



**American AgCredit**  
MONEY FOR AGRICULTURE

**Heartland Post-Merger Study Summary**  
**By FCCS**  
**December 1, 2011**

At the request of American AgCredit ACA, Farm Credit Council Services has completed a Post-Merger Study of the success and effectiveness of the merger of American AgCredit and Farm Credit of the Heartland.

The scope of the Post-Merger Study included a verification of proposed merger benefits including improved asset diversification, enhanced product delivery systems, a reduction in operating costs including a decrease in funding cost and distribution of a special patronage refund to borrowers in the Heartland Region. In addition, the Farm Credit Administration required that the scope of the Post-Merger Study include an evaluation of the Heartland Region's customer acceptance of American AgCredit, success in meeting credit and service needs, stockholder perspectives on the success of the merger, and the effectiveness of merger integration and financial value achieved.

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

- It is our opinion that post-merger market acceptance, product and service delivery and merger success in the Heartland Region has been favorable.
- With the exception of delayed conversion of the core loan processing and accounting system, we believe the merger integration process has been successful. Despite the delay in implementing the new core loan processing system, there has been no disruption in loan accounting operations or customer service. Overall, the integration process, specifically governance and staff changes have not only been effectively implemented but have addressed weaknesses in the underwriting of credit and credit administration in the Heartland Region. In addition, the organizational changes have better positioned the AAC for growth in the Heartland Region.
- By virtue of the merger, the transition to a more prudent credit culture, a significant improvement in loan asset diversification and the increased lending capacity for a consolidating agriculture will most likely contribute to a more stable, sustainable and dependable source of agricultural credit for customers not only in the Heartland Region but for all customers of American AgCredit. Also of significant benefit to the farmer-customers of the Heartland Region was the receipt of a very substantial cash patronage refund in 2010, plus patronage in 2011 that most likely exceeded what they would have received had they not merged with American AgCredit.

In summary, we believe that the key proposed benefits of the merger, marketplace acceptance and satisfaction have been achieved.

## Recommendations

Based on our post-merger evaluation, we provide the following recommendations:

1. The Center for Farm and Rural Business Finance of the University of Illinois farmer survey indicated that the lender's knowledge of agriculture is an essential attribute to borrower satisfaction. Though staff in the Heartland Region have exhibited significant knowledge of agriculture in the marketplace, we recommend that AAC's corporate staff take additional steps to increase its knowledge of agriculture in the Kansas and Oklahoma market.

Management concurs and has recently taken steps to further enhance staff's knowledge of the Heartland agribusiness marketplace.

2. We would encourage an effective conversion to the Association's new loan processing and accounting system as soon as possible.

### **Response by the AAC Board**

The American AgCredit Board of Directors at its meeting on December 2, 2011 reviewed and accepted the Merger Study.

The Board also accepted the two recommendations contained in the Merger Study and, in response to such recommendations, authorized Association management to:

1. Increase the breadth and depth of the Association's administrative staff knowledge of agriculture in the Heartland marketplace by taking the following actions:
  - The CEO or his designee, will direct appropriate corporate staff to attend industry events, workshops and/or seminars related to agriculture in Kansas and Oklahoma, such as the Kansas Livestock Association annual meeting, the Kansas Wheat Growers annual meeting, and the Kansas State University Ag Lenders symposium.
  - Information learned at such events will be shared with the region's Vice Presidents of lending and credit and incorporated into the strategic planning process for the Heartland region.
2. Continue to work diligently and expeditiously on the conversion of the Heartland accounting and information systems to the Association's systems, pursuant to the timetable below:
  - The target date for the implementation of the Association's new accounting system, Loan IQ, shall be April 1, 2012.
  - The target date for the conversion of the Heartland region from AgVantis to AgCenter shall be October 1, 2012