

1-877-404-LAND (5263)
HeritageLandBank.com



Tyler Corporate Office

4608 Kinsey Drive, Suite 100
Tyler, Texas 75703
(903) 534-4975
(877) 404-5263

Athens Branch Office

205 South Palestine Street
Athens, Texas 75751
(903) 675-8010
(877) 456-4684

Greenville Branch Office

5901 Wesley Street, Suite 102
Greenville, Texas 75402
(903) 455-2835
(866) 576-9508

McKinney Branch Office

2790 Virginia Parkway
McKinney, Texas 75071
(972) 562-6906
(888) 265-7506

Nacogdoches Branch Office

3925 N.W. Stallings Drive
Nacogdoches, Texas 75964
(936) 564-8271
(888) 395-8271

Palestine Branch Office

505 North Church Street
Palestine, Texas 75801
(903) 729-4667
(877) 456-5061

Tyler Lending Office

4608 Kinsey Drive, Suite 200
Tyler, Texas 75703
(903) 534-5040
(877) 404-5263

Cooperative Business Model Proves Resilient



Dear Stockholder:

Last year presented Heritage Land Bank with a number of challenges, primarily caused by the worldwide financial crisis and volatile ag markets. However, Heritage Land Bank held steady, thanks in large part to the solid, conservative lending decisions made by our Land Bank management and board of directors. The cooperative business model upon which Farm Credit was founded proved to be resilient during these tough times.

With more than 90 years in business, Heritage Land Bank has strong experience and knowledge weathering the ups and downs in the economy. This was apparent recently with the association's payment of \$3.6 million in patronage to our stockholders, even when many other financial institutions did not pay dividends. This cash patronage payout was based on 2009 net earnings of \$8 million — an increase of \$1.4 million over the prior year. The patronage lowered the effective interest rate paid by most stockholders by approximately 75 basis points, or three-quarters of a percent, and represents a return of 45 percent of our earnings.

Turning to 2010, the effects of the current economic environment, however, have created hardships for some of our customers, resulting in a decrease in the association's credit quality. Rest assured that the management and board of directors of Heritage Land Bank are addressing and working diligently through these credit issues to minimize any negative impact on the association's earnings, just like we've done for more than 90 years.

The economic outlook for 2010 is forecasted to show signs of improvement. Industries that rely on grain prices, such as livestock feeding operations, dairies and ethanol, suffered from a tight financial squeeze caused by extremely high corn prices last year. Now, input costs have stabilized at manageable levels, and market prices have increased, bringing some much-needed relief for many producers. Pork, cattle, poultry and ethanol producers are looking up right now. Unfortunately, much of this relief will come at the expense of grain producers, but commodity prices should also remain at profitable levels.

At Heritage Land Bank, we strive to provide sound agricultural credit at competitive interest rates, while returning profits back to our customers. As always, we thank you for your business and look forward to meeting all of your rural financing needs.

Sincerely,

Stephen R. Ogletree
Chief Executive Officer



A Successful Year in Spite of Economic Downturn

Despite the downturn in the economy last year, Heritage Land Bank, ACA reported a very successful year and continues to perform well financially. That was the message that CEO Stephen Ogletree delivered to more than 200 stockholders and guests at the association's annual stockholders' meeting held last September at the Stonebridge Ranch Country Club in McKinney, Texas.

The following Land Bank highlights were presented at the meeting:

- Heritage Land Bank continued to be involved and supportive in various agricultural programs, youth projects, auctions and community fundraising events throughout our territories, donating nearly \$100,000 to these efforts.
- Four graduating high school seniors were recipients of the 2009 Heritage Land Bank Scholarship Award, each receiving a \$2,500 scholarship to their college of choice to pursue their education in the field of agriculture. Scholarship recipients were:
 - Joshua Aaron Haddox** — Nacogdoches, Texas
 - Jorden LaRae Hicks** — Alto, Texas
 - Nicholas Butler Jacks** — San Augustine, Texas
 - Alex Wright** — Sachse, Texas
- The association introduced Ag Banking Online to our customers. The service, which can be accessed from our website, allows customers to view loan account information, make online payments or transfer funds externally and internally.
- Heritage Land Bank continues to strengthen our underwriting standards to reduce risk; all new customers must now meet a more rigorous analysis to ensure that they are on the top end of creditworthiness. In addition, the association is using shorter-term repricing notes than we have in the past, due to current markets.



Stephen Ogletree, CEO

Locations Set for 2010 Annual Stockholders' Meetings

This coming September, Heritage Land Bank will hold three Annual Stockholders' Meetings to accommodate the needs of our borrowers and to cut costs to the association. Stockholders will be treated to an evening of good food, fun and fellowship, as well as a variety of great door prizes. Look for additional information to be mailed in August, and mark your calendars to attend.

Come let us say "Thank You" and find out what is happening within the association. Stockholders are invited to attend the meeting location of their choice.

Thursday, Sept. 9
Thursday, Sept. 16
Thursday, Sept. 23

Hilton Bella Harbor — Rockwall, Texas
Pineywoods Country Club — Nacogdoches, Texas
Eagles Bluff Country Club — Bullard, Texas

Employee News



Erin Morgan joined the Heritage team in November 2009 as regional credit president, overseeing branch operations in both Nacogdoches and Palestine. She has worked for Farm Credit since May 2006, when she was hired as a loan officer with AgriLand, FCS in Nacogdoches. She was later promoted to vice president/branch manager of AgriLand's Kingwood branch. Erin is a 2006

graduate of West Texas A&M University in Canyon, Texas, with a bachelor's degree in agricultural business.



Jennifer Dobbins was promoted in February 2010 to vice president/branch manager in the Tyler lending office. She began her career with Heritage in May 2000, and has held several positions with the bank, including administrative assistant, loan processing manager and vice president/relationship manager. Jennifer is a graduate of the University of Texas at Tyler with a degree

in economics and a concentration in business.

Tenure Awards

Stephen Ogletree, CEO, Tyler corporate office, 35 years

Sherry Vance, vice president/branch manager, McKinney, 30 years

Mike Overcast, senior vice president/commercial lending, McKinney, 25 years

Jennifer Dobbins, vice president/branch manager, Tyler, 10 years

Judy Pool, loan administrator associate, Athens, 10 years

Chad Stephenson, senior vice president/direct lending, Greenville, 10 years

Tray Cowling, accountant II, Tyler corporate office, 5 years

Amanda Hendrix, marketing director/board secretary, Tyler corporate office, 5 years

Cristy Weaver, loan administrator associate, McKinney, 5 years

Births

Terrie Tinsley, accountant I in the Tyler corporate office, welcomed a new baby, Dominique Simone, on Jan. 6, 2010, weighing 7 lbs., 4 oz.

Kyle Nelson, junior relationship manager in Greenville, and his wife, Kaci, are the proud parents of Jillian Grace, born April 5, 2010, weighing 6 lbs., 5 oz.

Marriages

Cristy Eaton, loan administrator associate in the McKinney branch, wed Vern Weaver on Nov. 10, 2009.

Becky King, loan administrator associate in the Nacogdoches branch, wed Ryan Dillon on April 28, 2010.

Honors

Three Heritage Land Bank employees recently were selected by the association management to participate in the Farm Credit Council Services (FCCServices) Leadership Development Program. They are **Chad Stephenson**, senior vice president/direct lending in Greenville; **Seth Wharton**, vice president/credit in the Tyler corporate office; and **Matt Tyler**, vice president/branch manager in Athens.

The program is designed to prepare the next generation of strategic leaders and managers in the Farm Credit System. Participants travel to Denver, Colo., Scottsdale, Ariz., Broomfield, Colo., and Chicago, Ill., over a two-year period. Training sessions focus on personnel management, communications and business management topics, among others.



Leadership Development Program Participants (Level I Joint 16). Standing L to R: Jerry Rose, Jason Korneke, Jim Shanahan, Tripp Smith, Mike Honas, Seth Wharton, Brian Ulrich, Kevin McGee, Shane Hall, Dave Notarangelo, Chad Stephenson, Steve Donnell, Rob Crain, Maryla Sikora, Matt Tyler, Pete Huffine, Sarah Rachels, Jeremy Lightfoot, DeWayne Walker, Dave Walker, David Mendenhall, Bill Henley. Seated L to R: Dewey Brown, Beverly Martin, Ann Wagner, Karla Rhodes, Laura Staley, Darla Falkner, Kaye Manchester, Maureen McKee



Greenville Branch Celebrates Office Relocation

Heritage Land Bank staff, customers and business associates attended an open house and ribbon cutting on Feb. 9, 2010, at the Greenville office's new location at 5901 Wesley St., Ste. 102. Attendees enjoyed hors d'oeuvres and a variety of cash drawings and door prizes.

Elected Board Members

Heritage Land Bank held its director and nominating committee elections by stockholder ballot in October 2009, and is pleased to announce the election results as tabulated by the accounting firm of Henry & Peters. The following were elected to serve three-year terms on the board of directors:



Jack S. Pullen owns a cow-calf operation in Rockwall County and is employed as a right-of-way agent for the Texas Department of Transportation. He is president of RCH Water Corporation,

serves on the board of directors of the Rockwall Youth Fair and the Rockwall Lions Club, serves as city councilman for McLendon/Chisholm, is a charter member of the Rockwall County A&M Club, and is a former director of the Texas Hereford

Association. He is a graduate of Texas A&M University.



Kevin Sampson runs a cow-calf operation in Smith County and also produces hay, forage, Tifton 85 sprigs and timber. He is a director of the Smith County Farm Bureau and served on the Texas

Farm Bureau's resolutions committee. He is a graduate of the University of Texas.



James R. Tarrant Jr. is owner of Consolidated Wood Products in Bullard, Texas. He serves as a director for Cherokee County Electric Co-op, North Cherokee Water Corp., and Texas National

Bank, and has served for 10 years on the Jacksonville ISD School Board. He is a graduate of Texas A&M University.

Other Heritage Land Bank board members are David Alders of Nacogdoches; Bill Ashworth of Leonard; George Hodges of Grapeland; Jerry Nelson of Tyler; and Keith Nicholas of Greenville.

In addition, the following nominating committee members were elected: Michael Powell of Caddo Mills; Johnnie Robinson of Celina; James M. Bachman of Grapeland; Lewie Byers of Rusk; and alternates Roger Claxton of Celeste, and Simmie Douglas of Tennessee Colony.

"We are very pleased to have such an outstanding group of experienced community leaders serving on our association's board of directors and nominating committee," stated Stephen R. Ogletree, chief executive officer.

Heritage Land Bank Pays \$3.6 Million Patronage

Bank's Rural Landowners and Agribusiness Customers Reap Benefits in Tough Economic Climate

Despite a recessionary economy, Heritage Land Bank, ACA remains strong and paid \$3.6 million in patronage in March to its stockholders. The patronage was a result of the association's 2009 net earnings of \$8 million — an increase of \$1.4 million over the prior year. The bank's increased year-end earnings resulted in a return-on-average stockholder's equity of 11.8 percent.

Every year, the board of directors decides how much of the association's earnings

needs to be maintained as capital to fund the association's growth. After that, we are able to return the remainder as a patronage refund to you. While patronage payments are not guaranteed each year, the Heritage Land Bank Board of Directors is

committed to evaluating the strength and viability of the association before making the decision to pay patronage.



Pictured left to right: Keith Nicholas, director; Jack Pullen, chairman; George Hodges, director; Stephen Ogletree, CEO; Jerry Nelson, director; David Alders, vice chairman; Kevin Sampson, director; James Tarrant Jr., director; and Bill Ashworth, director

As a result of its continued financial success, Heritage Land Bank's customer-owners received more than \$3.6 million in patronage, an increase of more than \$1 million over the prior year. This year's cash patronage payout lowers the effective interest rate paid by most stockholders by approximately 75 basis points. Because Heritage Land Bank is a cooperative, customer-owners benefit directly from its financial performance, sharing the rewards of earnings

with an annual cash patronage.

In addition, Heritage Land Bank reported total assets of \$447 million and loan volume of \$433 million. The bank's capital position remained strong, with a permanent

capital ratio of 14.1 percent at the end of 2009, which more than doubles the 7 percent minimum capital ratio set by the Farm Credit Administration.

"We take great pride in the fact that even during these tough economic times, our efficient operations have allowed us to continue our tradition of paying an annual patronage, when many other financial institutions are unable to do so," said Stephen Ogletree, chief executive officer of Heritage Land Bank.

Wanted: Director and Nominating Committee Candidates

Are you interested in serving on the board of directors or the nominating committee at Heritage Land Bank? If so, we invite you to view the eligibility requirements and application process posted on our website at www.heritagelandbank.com.

Applications are currently being accepted through July 15, 2010, for two director positions, four nominating committee positions and two alternate positions. The current nominating committee will meet in July to select potential candidates. All applicants will be notified of the results following this meeting.