



RISK MANAGEMENT COMMITTEE CHARTER

The Board of Directors of Lone Star Ag Credit has established a Risk Management Committee (the "Committee") with authority, responsibilities and specific duties as described below. The Committee is a committee of the Board of Directors (the "Board") of Lone Star Ag Credit (the "Association") and reports directly to the Board.

Responsibility

The primary function of the Committee is to assist the Board in fulfilling its responsibilities related to the oversight of the Association's risk management policies and practices. Those policies and practices are applicable to strategic, credit, market, operational and reputation risk. The Committee will help position the Association to achieve and maintain a Financial Institution Rating System score of 2 or better, by continually evaluating the risk philosophy, appropriateness of the growth objectives, and risk management controls that appropriately balance risk and return. During times when the FIRS score is less than a 2, the committee will monitor business strategies designed to correct deficiencies and allow the Association to obtain a FIRS score of 2 or better. The Committee will establish credit and risk management policies consistent with the Association's risk philosophy and recommend changes from time to time as the risk profile of the Association changes. The Committee will monitor the Association's risk exposures through reports provided by Association management and in conjunction with the full Board take appropriate action if the direction or performance is not consistent with the Business Plan.

The Committee shall be provided with resources it needs to fulfill its responsibilities, including outside consultants, as appropriate.

Membership

The Committee shall consist of three or more members of the Board appointed by the Board on an annual basis, or more frequently at the discretion of the Board, and shall serve until their successors shall be duly selected.

The Chairman of the Board, the Chief Executive Officer, or such other members of the Board or management, as invited by the Committee, may participate in a Committee meeting on a non-voting basis. Members of the Committee should have a working familiarity with general business and/or basic finance and accounting practices.



Meetings

The Committee will meet a minimum of four times each year with additional meetings as it may deem appropriate. The Committee will have access to Senior Management. Depending on the findings of credit reviews, audits, or FCA examinations, the Committee may meet jointly with the Audit Committee. At a minimum, the Risk Management and Audit Committees will meet jointly at least annually.

The Committee should meet in executive session at each meeting. The Committee shall reserve for such session all matters it determines should be discussed / voted on in executive session, including any matter that may be required by FCA regulations to be determined in executive session.

The following duties shall be the responsibility of the Chair as well as other additional duties that may be assigned from time to time by the Chair of the Board.

1. Presides at meetings held by the Committee.
2. Sets the agenda for such meetings.
3. Determines the method of voting.
4. Calls executive sessions.
5. Assigns responsibility of taking minutes for meetings, including executive sessions.
Corporate Secretary
6. Notifies staff and / or consultants of any materials required by the Committee to carry out the business of the Committee.
7. Ensures materials and agendas are distributed to the Committee in a timely manner.
8. Adjourns the meeting.

Minutes

Actions taken and/or issues discussed at each meeting will be reported to the full Board by the Chairman. Minutes will be prepared and submitted to the Committee for review and approval and maintained for such period of time as required by FCA regulations, but no less than three (3) years.

Training

The Committee will avail itself to such continuing education as is deemed appropriate by the Board Chairman or Committee Chairman in order for the members to carry out their responsibilities.



Responsibilities

1. Review Association's risk management policies (including policies addressing lending, investing, funding activities, and operations) at their renewal date or as the situation dictates in the event of new or revised FCA Regulations, the implementation of new initiatives, or as a defensive measure to limit or reduce risk. Approve and recommend to the Board new or revised risk policies.
2. Monitor strategic, credit, market, operational and reputation risk through reports generated by management.
3. Monitor management's credit procedures, lending programs and use of delegated lending authority.
4. Review and provide input into the preparation and completion of the Association's stress test(s). Ensure the results are incorporated into the Association's business plan and risk management strategies and policies.
5. Review, at least quarterly, reports from management on concentration levels for single obligors risk, for commodities/industries risk, and for interdependence/affiliated risk and financial counterparties risk. Monitor for exceptions to hold limits among loans and investments. Review and approve revisions to the hold limits, at least annually, and report to the full Board.
6. Review, at least annually, economic outlook and forecast for agricultural commodities and industries in which the Association has significant exposure.
7. Review a summary of new loans and loan servicing actions taken by the Association.
8. Review compliance with and changes to underwriting standards.
9. Review and monitor loans, investments and other property owned that is serviced by the Association's special asset management branch.
10. Coordinate with the Audit Committee for the review of management's methodology for establishing the Allowance for Loan Loss and jointly determine the Allowance methodology is consistent with FCA Regulations, Generally Accepted Accounting Principles, and Association policies and procedures.
11. Coordinate and review with the Audit Committee in joint conference regarding the scope of and results from external risk factors and Internal Credit Reviews.



12. Coordinate and review with the Audit Committee in joint conference regarding the scope of and results from external risk factors and Internal Appraisal Reviews.
13. Review with management significant risk exposures and steps management has taken to manage those risks including progress towards reducing exposures that do not meet the Association's Business Plan objectives.
14. Monitor management's action steps to ensure compliance with lending regulations issued by the Farm Credit Administration, the Consumer Financial Protection Bureau and others as applicable.
15. Review the standard and quality of reporting to the Board to ensure the Board is advised of any matters of significance relating to credit, market, or operational risks.
16. Annually review and reassess the Committee's responsibilities, functions, and Charter, making changes as necessary, and conduct an annual performance evaluation of the Committee.
17. Perform any other related assignment as requested by the Association Board or Board Chairman.

Authorities Retained for Board Approval or Action

Amendments and modifications to this charter are to be approved by the Board.