Farm Credit of Northwest Florida, ACA

THIRD QUARTER 2009

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2009 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

James G. Ditty
Chairman of the Board

October 23, 2009

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 September 30, 2009. 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 September 30, 2009, 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 September 30, 2009

Ricky K. Bitner

Ricky Bitner
Chief Executive Officer

Bruce C. Harrison

Bruce C. Harrison
Chief Financial Officer

October 23, 2009

Farm Credit of Northwest Florida, ACA

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 September 30, 2009. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2008 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 September 30, 2009, was $463,187, a decrease of $31,334, as compared to $494,521 at December 31, 2008. Net loans outstanding (gross loans net of the allowance for loan losses) at September 30, 2009, were $455,441 as compared to $491,227 at December 31, 2008. Net loans accounted for 94.15 percent of total assets at September 30, 2009, as compared to 95.18 percent of total assets at December 31, 2008.

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. The federal regulator conducted a loan review during the last quarter of 2008 and the results of the review were reported to the board and management during the first quarter of 2009. Loans with any credit administration exceptions have been properly identified and recommended changes have been completed. The Association has made improvements to its underwriting, loan monitoring processes and procedures to strengthen risk identification.

Nonaccrual loans were 30,923, an increase of $9,002 from $21,921 at 12/31/08. The primary increases were in the following commodities: Other Livestock $2,456; Hunting/Trapping $2,444; Forestry/Timber $3,556.

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 September 30, 2009 was $7,746, as compared to $3,294 at December 31, 2008. The increase of $4,452 was due to an increase in the allowance of $7,845, a recovery of $380 and charge offs of $3,773. The allowance for loan loss of $7,746 at September 30, 2009 was considered by management to be adequate to cover probable losses. The allowance for loan losses of $7,746 represents 1.67% of the loan balances as of September 30, 2009.

Other property owned was $7,701 as of September 30, 2009 as compared to $1,355 a 12/31/08. This increase was due to the association taking title to property through foreclosure or deed-in-lieu of foreclosure.

Amounts due from AgFirst Farm Credit Bank decreased to $3,020 as of September 30, 2009 as compared to $4,243 as of December 31, 2008. These amounts represent patronage due from AgFirst. The reduction is primarily due to the fact that the amount due at September 30, 2009 was for three quarters and the amount due at December 31, 2008 was for four quarters.

RESULTS OF OPERATIONS

For the three months ending September 30, 2009

Net income for the three months ending September 30, 2009, totaled $1,046, as compared to net income of $1,163 for the same period in 2008, a decrease in net income of $117. This decrease was primarily due to a decrease in net interest income of $635, a decrease in the provision for loan loss of $615, a decrease in non-interest income of $115, an increase of $100 in non-interest expense and a decrease of $118 in income tax expense, all as compared to the same period in the prior year.

For the three months ending September 30, 2009, net interest income decreased by $635 or 19.72 percent compared to the same period ending September 30, 2008. For the three months ending September 30, 2009 interest income on loans decreased by $1,666 and interest expense decreased by $1,031, compared to the period ending September 30, 2008. The changes in net interest income, interest income and interest expense were the result of interest rate reductions (including reductions in the interest rate on our loanable funds credit), a decrease in loan volume and an increase in non-accrual volume. The Association recorded a provision for loan loss of $1,033 for the Three months ending September 30, 2009 as compared to $1,648 for the three months ending September 30, 2008. The primary reasons for the $1,033 provision for the three months ending September 30, 2009 was the continuing softening in the real estate and nursery industries. Real estate values continued to decline, and nursery sales volumes were down due to the downturn in residential real estate. Another contributing reason was the general economic deterioration due to increasing job losses.

Noninterest income for the three months ending September 30, 2009, totaled $1,028, as compared to $1,143 for the same period of 2008, a decrease of $115.

Noninterest expense for the three months ending September 30, 2009, increased $100 as compared to the same period of 2008. This increase was due to an increase in salaries and benefits of $79, an increase in Insurance Fund Premiums of $42 with a decrease in occupancy and equipment of $10 and a decrease in other operating expenses of $11. Regarding the salaries and benefits component, pension costs increased by $109 while all other salary and benefit expenses decreased by $30.

For the nine months ending September 30, 2009

Net loss for the nine months ending September 30, 2009, totaled $1,472, as compared to net income of $6,616 for the same period in 2008, a decrease in net income of $8,088. This decrease was primarily due to a decrease in net interest income and a significant increase in the provision for loan loss, both as compared to the same period in the prior year. Each of these items is discussed further in the following paragraphs.

For the nine months ending September 30, 2009, net interest income decreased by $2,693 or 26.13 percent compared to the same period ending September 30, 2008. For the nine months ending September 30, 2009 interest income on loans decreased by $5,845 and interest expense decreased by $3,152 compared to the same period ending September 30, 2008. The changes in net interest income, interest income and interest expense were the result of interest rate reductions (including reductions in the interest rate on our loanable funds credit), a decrease in loan volume and an increase in non-accrual volume.

Upon analyzing our loan portfolio for possible losses during this continued period of economic downturn, we determined through additional loan portfolio stressing that it was necessary to increase the provision for loan loss by the amount of $7,845 in the nine months ending September 30, 2009. The provision for the same period in 2008 was $2,737. The primary reasons for the $7,845 provision for the nine months ending September 30, 2009 was the continuing softening in the real estate, dairy and nursery industries. Real estate values continued to decline, milk prices were at lower levels than for the same period in 2008, and nursery sales volumes were down due to the downturn in residential real estate. Another contributing reason was the general economic deterioration due to increasing job losses.

Noninterest income for the nine months ending September 30, 2009, totaled $3,186, as compared to $3,501 for the same period of 2008, a decrease of $315.

Noninterest expense for the nine months ending September 30, 2009, increased $138 as compared to the same period of 2008. This increase was due to an increase in salaries and benefits of $152, an increase in Insurance Fund Premiums of $95 with a decrease in occupancy and equipment of $34 and a decrease in other operating expenses of $75. Regarding the salaries and benefits component, pension costs increased by $328 while all other salary and benefit expenses decreased by $176.

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 September 30, 2009, was $405,871 as compared to $435,228 at December 31, 2008.

CAPITAL RESOURCES

Total members' equity at September 30, 2009, decreased to $73,266 from the December 31, 2008, total of $74,873. The decrease is primarily attributed to net loss of $1,472 for the nine months ending September 30, 2009.

Total capital stock and participation certificates were $1,152 on September 30, 2009, compared to $1,247 on December 31, 2008. This decrease of $95 is attributed to capital stock and participation certificates issuances of $18 and retirements of $113.

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 September 30, 2009, the Association's total surplus ratio and core surplus ratio were 12.75 percent and 12.20 percent, respectively, and the permanent capital ratio was 12.99 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.

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. 378, or writing Stephen Gilbert, 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)	September 30, 2009 *(unaudited)*	December 31, 2008 *(audited)*
Assets		
Cash	$ 9	$ 537
Loans	463,187	494,521
Less: allowance for loan losses	7,746	3,294
Net loans	455,441	491,227
Accrued interest receivable	4,009	4,559
Investment in other Farm Credit institutions	9,952	10,257
Premises and equipment, net	1,459	1,564
Other property owned	7,701	1,355
Due from AgFirst Farm Credit Bank	3,020	4,243
Other assets	2,161	2,373
Total assets	$ 483,752	$ 516,115
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 405,871	$ 435,228
Accrued interest payable	1,310	1,638
Patronage refund payable	31	793
Other liabilities	3,274	3,583
Total liabilities	410,486	441,242
Commitments and contingencies		
Members' Equity		
Protected borrower equity	14	16
Capital stock and participation certificates	1,138	1,231
Retained earnings		
Allocated	52,019	52,055
Unallocated	20,095	21,571
Total members' equity	73,266	74,873
Total liabilities and members' equity	$ 483,752	$ 516,115

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

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Operations

(unaudited)

(dollars in thousands)	For the three months ended September 30, 2009	For the three months ended September 30, 2008	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Interest Income				
Loans	$ 6,677	$ 8,343	$ 20,656	$ 26,501
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	4,090	5,059	13,029	15,972
Other	2	64	12	221
Total interest expense	4,092	5,123	13,041	16,193
Net interest income	2,585	3,220	7,615	10,308
Provision for (reversal of allowance for) loan losses	1,033	1,648	7,845	2,737
Net interest income (loss) after provision for (reversal of allowance for) loan losses	1,552	1,572	(230)	7,571
Noninterest Income				
Loan fees	52	22	154	164
Equity in earnings of other Farm Credit institutions	937	1,119	3,038	3,297
Gains (losses) on other property owned, net	—	—	(55)	—
Other noninterest income	39	2	49	40
Total noninterest income	1,028	1,143	3,186	3,501
Noninterest Expense				
Salaries and employee benefits	938	859	2,718	2,566
Occupancy and equipment	75	85	240	274
Insurance Fund premium	214	172	639	544
Other operating expenses	307	318	831	906
Total noninterest expense	1,534	1,434	4,428	4,290
Income (loss) before income taxes	1,046	1,281	(1,472)	6,782
Provision (benefit) for income taxes	—	118	—	166
Net income (loss)	$ 1,046	$ 1,163	$ (1,472)	$ 6,616

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, 2007	$ 24	$ 1,349	$ 49,411	$ 20,074	$ 70,858
Net income				6,616	6,616
Protected borrower equity retired	(8)				(8)
Capital stock/participation certificates issued/(retired), net		(119)			(119)
Retained earnings retired			(96)		(96)
Patronage distribution adjustment			(272)	45	(227)
Balance at September 30, 2008	$ 16	$ 1,230	$ 49,043	$ 26,735	$ 77,024
Balance at December 31, 2008	$ 16	$ 1,231	$ 52,055	$ 21,571	$ 74,873
Net income (loss)				(1,472)	(1,472)
Protected borrower equity retired	(2)				(2)
Capital stock/participation certificates issued/(retired), net		(93)			(93)
Retained earnings retired			(38)		(38)
Patronage distribution adjustment			2	(4)	(2)
Balance at September 30, 2009	$ 14	$ 1,138	$ 52,019	$ 20,095	$ 73,266

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, 2008, are contained in the 2008 Annual Report to Shareholders. These unaudited third quarter 2009 consolidated financial statements should be read in conjunction with the 2008 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 nine months ended September 30, 2009, are not necessarily indicative of the results to be expected for the year ending December 31, 2009.

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 September 30, 2009, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

In addition to the recently issued accounting pronouncements discussed in the 2008 Annual Report to Shareholders, effective January 1, 2009, the Association adopted accounting guidance for fair value measurements of nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures (see Note 4), primarily regarding other property owned, but does not have an impact on the Association's financial condition or results of operations.

In April 2009, the Financial Accounting Standards Board (FASB) issued guidance, "Interim Disclosures about Fair Value of Financial Instruments." This guidance requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The Association adopted this guidance effective June 30, 2009 (see Note 5).

In May 2009, the FASB issued guidance, "Subsequent Events," which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. There are two types of subsequent events: the first type consists of events or transactions that provide additional evidence about conditions that existed at the balance sheet date (recognized subsequent events) and the second type consists of events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date (nonrecognized subsequent events). Recognized subsequent events should be included in the financial statements since the conditions existed at the date of the balance sheet. Nonrecognized subsequent events are not included in the financial statements since the conditions arose after the balance sheet date but before the financial statements are issued or are available to be issued. This guidance, which includes a required disclosure of the date through which an entity has evaluated subsequent events, was adopted by the Association effective June 30, 2009 (see Note 6).

In June 2009, the FASB issued guidance, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." This Codification became the source of authoritative U.S. generally accepted accounting principles recognized by the FASB. This guidance was adopted by the Association effective July 1, 2009 and had no impact on the association's financial condition or results of operations.

NOTE 2 – ALLOWANCE FOR LOAN LOSSES AND IMPAIRED LOANS

An analysis of the allowance for loan losses follows:

	For the nine months ended September 30,	
	2009	**2008**
Balance at beginning of period	$ 3,294	$ 4,396
Provision for (reversal of) loan losses	7,845	2,737
Charge-offs	(3,773)	(2621)
Recoveries	380	–
Balance at end of period	$ 7,746	$ 4,512

The following table presents information concerning impaired loans as of September 30,

	2009	2008
Impaired loans with related allowance	$17,785	$ 7,014
Impaired loans with no related allowance	23,333	14,261
Total impaired loans	41,118	21,275
Allowance on impaired loans	$ 2,915	$ 2,323

The following table summarizes impaired loan information for the nine months ended September 30,

	2009	2008
Average impaired loans	$ 36,286	$ 9,420
Interest income recognized on impaired loans	488	98

NOTE 3 — EMPLOYEE BENEFIT PLANS

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

	For the nine months ended September 30,	
	2009	2008
Pension	$ 467	$ 139
401(k)	68	76
Other postretirement benefits	68	63
Total	$ 603	$ 278

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

	Actual YTD Through 9/30/09	Projected Contributions For Remainder of 2009	Projected Total Contributions 2009
Other postretirement benefits	$ 88	$ 18	$ 106

As of September 30, 2009, no contributions have been made for 2009 by the Association to the qualified District pension plan in which the Association participates. Actuarial calculations as of the last plan measurement date (December 31, 2008) projected total contributions of $52.0 million to the qualified District pension plan for all participating institutions for 2009. The funding policy for this plan is to fund the accumulated benefit obligation (ABO) service cost plus the seven year amortization of the unfunded ABO using the discount rate determined as of December 31st of the preceding year. This aggregate contribution will be allocated to the participating District institutions, including the Association, based upon each institution's pro rata share of ABO service cost. Market conditions could impact discount rates and return on plan assets which could make additional contributions necessary before the next plan measurement date of December 31, 2009.

Further details regarding employee benefit plans are contained in the 2008 Annual Report to Shareholders.

NOTE 4 — 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 disclosures about fair value measurements for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities primarily consist 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 September 30, 2009.

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 September 30, 2009.

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 September 30, 2009 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 September 30, 2009. The fair value for other property owned is based upon the collateral less estimated costs to sell.

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 September 30, 2009 for each of the fair value hierarchy values are summarized below:

	September 30, 2009				
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired Loans	$ -	$ -	$ 14,871	$ 14,871	$ (4,118)
Other property owned	$ -	$ -	$ 7,770	$ 7,770	$ (55)

NOTE 5 — DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Association's financial instruments at September 30, 2009.

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:

	September 30, 2009	
	Carrying Amount	Estimated Fair Value
Financial assets:		
Cash	$ 9	$ 9
Loans, net of allowance	$ 455,441	$ 465,330
Financial liabilities:		
Notes payable to AgFirst Farm Credit Bank	$ 405,871	$ 413,026

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 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. As the discount rates are based on the Bank's loan rates, as well as management estimates, management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale.

   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 less specific reserves.

   The carrying value of accrued interest 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 2.51 percent of the issued stock of the Bank as of September 30, 2009 net of any reciprocal investment. As of that date, the Bank's assets totaled $30.08 billion and shareholders' equity totaled $1.60 billion. The Bank's earnings were $194.0 million during the first nine months of 2009.

In addition, the Association has an investment of $382 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.

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 6 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined there are none requiring disclosure through November 3, 2009, which is the date the financial statements were available to be issued.