Farm Credit of Northwest Florida, ACA

FIRST QUARTER 2011

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2011 quarterly report of Farm Credit of Northwest Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Ricky K. Bitner
Chief Executive Officer

Bruce C. Harrison
Chief Financial Officer

Richard Terry
Chairman of the Board

May 9, 2011

Farm Credit of Northwest Florida, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2011. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of March 31, 2011, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2011.

Ricky Bitner
Chief Executive Officer

Bruce C. Harrison
Chief Financial Officer

May 9, 2011

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Northwest Florida, ACA (Association) for the period ending March 31, 2011. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2010 Annual Report of the Association.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including forestry, row crops, livestock, peanuts, horticulture, dairies and rural homes. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2011, was $378,131, a decrease of $7,708, as compared to $385,839 at December 31, 2010. Net loans outstanding (gross loans net of the allowance for loan losses) at March 31, 2011, were $369,206 as compared to $375,741 at December 31, 2010. Net loans accounted for 92.69 percent of total assets at March 31, 2011, as compared to 91.38 percent of total assets at December 31, 2010. The reduction in loan volume was due to normal principal payments and movements of loans to other property owned, offset by modest new loan activity.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has deteriorated due to poor credit administration and a downturn in the overall economic environment. Nonaccrual loans were $49,849, an increase of $388 from $49,461 at December 31, 2010. Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2011 was $8,925 as compared to $10,098 at December 31, 2010, a decrease of $1,173. This decrease was primarily due to charge-offs against the allowance for loan losses of $1,258.

The allowance for loan loss of $8,925 at March 31, 2011 was considered by management to be adequate to cover probable losses. The allowance for loan losses of $8,925 represents 2.36% of the loan balances as of March 31, 2011. The other property owned was $14,486 as of March 31, 2011 as compared to $16,930 at December 31, 2010. This decrease of $2,444 was due to acquisitions of $944 and sales of $3,388.

Amounts due from AgFirst Farm Credit Bank decreased to $689 as of March 31, 2011 as compared to $3,788 as of December 31, 2010. These amounts represent patronage due from AgFirst at both March 31, 2011 and December 31, 2010 and special distribution receivable of $681 due from AgFirst at December 31, 2010. The decrease of $3,099 is primarily due to the fact that the amount due at March 31, 2011 was for one quarter and the amount due at December 31, 2010 was for four quarters. Also, there was no special distribution receivable at March 31, 2011.

RESULTS OF OPERATIONS

For the three months ending March 31, 2011

Net income for the three months ending March 31, 2011, totaled $1,299, as compared to net income of $1,664 for the same period in 2010, a decrease in income of $365. Components of the increase in net income are discussed further in the following paragraphs.

For the three months ending March 31, 2011, interest income decreased by $856 or 15.37 percent compared to the same period ending March 31, 2010. For the three months ending March 31, 2011 interest expense decreased by $904 or 26.31 percent, compared to the period ending March 31, 2010. These decreases resulted in a decrease in net interest income of $48, compared to the period ending March 31, 2010. The changes in interest income, interest expense and net interest income were the result of interest rate reductions, a decrease in loan volume, an increase in nonaccrual loan volume and an increase in earnings on the loanable funds credit due to higher interest rates earned on the loanable funds credit.

The provision for loan losses for the three months ending March 31, 2011 was $0 as compared to $378 compared to the period ending March 31, 2010, a decrease of $378.

Noninterest income for the three months ending March 31, 2011 totaled $485, as compared to $1,351 for the same period of 2010, a decrease of $866. This decrease was primarily due to a decrease in the equity in earnings of other Farm Credit institutions of $291, an increase in losses on other property owned (OPO) of $86 and a reduction in Insurance Fund refunds of $492. Regarding the $291 decrease in the equity in earnings of other Farm Credit institutions, general patronage income decreased by $109 due to reduced loan volume, patronage from the Capital Participation Pool income decreased by $182 due to loan losses in that pool.

Noninterest expense for the three months ending March 31, 2011 totaled $1,367, as compared to $1,442 for the same period of 2010, a decrease of $75. This decrease was due to a decrease in salaries and benefits of $3, a decrease in Insurance Fund Premiums of $41, a decrease in occupancy and equipment of $12 and a decrease in other operating expenses of $19.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2011 was $322,515 as compared to $336,920 at December 31, 2010. The reduction in notes payable to the Bank was due to normal principal payments on the direct note, offset by modest increases in the direct note due to new loan activity.

CAPITAL RESOURCES

Total members' equity at March 31, 2011 increased to $71,680 from the December 31, 2010 total of $70,405. The increase is primarily attributed to net income of $1,299 for the three months ending March 31, 2011 and retirement of equity during the current quarter of $32.

Total capital stock and participation certificates were $1,029 on March 31, 2011, compared to $1,021 on December 31, 2010. This increase of $8 is attributed to capital stock and participation certificates issuances of $10 and retirements of $2.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2011 the Association's total surplus ratio and core surplus ratio were 15.80 percent and 15.13 percent, respectively, and the permanent capital ratio was 16.05 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

On April 20, 2011 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The previous written supervisory agreement between the FCA and the Association, dated April 6, 2010, is terminated by the April 20, 2011 agreement. The written supervisory agreement dated April 20, 2011 requires the Association to take corrective actions and other actions with respect to certain areas of its operations, including board operations, director fiduciary duties, board consultant functions, nominating committee assistance, strategic and business planning, staffing, internal controls, asset quality, loan portfolio management, allowance for loan loss, collateral risk, capital, earnings and liquidity.

Conditions and events that led to the need for this agreement include rapid growth between 2003-2007, deterioration of loan quality, liberal loan structures, lack of oversight to credit policies and procedures, lack of sufficient staff training, high staff turn-over and lack of diversification in the portfolio (concentration in real estate lending).

The Association has achieved partial compliance to correct weaknesses in its board operations, strategic planning, staffing, internal controls, asset quality, loan portfolio management, portfolio risk, capital, earnings and liquidity; however, all necessary improvements have not been realized as of April 20, 2011.

The board will address the requirements of the agreement dated April 20, 2011 by establishing a collateral risk program, conducting an assessment of board and staff training needs and providing the necessary training, and by establishing improved credit policy direction and guidance.

The written supervisory agreement dated April 20, 2011 requires the Board to continue to engage an Independent Board Consultant to advise and counsel the Board in fulfilling its fiduciary responsibilities and to perform other functions as specified in the agreement.

The Association remained under written supervisory agreement as of the date of this report.

On July 8, 2010, the Farm Credit Administration issued an advance notice of proposed rulemaking (ANPRM) to gather public comments on the promulgation of Tier 1 and Tier 2 capital standards for Farm Credit System institutions. The Tier 1/Tier 2 capital standards would be similar to the capital tiers delineated in the Basel Accord that other Federal financial regulatory agencies have adopted for the banking organizations they regulate. The Farm Credit Administration is seeking comments to facilitate the development of this regulatory capital framework, including new minimum risk-based and leverage ratio capital requirements that take into consideration both the System's cooperative structure of primarily wholesale banks owned by retail lender Associations that are, in turn, owned by their member borrowers, and the System's status as a GSE. The comment period for the ANPRM originally ended November 5, 2010 but it has been extended to May 4, 2011.

Financial Regulatory Reform

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law on July 21, 2010. While the Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial services industry, many of the rules and regulations are not applicable to the System. It requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

The Dodd-Frank Act creates new regulators and expands the authority of the Federal Reserve Board over non-bank financial companies previously not subject to its or other bank regulators' direct jurisdiction, particularly those that are important to the U.S. financial system. Nevertheless, the Dodd-Frank Act largely preserves the authority of the Farm Credit Administration as the System's independent federal regulator by excluding System institutions from being considered a non-bank financial company and providing other exemptions and exclusions from certain of the law's provisions. Also, the rules prohibiting banking entities from engaging in proprietary trading under the Volcker Rule will not apply to the debt securities issued by the System.

The provisions of the Dodd-Frank Act pertaining to the regulation of derivatives transactions will require more of these transactions to be cleared through a third-party central clearinghouse and traded on regulated exchanges and margin or cash collateral will be required for these transactions. Also, derivative transactions that will not be subject to mandatory trading and clearing requirements may also be subject to minimum margin and capital requirements. The Dodd-Frank Act requires the Commodity Futures Trading Commission (CFTC) to consider whether to exempt System institutions from these new requirements. These requirements, whether or not System institutions are directly exempt from them, have the potential of making derivative transactions more costly and less attractive as risk management tools for System institutions. This may impact the System's funding strategies.

The Dodd-Frank Act will also require certain financial institutions to register as swap dealers or major swap participants, as applicable, with the CFTC and/or the Securities and Exchange Commission. Based on the proposed rules, it is possible that certain System institutions could be required to register with the CFTC as swap dealers based on swaps entered into between System institutions or between System institutions and their borrowers, which would subject these System institutions to considerable additional regulation and cost. In addition, the counterparties with which System institutions enter into derivative transactions for hedging and risk mitigation purposes will most likely be designated as swap dealers and, as a result, be subject to additional regulatory requirements.

As required by the Dodd-Frank Act, the U.S. Treasury and the U.S. Department of Housing and Urban Development issued in February 2011 their report to Congress entitled "Reforming America's Housing Finance Market". This report sets forth recommendations related to the future of the housing GSEs, including Fannie Mae and Freddie Mac. While this report did not specifically include or relate to the Farm Credit System, a potential risk exists that the System, as a GSE, may directly or indirectly be impacted by the decisions made as Congress addresses Fannie Mae, Freddie Mac and federal home loan finance.

In light of the foregoing, it is difficult to predict at this time the extent of the impact which the Dodd-Frank Act or the forthcoming implementing rules and regulations will have on the System. However, it is possible they could affect funding strategies and increase funding costs.

NOTE: Shareholder investment in the Association could be affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 850-526-4910 ext. 103, or writing Bruce C. Harrison, Chief Financial Officer, Farm Credit of Northwest Florida, ACA, P.O. Box 7000, Marianna, Fl 32447, or accessing the website, *www.farmcredit-fl.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of Northwest Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2011	December 31, 2010
	(unaudited)	(audited)
Assets		
Loans	$ 378,131	$ 385,839
Less: allowance for loan losses	8,925	10,098
Net loans	369,206	375,741
Accrued interest receivable	2,195	2,612
Investments in other Farm Credit institutions	8,185	8,418
Premises and equipment, net	1,300	1,322
Other property owned	14,486	16,930
Due from AgFirst Farm Credit Bank	689	3,788
Other assets	2,278	2,378
Total assets	$ 398,339	$ 411,189
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 322,515	$ 336,920
Accrued interest payable	856	935
Patronage refund payable	31	31
Other liabilities	3,257	2,898
Total liabilities	326,659	340,784
Commitments and contingencies		
Members' Equity		
Protected borrower stock	5	7
Capital stock and participation certificates	1,024	1,014
Retained earnings		
Allocated	51,904	51,936
Unallocated	18,747	17,448
Total members' equity	71,680	70,405
Total liabilities and members' equity	$ 398,339	$ 411,189

The accompanying notes are an integral part of these financial statements.

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2011	2010
Interest Income		
Loans	$ 4,714	$ 5,570
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	2,533	3,437
Net interest income	2,181	2,133
Provision for loan losses	—	378
Net interest income after provision for loan losses	2,181	1,755
Noninterest Income		
Loan fees	61	57
Equity in earnings of other Farm Credit institutions	701	992
Gains (losses) on other property owned, net	(278)	(192)
Insurance Fund refunds	—	492
Other noninterest income	1	2
Total noninterest income	485	1,351
Noninterest Expense		
Salaries and employee benefits	979	982
Occupancy and equipment	74	86
Insurance Fund premium	60	101
Other operating expenses	254	273
Total noninterest expense	1,367	1,442
Net income	$ 1,299	$ 1,664

The accompanying notes are an integral part of these financial statements.

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Capital	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2009	$ 14	$ 1,138	$ 52,016	$ 17,750	$ 70,918
Net income				1,664	1,664
Protected borrower equity retired	(2)				(2)
Capital stock/participation certificates issued/(retired), net		1			1
Retained earnings retired			(34)		(34)
Balance at March 31, 2010	$ 12	$ 1,139	$ 51,982	$ 19,414	$ 72,547
Balance at December 31, 2010	$ 7	$ 1,014	$ 51,936	$ 17,448	$ 70,405
Net income				1,299	1,299
Protected borrower equity retired	(2)				(2)
Capital stock/participation certificates issued/(retired), net		10			10
Retained earnings retired			(32)		(32)
Balance at March 31, 2011	$ 5	$ 1,024	$ 51,904	$ 18,747	$ 71,680

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

NOTE 1 – ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The accompanying financial statements include the accounts of Farm Credit of Northwest Florida, ACA (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2010, are contained in the 2010 Annual Report to Shareholders. These unaudited first quarter 2011 consolidated financial statements should be read in conjunction with the 2010 Annual Report to Shareholders.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP) and prevailing practices within the banking industry. The results for the three months ended March 31, 2011, are not necessarily indicative of the results to be expected for the year ending December 31, 2011.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period's consolidated financial statement presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of March 31, 2011, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In January 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings." This guidance temporarily delayed the effective date of the disclosures about troubled debt restructurings required by the guidance previously issued on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." The effective date of the new disclosures about troubled debt restructurings and guidance for determining what constitutes a troubled debt restructuring will be coordinated.

In April 2011, the FASB issued guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a troubled debt restructuring (TDR). In evaluating whether a restructuring is a TDR, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. For public entities, the guidance is effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. For purposes of measuring impairment of those receivables, an entity should apply the guidance prospectively for the first interim or annual period beginning on or after June 15, 2011. In addition, the delayed TDR disclosures referenced above are also effective for the first interim or annual period beginning on or after June 15, 2011. The impact of adoption of this guidance, if any, is expected to be immaterial to the Association's financial condition and results of operations, but it will result in additional disclosures.

In July 2010, the FASB issued guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This guidance provides additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. Existing disclosures were amended to include additional disclosures of financing receivables on both a portfolio segment and class of financing receivable basis. This includes a rollforward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the period on a portfolio segment basis, with the ending balance further disclosed on the basis of the method of impairment (individually or collectively evaluated). The guidance also calls for new disclosures including but not limited to credit quality indicators at the end of the reporting period by class of financing receivables, the aging of past due financing receivables, nature and extent of financing receivables modified as troubled debt restructurings by class and the effect on the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period were effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period were effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this guidance had no impact on the Association's financial condition and results of operations but resulted in significant additional disclosures (see Note 2).

Effective January 1, 2010, the Association adopted FASB guidance "Fair Value Measurements and Disclosures," which is intended to improve disclosures about fair value measurement by increasing transparency in financial reporting. The changes provide a greater level of disaggregated information and more detailed disclosures of valuation techniques and inputs to fair value measurement. The new disclosures and clarification of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures were effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this guidance had no impact on the Association's financial condition and results of operations but resulted in additional disclosures (see Note 6).

Other recently issued accounting pronouncements are discussed in the 2010 Annual Report to Shareholders.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans outstanding as of March 31, 2011 and December 31, 2010, follows:

	March 31, 2011	December 31, 2010
Real estate mortgage	$ 235,576	$ 245,787
Production and intermediate-term	136,347	133,649
Agribusiness		
Processing and marketing	678	684
Farm-related business	146	150
Total agribusiness	824	834
Rural residential real estate	5,384	5,569
Other (including mission-related)	–	–
Total Loans	$ 378,131	$ 385,839

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. The following tables present the changes in the principal balance of participations purchased and sold for the quarter ended March 31, 2011:

	Beginning Balance at December 31, 2010							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 916	$ 50,890	$ –	$ 5,883	$ 5,258	$ 1,149	$ 6,174	$ 57,922
Production and intermediate-term	–	33,118	–	–	3,584	1,462	3,584	34,580
Agribusiness								
Processing and marketing	–	1,030	–	–	–	–	–	1,030
Total	$ 916	$ 85,038	$ –	$ 5,883	$ 8,842	$ 2,611	$ 9,758	$ 93,532

	Purchases and sales for the quarter ended March 31, 2011							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Production and intermediate-term	–	–	–	–	–	–	–	–
Agribusiness								
Processing and marketing	–	–	–	–	–	–	–	–
Total	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –

	Other activity for the quarter ended March 31, 2011							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ (10)	$ (16)	$ –	$ (123)	$ 1	$ 4	$ (9)	$ (135)
Production and intermediate-term	–	972	–	–	(30)	(8)	(30)	964
Agribusiness								
Processing and marketing	–	(1,029)	–	–	–	–	–	(1,029)
Total	$ (10)	$ (73)	$ –	$ (123)	$ (29)	$ (4)	$ (39)	$ (200)

	Ending balance at March 31, 2011							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 906	$ 50,874	$ –	$ 5,760	$ 5,259	$ 1,153	$ 6,165	$ 57,787
Production and intermediate-term	–	34,090	–	–	3,554	1,454	3,554	35,544
Agribusiness								
Processing and marketing	–	1	–	–	–	–	–	1
Total	$ 906	$ 84,965	$ –	$ 5,760	$ 8,813	$ 2,607	$ 9,719	$ 93,332

Purchases and sales represent new participation contracts or major modifications of existing contracts. Other activity may consist of advances on existing participation contracts, payments, chargeoffs, recoveries, and/or classification changes.

A significant source of liquidity for the Association is the repayments and maturities of loans. The following table presents the contractual maturity distribution of loans by loan type at March 31, 2011 and indicates that approximately 37.11 percent of loans had maturities of one year or less:

	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 42,023	$ 88,204	$ 105,349	$ 235,576
Production and intermediate-term	97,593	33,235	5,519	136,347
Agribusiness				
Processing and marketing	(10)	688	–	678
Farm-related business	1	–	145	146
Total agribusiness	(9)	688	145	824
Rural residential real estate	702	2,238	2,444	5,384
Other (including mission related)	–	–	–	–
Total Loans	$ 140,309	$ 124,365	$ 113,457	$ 378,131

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
Real estate mortgage:		
Acceptable	76.51%	79.64%
OAEM	8.00	5.01
Substandard/doubtful/loss	15.49	15.35
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	60.76%	62.11%
OAEM	14.65	13.96
Substandard/doubtful/loss	24.59	23.93
	100.00%	100.00%
Processing and marketing		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business		
Acceptable	99.32%	99.33%
OAEM	–	–
Substandard/doubtful/loss	0.68	0.67
	100.00%	100.00%

	March 31, 2011	December 31, 2010
Total agribusiness		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/los	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	77.05%	78.89%
OAEM	2.69	2.68
Substandard/doubtful/loss	20.26	18.43
	100.00%	100.00%
Other (including mission-related)		
Acceptable	–%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	–%	100.00%
Total Loans:		
Acceptable	70.89%	73.59%
OAEM	10.31	8.07
Substandard/doubtful/loss	18.80	18.34
	100.00%	100.00%

The following tables provide an age analysis of past due loans and related accrued interest as of March 31, 2011 and December 31, 2010:

	March 31, 2011					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 2,707	$ 18,399	$ 21,106	$ 215,835	$ 236,941	$ 148
Production and intermediate-term	13,124	20,454	33,578	103,573	137,151	4,541
Agribusiness						
Processing and marketing	–	(10)	(10)	691	681	–
Farm-related business	–	1	1	146	147	–
Total agribusiness	–	(9)	(9)	837	828	–
Rural residential real estate	–	26	26	5,380	5,406	–
Total	$ 15,831	$ 38,870	$ 54,701	$ 325,625	$ 380,326	$ 4,689

	December 31, 2010					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 3,344	$ 21,608	$ 24,952	$ 222,606	$ 247,558	$ –
Production and intermediate-term	6,244	16,231	22,475	111,989	134,464	–
Agribusiness						
Processing and marketing	–	(10)	(10)	697	687	–
Farm-related business	1	–	1	149	150	–
Total agribusiness	1	(10)	(9)	846	837	–
Rural residential real estate	90	243	333	5,259	5,592	–
Total	$ 9,679	$ 38,072	$ 47,751	$ 340,700	$ 388,451	$ –

The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	March 31, 2011	December 31, 2010
Nonaccrual loans:		
Real estate mortgage	$ 26,870	$ 26,624
Production and intermediate-term	22,502	22,135
Agribusiness		
Processing and marketing	(10)	(10)
Farm-related business	1	1
Total agribusiness	(9)	(9)
Rural residential real estate	486	711
Total nonaccrual loans	$ 49,849	$ 49,461
Accruing restructured loans:		
Real estate mortgage	$ –	$ –
Production and intermediate-term	–	–
Agribusiness		
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Total accruing restructured loans	$ –	$ –
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 148	$ –
Production and intermediate-term	4,541	–
Agribusiness		
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Total accruing loans 90 days or more past due	$ 4,689	$ –
Total nonperforming loans	$ 54,538	$ 49,461
Other property owned	14,486	16,930
Total nonperforming assets	$ 69,024	$ 66,391
Nonaccrual loans as a percentage of total loans	13.18%	12.82%
Nonperforming assets as a percentage of total loans and other property owned	17.58%	16.48%
Nonperforming assets as a percentage of capital	96.29%	94.30%

The following table presents information relating to impaired loans (including accrued interest) at March 31, 2011 and December 31, 2010. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	March 31, 2011	December 31, 2010
Impaired nonaccrual loans:		
Current as to principal and interest	$ 15,274	$ 11,054
Past due	34,575	38,407
Total impaired nonaccrual loans	49,849	49,461
Impaired accrual loans:		
90 days or more past due	4,689	–
Total impaired accrual loans	4,689	–
Total impaired loans	$ 54,538	$ 49,461

Additional impaired loan information as of March 31, 2011 and December 31, 2010, is as follows:

	March 31, 2011			Quarter Ended March 31, 2011	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 17,285	$ 19,949	$ 1,624	$ 16,332	$ 9
Production and intermediate-term	17,009	18,521	2,778	16,071	8
Agribusiness					
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Total agribusiness	–	–	–	–	–
Rural residential real estate	486	739	355	459	–
Total	$ 34,780	$ 39,209	$ 4,757	$ 32,862	$ 17
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 9,733	$ 9,510	$ –	$ 9,196	$ 4
Production and intermediate-term	10,034	15,023	–	9,480	6
Agribusiness					
Processing and marketing	(10)	1,228	–	(9)	–
Farm-related business	1	1,535	–	1	–
Total agribusiness	(9)	2,763	–	(8)	–
Rural residential real estate	–	–	–	–	–
Total	$ 19,758	$ 27,297	$ –	$ 18,668	$ 10
Total impaired loans:					
Real estate mortgage	$ 27,018	$ 29,459	$ 1,624	$ 25,528	$ 13
Production and intermediate-term	27,043	33,545	2,778	25,551	14
Agribusiness					
Processing and marketing	(10)	1,228	–	(9)	–
Farm-related business	1	1,535	–	1	–
Total agribusiness	(9)	2,763	–	(8)	–
Rural residential real estate	486	739	355	459	–
Total	$ 54,538	$ 66,506	$ 4,757	$ 51,530	$ 27

	December 31, 2010			Year Ended December 31, 2010	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 16,649	$ 19,355	$ 2,709	$ 14,627	$ 166
Production and intermediate-term	15,415	16,951	2,593	13,542	153
Agribusiness					
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Total agribusiness	–	–	–	–	–
Rural residential real estate	711	740	515	625	7
Total	$ 32,775	$ 37,046	$ 5,817	$ 28,794	$ 326
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 9,975	$ 9,719	$ –	$ 8,763	$ 99
Production and intermediate-term	6,720	7,359	–	5,904	67
Agribusiness					
Processing and marketing	(10)	1,229	–	(9)	–
Farm-related business	1	1,535	–	1	–
Total agribusiness	(9)	2,764	–	(8)	–
Rural residential real estate	–	–	–	–	–
Total	$ 16,686	$ 19,842	$ –	$ 14,659	$ 166
Total impaired loans:					
Real estate mortgage	$ 26,624	$ 29,074	$ 2,709	$ 23,390	$ 265
Production and intermediate-term	22,135	24,310	2,593	19,446	220
Agribusiness					
Processing and marketing	(10)	1,229	–	(9)	–
Farm-related business	1	1,535	–	1	–
Total agribusiness	(9)	2,764	–	(8)	–
Rural residential real estate	711	740	515	625	7
Total	$ 49,461	$ 56,888	$ 5,817	$ 43,453	$ 492

Unpaid principal balance represents the contractual principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at March 31, 2011 and December 31, 2010.

The following table summarizes interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans for the quarters ended March 31, 2011 and March 31, 2010:

	Quarter Ended March 31, 2011	Quarter Ended March 31, 2010
Interest income which would have been recognized under the original loan terms	$ 772	$ 631
Less: interest income recognized	18	30
Foregone interest income	$ 754	$ 601

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural Residential Real Estate	Other Loans (including mission-related)	Total
Allowance for credit losses:						
Balance at December 31, 2010	$ 5,488	$ 4,026	$ 10	$ 574	$ –	$ 10,098
Charge-offs	(430)	(577)	(32)	(219)	–	(1,258)
Recoveries	85	–	–	–	–	85
Provision for loan losses	(869)	778	32	59	–	–
Balance at March 31, 2011	4,274	4,227	10	414	–	8,925
March 31, 2011 allowance ending balance:						
Loans individually evaluated for impairment	$ 1,624	$ 2,778	$ –	$ 355	$ –	$ 4,757
Loans collectively evaluated for impairment	$ 2,650	$ 1,449	$ 10	$ 59	$ –	$ 4,168
Recorded investment in loans outstanding:						
Ending Balance at March 31, 2011	$ 236,941	$ 137,151	$ 828	$ 5,406	$ –	$ 380,326
March 31, 2011 recorded investment ending balance:						
Loans individually evaluated for impairment	$ 26,870	$ 22,502	$ (9)	$ 486	$ –	$ 49,849
Loans collectively evaluated for impairment	$ 210,071	$ 114,649	$ 837	$ 4,920	$ –	$ 330,477

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural Residential Real Estate	Other Loans (including mission-related)	Total
Allowance for credit losses:						
Balance at December 31, 2009	$ 4,903	$ 3,162	$ 18	$ 554	$ 87	$ 8,724
Charge-offs	(3,278)	(1,462)	(135)	(162)	–	(5,037)
Recoveries	302	–	–	–	–	302
Provision for loan losses	3,561	2,326	127	182	(87)	6,109
Balance at December 31, 2010	$ 5,488	$ 4,026	$ 10	$ 574	$ –	$ 10,098
December 31, 2010 allowance ending balance:						
Loans individually evaluated for impairment	$ 2,709	$ 2,593	$ –	$ 515	$ –	$ 5,817
Loans collectively evaluated for impairment	$ 2,779	$ 1,433	$ 10	$ 59	$ –	$ 4,281
Recorded investment in loans outstanding:						
Ending Balance at December 31, 2010	$ 247,558	$ 134,464	$ 837	$ 5,592	$ –	$ 388,451
December 31, 2010 recorded investment ending balance:						
Loans individually evaluated for impairment	$ 30,497	$ 30,844	$ (9)	$ 712	$ –	$ 62,044
Loans collectively evaluated for impairment	$ 217,061	$ 103,620	$ 846	$ 4,880	$ –	$ 326,407

NOTE 3 — EMPLOYEE BENEFIT PLANS

The following is a table of retirement and other postretirement benefit expenses for the Association:

	For the three months ended March 31, 2011	2010
Pension	$ 162	$ 153
401(k)	25	26
Other postretirement benefits	30	25
Total	$ 217	$ 204

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 3/31/11	Projected Contributions For Remainder of 2011	Projected Total Contributions 2011
Pension	$ –	$ 531	$ 531
Other postretirement benefits	33	118	151
Total	$ 33	$ 649	$ 682

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2011.

Further details regarding employee benefit plans are contained in the 2010 Annual Report to Shareholders.

NOTE 4 — NOTES PAYABLE TO AGFIRST FARM CREDIT BANK

The Association's indebtedness to the Bank represents borrowings by the Association primarily to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the terms of the revolving line of credit are governed by the General Financing Agreement (GFA). The GFA defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings, and capital covenants. The Association failed to meet its borrowing base margin and earnings covenants under the GFA at December 31, 2010 and March 31, 2011. The defaults allow the Bank, in conjunction with the FCA, to accelerate repayment of all indebtedness. During the first quarter of 2011, the Bank approved a temporary waiver of the December 31, 2010 defaults and allowed the Association to continue to operate under a special credit agreement (SCA) pursuant to its GFA through December 31, 2011. The Association was in compliance with the borrowing base margin and earnings covenants under the SCA at March 31, 2011.

NOTE 5 – REGULATORY CAPITALIZATION REQUIREMENTS

The Farm Credit Administration's (FCA's) capital adequacy regulations require the Association to achieve permanent capital of 7.00 percent of risk-adjusted assets and off-balance-sheet commitments. The FCA regulations also require that additional minimum standards for capital be achieved. These standards require all System institutions to achieve and maintain ratios as defined by FCA regulations. These required ratios are total surplus as a percentage of risk-adjusted assets of 7.00 percent and of core surplus as a percentage of risk-adjusted assets of 3.50 percent. The Association met all the regulatory required minimum capital ratios at March 31, 2011. The Association's permanent capital, total surplus, and core surplus ratios at March 31, 2011 were 16.06 percent, 15.80 percent and 15.13 percent, respectively. At December 31, 2010, the Association's core surplus ratio of 3.06 percent was not in compliance with the regulatory required minimum core surplus ratio of 3.50 percent. The Association was in compliance with the other required minimum capital ratios at December 31, 2010.

NOTE 6 – FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Association adopted FASB guidance on fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value and expands the Association's fair value disclosures for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities consist primarily of impaired loans and other property owned.

This guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

This guidance establishes a fair value hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels of inputs and the classification of the Association's financial instruments within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Association has no Level 1 assets or liabilities measured at fair value on a recurring basis at March 31, 2011.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets or liabilities measured at fair value on a recurring basis at March 31, 2011.

Level 3

Level 3 inputs to the valuation methodology are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

Level 3 assets at March 31, 2011 include impaired loans which represent the fair value of certain loans that were evaluated for impairment under FASB guidance. The fair value was based upon the underlying collateral since these were collateral-dependent loans. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principle balance of the loan, a specific reserve is established.

Other property owned is classified as a Level 3 asset at March 31, 2011. The fair value for other property owned is based upon the collateral value. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis at March 31, 2011 and December 31, 2010 for each of the fair value hierarchy values are summarized below:

March 31, 2011	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	$ –	$ –	$ 24,403	$ 24,403	$ (193)
Other property owned	$ –	$ –	$ 2,183	$ 2,183	$ (239)

December 31, 2010	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	$ –	$ –	$ 26,958	$ 26,958	$ (7,322)
Other property owned	$ –	$ –	$ 16,649	$ 16,649	$ (2,174)

NOTE 7 — DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Association's financial instruments at March 31, 2011 and December 31, 2010.

Quoted market prices are generally not available for certain System financial instruments, as described below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The estimated fair values of the Association's financial instruments are as follows:

	March 31, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash	$ –	$ –	$ –	$ –
Loans, net of allowance	$ 371,401	$ 372,368	$ 378,353	$ 376,365
Financial liabilities:				
Notes payable to AgFirst Farm Credit Bank	$ 323,371	$ 325,027	$ 337,855	$ 339,666

A description of the methods and assumptions used to estimate the fair value of each class of the Association's financial instruments for which it is practicable to estimate that value follows:

A. **Cash:** The carrying value is primarily a reasonable estimate of fair value.

B. **Loans:** Because no active market exists for the Association's loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. Discount rates are based on the Bank's loan rates as well as management estimates.

For purposes of determining fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics based upon repricing and credit risk. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair value of loans in a nonaccrual status is estimated to be the carrying amount of the loan less specific reserves.

The book value of accrued interest, which has been included in the carrying amount of loans, approximates its fair value.

C. **Investment in AgFirst Farm Credit Bank and Other Farm Credit Institutions:** Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 2.15 percent of the issued stock of the Bank as of March 31, 2011 net of any reciprocal investment. As of that date, the Bank's assets totaled $29.2 billion and shareholders' equity totaled $2.0 billion. The Bank's earnings were $103 million during the first three months of 2011.

In addition, the Association has an investment of $418 related to other Farm Credit institutions.

D. **Notes Payable to AgFirst Farm Credit Bank:** The notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets) which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables plus accrued interest on the notes payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

The book value of accrued interest, which has been included in the carrying amount of notes payable, approximates its fair value.

E. **Commitments to Extend Credit:** The estimated market value of off-balance-sheet commitments is minimal since the committed rate approximates current rates offered for commitments with similar rate and maturity characteristics and since the related credit risk is not significant.

NOTE 8 – REGULATORY ENFORCEMENT MATTERS

On April 20, 2011 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The previous written supervisory agreement between the FCA and the Association, dated April 6, 2010, is terminated by the April 20, 2011 agreement. The written supervisory agreement dated April 20, 2011 requires the Association to take corrective actions and other actions with respect to certain areas of its operations, including board operations, director fiduciary duties, board consultant functions, nominating committee assistance, strategic and business planning, staffing, internal controls, asset quality, loan portfolio management, allowance for loan loss, collateral risk, capital, earnings and liquidity.

See further discussion of the written supervisory agreement in the "Regulatory Matters" section of Management's Discussion and Analysis of Financial Condition and Results of Operation contained in this Quarterly Report on page 4.

NOTE 9 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined there are none requiring disclosure through May 9, 2011, which is the date the financial statements were issued.