

LONE STAR AG CREDIT, ACA
DIRECTORS AND NOMINATING COMMITTEE
ELIGIBILITY REQUIREMENTS
(Excerpt from Association Bylaws)
December 2019

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340 Nominating Committee

- 340.1 (a) At each Annual Meeting, the Voting Stockholders shall elect a nominating committee for a term of one year consisting of one member and one alternate from each of the nomination regions (as such nomination regions are set forth in Section 400.1), each of whom shall be a Stockholder who owns or jointly owns the Class B Stock of the Association; provided however, only one Stockholder jointly sharing ownership of the Class B Stock of the Association may seek the opportunity and serve on the nominating committee within an election cycle. Notwithstanding the foregoing, an individual designated in accordance with these Bylaws to vote the Class B Stock held by a Voting Stockholder may serve as a member or alternate on the nominating committee of the Association so long as that individual meets all of the other requirements for serving on the nominating committee of the Association. The nominating committee shall operate under policies and procedures approved by the Board consistent with applicable FCA regulations.
- (b) Each member and alternate of the nominating committee must reside or conduct farm operations in the nomination region corresponding to the seat. Stockholders who neither reside nor conduct farm operations in the Association's chartered territory are treated as residing in the nomination region where the branch servicing their loans are located but are not eligible to serve as members or alternates of the nominating committee.
- (c) For purposes of these Bylaws, (i) an individual is deemed to reside where the individual maintains his or her primary residence, (ii) a Stockholder is deemed to reside where the individual designated to cast the vote in accordance with these Bylaws maintains his or her primary residence, (iii) a Stockholder is deemed to conduct farm operations in a nomination region by owning or operating any portion of his or her agricultural operation in such nomination region, and (iv) a Stockholder is deemed to conduct farm operations conduct in the Association's chartered territory by owning or operating any portion of his or her agricultural operation in a county within the Association's chartered territory.
- (d) Each Voting Stockholder, regardless of the residence of the Voting Stockholder, is entitled to vote for candidates for each nomination region.
- (e) The Board may, from time to time, by amendment to this Bylaws, change the number of members and alternates on the nominating committee, change the number of members and alternates designated for each nomination region,

establish or eliminate nomination regions for the nominating committee, and change the boundaries of such nomination regions represented by each member and alternate, in accordance with the requirements of law, Regulations, and these Bylaws.

- (f) To be eligible to serve as a member or alternate on the nominating committee, a person must on the date of the first meeting of the nominating committee be a Stockholder who owns or jointly owns the Class B Stock of the Association, or be an individual designated in accordance with these Bylaws to vote the Class B Stock held by a Voting Stockholder.
 - (g) Notwithstanding anything contained herein to the contrary, no person shall be nominated, elected or appointed, or allowed to continue to serve as a member or alternate of the nominating committee of the Association, if that person is the spouse, parent, sibling, natural or adopted child, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law or daughter-in-law of a: (i) director of the Association, (ii) nominee for election to the Board, (iii) member or alternate of the nominating committee of the Association, (iv) nominee for election to the nominating committee of the Association, or (v) salaried officer of the Association.
 - (h) An alternate member of the nominating committee shall serve in the event a member of the nominating committee is unable or unwilling to carry out his or her duties as a member of the nominating committee. When such a vacancy occurs, the alternate elected from the same nomination region as the member of the nominating committee that is unable or unwilling to carry out his or her duties shall automatically be seated on the nominating committee. In the event an alternate is not available from the same nomination region as the member of the nominating committee that is unable or unwilling to carry out his or her duties, the remaining members of the nominating committee by majority vote shall fill such vacancy on the nominating committee by the selection of one of the available alternates from any of the nomination regions.
- 340.2
- (a) The Association will provide the nominating committee reasonable access to administrative resources in order to perform its duties, including an outside consultant to assist and guide the committee in its work. At a minimum, the nominating committee will be provided a current list of the Stockholders of all classes of stock of the Association, the most recent Bylaws, and the current Director Qualifications Policy, and the Director Nomination and Election Policy. At the request of the nominating committee, the Association shall provide a summary of the current Board self-evaluation. However, the Association will require a written pledge of confidentiality by committee members prior to releasing evaluation documents.
 - (b) The nominating committee shall hold three (3) in-person meetings the first of which shall be no less than one hundred twenty (120) days prior to the date of the Annual Meeting. The nominating committee shall review a current list of Stockholders of all classes of stock of the Association who are eligible to serve as directors of the Association. Such list shall (i) denote the class of stock held by each such holder, and (ii) shall also include the individuals designated in accordance with these Bylaws to vote the Class B Stock held by a Voting Stockholder, who are eligible to serve as Stockholder-Elected Directors if elected.
 - (c) The nominating committee will personally interview potential Stockholder-Elected Director candidates prior to their nomination. The nominating committee

will verify and document that all Stockholder-Elected Director candidates nominated by the nominating committee meet both the minimum necessary qualifications and possess the necessary skills to execute the required fiduciary responsibilities of a Board member.

- (d) The nominating committee shall evaluate the candidate's qualifications, including consideration of whether there are any known obstacles preventing a candidate from performing duties if elected, ascertain their willingness to serve, and submit for election a slate of eligible candidates which shall, except as provided below, include at least two nominees for each Stockholder-Elected Director position to be filled.
- (e) A candidate for a Stockholder-Elected Director position at the time of nomination must reside or conduct farm operations in the nomination region corresponding to such position as set forth in Section 400.1 of these Bylaws. For purposes of these Bylaws, (i) an individual is deemed to reside where the individual maintains his or her primary residence, (ii) a Stockholder is deemed to reside where the individual designated to cast the vote in accordance with these Bylaws maintains his or her primary residence, (iii) a Stockholder is deemed to conduct farm operations in a nomination region by owning or operating any portion of his or her agricultural operation in such nomination region, and (iv) a Stockholder is deemed to conduct farm operations in the Association's chartered territory by owning or operating any portion of his or her agricultural operation in a county within the Association's chartered territory. Stockholders who neither reside nor conduct farm operations in the Association's chartered territory are treated as residing in the nomination region where the branch servicing their loans are located, but are not eligible to serve as Stockholder-Elected Directors.
- (f) The nominating committee shall attempt to assure representation to all designated geographic regions of the Association's territory and as nearly as possible all types of agricultural practices within the area.
- (g) A nominating committee member may not be a candidate for election to the Board in the same election for which the committee is identifying nominees. No individual may be nominated and placed on the ballot for more than one nomination region in a single election cycle.
- (h) If the nominating committee, after diligent effort, is unable to identify more than one eligible nominee who is willing to run for a Stockholder-Elected Director position that is to be filled, it shall promptly submit to the Board a written explanation of the reasons why it is unable to find more than one such nominee. If, after three business days following receipt of such explanation, the Board has not sent to the nominating committee a written objection to such explanation, the nominating committee shall be deemed to have authority to submit a slate of nominees providing for only one nominee for such position, to the extent described in the explanation. The description of nominating committee's efforts to identify more than one eligible candidate shall be included in the Association's annual meeting information statement.

340.3 A majority of the members of the nominating committee shall constitute a quorum for transacting business of the committee. The committee shall keep minutes of its deliberations which shall be turned over to the chief executive officer or his designee to be maintained in accordance with the Association's records disposal schedule.

- 340.4 (a) At the Annual Meeting, the nominating committee shall present a list of candidates for the Voting Stockholders to consider in electing the nominating committee for the ensuing year. The nomination of candidate(s) for election to the nominating committee may be made from the floor by Voting Stockholders and individuals designated in accordance with these Bylaws to vote the Class B Stock held by a Voting Stockholder. Nominations from the floor must be eligible and qualified candidates who comply with the nomination region requirements to which the nominating committee seat is assigned. In accordance with Section 300.3, in the event of Sectional Sessions, nominations from the floor will only be accepted at the first Sectional Session; provided however, if the voting shall occur by mail in accordance with Section 410.1(h) of these Bylaws, nominations from the floor will be accepted at each Sectional Session. The nominators must be Voting Stockholders or individuals designated in accordance with these Bylaws to vote the Class B Stock held by a Stockholder. The nominees must be Stockholders that own or jointly own the Class B Stock or individuals designated in accordance with these Bylaws to vote the Class B Stock held by a Stockholder. Each nominee shall be responsible for providing in paper or electronic form such nominee's biographical and disclosure information as required by law, Regulations, these Bylaws, and the policies of the Association at such session; provided, however, if voting shall not occur at such session, such nominee's biographical and disclosure information must be received by the Association no later than three (3) business days of the nomination. Disclosure information forms will be available at the Association's corporate office for any potential floor nominee consideration and at the Annual Meeting.
- (b) Upon receiving a floor nomination, the Annual Meeting process will be stopped until initial eligibility is determined. The nominee's biographical, and disclosure information (if available), will be immediately reviewed by the Association's chief executive officer or designee and due diligence performed to determine initial eligibility. After initial eligibility is determined, the meeting will proceed. After receiving a floor nomination, the floor nominee must state at the meeting if he or she accepts the nomination for election to the nominating committee. Nominations from the floor shall require a "second" at the meeting before being placed on a ballot.
- (c) Following the Annual Meeting, the Association shall as necessary conduct additional due diligence to determine if the floor nominee meets all the eligibility requirements imposed by the Regulations, Bylaws and the Association's policies. Floor nominees meeting all eligibility requirements will be placed on the ballot. If the floor nominee is ineligible to be elected to the nominating committee for the nomination region nominated, the floor nominee shall be removed from the ballot. If a newly elected nominating committee member is determined to be ineligible, the nominating committee member shall be immediately removed from office.
- (d) The requirements for a floor nomination of candidates for election to the nominating committee shall be included in the Association's annual meeting information statement as well as in the notice provision for any nominating committee elections.

350 Voting

- 350.1 Except as may be otherwise expressly provided by applicable law or Regulations or as may be specifically provided elsewhere in these Bylaws, only holders of Class B Stock shall be entitled to vote at any meeting of the Stockholders. Each holder of Class B

Stock, regardless of the number of shares of stock held and regardless of the number of joint or single loans the Stockholder may have with the Association, shall be entitled to one vote on each matter submitted to a vote at a meeting of Stockholders. For the purpose of this Section, loan(s) made to one or more members of such Voting Stockholder's household, or to one or more entities in which such Voting Stockholder is an equity owner, and which the Association reasonably believes to be for the sole purpose of creating multiple votes, shall be deemed to be loan(s) made to such Voting Stockholder. In the case of a joint loan, the vote may be cast by only one of the joint holders authorized and designated by the other joint holders in a writing filed with the Association. The vote of a Voting Stockholder which is a legal entity shall be cast by an individual duly authorized in a writing filed with the Association. As set forth in Section 720.4, in no event may an individual vote more than once, nor shall any Voting Stockholder be entitled to cumulate votes.

- 350.2 At any meeting of the Stockholders, any Voting Stockholder may be represented and vote by a proxy appointed by an instrument in writing; provided, however, voting by proxy shall only be permitted with respect to matters for which proxy voting is expressly permitted under the Act, or the Regulations, and provided further that proxy voting shall not be permitted with respect to election of directors or nominating committee members. Proxy forms and ballots shall be prescribed by the Board. The proxy shall be filed with the secretary of the Association prior to any and all sessions of the meeting. In the event that the written instrument shall designate two or more persons to act as proxies, a majority of such persons present at the meeting (or, if only one shall be present, then that one) shall have and may exercise all of the powers conferred by such written instrument upon all of the persons so designated, unless the instrument shall provide otherwise. No proxy shall be valid after the expiration of eleven months from the date of its execution unless coupled with an interest, or unless the person executing it specified therein the length of time for which it is to continue in force, which in no case shall exceed seven years from the date of its execution. Subject to the above, any proxy duly executed is not revoked and continues in full force and effect until a written instrument revoking it or a duly executed proxy bearing a later date is filed with the secretary of the Association. Subject to the foregoing, a Voting Stockholder may revoke a proxy in writing before voting begins at the Stockholders meeting. Voting in the election of directors shall be conducted in accordance with the Regulations and Association policy assuring confidentiality, impartiality, and security of voting.
- 350.3 The Association shall maintain a list of the Members, which list shall include all borrowers who are primarily liable for repayment of a loan to the Association, a list of Stockholders, and a list of Voting Stockholders indicating the names of the individuals that are designated in accordance with these Bylaws to vote the Class B Stock of the Voting Stockholders. The lists shall be used when mailing or distributing proxies or ballots, and for other purposes as may be authorized by the Board, subject to the Act and the Regulations. The lists shall also be used to assure that no Voting Stockholder votes more than once in connection with each meeting of the Stockholders. The lists shall also be used for communication among such Members, as provided in the Act and Regulations.
- 350.4 When a quorum is present or represented at any meeting, the vote of a majority of the Voting Stockholders, present in person, represented by proxy or voting by mail ballot in accordance with Section 410.1(h) of these Bylaws, shall decide any question brought before the meeting, unless the question is one upon which by express provisions of applicable law or Regulations a different vote is required, in which case such express provision shall govern and control. If a meeting is held in consecutive Sectional

Sessions, the results of the votes cast at all sessions of the meeting shall be reported to the Members only after the last Sectional Session.

350.5 Any action required to be taken, or which may be taken, at any annual or special meeting of Stockholders may be taken without a meeting, without notice, and without a vote, if consent in writing, setting forth the action to be taken, shall be signed by 75% of the Voting Stockholders, or by their duly authorized representatives, entitled to vote with respect to the subject matter thereof. At all Stockholder meetings the manner of voting shall be at the discretion of the chairman of the meeting unless any Stockholder at the meeting shall demand voting by written ballot or unless otherwise specified by law, Regulations or these Bylaws, in which event voting shall be conducted by written ballot or as otherwise so specified; provided, however, that with respect to any proceeding subject to a vote of the Stockholders: (a) signed ballots shall not be used; and (b) measures shall be implemented to safeguard the voting process for the protection of the right of Stockholders to a secret ballot. The foregoing shall not impair the Association's ability to use mail balloting in the election of directors and nominating committee members in accordance with Section 410.1(e) of these Bylaws.

ARTICLE IV--DIRECTORS

400 Number and Qualifications of Directors

400.1 Number

The Board shall consist of ten (10) directors elected by the Voting Stockholders (each an "Stockholder-Elected Director"), at least two (2) directors appointed by the other directors accordance with Section 400.2(b)(1) (each an "Outside Director"), and up to one (1) director appointed by the other directors in accordance with accordance with Section 400.2(b)(2) (the "Board-Elected Stockholder Director"). The number of Stockholder-Elected Directors shall at all times constitute at least sixty percent (60%) of the total number of all sitting directors on the Board.

Each Stockholder-Elected Director position is assigned to one of the nomination regions. The nomination regions are set forth in the table below.

Nomination Region	Counties
1	Borden, Fisher, Mitchell, Nolan, Scurry, Taylor, Kent, Throckmorton, Shackelford, Young, Stephens
2	Eastland, Erath, Palo Pinto, Parker, Hood, Somervell
3	Johnson, Tarrant, Denton, Wise
4	Cooke, Grayson, Fannin, Lamar
5	Delta, Red River, Titus, Camp, Morris, Bowie, Cass
6	Bosque, Hamilton, Coryell, Lampasas, Burnet
7	Hill, McLennan, Falls, Bell, Williamson, Milam
8	Dallas, Ellis, Navarro, Freestone, Limestone

Each nomination region is assigned one Stockholder-Elected Director position, with the exception of Regions 3 and 7 which are assigned two such positions.

This designation of nomination regions is for the purposes of establishing eligibility for nomination only. Each Voting Stockholder, regardless of the residence of the Voting Stockholder, is entitled to vote for candidates for each nomination region. The Board may, from time to time, by amendment to the Bylaws, change the number of

Stockholder-Elected Directors and Outside Directors, and the number and boundaries of geographic nomination regions, in accordance with the requirements of law, FCA regulations, and these Bylaws.

400.2 Qualifications

(a) Stockholder-Elected Directors

- (1) No person shall be elected or continue to serve as a Stockholder-Elected Director unless he or she is a holder or joint holder of voting stock as described in Section 720.1 of these Bylaws, is in compliance with the Regulations, is a bona fide farmer, a rancher, or a producer or harvester of aquatic products and at the time of nomination either resides or conducts farm operations in the nomination region of the Association territory designated for the position to which the Stockholder-Elected Director is elected as determined in accordance with Sections 340.2 and 400.1 of these Bylaws. In addition, an individual designated to vote the stock held by an entity may be a Stockholder-Elected Director as long as that individual holds equity in the entity and meets all other requirements for serving as a Stockholder-Elected Director. Notwithstanding anything contained herein to the contrary, no more than one Stockholder jointly sharing ownership of the Class B Stock of the Association may simultaneously serve as a Stockholder-Elected Director, and that individual is not required to be designated to cast votes on behalf of all the Stockholders sharing ownership of the Class B Stock. A legally authorized representative of a deceased or incompetent member is not eligible to be elected or appointed as a Stockholder-Elected Director unless such representative also holds voting stock of the Association in his or her own right.
- (2) An individual who is a salaried officer or employee of the Association or of any other bank or association within the System is not eligible to be elected or appointed and may not serve as a Stockholder-Elected Director. A former salaried officer or employee of the Association or any other association or bank within the System is not eligible to be elected or appointed as a director within one year after ceasing to be employed by such association or bank within the System. No director of the Bank with which the Association has a discount or funding relationship may serve as a Stockholder-Elected Director within one year of ceasing to be a director for such Bank.
- (3) An individual who is a director of a System bank or association (other than PCA or FLCA) is not eligible to be elected or appointed as a director and may not serve as a Stockholder-Elected Director except as set forth herein.

(b) Board-Elected Directors

(1) Outside Directors

Subject to the requirements of paragraph 400.1 of these Bylaws, the Board shall elect at least two (2) persons to serve as Outside Directors who are not directors (other than a director of PCA and FLCA), officers, employees, Stockholders, or agents of the Association or any other System institution. No individual shall be eligible to serve as an Outside Director who has been, within a one-year period

preceding the date the term of office begins, a salaried officer or employee of any bank or association within the System or a director of the Bank with which the Association has a discount or funding relationship. An Outside Director may serve consecutive terms. An individual may not be an Outside Director of the Association and any other System institution simultaneously (other than a director of PCA or FLCA). The Board will make a reasonable effort to select individuals possessing some or all of the desired director qualifications identified by Board policy, or self evaluations. The Outside Directors need not be bona fide farmers, ranchers or producers or harvesters of aquatic products and need neither reside nor conduct agricultural operations in the Association's operating territory. Except as expressly otherwise provided in these Bylaws, the qualifications, manner of nomination, election, bases of removal, and related matters respecting the Outside Director(s) shall be determined from time to time by the Board, subject to applicable Regulations. The position of an Outside Director shall automatically become vacant in the event that such director should become an officer, employee, stockholder, or agent of the Association or a director (other than of FLCA and PCA), officer, employee, stockholder, or agent of any other System institution.

(2) Board-Elected Stockholder Director

Subject to the requirements of paragraph 400.1 of these Bylaws, the Board may elect up to one Board member, who must be a holder or joint holder of voting stock in the Association, as described in Section 720.1 of these Bylaws. This Stockholder will serve as a Board-Elected Stockholder Director in order to enhance Board governance and bring specific qualifications or expertise to the Board. The Board-Elected Stockholder Director shall have the same term, voting rights, fiduciary responsibilities and duties, and be subject to the same requirements as other directors. Upon the expiration of the term of the position of the Board-Elected Stockholder Director, or at any time should the Board so determine, the Board will evaluate the need for such position.

(c) Financial Expert

At all times, at least one member of the Board shall be a financial expert. A Financial Expert is an individual recognized as having education or experience in accounting, internal accounting controls, or preparing or reviewing financial statements from financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the Association's financial statements. Such financial expert shall serve on the Board's audit committee.

400.3 Service as a director or employee of another non-System financial institution does not disqualify the individual from serving on the Board.

400.4 Automatic Vacancy

In addition to vacancies caused by removal of directors under Section 490, a director's seat shall become automatically vacant as follows:

- (a) The office of any elected or appointed director, whether Stockholder-Elected Director, Outside Director or Board-Elected Stockholder Director, shall automatically become vacant in the event such director: (1) files a petition for relief in voluntary bankruptcy, or otherwise institutes suit under applicable voluntary Federal or State bankruptcy, insolvency, or receivership laws; or (2)

is adjudged a debtor in an involuntary Federal bankruptcy or placed in receivership in a State proceeding; or (3) seeks reorganization under the Bankruptcy Code of personal business interests or that of an entity in which the director owns the controlling interest; or (4) is party to a foreclosure proceeding (judicial or nonjudicial) or a voluntary conveyance in lieu of foreclosure involving property in which the director has an interest, which is instituted or executed because of the director's default on indebtedness to a System institution; or (5) is primarily or secondarily liable on a loan from any System institution where there is rescheduling, reamortization, deferral of principal or interest, granting of monetary concessions under FASB-15, or other restructuring action taken because of the director's default on such loan, or because the loan is determined to be distressed and eligible for restructuring under the Association's distressed loan restructuring policy and is in fact restructured; or (6) is not in compliance with the Association's Standards for Official Loans Policy; or (7) is convicted of any felony or any criminal offense involving dishonesty or breach of trust with holding office or is held liable for damages in fraud; or (8) is declared legally incompetent.

- (b) In the event that a Stockholder-Elected Director, or Board-Elected Stockholder Director, ceases to be a borrower, regardless of whether or not the director continues to hold voting or non-voting stock, such director's position shall automatically become vacant.
- (c) The position of an Outside Director shall automatically become vacant in the event that such director should become an officer, employee, stockholder, or agent of the Association or a director (other than of PCA and FLCA), officer, employee, stockholder, or agent of any other System institution.

400.5 No individual shall be eligible for election, re-election or appointment as a Stockholder-Elected Director, Outside Director, or Board-Elected Stockholder Director if he or she becomes 70 years of age on or before December 31 of the year prior to the election, re-election or appointment.

400.6 Notwithstanding anything contained herein to the contrary, no person shall be nominated, elected or appointed if that person is the spouse, parent, sibling, natural or adopted child, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law or daughter-in-law of a: (i) director of the Association, (ii) nominee for election to the Board, (iii) member of the nominating committee of the Association, (iv) nominee for election to the nominating committee of the Association, or (v) salaried officer of the Association.

400.7 If a director is absent for three consecutive regular meetings of the Board and, upon the request of the Board, does not present to the Board a written, verifiable excuse justifying, to the Board's satisfaction, such absences, the Board may, in its sole discretion, remove such director from office by a vote of a majority of the remaining directors at any regular or special Board meeting provided that such removal vote occurs within sixty (60) days of the date of such director's failure to attend his or her third consecutive regular Board meeting without the required excuse. Any director being considered for removal will be prohibited from voting in his or her own removal action. The resulting vacancy shall be filled as provided in Section 440 of these Bylaws.

410.1 By Voting Stockholders

- (a) In the manner provided in these Bylaws, the Voting Stockholders shall elect each year one or more Stockholder-Elected Directors as may be required to fill the position of each Stockholder-Elected Director whose term is expiring or to fill any vacancy on the Board.
- (b) At the Annual Meeting where any Stockholder-Elected Directors are to be voted upon, the nominating committee may present a list of candidates for the Voting Stockholders to consider in electing Stockholder-Elected Directors. The nomination of candidate(s) for election of Stockholder-Elected Directors may be made from the floor by Voting Stockholders and individuals designated in accordance with these Bylaws to vote the Class B Stock held by a Voting Stockholder. Nominations from the floor must meet the same eligibility and qualification requirements as candidates nominated by the nominating committee. Nominations from the floor must be eligible and qualified candidates who comply with the nomination region requirements to which the Stockholder-Elected Director position is assigned. In accordance with Section 300.3, in the event of Sectional Sessions, nominations from the floor will only be accepted at the first Sectional Session; provided however, if the voting shall occur by mail in accordance with Section 410.1(h) below, nominations from the floor will be accepted at each Sectional Session. The nominees for Stockholder-Elected Director positions must be Stockholders that own or jointly own the Class B Stock or individuals designated in accordance with these Bylaws to vote the Class B Stock held by a Stockholder. Each nominee shall be responsible for providing in paper or electronic form such nominee's biographical and disclosure information as required by law, Regulations, these Bylaws, and the policies of the Association at such session; provided, however, if voting shall not occur at such session, such nominee's biographical and disclosure information must be received by the Association no later than three (3) business days of the nomination. Disclosure information forms will be available at the Association's corporate office for any potential floor nominee consideration and at the Annual Meeting.
- (c) Upon receiving a floor nomination, the Annual Meeting process will be stopped until initial eligibility is determined. The nominee's biographical, and disclosure information (if available), will be immediately reviewed by the Association's chief executive officer or designee and due diligence performed to determine initial eligibility. After initial eligibility is determined, the meeting will proceed. After receiving a floor nomination, the floor nominee must state at the meeting if he or she accepts the nomination for election to the Board. Nominations from the floor shall require a "second" at the meeting before being placed on a ballot. Following the Annual Meeting, the Association shall as necessary conduct additional due diligence to determine if the floor nominee meets all the eligibility requirements imposed by the Regulations, Bylaws and the Association's policies. Floor nominees meeting all eligibility requirements will be placed on the ballot. If the floor nominee is ineligible to be elected to the Board for the Region nominated, the floor nominee shall be removed from the ballot. If a newly elected Stockholder-Elected Director is determined to be ineligible, the Stockholder-Elected Director shall be immediately removed from office.

- (d) The requirements for a floor nomination of candidates for election to the Board shall be included in the Association's annual meeting information statement as well as in the notice provision for any Stockholder-Elected Director elections.
- (e) Voting Stockholders shall then cast secret written ballots, and the chairman conducting the election shall appoint a tabulator ("Tabulator"), which shall be a tellers committee of eligible Voting Stockholders or an independent third party, to tally the ballots. Salaried officers and employees and Voting Stockholders who are directors, candidates, or members of the nominating committee are ineligible to serve as the Tabulator. Following the tallying of the votes, the Tabulator shall report the results to the chairman conducting the meeting.
- (f) All candidates shall be listed on the ballot by position to be filled. Incumbents will not be designated as such on the ballot. Subject to Section 340.2, for each vacancy, two or more different candidates will stand for election and no individual may be nominated for more than one vacancy. If more than one position is to be filled, the election for each position shall be conducted independently. The candidate receiving the largest number of votes for each position shall be declared elected.
- (g) The Tabulator shall convene to tally the ballots and shall report the results to the chairman conducting the election who shall inform the attending Stockholders of the results. If the meeting is held in consecutive Sectional Sessions, the results of the votes cast at all sessions of the meeting shall be reported to the attending Stockholders only after the last Sectional Session.
- (h) Provided the Board establishes by resolution and so announces in the Notice of Meeting, the Board may order that elections for directors and nominating committee members be conducted by mail ballot under the following procedure: Within 15 business days following the date of the Annual Meeting, or of the last Sectional Session, if the Annual Meeting is held in consecutive Sectional Sessions, a ballot shall be mailed to each Voting Stockholder. The election polls shall be closed no sooner than the end of the 10th business day following the date on which the ballots are mailed. On the first business day after the polls are closed, the Tabulator shall convene in the office of the Association to tally the ballots returned to the Association prior to the closing of the polls. The Tabulator shall report the results of the election to the chief executive officer, who shall send a notice to the Stockholders announcing the results of the election.
- (i) If no person is elected to a position because of a tie vote, a runoff election between those tying shall be held. The ballots shall be cast and counted and the results shall be reported to the Stockholders in the same manner as in the original election. If the runoff election results in no person being elected to a position because of a tie vote, the tie vote shall be broken by the toss of a coin. If the meeting is held in consecutive Sectional Sessions and the tie is between more than two candidates, the tie shall be broken by reballoting, by mail, those Voting Stockholders who were registered in attendance at the consecutive Sectional Sessions of the Annual Meeting. The runoff election polls shall be closed at the end of the 15th business day following the date on which the ballots are mailed to the Voting Stockholders. On the first business day after the polls are closed, the Tabulator shall convene in the office of the Association to tally the ballots returned to the Association prior to the closing of the polls. The Tabulator shall report the results of the election to the chief executive officer who shall send a notice to the Stockholders announcing the results of the runoff election.

Notwithstanding the above, if the tie is between only two candidates and if the candidates agree, the tie may be broken by the toss of a coin in place of a runoff election.

410.2 By Directors

- a. Each Outside Director shall meet the qualifications set forth in Section 400.2(b)(1) and shall be elected by a majority of the other directors in attendance at a valid meeting of the Board duly called and held as soon as practical following either the expiration of the term of office of an Outside Director or at the time the position of an Outside Director becomes vacant for any reason. Each Board-Elected Stockholder Director shall meet the qualifications set forth in Section 400.2(b)(2) and may be elected by a majority of the other directors in attendance at a valid meeting of the Board duly called when the Board believes that the best interest of the Association will be served by selecting a Board-Elected Stockholder Director who will facilitate diversity, add needed skills or otherwise enhance the Board's governance.
- b. The Board shall conduct a search for an eligible candidate willing to serve as an Outside Director or Board-Elected Stockholder Director, as the case may be. A majority of the directors, present and voting at a duly called and authorized meeting shall elect a director for each Outside Director or Board-Elected Stockholder Director position to be filled.

420 Term

420.1 A Stockholder-Elected Director shall serve until the third Annual Meeting after being elected, or for the unexpired portion of the term for which the director was elected, and thereafter until a successor is elected and qualified. An Outside Director or Board-Elected Stockholder Director shall serve until the first board meeting following the end of the third calendar year after being elected, or for the unexpired portion of the term for which the director was elected, and thereafter until a successor is elected and qualified. Unless the term of that position is shortened or terminated by action of the Voting Stockholders in connection with a merger or consolidation, the term of office for each director shall be as provided above unless the director shall (1) resign, (2) be removed from office, or (3) become unable to act by reason of death or disqualification.

420.2 If as a result of change in the number of directors, or for other reasons, the terms of directors do not expire equitably on a staggered basis, the terms of the directors elected thereafter shall be for such periods, not to extend beyond the third Annual Meeting thereafter, with respect to Stockholder-Elected Directors, and not to extend beyond the first board meeting following the end of the third calendar year after election with respect to Outside Directors and Board-Elected Stockholder Directors, as will reestablish expiration of terms of directors on an equitably staggered basis.

430 Reserved

435 Reserved

440 Vacancies

440.1 Subject to Section 5.34 of the Act, whenever a vacancy occurs in a Stockholder-Elected Director position on the Board, other than from the expiration of a term of office, the remaining Directors shall by majority vote appoint an eligible qualified holder or joint

holder of Class B Stock in the Association or individual designated to vote the Class B Stock held by an entity in accordance with these Bylaws to fill the vacancy for the remainder of the unexpired term of the position to be filled. Any director so appointed shall be not treated as a Stockholder-Elected Director for purposes of the Regulation requiring that at least 60% of the directors must be Stockholder-Elected Directors. If such appointment would cause the number of Stockholder-Elected Directors elected by the Voting Stockholders to be less than 60% of the total number of directors then in office, the Board shall call a special meeting of Stockholders to fill the vacancy. If the vacancy occurs within six months preceding the next Annual Meeting, and the Stockholder-Elected Directors then in office who were elected by the Voting Stockholders constitute at least 60% of the total number of directors then in office, the Board may elect not to appoint a replacement and instead keep the position vacant until such Annual Meeting.

440.2 Subject to Section 5.34 of the Act, if all or a majority of the director positions become vacant for any reason, the nominating committee shall promptly meet, and, by a vote of a majority of the committee's members who are present at such meeting (provided a quorum of the committee is present), shall appoint eligible and qualified persons to fill sufficient vacancies on the Board to constitute a quorum. The Board shall thereafter promptly elect eligible and qualified Stockholders who own or jointly own Class B Stock or individuals designated to vote the Class B Stock held by an entity in accordance with these Bylaws to fill the remaining vacancies. Such Directors appointed pursuant to this Section shall be elected to serve until the next Annual Meeting or a special meeting of Stockholders called to elect director(s).

440.3 Whenever a vacancy in the Outside Director or Board-Elected Stockholder Director position occurs on the Board, then either (a) the remaining members of the Board, including Outside Directors and Board-Elected Stockholder Director will appoint a replacement Outside Director or Board-Elected Stockholder Director, as the case may be, to serve the remaining unexpired term, or (b) the Board will determine to retain the vacancy in the Outside Director or Board-Elected Stockholder Director position so long as there is at least such number of remaining Outside Directors currently serving as set forth in Section 400.1, unless otherwise provided by law, regulation, or these Bylaws.

450 Duties of Directors

450.1 The Board shall be responsible for the general control and direction of the affairs of the Association. The Board shall determine Association policy matters, periodically review the operations of the Association, and keep itself informed of the Association's fulfillment of its objectives, goals, and responsibilities in accordance with the provisions of the Act, the Regulations, and Bank board policies, procedures, and objectives.

The Board shall recognize that the Association, FLCA and PCA are responsible for, and dependent on, each other's financial condition. Accordingly, the Board shall govern the Association's affairs and establish policies with the primary objective of improving the three institutions' combined financial condition.

450.2 The Board shall elect and fix the salary of the chief executive officer. Also, the Board shall prescribe the duties and responsibilities of the chief executive officer, who shall be responsible for the management of the Association. The Board shall provide for payment from general funds of the reasonable and necessary expenses incurred by officers, employees, and committees of the Association in connection with the Association's business.

450.3

Director Qualifications, Training, and Self Evaluations

The Board shall establish and maintain a policy identifying desirable director qualifications. The Board shall also establish and maintain a policy for director training that includes appropriate implementing procedures. Such policy shall identify training areas supporting desired director qualifications and require newly elected or appointed directors to complete director orientation training within one (1) year of assuming their position and require incumbent directors to attend training periodically to advance their skills. The Board shall conduct an annual self-evaluation in the manner it deems appropriate.

LONE STAR AG CREDIT
DISCLOSURE AND QUALIFICATIONS APPLICATION
FOR DIRECTOR/NOMINATION COMMITTEE CANDIDATE

THIS DISCLOSURE STATEMENT IS MADE PURSUANT TO FARM CREDIT ADMINISTRATION REGULATIONS SECTION 620.21, WHICH REQUIRES EACH CANDIDATE FOR BOARD ELECTION TO FURNISH A DISCLOSURE STATEMENT.

TO: Lone Star Ag Credit
Attn: Nominating Committee
1612 Summit Ave
Fort Worth, TEXAS 76102
800-530-1252

FROM: _____

I WOULD BE WILLING TO SERVE(circle) :

Board of Directors	Yes	No
Election Nominating Committee	Yes	No

CURRENT AGE: _____	DATE OF BIRTH: _____
HOME ADDRESS: _____ (including County)	BUSINESS ADDRESS: _____ (including County)
TELEPHONE: _____	TELEPHONE: _____

EDUCATION: _____

OCCUPATION AND BUSINESS EXPERIENCE DURING PAST 5 YEARS:

PRESENT AND FORMER AFFILIATIONS: (please state none if none)

OTHER BOARDS ON WHICH YOU SERVE: (please state none if none)

DO YOU HAVE ANY FAMILY RELATIONSHIPS TO DISCLOSE:

(please state none if none) (if you do have some to disclose please state what relationship they are to you)

(FAMILY means an individual & spouse & anyone having the following relationship to either: parents, spouse, son, daughter, sibling, stepparent, stepson, stepdaughter, stepbrother, stepsister, half-brother, half-sister, uncle, aunt, nephew, niece, grandparent, grandson, granddaughter and the spouses of the foregoing)

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS:

(Describe any of the following events which might have occurred during the past 5 years. If not applicable, so indicate.)

- 1) Petition under the Federal bankruptcy laws or any State Insolvency Law that was filed by or against you, the appointment of a receiver, fiscal agent was appointed by a court for a business or property or any partnership wherein you were a general partner, at or within two years before the time of filing, or any corporation or business association of which you were a senior officer at or within two years before the time of filing.

- 2) Conviction in a criminal proceeding or a named party in a pending criminal proceeding.

- 3) Subject to any order, judgment, or decree still in effect by any court which would permanently or temporarily limit you from engaging in any type of business practice.

BY SIGNING BELOW, I HEREBY CERTIFY THAT THE INFORMATION SET FORTH IN THE ABOVE DISCLOSURE IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

SIGNATURE OF CANDIDATE

DATE

*Applications received prior to the initial Nominating Committee meeting will be considered for the current year's election. Applications received after the Nominating Committee's initial meeting will be held for the following year's election cycle.