AgCarolina Financial, ACA

SECOND QUARTER 2011

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2011 quarterly report of AgCarolina Financial, 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.

Eugene R. Charville
President & CEO

David W. Corum
Executive Vice President & CFO

Eldridge T. Westbrook
Chairman of the Board

August 8, 2011

AgCarolina Financial, 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 June 30, 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 June 30, 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 June 30, 2011.

Eugene R. Charville

Eugene R. Charville
President & CEO

David W. Corum

David W. Corum
Executive Vice President & CFO

August 8, 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 AgCarolina Financial (Association) for the six months ended June 30, 2011. These comments should be read in conjunction with the accompanying financial statements, notes to the 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. Predominant commodities in the portfolio are tobacco, cotton, and forestry, which constitute $468,367, or 50 percent, of the loan portfolio as of June 30, 2011. Other major farm commodities include hogs, poultry, landlords, soybeans, corn, and farm services. 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 a given commodity.

The net loan volume of the Association as of June 30, 2011, was $919,868, an increase of $74,291 or 8.79 percent as compared to $845,577 at December 31, 2010. Net loans accounted for 90.63 percent of total assets at June 30, 2011 as compared to 88.10 percent of total assets at December 31, 2010. The increase in net loan volume during the reporting period is primarily attributed to seasonal lending. The short-term portfolio, which is heavily influenced by operating-type loans, normally reaches a peak in August and declines in the fall and winter months as farm commodities are marketed and proceeds are applied to the operating loans.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory. Nonaccrual loans increased from $35,463 at December 31, 2010 to $35,572 at June 30, 2011, for an increase of 0.31 percent. The increase is due primarily to the deterioration of the general economy. 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. During the quarter the Association increased the allowance for loan losses by $2,914 through a provision for loan losses. The allowance for loan losses at June 30, 2011 was $14,414 as compared to $11,584 at December 31, 2010 and was considered by management to be adequate to cover possible losses. The ratio of the allowance for loan losses to loans at June 30, 2011 was 1.54 percent.

Other investments consists of tobacco buyout Successor-in-Interest Contracts (SIIC) which come under the FCA's Mission Related Investments. Under the SIIC, the tobacco quota holders and producers may assign their rights to receive tobacco buyout contract payments to a third party. The third party, or successor, purchases the entire contract and all related rights and obligations associated with the contract. As of June 30, 2011 the Association held tobacco buyout SIIC of $43,949, a decrease of $13,554 or 23.57%, as compared to $57,503 as of December 31, 2010. The decrease is due to the receipt of the scheduled annual payment from the government.

Other property owned was $3,805 as of June 30, 2011, an increase of $2,642, or 227.17 percent, from the balance of $1,163 as of December 31, 2010. The increase in other property owned is due to the acquisition of several properties through the loan foreclosure process. The Association is actively marketing the properties for resale.

RESULTS OF OPERATIONS

For the three months ended June 30, 2011

Net income for the three months ended June 30, 2011 totaled $2,279, a decrease of $2,513, or 52.44 percent, as compared to the same period of 2010. The primary reason for the decrease in net income is due to the $2,914 provision for loan losses for the three months ended June 30, 2011, an increase of $2,414 over the same period of 2010. At June 30, 2011, total interest income decreased by $93 compared to June 30, 2010. The decrease in interest income is due primarily to reduced interest rates as compared to the same period in 2010.

Interest income from nonaccrual loans was $62 for the three months ended June 30, 2011, a decrease of $40 from the same period of 2010. Interest expense decreased $541 for the three months ended June 30, 2011, as compared to the comparable period of 2010. The decrease in interest expense is also attributed to the decline in interest rates.

Noninterest income for the three months ended June 30, 2011 totaled $3,036 as compared to $3,111 for the same period of 2010, a decrease of $75. The decrease is primarily due to a decrease in loan fees.

Noninterest expense for the three months ended June 30, 2011 was $3,878, an increase of $472 as compared to the same period of 2010. The reason for the increase is due primarily to an increase in salaries and employee benefits. Salaries and employee benefits totaled $2,799 for the three months ended June 30, 2011, for an increase of $210, or 8.11 percent, as compared to the same period of 2010. The increase in salaries and employee benefits is primarily due to an increase in employee staffing, particularly in the Association's special assets department.

For the six months ended June 30, 2011

Net income for the six months ended June 30, 2011 totaled $5,929, a decrease of $3,648, or 38.09 percent, as compared to the same period of 2010. The primary reasons for the decrease in net income is due to an increase in the provision for loan losses of $2,714 over the comparable period from last year, and $1,091 in refunds from the Farm Credit System Insurance Corporation (FCSIC) that were received in 2010, while no insurance refunds have been received during 2011, and none are expected for the remainder of the year. At June 30, 2011, total interest income decreased by $272 compared to the same period in 2010. The decrease in interest income is due to a decline in interest rates as compared to the same period in 2010.

Interest income from nonaccrual loans was $234 as of June 30, 2011, an increase of $86 from the same period of 2010. Interest expense decreased $1,400 for the first six months in 2011, as compared to the comparable period of 2010. The decrease in interest expense is also attributed to the decline in interest rates.

Noninterest income for the six months ended June 30, 2011 totaled $5,854 as compared to $7,136 for the same period of 2010, a decrease of $1,282. The decrease is primarily due to the 2010 Insurance Fund refund of $1,091.

Noninterest expense for the six months ended June 30, 2011 was $8,067, an increase of $780 as compared to the same period of 2010. Salaries and employee benefits totaled $5,814 for the six months ended June 30, 2011, for an increase of $520 or 9.82 percent, as compared to the same period of 2010. The increase is primarily due to an increase Association employees.

LIQUIDITY AND FUNDING SOURCES

Liquidity

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with AgFirst Farm Credit Bank (Bank) and from income generated by operations. Sufficient liquid funds have been available to meet all financial obligations.

Funding Sources

The principal source of funds for the Association is the borrowing relationship established with 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 funds are advanced by the Bank 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 June 30, 2011 was $822,500 as compared to $769,254 at December 31, 2010. The 6.92 percent increase during the period is primarily attributed to a loan seasonality.

The Association has no lines of credit outstanding with third parties as of June 30, 2011.

CAPITAL RESOURCES

Total members' equity at June 30, 2011, increased 4.41 percent to $176,959 from the December 31, 2010, total of $169,491. The increase is attributed to the increase in retained earnings and preferred stock. Preferred stock was $26,222 as of June 30, 2011, as compared to $24,558 on December 31, 2010, for an increase of 6.78 percent.

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 June 30, 2011, the Association's total surplus ratio and core surplus ratio were both 14.88 percent, and the permanent capital ratio was 18.30 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 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 sought comments to facilitate the development of this regulatory capital framework, this includes 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 was extended through 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 1-919-250-9500, writing Linda Strickland, AgCarolina Financial, ACA, P. O. Box 14789, Raleigh, NC 27620, or accessing the website, *www.agcarolina.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.

AgCarolina Financial, ACA

Consolidated Balance Sheets

(dollars in thousands)	June 30, 2011 *(unaudited)*	December 31, 2010 *(audited)*
Assets		
Cash	$ 703	$ 1,514
Loans	934,282	857,161
Less: allowance for loan losses	14,414	11,584
Net loans	919,868	845,577
Other investments	43,949	57,503
Accrued interest receivable	12,204	13,622
Investments in other Farm Credit institutions	13,707	13,713
Premises and equipment, net	8,750	8,809
Other property owned	3,805	1,163
Due from AgFirst Farm Credit Bank	2,976	7,607
Other assets	9,025	10,306
Total assets	$ 1,014,987	$ 959,814
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 822,500	$ 769,254
Accrued interest payable	1,828	1,862
Patronage refund payable	181	6,526
Other liabilities	13,519	12,681
Total liabilities	838,028	790,323
Commitments and contingencies		
Members' Equity		
Preferred stock	26,222	24,558
Member stock and participation certificates	3,280	3,180
Retained earnings		
Allocated	79,414	79,014
Unallocated	68,043	62,739
Total members' equity	176,959	169,491
Total liabilities and members' equity	$ 1,014,987	$ 959,814

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

AgCarolina Financial, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Interest Income				
Loans	$ 10,892	$ 10,810	$ 21,336	$ 21,236
Other investments	535	710	1,068	1,440
Total interest income	11,427	11,520	22,404	22,676
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	5,392	5,933	10,548	11,948
Net interest income	6,035	5,587	11,856	10,728
Provision for loan losses	2,914	500	3,714	1,000
Net interest income after provision for loan losses	3,121	5,087	8,142	9,728
Noninterest Income				
Loan fees	910	1,013	2,001	1,937
Fees for financially related services	107	177	309	618
Equity in earnings of other Farm Credit institutions	2,038	1,966	3,444	3,430
Gains (losses) on other property owned, net	(57)	(46)	(57)	(69)
Gains (losses) on sales of premises and equipment, net	2	5	13	5
Insurance Fund refunds	—	—	—	1,091
Other noninterest income (expense)	36	(4)	144	124
Total noninterest income	3,036	3,111	5,854	7,136
Noninterest Expense				
Salaries and employee benefits	2,799	2,589	5,814	5,294
Occupancy and equipment	290	241	569	513
Insurance Fund premium	117	11	225	179
Other operating expenses	672	565	1,459	1,301
Total noninterest expense	3,878	3,406	8,067	7,287
Net income	$ 2,279	$ 4,792	$ 5,929	$ 9,577

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

AgCarolina Financial, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Preferred Stock	Member Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Total Members' Equity
Balance at December 31, 2009	$ 15,260	$ 3,080	$ 69,536	$ 60,654	$ 148,530
Net income				9,577	9,577
Capital stock/participation certificates issued/(retired), net	8,884	38			8,922
Dividends declared/paid	218			(218)	–
Patronage distribution adjustment			(146)	255	109
Balance at June 30, 2010	$ 24,362	$ 3,118	$ 69,390	$ 70,268	$ 167,138
Balance at December 31, 2010	$ 24,558	$ 3,180	$ 79,014	$ 62,739	$ 169,491
Net income				5,929	5,929
Capital stock/participation certificates issued/(retired), net	1,439	100			1,539
Dividends declared/paid	225			(225)	–
Patronage distribution adjustment			400	(400)	–
Balance at June 30, 2011	$ 26,222	$ 3,280	$ 79,414	$ 68,043	$ 176,959

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

AgCarolina Financial, ACA

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 AgCarolina Financial, 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 second 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 six months ended June 30, 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 June 30, 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 (TDR) coincides with the guidance for determining what constitutes a TDR as described below.

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 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 nonpublic entities, the guidance is effective for the first interim or annual period beginning on or after December 15, 2012, 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 December 15, 2012. 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 4).

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 June 30, 2011 and December 31, 2010, follows:

	June 30, 2011	December 31, 2010
Real estate mortgage	$ 384,032	$ 373,102
Production and intermediate-term	504,287	434,883
Agribusiness		
Loans to cooperatives	785	454
Processing and marketing	16,265	21,002
Farm-related business	6,718	7,675
Total agribusiness	23,768	29,131
Communication	1,511	1,322
Rural residential real estate	20,684	18,723
Total Loans	$ 934,282	$ 857,161

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 participations purchased and sold balances at June 30, 2011 and December 31, 2010:

	June 30, 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	$ 3,252	$ 22,209	$ 2,036	$ –	$ –	$ –	$ 5,288	$ 22,209
Production and intermediate-term	21,601	69,434	449	9,246	16,750	–	38,800	78,680
Agribusiness								
Loans to cooperatives	684	–	–	–	–	–	684	–
Processing and marketing	14,964	–	1,281	–	–	–	16,245	–
Farm-related business	–	1,750	–	–	–	–	–	1,750
Total agribusiness	15,648	1,750	1,281	–	–	–	16,929	1,750
Communication	1,509	–	–	–	–	–	1,509	–
Total	$ 42,010	$ 93,393	$ 3,766	$ 9,246	$ 16,750	$ –	$ 62,526	$ 102,639

	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	$ 3,405	$ 20,419	$ 2,042	$ –	$ –	$ –	$ 5,447	$ 20,419
Production and intermediate-term	15,434	31,490	486	11,582	12,500	–	28,420	43,072
Agribusiness								
Loans to cooperatives	454	–	–	–	–	–	454	–
Processing and marketing	19,648	–	1,281	–	–	–	20,929	–
Farm-related business	–	2,529	–	–	–	–	–	2,529
Total agribusiness	20,102	2,529	1,281	–	–	–	21,383	2,529
Communication	1,323	–	–	–	–	–	1,323	–
Total	$ 40,264	$ 54,438	$ 3,809	$ 11,582	$ 12,500	$ –	$ 56,573	$ 66,020

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 June 30, 2011 and indicates that approximately 27.86 percent of loans had maturities of less than one year:

	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 50,703	$ 126,466	$ 206,863	$ 384,032
Production and intermediate-term	191,081	201,545	111,661	504,287
Agribusiness				
Loans to cooperatives	646	139	–	785
Processing and marketing	14,006	1,874	385	16,265
Farm-related business	1,815	2,777	2,126	6,718
Total agribusiness	16,467	4,790	2,511	23,768
Communication	1,506	5	–	1,511
Rural residential real estate	511	2,557	17,616	20,684
Total Loans	$ 260,268	$ 335,363	$ 338,651	$ 934,282

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 June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Real estate mortgage:		
Acceptable	84.15%	85.58%
OAEM	9.25	7.22
Substandard/doubtful/loss	6.60	7.20
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	88.09%	88.28%
OAEM	8.06	8.29
Substandard/doubtful/loss	3.85	3.43
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	72.19%	84.11%
OAEM	20.74	10.85
Substandard/doubtful/loss	7.07	5.04
	100.00%	100.00%
Farm-related business:		
Acceptable	79.84%	82.44%
OAEM	20.16	17.56
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	June 30, 2011	December 31, 2010
Total agribusiness:		
Acceptable	75.28%	83.91%
OAEM	19.89	12.46
Substandard/doubtful/loss	4.83	3.63
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	–%
Rural residential real estate:		
Acceptable	92.23%	91.24%
OAEM	1.82	6.23
Substandard/doubtful/loss	5.95	2.53
	100.00%	100.00%
Total Loans:		
Acceptable	86.26%	87.04%
OAEM	8.70	7.91
Substandard/doubtful/loss	5.04	5.05
	100.00%	100.00%

The following table provides an age analysis of past due loans and related accrued interest as of June 30, 2011 and December 31, 2010:

	June 30, 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	$ 13,008	$ 3,341	$ 16,349	$ 372,824	$ 389,173	$ –
Production and intermediate-term	3,502	5,319	8,821	502,303	511,124	–
Agribusiness						
Loans to cooperatives	–	–	–	788	788	–
Processing and marketing	–	–	–	16,298	16,298	–
Farm-related business	–	–	–	6,782	6,782	–
Total agribusiness	–	–	–	23,868	23,868	–
Communication	–	–	–	1,512	1,512	–
Rural residential real estate	452	159	611	20,198	20,809	–
Total	$ 16,962	$ 8,819	$ 25,781	$ 920,705	$ 946,486	$ –

	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	$ 6,611	$ 4,984	$ 11,595	$ 366,792	$ 378,387	$ –
Production and intermediate-term	8,220	4,314	12,534	430,439	442,973	–
Agribusiness						
Loans to cooperatives	–	–	–	455	455	–
Processing and marketing	–	–	–	21,050	21,050	–
Farm-related business	–	–	–	7,735	7,735	–
Total agribusiness	–	–	–	29,240	29,240	–
Communication	–	–	–	1,323	1,323	–
Rural residential real estate	824	–	824	18,036	18,860	–
Total	$ 15,655	$ 9,298	$ 24,953	$ 845,830	$ 870,783	$ –

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 at June 30, 2011 and December 31, 2010, are as follows:

	June 30, 2011	December 31, 2010
Nonaccrual loans:		
Real estate mortgage	$ 19,278	$ 22,498
Production and intermediate-term	15,840	12,742
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	–	–
Total agribusiness	–	–
Rural residential real estate	454	223
Total nonaccrual loans	$ 35,572	$ 35,463
Accruing restructured loans:		
Real estate mortgage	$ –	$ –
Production and intermediate-term	–	–
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Total accruing restructured loans	$ –	$ –
Accruing loans 90 days or more past due:		
Real estate mortgage	$ –	$ –
Production and intermediate-term	–	–
Agribusiness		
Loans to cooperatives	–	–
Processing and marketing	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 35,572	$ 35,463
Other property owned	3,805	1,163
Nonperforming assets	$ 39,377	$ 36,626
Nonaccrual loans as a percentage of total loans	3.81%	4.14%
Nonperforming assets as a percentage of total loans and other property owned	4.20%	4.27%
Nonperforming assets as a percentage of capital	22.25%	21.61%

The following table presents information relating to impaired loans (including accrued interest) at June 30, 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.

	June 30, 2011	December 31, 2010
Impaired nonaccrual loans:		
Current as to principal and interest	$ 17,296	$ 22,185
Past due	18,276	13,278
Total impaired nonaccrual loans	35,572	35,463
Impaired accrual loans:		
Restructured	–	–
90 days or more past due	–	–
Total impaired accrual loans	–	–
Total impaired loans	$ 35,572	$ 35,463

The following tables present additional information concerning impaired loans and related allowance by loan type for June 30, 2011 and December 31, 2010: Unpaid principal balance represents the contractual principal balance of the loan.

	June 30, 2011			Quarter Ended June 30, 2011		Six Months Ended June 30, 2011	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:							
Real estate mortgage	$ 9,009	$ 9,337	$ 3,285	$ 8,926	$ 16	$ 8,962	$ 59
Production and intermediate-term	9,068	9,736	2,726	8,984	16	9,020	60
Rural residential real estate	188	188	–	186	–	187	1
Total	$ 18,265	$ 19,261	$ 6,011	$ 18,096	$ 32	$ 18,169	$ 120
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	$ 10,269	$ 11,591	$ –	$ 10,173	$ 17	$ 10,214	$ 67
Production and intermediate-term	6,772	8,718	–	6,709	11	6,737	44
Rural residential real estate	266	399	–	264	1	265	2
Total	$ 17,307	$ 20,708	$ –	$ 17,146	$ 29	$ 17,216	$ 113
Total impaired loans:							
Real estate mortgage	$ 19,278	$ 20,928	$ 3,285	$ 19,099	$ 33	$ 19,176	$ 126
Production and intermediate-term	15,840	18,454	2,726	15,693	27	15,757	104
Rural residential real estate	454	587	–	450	1	452	3
Total	$ 35,572	$ 39,969	$ 6,011	$ 35,242	$ 61	$ 35,385	$ 233

	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	$ 8,049	$ 8,261	$ 2,504	$ 6,711	$ 84
Production and intermediate-term	2,308	2,439	819	1,925	24
Rural residential real estate	–	–	–	–	–
Total	$ 10,357	$ 10,700	$ 3,323	$ 8,636	$ 108
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 14,449	$ 15,412	$ –	$ 12,048	$ 152
Production and intermediate-term	10,434	13,091	–	8,700	109
Rural residential real estate	223	318	–	186	2
Total	$ 25,106	$ 28,821	$ –	$ 20,934	$ 263
Total impaired loans:					
Real estate mortgage	$ 22,498	$ 23,673	$ 2,504	$ 18,759	$ 236
Production and intermediate-term	12,742	15,530	819	10,625	133
Rural residential real estate	223	318	–	186	2
Total	$ 35,463	$ 39,521	$ 3,323	$ 29,570	$ 371

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

A summary of changes in the allowance for loan losses and period end recorded investment in loans at June 30, 2011 and December 31, 2010 is as follows:

June 30, 2011	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Communication	Rural Residential Real Estate	Total
Allowance for credit losses:						
Balance at December 31, 2010	$ 6,094	$ 5,021	$ 277	$ 13	$ 179	$ 11,584
Charge-offs	(391)	(528)	–	–	(8)	(927)
Recoveries	22	19	–	–	2	43
Provision for loan losses	1,011	2,756	(65)	0	12	3,714
Balance at June 30, 2011	$ 6,736	$ 7,268	$ 212	$ 13	$ 185	$ 14,414
June 30, 2011 allowance ending balance:						
Loans individually evaluated for impairment	$ 3,285	$ 2,726	$ –	$ –	$ –	$ 6,011
Loans collectively evaluated for impairment	$ 3,451	$ 4,542	$ 212	$ 13	$ 185	$ 8,403
Recorded investment in loans outstanding:						
Ending Balance at June 30, 2011	$ 389,173	$ 511,124	$ 23,868	$ 1,512	$ 20,809	$ 946,486
June 30, 2011 recorded investment ending balance:						
Loans individually evaluated for impairment	$ 19,278	$ 15,840	$ –	$ –	$ 454	$ 35,572
Loans collectively evaluated for impairment	$ 369,895	$ 495,284	$ 23,868	$ 1,512	$ 20,355	$ 910,914

December 31, 2010	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Communication	Rural Residential Real Estate	Total
Allowance for credit losses:						
Balance at December 31, 2009	$ 4,292	$ 4,793	$ 408	$ 36	$ 153	$ 9,682
Charge-offs	(412)	(1,147)	(72)	–	(99)	(1,730)
Recoveries	10	118	1	–	3	132
Provision for loan losses	2,204	1,257	(60)	(23)	122	3,500
Balance at December 31, 2010	$ 6,094	$ 5,021	$ 277	$ 13	$ 179	$ 11,584
December 31, 2010 allowance ending balance:						
Loans individually evaluated for impairment	$ 2,504	$ 819	$ –	$ –	$ –	$ 3,323
Loans collectively evaluated for impairment	$ 3,590	$ 4,202	$ 277	$ 13	$ 179	$ 8,261
Recorded investment in loans outstanding:						
Ending Balance at December 31, 2010	$ 378,387	$ 442,973	$ 29,240	$ 1,323	$ 18,860	$ 870,783
December 31, 2010 recorded investment ending balance:						
Loans individually evaluated for impairment	$ 22,498	$ 12,742	$ –	$ –	$ 223	$ 35,463
Loans collectively evaluated for impairment	$ 355,889	$ 430,231	$ 29,240	$ 1,323	$ 18,637	$ 835,320

NOTE 3 – EMPLOYEE BENEFIT PLANS

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

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Pension	$ 1,324	$ 1,244
401(k)	186	165
Other postretirement benefits	251	216
Total	$ 1,761	$ 1,625

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

	Actual YTD Through 6/30/11	Projected Contributions For Remainder of 2011	Projected Total Contributions 2011
Pension	$ –	$ 2,158	$ 2,158
Other postretirement benefits	175	226	401
Total	$ 175	$ 2,384	$ 2,559

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 – 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 assets held in trust funds, standby letters of credit, 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's Level 1 assets at June 30, 2011 consist of assets held in trust funds and liabilities related to deferred compensation plans and assets held in mutual funds related to the Association's Corporate Giving Fund. The trust funds and mutual funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

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 and liabilities measured at fair value on a recurring basis.

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 also could 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 June 30, 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 June 30, 2011. The fair value for other property owned is based upon the collateral less estimated costs to sell. Level 3 liabilities at June 30, 2011 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011 and December 31, 2010 for each of the fair value hierarchy levels:

	June 30, 2011			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Assets held in mutual funds	$ 2,535	$ –	$ –	$ 2,535
Total Assets	$ 2,535	$ –	$ –	$ 2,535
Liabilities:				
Deferred compensation liabilities	$ –	$ 2,167	$ –	$ 2,167
Standby letters of credit	–	–	51	51
Total Liabilities	$ –	$ 2,167	$ 51	$ 2,218

	December 31, 2010			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Assets held in mutual funds	$ 2,994	$ –	$ –	$ 2,994
Total Assets	$ 2,994	$ –	$ –	$ 2,994
Liabilities:				
Deferred compensation liabilities	$ –	$ 2,010	$ –	$ 2,010
Standby letters of credit	–	–	54	54
Total Liabilities	$ –	$ 2,010	$ 54	$ 2,064

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2011 and 2010. The Association had no transfer of assets or liabilities into or out of Level 1 or Level 2 during the first six months of 2011 and 2010.

	Standby Letters Of Credit
Balance at January 1, 2011	$ 54
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive loss	–
Purchases	–
Sales	–
Issuances	–
Settlements	(3)
Transfers in and/or out of level 3	–
Balance at June 30, 2011	$ 51

	Standby Letters Of Credit
Balance at January 1, 2010	$ 88
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive loss	–
Purchases, sales, issuances and settlements, net	(19)
Transfers in and/or out of level 3	–
Balance at June 30, 2010	$ 69

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 June 30, 2011 and December 31, 2010 for each of the fair value hierarchy values are summarized below:

	June 30, 2011				
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	$ –	$ –	$ 12,255	$ 12,255	$ (3,572)
Other property owned	$ –	$ –	$ 2,960	$ 2,960	$ (48)

	December 31, 2010				
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	$ –	$ –	$ 7,034	$ 7,034	$ (2,704)
Other property owned	$ –	$ –	$ 1,181	$ 1,181	$ (551)

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 June 30, 2011 and December 31, 2010.

	June 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash	$ 703	$ 703	$ 1,514	$ 1,514
Loans, net of allowance	$ 932,072	$ 934,540	$ 859,199	$ 852,416
Tobacco Buyout SIIC	$ 43,949	$ 46,277	$ 57,503	$ 60,124
Assets held in mutual funds	$ 2,535	$ 2,535	$ 2,994	$ 2,994
Financial liabilities:				
Notes payable to AgFirst Farm Credit Bank	$ 824,328	$ 833,318	$ 771,116	$ 780,634
Deferred compensation liability	$ 2,167	$ 2,167	$ 2,010	$ 2,010

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.

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 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:** Estimating the fair value of the Association's investment in the Bank 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 3.82 percent of the issued stock of the Bank as of June 30, 2011 net of any reciprocal investment. As of that date, the Bank's assets totaled $30.1 billion and shareholders' equity totaled $2.1 billion. The Bank's earnings were $208 million during the first six months of 2011.

   In addition, the Association has an investment of $6 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 carrying value of accrued interest approximates its fair value.

   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.

F. **Tobacco Buyout SIIC:** Fair value is determined by discounting the expected future cash flows using current interest rates for similar assets.

G. **Assets Held in Trust Funds and Deferred Compensation Liabilities:** See Note 4 for discussion of estimation of fair value for this instrument.

NOTE 6 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined there are none requiring disclosure through August 8, 2011, which is the date the financial statements were issued.