

April 11, 2022

TO: All AgCarolina Farm Credit Stockholders

RE: Letter of Intent (LOI) to Merge Unanimously Approved

Dear Member,

I'm reaching out to you today with an important announcement from the Board of Directors.

The Boards of Directors for both AgCarolina Farm Credit and Cape Fear Farm Credit voted unanimously to sign an LOI to pursue a merger of equals with the goal of creating a stronger, more diversified organization that is better positioned to serve our members and fulfill our mission going forward.

For years, both AgCarolina and Cape Fear have worked side-by-side as industry peers, building successful, financially strong Associations who share a common member-focused culture and similar operating models. Each Association currently operates in separate geographic territories and service segments – both of which are extremely dynamic and competitive.

What are the potential benefits of a merger?

Over the next few months, the two Associations will work together to perform an intensive due diligence process to explore potential benefits of a merger. These could include enhanced resiliency, cost synergies, improved operational capacity, enhanced growth and profitability, and increased patronage potential.

We anticipate that both Associations will require greater financial investment to remain competitive in the future with products and services that meet the evolving needs of our members. We believe that this proposed merger may allow us to achieve that scale quickly. A larger operational and capital base would give us greater capacity to absorb increasing expenses and more resources to execute on future objectives while maintaining our focus on local service to meet the diverse needs of our members, including young, beginning, and small farmers (YBS). We will continue to be big enough to serve, but small enough to care.

What is the anticipated process and timeline?

Once due diligence is complete, the Boards will vote whether to approve a definitive merger agreement and seek to obtain regulatory approval. If regulatory approval is obtained, eligible stockholders would receive a merger disclosure package in late 2022 with a complete description of the merger terms and the Board's reasons for recommending stockholder approval. A stockholder vote would occur afterwards, and, if approved, the merger would become effective on Jan. 1, 2023. Clearly, these steps will take



time. Until then, both AgCarolina and Cape Fear will continue to operate in the same fashion as we always have.

What would a combined entity look like?

The combined Association would be led by current Cape Fear Farm Credit President and CEO Evan Kleinhans. AgCarolina President and CEO Dave Corum, who previously announced his plans to retire, would stay on until December 31, 2022, to support the transition plan.

As you know, a CEO search for Dave’s replacement was underway earlier this year. However, when the opportunity arose for the Boards to consider a merger, AgCarolina pivoted its executive search activities to focus on better understanding the potential benefits of a combined Association. The CEO search was halted when merger negotiations became imminent.

Based on the two Associations’ current portfolios, the merged entity would begin with over \$3 billion in gross loan volume serving more than 6,000 borrowing relationships as the largest ag lending cooperative in North Carolina.

We would operate as AgCarolina Farm Credit, ACA – a name that we believe best describes what the mission of the merged Association would be: to serve North Carolina agricultural production and rural residents. Together, we would serve 46 contiguous counties in eastern North Carolina, with headquarters centrally located in Greenville.

No branch closings or branch staffing changes are anticipated as a result of the merger, so members can expect the same local, personalized service from the same trusted experts with local loan decisions and delivery of financial services. The merged Association would continue to serve our mission to each Farm Credit member, returning profits to members as determined by the board of directors each year.

As we work to ensure a smooth, transparent process, we will keep you informed along the way. If you have any questions, please don’t hesitate to reach out to your local AgCarolina Farm Credit contact, a director, Dave Corum or myself.

We appreciate your ongoing loyalty and look forward to continuing to serve your financial needs.

Sincerely,



B. Derek Potter
Board Chairman
AgCarolina Farm Credit