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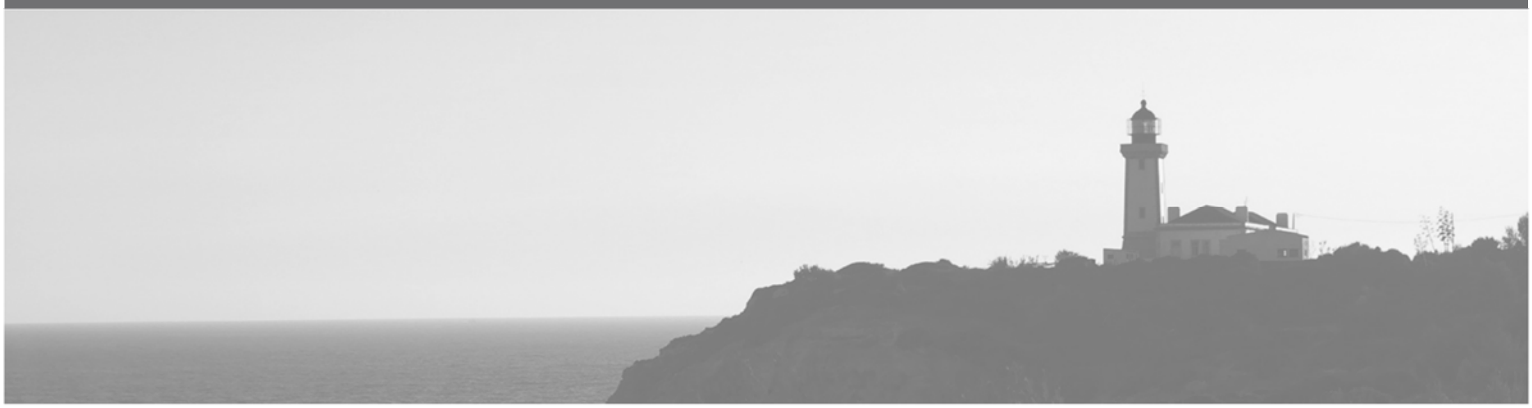

Prepared for

Golden State Farm Credit, ACA

Study of the Merger Summary Report
(36-Month Period Ending December 31, 2016)

April 25, 2017

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Executive Summary

As required by the Farm Credit Administration and at the request of Golden State Farm Credit, ACA, FCC Services has completed a Study of the Merger to evaluate the success and benefits associated with the merger of The Federal Land Bank Association of Kingsburg, FLCA ("Kingsburg") merged with and into Northern California Farm Credit, FLCA. Northern California Farm Credit's ACA name was changed to Golden State Farm Credit, ACA ("Golden State" or "the Association").

The Farm Credit Administration required that the scope of the Study of the Merger include an evaluation of customer acceptance of the merger, the 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.

The scope of the Study of the Merger also included a verification of proposed merger benefits including improved asset diversification, improved capital position, cost savings, strategic benefits and enhancement to management succession strategies.

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

1. Supported by well-qualified customer relationship managers and further indicated by new customer survey results, director and employee feedback and loan volume trends, it is our opinion that the merger has continued to be well received by the stockholder-borrowers, credit and service needs have been effectively met and stakeholders deem the merger a success.
2. Though YBS volume improved in 2016, post-merger volume for the past 36 months has fallen short of the planned annual growth rate of 3%. In fact, post-merger volume is below pre-merger levels. Two factors have made YBS loan portfolio growth a challenge in this market. First, the predominant agricultural sectors have been very profitable, reducing the requirements for debt capital. Second, as a result of this profitability and sector value, the cost of entry has become prohibitive for most young, beginning and small farmers, reducing the demand for debt capital. The Association continues to support their YBS farmer mission by supporting

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organizations such as FFA, 4-H and providing scholarships to those students that are dedicated to going on to higher education in the agricultural field.

3. Based on our review, the integration and effectiveness of the post-merger board of directors has continued to successful over the three years following the merger effective date.
4. Our review indicates that post-merger lending policies and procedures have continued to be well-integrated and likewise the integration of loan processing functions have been successful.
5. Based on the input provided, the IT integration was not only continued to be successful but also enhanced.
6. From an industry, commodity and geographic perspective, loan portfolio diversification has been improved, enhancing the viability, sustainability and solvency of the combined financial institutions.
7. 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.
8. Our evaluation indicates that the merger did initially generate economies of scale and cost savings. From July 1, 2015 to December 31, 2016, this savings has been reinvested into the Association to support business growth, efficiencies, increased profitability and enhanced business viability. In addition, post-merger analysis indicates that after three years from the merger effective date financial liquidity, solvency, financial performance and returns to stockholders have remained very acceptable.
9. It is our opinion that the strategic position of the Association has improved and in turn increases the likelihood of satisfying its mission to effectively provide credit to all facets of agriculture in its territory. In turn, the enhanced strategic position compliments management succession planning.

Introduction

The Federal Land Bank Association of Kingsburg, FLCA (“Kingsburg”) merged with and into Northern California Farm Credit, FLCA (“Northern California” or “NorCal”) effective January 1, 2014. Northern California Farm Credit’s name was changed to Golden State Farm Credit, ACA (“Golden State” or “the Association”). As a condition of approval, the Farm Credit Administration (“FCA”) required that a Study of the Merger (“Study”) be conducted after 18 and 36 months after the effective date of the merger to evaluate whether the merged entity has achieved the benefits proposed by the merger disclosure documents. The 18 months or interim Study was completed as of June 30, 2015. The final Study is now required covering a period of 36 months or through December 31, 2016. According to the FCA terms and conditions, the Study must be completed and provided to the Board of Directors no later than March 1, 2017. But, the Association did request and received a 60-day extension. As a result, the Study must be completed and provided to the Board of Directors by April 30, 2017.

According to FCA, issues to be addressed by the Study must include the following:

- Marketplace impact – Association’s presence and acceptance.
- Success in meeting the credit and service needs of eligible borrowers (i.e., product delivery systems and services), including the Association’s success in meeting the credit and services needs of young, beginning and small farmers, and ranchers and producers or harvesters of aquatic products.
- Stockholder perspectives on the success of the merger.
- Management and operational successes and challenges including information technology integration and conversion, board of director integration and other factors as appropriate.

In addition, issues to be addressed by the Study must include at a minimum, the advantages and disadvantages of the merger as discussed in the Stockholder Disclosure Statement, such as:

- Loan portfolio diversification (including reduction in the exposure to adverse weather conditions, and industry group, commodity and customer type diversification).
- Improved capital position, larger capital base and increased hold limits.
- Economies of scale and cost savings.
- Improved strategic position.
- Management succession.

According to the FCA, the Study must be conducted by an independent person or entity. The Association has engaged Farm Credit Council Services, Inc. (“FCCS”) to conduct the Study.

In this Summary Report, FCCS presents the scope, approach and results of our interim evaluation.

Marketplace Impact and Stockholder Perspective – Acceptance, Product Delivery and Success

The first phase of the Study was to assess customer acceptance of the merger, success in meeting the credit and service needs of eligible borrowers, and evaluate if stockholders have considered the merger a success. We utilized the following scope and approach to complete this assessment of post-merger marketplace acceptance and satisfaction for the first 36 months post-merger:

- We evaluated the retention of Association staff that managed customer relationships. This included Relationship Managers and Loan Officers.
- Given the extremely favorable survey responses from shareholder-borrowers at the interim Study regarding market reception and acceptance, we did not recommend a complete customer survey as a part of the 36-month Study. In lieu of a complete and mailed survey we tested a small sample of customer survey responses requested by the Association when new loans are closed.
- We also interviewed a sample of Association employees and directors to gain their perspective on marketplace acceptance and satisfaction.
- An indicator of satisfaction and market share, we tested loan volume trends.

The results of our evaluation of marketplace impact and acceptance follows:

1. Based on our experience with past mergers in the Farm Credit System, the commercial banking sector and stakeholder interviews, the likelihood of customer acceptance and satisfaction with the merger of financial institutions is typically greater if current and well-respected staff that directly manage customer relationships are retained. Some would say that this is one of the most important factors in customer retention. Therefore, we have evaluated the post-merger retention of customer relationship managers.

   Since January 1, 2014, 23 employees have departed from the Association. Presented below is a breakdown of the positions and reason for departure. Those that managed direct customer relationships are in **bold**.

Position	Reason for Departure
January 1, 2014 – June 30, 2015	
President/CEO	Retirement
President/CEO	Retirement
CFO	Retirement
Chief Credit Officer	Retirement
Senior Appraiser – Red Bluff	Retirement
VP – Business Consulting	Retirement
Information Technology Position	Resigned – Compensation
Lease Accounting	Resigned – Compensation
Lease Documentation	Resigned – Personal Relocation
AVP – Branch Manager – Chico	**Retirement**
AVP – Loan Officer – Chico	**Retirement**
AVP – Branch Manager – Willows	**Retirement**
AVP – Branch Manager – Red Bluff	**Retirement**
July 1 – December 31, 2016	
Loan Processing	Illness
Administrative Assistant	Resignation – Personal Reasons
Appraiser	Retirement
Appraiser	Resignation – New Opportunity
HR Assistant	Resignation – Personal Reasons
Information Technology Support	Resignation – Personal Reasons
Loan Officer – Willows	**Retirement**
Loan Officer – Kingsburg	**Resignation – New Opportunity**

On the effective date of the merger, there were 20 staff members directly managing borrower relationships. In the first 36 months after the effective date, six relationship management positions have changed, the majority of which was the result of retirement. As a result of retirement, the market tends to be more tolerant of change. Our review indicates that succession plans were in place and these positions were filled with highly skilled and experienced employees, all of which have been with the Association and associated branches for several years. As reviewed further in this report, customer survey results and staff interviews indicate a high level of customer satisfaction not only through a period of merger integration but through a time of significant personnel changes.

2. In lieu of a complete and mailed survey, we tested a small sample of customer survey responses requested by the Association when new loans were closed in 2016. New customers were asked to respond to the following two questions:
    - Which of the following factors was most important in prompting you to choose the Golden State Farm Credit to meet your financing needs?
        - Agriculture commitment and focus
        - Staff expertise
        - Good reputation for expertise
        - Competitive rates
        - Flexible terms
        - Understanding of my business
        - Products that met my needs
        - Recommendation

    - Using a scale of 1 to 5 with '1' being poor and '5' being outstanding, how would you rate Golden State Farm Credit (GSFC) in each of the following customer service areas?
        - My loan was processed quickly
        - My loan documents were accurately prepared
        - The GSFC staff did what they said they would
        - The GSFC staff was courteous to me
        - The GSFC staff was competent
        - The GSFC staff acted professionally
        - The GSFC staff responded quickly to my needs
        - The GSFC staff was easy to contact
        - The GSFC staff understood my needs
        - Overall, the GSFC has creditability as a lender

    Our review of the customer surveys follows:
    - The most predominate reason for choosing the Association was the commitment to agriculture. Also significant was the staff's expertise in agriculture and their understanding of the business. This was followed with the Association providing competitive interest rates.

- On a scale of 1 to 5, with '1' representing poor customer service and '5' as outstanding, most rated the Association 4 to 5. We did not find any customer service ratings below average.

3. To gain additional input on customer acceptance and satisfaction with the merger, we interviewed five employees that have direct customer relationships. In addition, we interviewed four directors of the Association.

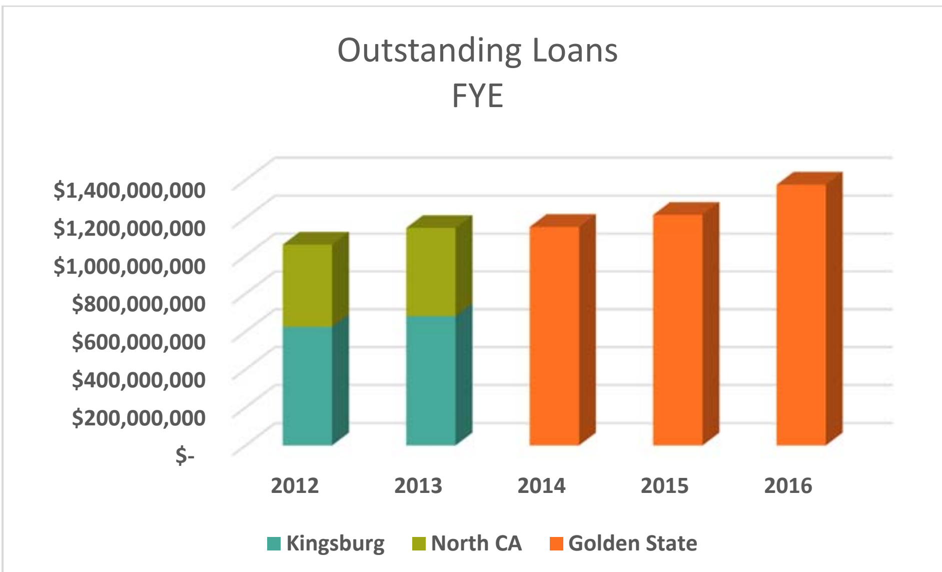
   The employee interviews represented different office locations, markets and management or staff levels. Following is a summary of key observations made by employees:

   - On a scale of 1 to 5, with '5' representing "extremely satisfied" and '1' representing "extremely unsatisfied", we asked five employees that work directly with customers how they would rate borrower acceptance and satisfaction with the merger. The average rating was a 4.0. Justifying the ratings, most employees noted that the merger was a "non-issue" to their customers and they didn't receive any negative feedback.
   - According to those interviewed, no customer-borrowers were lost because of the merger. Several did note that competition, including other Farm Credit Associations tried to leverage the dynamics of merger transition to lure customers from the Association.
   - One loan officer noted that they gained new business as a result of now being able to offer production lines of credit in the former Kingsburg marketplace.
   - Merger related transitions in loan underwriting, approval, documentation and closing has not had a negative effect on borrowers. This is further supported by the survey results.

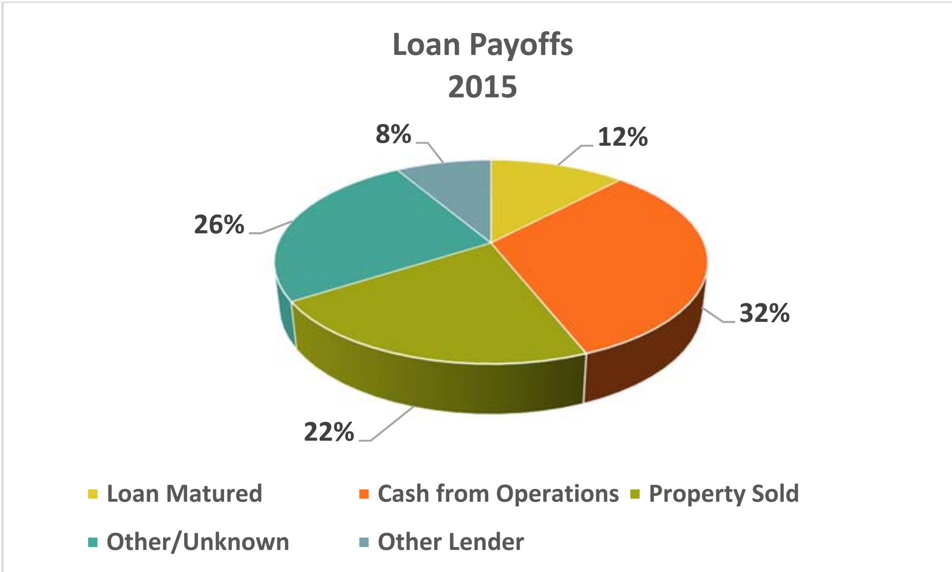
   As a part of the due diligence process, we interviewed four directors. Two were former Northern California board members and two former Kingsburg directors. The directors have not received any negative feedback from stockholder-borrowers regarding the merger.

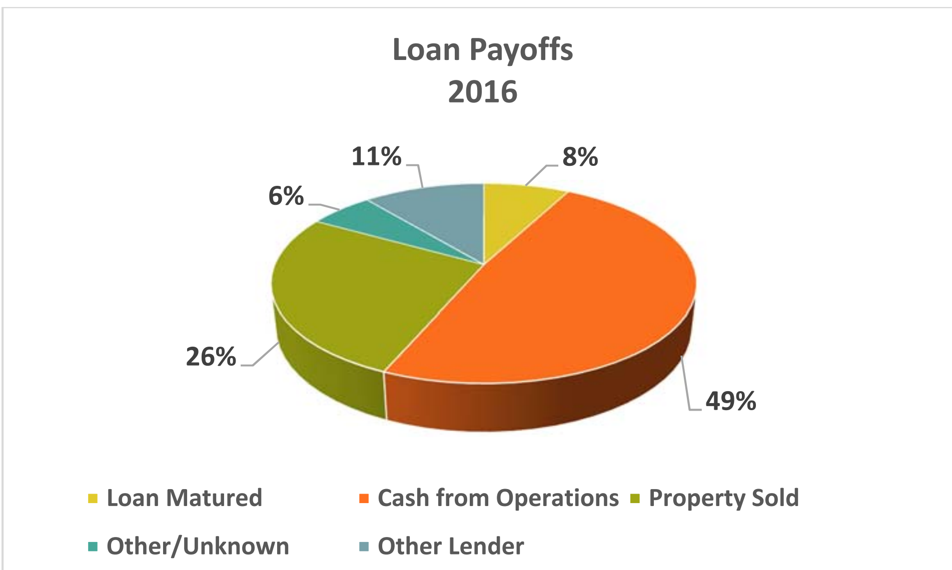
4. As an indicator of borrower acceptance and satisfaction, we also evaluated pre- and post-merger outstanding loan volume to determine if the merger stimulated a material number of borrower departures.

Pre-merger, Kingsburg and Northern California Farm Credit outstanding loan volume at fiscal year-end increased 9% and 7%, respectively. Post-merger, total loans outstanding at December 31, 2014, was comparable to the collective predecessor volume at the end of 2013. Loan growth was stimulated in the 2015 fiscal year with loans outstanding totaling $1.22 billion at December 31, 2015, a $64 million or 6% increase over loans outstanding at December 31, 2014. Growth continued in the 2016 fiscal year with loans outstanding at December 31, 2016 totaling $1.38 billion, an increase of $159 million or a 13% increase over loans outstanding at December 31, 2015.



We did request and management provided detailed information on departing borrowers or paid off loans in 2015 and 2016. Excluding operating loans that were paid off by transfer to long-term or real estate loans, there were 141 loans totaling $45.6 million paid off in 2015 and there 154 loans totaling $30.5 million paid off in 2016. A breakdown on the reason for pay-off is presented below:





As illustrated, the largest share of loan payoffs in the 2015 and 2016 was the result of profits or cash generated from farming operations. This was then closely followed by cash generated from the sale of real estate. Payoffs in 2015 and 2016 as a result of refinancing by another lender only represented 8 % and 11 %, respectively. A large portion of those labeled as Other/Unknown represent payoffs of loan participations. Despite the loan payoffs in 2015 and 2016 totaling $76 million, total loans outstanding still increased $223 million or 19 %.

Conclusion

Supported by well-qualified relationship managers and further indicated by survey results, director and employee feedback and loan volume trends, it is our opinion that the merger has been well received by the stockholder-borrowers, credit and service needs have been effectively met and stakeholders have deemed the merger a success.

Young, Beginning and Small Farmer Lending Initiatives

Included in the Study scope is an evaluation of meeting the credit and service needs of Young, Beginning and Small (YBS) farmers and ranchers. In addition, the stockholder disclosure statement for the merger indicated that the goal for the merged Association over the next three years was to grow the YBS business by approximately 3% in each of the three categories.

To measure the Association's pre- and post-merger success in meeting the credit and service needs of YBS farmers, we compared the pre- and post-merger loans outstanding at fiscal year-end.

	Pre-Merger		Post-Merger		
(Millions)	**2012**	**2013**	**2014**	**2015**	**2016**
Young	$151.1	$175.3	$153.7	$146.6	$169.4
Beginning	$224.7	$231.3	$233.8	$209.8	$229.5
Small	$171.2	$178.1	$170.5	$155.0	$151.8

In the first two fiscal years of the merged Association, loans outstanding to Young and Small farmers declined. YBS volume did rebound in the 2016 fiscal year.

Though YBS volume improved in 2016, post-merger volume for the past 36 months has fallen short of the annual growth rate of 3%. In fact, post-merger volume is below pre-merger levels. Two factors have made YBS loan portfolio growth a challenge in this market. First, the predominant agricultural sectors have been very profitable, reducing the requirements for debt capital. Second, as a result of this profitability and sector value, the cost of entry has become prohibitive for most young, beginning and small farmers, reducing the demand for debt capital.

It should be noted that as of December 31, 2015 and 2016, 99% of the YBS portfolio was classified Acceptable.

Initiatives undertaken by the Association in furtherance of their YBS mission include providing support for the local universities (Fresno State and Chico State) and Junior colleges (Reedley, Butte and Shasta), FFA's, 4-H's, and continuing to provide scholarships to those students that are dedicated to going on to higher education in the agricultural field.

Management and Operational Successes and Challenges, including Information Technology Integration and Conversion, Board of Directors Integration and Other Factors as Appropriate

To evaluate the success and challenges associated with merger integration and conversion, we have reviewed various documents associated with the transition, interviewed members of the board of directors and Association staff. Following are the results of our evaluation:

Governance

At the effective date of the merger the initial Board of Directors was comprised of seven stockholder-elected directors and one outside director from Northern California and five stockholder-elected directors and one outside director from Kingsburg, for a total of 12 stockholder-elected directors and two outside directors.

Relative to the difference in the number of directors from predecessor organizations, it should be noted that after the merger but before the 2015 annual meeting, certain Board actions required a super-majority vote of at least 80% of the directors on the Board. Those actions include Bylaw amendments, changes to the composition of the Board, and revisions to the patronage program that would treat Northern California and Kingsburg members differently.

Following the 2015 annual meeting, two stockholder-elected Board positions held by Northern California directors were closed, reducing the total number of stockholder-elected director positions to ten. Of those ten positions, five now represent the Kingsburg’s chartered territory, and five represent the Northern California’s chartered territory.

Further supporting effective governance integration, Michael Fry serves as Board Chair. Michael resides and farms in the Kingsburg area. Gregory Long serves as Vice Chair and resides and farms in the Northern California area.

Based on Board composition, representation and leadership, we believe that the stockholders of the Association are fairly and well represented.

As a part of our due diligence, we interviewed several of the directors regarding integration. Following are comments made by those directors at the interim or 18-month study:

- “The integration of the Board of Directors has been smooth”.
- “Bringing the Boards together has been seamless, supported by like-minded individuals”. “The predecessor organizations had similar cultures”.

- "No significant conflicts in integration process". "We operate as one group".
- "Board integration has been supported by the fact that we have known each other for many years and have been involved in several operational joint ventures".

Those directors interviewed as a part of the 36-month study continued to express positive comments regarding board integration.

Based on our review, the integration and effectiveness of the post-merger board of directors has been successful.

Lending Policies, Procedures and Loan Processing

As a part of merger integration and as indicated by management and staff interviews, the Association has migrated to common lending policies and procedures. Relative to policies and procedures, the majority of the lending staff interviewed noted the efficiencies gained in changes to delegated authorities for loan and lease approvals.

A critical component of the merger integration process is the blending together of the loan closing process. This would include documentation, legal review and closing. As a part of the 36-month review and to evaluate the continued effectiveness and success of integration, we conducted staff interviews and evaluated the results of the new customer satisfaction surveys. Staff interviews and the results of the surveys indicated that loan processing and documentation continues to be satisfactory.

Information Technology

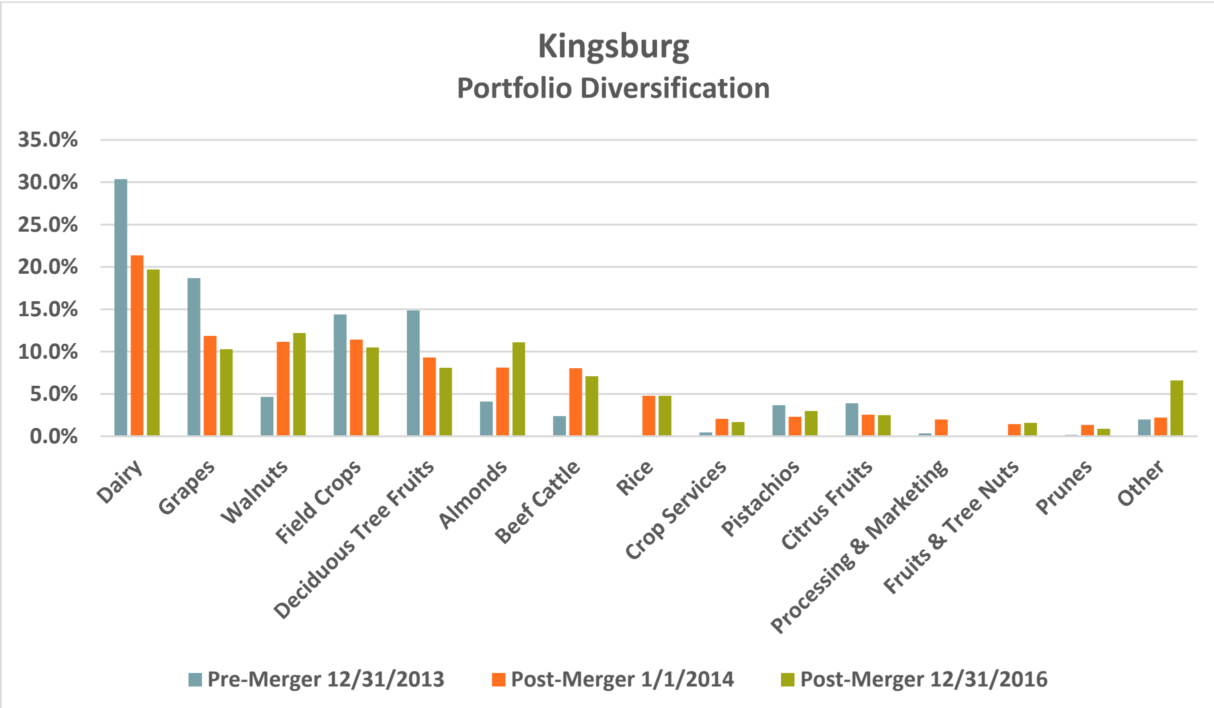
Many times, the integration of information technology can be the most challenging aspect of merger integration. To test IT integration as of December 31, 2016, we interviewed a representation of Association staff. Results indicated that the IT integration was not only continued to be successful but enhances and efficiencies were gained by virtue of merger.

Loan Portfolio Diversification

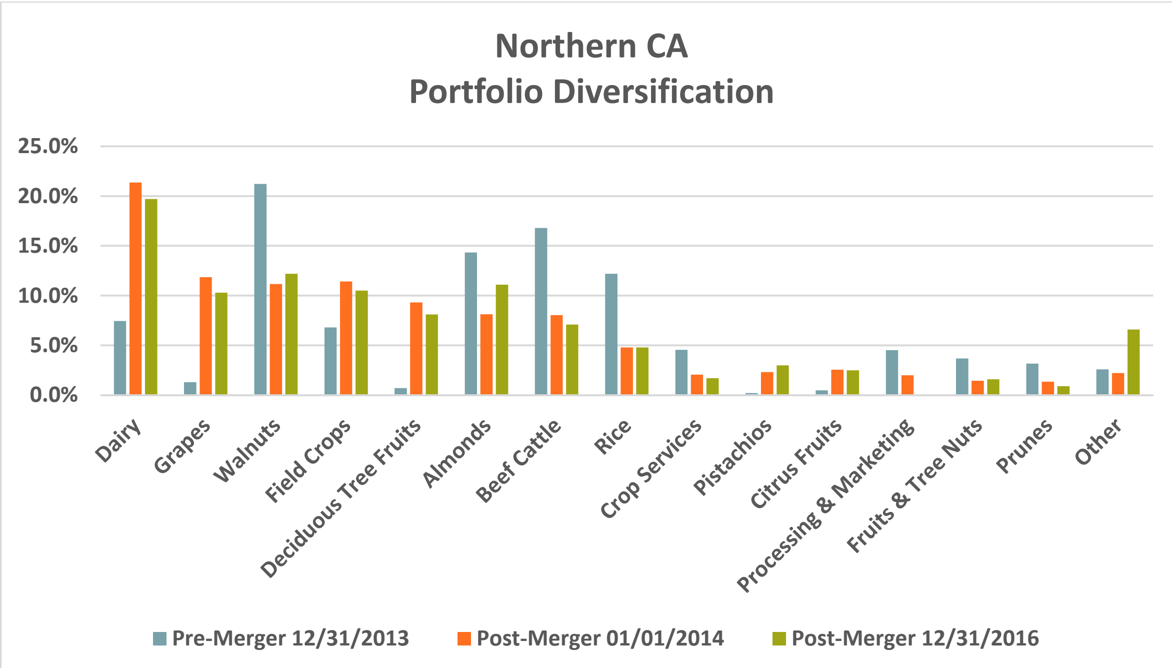
The management of risk concentration is essential to the preservation and value of shareholder equity. Improved loan asset diversification and reduced concentration was identified as one of the benefits of the merger. We have evaluated risk concentration on a pre- and post-merger basis, focusing on the following areas:

- Industry Risk
- Geographic Risk

Industry and commodity diversification of the loan portfolio has improved as a result of the merger. As a result of combining the portfolios, Kingsburg's concentration in the dairy and grape sectors was reduced to a more acceptable level.



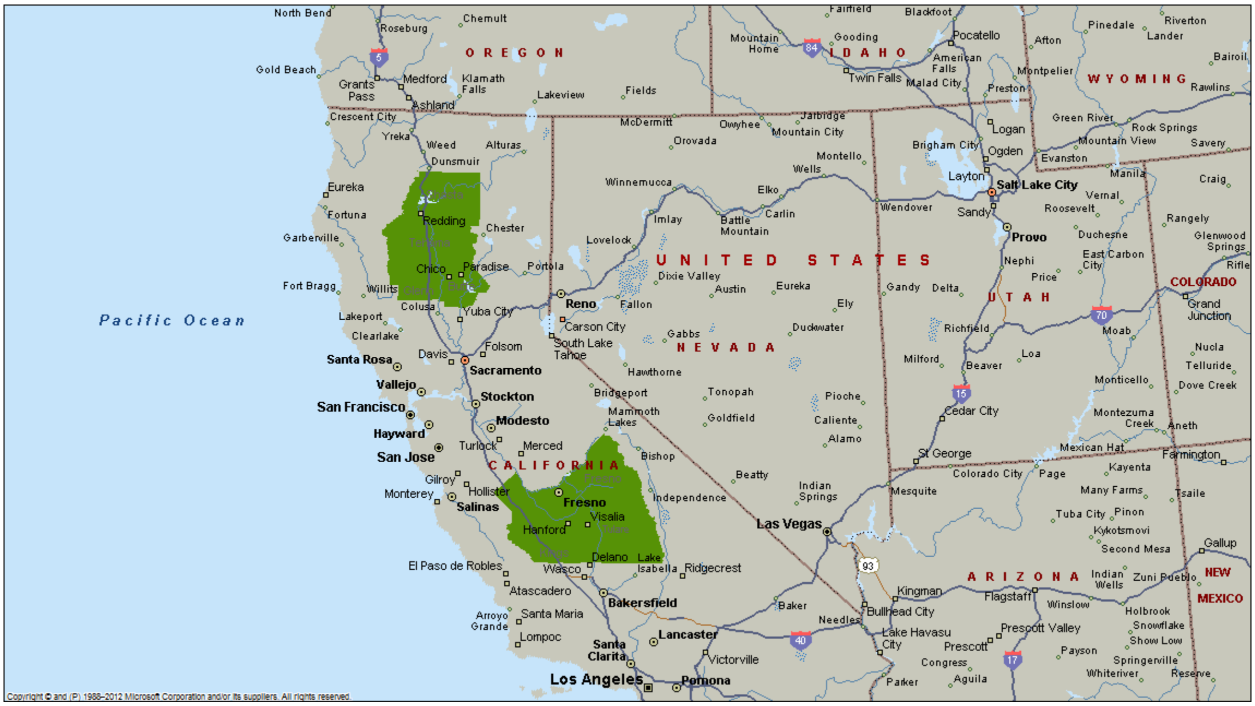
Likewise, Northern California's high level of exposure in walnuts, almonds and beef cattle was reduced.



Illustrated below, the post-merger dairy exposure has decreased from 21.4% of the portfolio at January 1, 2014 to 19.7% at December 31, 2016. As of December 31, 2016, the loan portfolio's industry diversity is acceptable and has improved from pre-merger distributions.

Industry Segment	01/01/2014	12/31/2016	Change
Dairy	21.4%	19.7%	-1.7%
Grapes	11.9%	10.3%	-1.6%
Walnuts	11.2%	12.2%	1.0%
Field Crops	11.4%	10.5%	-0.9%
Deciduous Tree Fruits	9.3%	8.1%	-1.2%
Almonds	8.1%	11.1%	3.0%
Beef Cattle	8.0%	7.1%	-0.9%
Rice	4.8%	4.8%	0.0%
Crop Services	2.1%	1.7%	-0.4%
Pistachios	2.3%	3.0%	0.7%
Citrus Fruits	2.6%	2.5%	-0.1%
Processing & Marketing	2.0%	0.0%	-2.0%
Fruits & Tree Nuts	1.4%	1.6%	0.2%
Prunes	1.3%	0.9%	-0.4%
Other	2.2%	6.6%	4.4%

As illustrated below and by virtue of merger, geographic diversification of the loan portfolio has significantly expanded and concentration decreased, minimizing risks to the viability of the Association associated with adverse weather conditions and regional calamities.



Enhanced Capital Position
As illustrated in the following table, the predecessor organizations had acceptable equity capital positions. The primary advantage of the merger is the value derived from combining the equity capital of the two organizations.

As a result of strong earnings in the 18 months of the merger, Shareholder Equity grew from a combined level of $235.2 million at December 31, 2013 to $262.4 as of June 30, 2015. Favorable earnings were achieved for the remainder of 2015 and into 2016 increasing Shareholder Equity to $275.2 million at December 31, 2016. The post-merger Permanent Capital Ratio increased to 18.4 % at June 30, 2015, exceeding the pre-merger capital positions. As of December 31, 2016, the PCR decreased to 16.4% as a result of a 13% increase in outstanding loans from December 31, 2015 to December 31, 2016. The PCR remains well above regulatory minimums.

($Millions)	**2012**	**2013**	**6/30/15**	**12/31/16**
Shareholders Equity – Kingsburg	$133.7	$137.4		
North CA	$ 94.1	$ 97.8		
Combined	$227.8	$235.2	$262.4	$275.2
Permanent Capital Ratio – Kingsburg	18.0 %	17.6 %		
North CA	17.6 %	17.2 %		
Golden State			18.4%	16.4%

As a result of the combined Equity Capital, the lending capacity for individual borrowers has increased. The pre- and post-merger Internal Lending Limits are presented below:

(Millions)	**Pre-Merger**		**Post-Merger**
	Kingsburg	**North CA**	**12/31/16**
Internal Lending Limit	$16.6	$12.9	$18.9 - $28.3

The increased post-merger lending limit not only positions the Association to meet the credit needs of a consolidating agriculture but enhances income potential as more loan assets can be held. The post-merger lending limit is subject to the Probability of Default rating of the credit.

Economies of Scale and Cost Savings

The Stockholder Disclosure Statement indicated that the merger should yield economies of scale and expense savings. The following economies of scale and potential cost savings were identified in the Stockholder Disclosure Statement. Following each, we have reviewed the actual post-merger results. Pre- and post-merger expenses and financial indicators have been provided by Association management.

1. One CEO position was eliminated as a result of the Merger. This along with post-merger job reassignments could lower overall payroll costs.

   The combined savings of eliminating a CEO, Chief Credit Officer and CEO Administrative Assistant was $538,000. Post-merger, the Association did enjoy this savings but most was offset with the addition of new positions to support new business development and loan growth. Among other positions, this included the addition of a full-time Marketing Director and VP of Human Resources. The cost reduction associated with the elimination of executive positions was reallocated to human capital needs to better position the Association for growth and viability.

2. The Merger resulted in a reduction in certain overhead expenses and shared System expenses that are allocated on a per entity basis (FCA supervisory charges, tax and audit).

   Actual 2014 savings compared to 2013 for FCA Supervisory Fees and Price Waterhouse was $9,000 and $29,000, respectively. There still may be some residual savings in this area. However, increases in vendor costs and additional audit requirements over the last 18 months has probably absorbed any savings the Association would have seen since the beginning of the merger. FCA exam costs, and the number of exams have gone up substantially over the last 18 months.

3. Further savings in payroll costs may be achieved as job vacancies caused by normal attrition are filled by the deeper staff that the merger will provide, eliminating the need to hire and train new employees.

   No savings have been identified in this area.

4. Finally, as a result of the Merger, Kingsburg will be able to discontinue purchasing escrow services from a neighboring association. Bringing the escrow department in-house will provide modest cost savings going forward.

   To date, the discontinuance of escrow services has not been implemented but still being evaluated as a viable option. At this point, the Association anticipates implementation by July 1st of 2017.

Unanticipated in the Stockholder Disclosure Statement, there was initial annual savings achieved in information technology and the D&O Insurance premium of roughly $50,000. This savings, while having an impact in the first 18 months, has had to increase the last 18 months to accommodate new staff, new loan volume and additional cost increases from AgVantis. We have also had to improve telecommunications between all offices and move forward with other technological advances to remain competitive. Therefore, this initial savings has been reallocated and offset.

In summary, our evaluation indicates that the merger did initially generate economies of scale and cost savings. From July 1, 2015 to December 31, 2016, this savings has been reinvested into the Association to support actual business growth, efficiencies, increased profitability and enhanced business viability.

Financial Liquidity, Solvency & Financial Returns
Presented below is our evaluation of pre- and post-merger financial liquidity, solvency and financial return.

Liquidity
As a measure of financial liquidity, pre- and post-merger loan portfolio quality trends from December 31, 2012 to December 31, 2016 are presented below.

	2012		2013		2014	12-31-16
	Kingsburg	NorCal	Kingsburg	NorCal	Golden State	Golden State
Acceptable	97.8%	99.2%	95.6%	99.4%	99.5%	98.9%
OAEM	1.3%	.3%	2.4%	.2%	.1%	.8%
Substandard	.9%	.5%	2.0%	.4%	.4%	.3%

Though slightly decreased, the loan portfolio quality remains very strong exhibiting favorable financial liquidity.

Solvency & Financial Returns

To measure pre- and post-merger solvency, financial returns and patronage paid, we have assessed the applicable financial ratios as of fiscal year ends.

	2013	2014	2015	2016
Permanent Capital Ratio – Kingsburg	17.6%			
NorCal	17.2%			
Golden State		18.1%	18.0%	16.4%
Return on Average Assets – Kingsburg	2.3%			
NorCal	1.7%			
Golden State		1.9%	1.8%	1.8%
Patronage Paid (bps) – Kingsburg	100			
NorCal	106			
Golden State		100	100	80

Post-merger solvency has remained strong with a Permanent Capital Ratio of 16.4%, continuing to well exceed regulatory minimums. The post-merger Return on Average Assets for 2016 was comparable to the blended return for the predecessor organizations.

Improved Strategic Position

As a result of the merger, multiple advantages have been identified and evaluated. But, it is our opinion that the most fundamental and significant advantage is strategic positioning to support and complement future viability of the Association. Following are examples:

- With a larger Equity Capital base, the Association is better positioned to support, maintain and capture the financial services business of a consolidating agriculture. Because of the Association's enhanced post-merger capital position over the past three years, they have been able to expand their purchase of loan participations in businesses involved in milk processing, tele-communications and renewable energy. This has also facilitated further portfolio diversification.
- Enhanced loan asset risk management with greater portfolio diversification and reduced large loan concentration risk.
- As a result of larger scale and business complexity, the recruitment and retention of highly talented and specialized human capital has improved. This likewise complements

succession planning. As a result, the Association has been able to hire a full time Human Resource Specialist as well as a full time Marketing Director.

- As a result of greater size and scope, the Association gains more attention in the supply chain. For example and as noted in the interim Study, the Association became a partner with American Ag Credit, Farm Credit West and CoBank in a Strategic Marketing Alliance. In addition, the larger scale has allowed the Association to reconfigure and enhance how they offer leases to their customers, now through Farm Credit Leasing. Also, the Association now has the resources to participate more within the capital markets venue with CoBank and other Farm Credit System entities.
- Mergers across the Farm Credit System have increased over the past several years and are certain to occur in the future. The Association is now better positioned strategically for future combinations.

Management Succession

The merger enhances the viability of the Association's management succession plan because of the following:

- The merger has created a larger, more complex organization. As a result, job and career path opportunities have been enhanced supporting the recruitment and retention of talented employees. The Association is now in a better position to build additional staff depth and create more opportunities to build succession at all organizational levels. As mentioned above, the redesign of the Association's employment and job processes, including market salary studies, the Association is now able to provide competitive salaries, benefits, and career path opportunities throughout the entire organization.
- Combining the employee groups of the predecessor organizations has created a larger pool to draw from, supporting a more viable succession plan.