposed by the merger. At the approval of FCA, Lone Star engaged FCC Services as the independent party to conduct the Merger Study. The interim Merger Study is included in this package for FCA review.

The Board of Directors of Lone Star, ACA have reviewed the content of the Merger Study as well as management's observations and response to the Study. The Board agrees with management's response that the Study indicates achievement of the benefits proposed by the merger. The Board, however, acknowledges (in the same manner as management) that this achievement is simply confirmation of successful implementation of the plan that was embarked upon up until this date, but does not in any way alter the direction or charge from the Board in its pursuit of even further benefits beyond those already achieved.

The Board of Directors of Lone Star found value in pursuing the Merger Study and obtaining its results for review. We intend to take the items learned as input and consideration as we plan for the future.

If you have any questions please feel free to contact me or contact Troy Bussmeir at (817) 332-6565.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Johnson", with a long, sweeping horizontal line extending to the right.

Tom Johnson, Chairman
Lone Star Ag Credit, Board of Directors

TJ/ta
Enclosures
Management Response

Lone Star Ag Credit, ACA

Study of the Merger

Summary Report

August 25, 2015

Executive Summary

At the request of Lone Star Ag Credit, ACA ("Association"), FCC Services has completed a Study of the Merger to evaluate the success and benefits associated with the merger of the Texas Land Bank, ACA and Lone Star, ACA.

The scope of the Study of the Merger included an evaluation of proposed merger benefits including but not limited to improved asset diversification, the value of combined equity capital, economies of scale and cost savings and enhanced strategic positioning. In addition, the Farm Credit Administration required that the scope of the Study of the Merger include an evaluation of customer acceptance of the merger, post-merger success in meeting credit and service needs, stockholder perspectives on the success of the merger, the effectiveness of merger integration and financial value achieved.

To satisfy the required scope, we have evaluated independently compiled customer surveys, interviewed directors and employees, and analyzed other market and financial related data. Based on our evaluation, we provide the following:

1. Loan portfolio risk has been reduced by virtue of the merger as a result of enhanced geographic and repayment source diversification.
2. The post-merger equity capital position has increased, remained strong and has better positioned the Association to serve a changing and consolidating agricultural marketplace, support loan growth and likewise enhance revenue streams.
3. Relative to the economies of scale and cost savings, our evaluation indicates that the merger is generating economies of scale and cost savings have been achieved.
4. Post-merger liquidity, solvency, financial performance and returns to stockholders have remained very acceptable.
5. It is our opinion that the strategic position of the Association has improved and in turn increased the likelihood of satisfying its mission to effectively provide credit to all facets of agriculture in its territory.
6. It is our opinion that the merger of the Texas Land Bank and Lone Star has been well received by the stockholder-borrowers, credit and service needs have been effectively met and stockholders deem the merger a success. This is supported

by the retention of well-qualified loan officers and further indicated by survey results, employee and director feedback and loan volume trends. Likewise, YBS volume and favorable Customer Satisfaction Survey results indicate that the Association has been successful in meeting the credit and financial service needs of eligible Young, Beginning and Small farmer-ranchers in the post-merger marketplace.

7. Our assessment, including director and employee perspective and customer survey results indicate that the board of directors, management and staff have effectively integrated, including credit policies and procedures, loan processing operations and information technology.