AgCarolina Financial, ACA

FIRST QUARTER 2012

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2012 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.

David W. Corum
Chief Executive Officer
Chief Financial Officer

S. Stuart Pierce, Jr.
Chairman of the Board

May 9, 2012

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 March 31, 2012. 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, 2012, 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, 2012.

David W. Corum

Chief Executive Officer
Chief Financial Officer

May 9, 2012

AgCarolina Financial, 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 AgCarolina Financial (Association) for the three months ended March 31, 2012. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2011 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 $382,653, or 47 percent, of the loan portfolio as of March 31, 2012. 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 March 31, 2012, was $805,368, a decrease of $40,922 or 4.84 percent as compared to $846,290 at December 31, 2011. Net loans accounted for 91.10 percent of total assets at March 31, 2012 as compared to 89.03 percent of total assets at December 31, 2011. The decrease 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 decreased from $34,948 at December 31, 2011 to $31,519 at March 31, 2012, for a decrease of 9.81 percent. The decrease is due to charge offs taken during the first quarter of 2012 and from resolution of accounts. 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 $1,065 through a provision for loan losses. The allowance for loan losses at March 31, 2012 was $13,138 as compared to $12,890 at December 31, 2011 and was considered by management to be adequate to cover possible losses. The ratio of the allowance for loan losses to loans at March 31, 2012 was 1.61 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 March 31, 2012 the Association held tobacco buyout SIIC of $29,741, a decrease of $15,584 or 34.38%, as compared to $45,325 as of December 31, 2011. The decrease is due to the receipt of the scheduled annual payment from the government.

Other property owned was $1,970 as of March 31, 2012, an increase of $427, or 27.67 percent, from the balance of $1,543 as of December 31, 2011. The increase in other property owned is due to the acquisition of one additional property during the quarter through the loan foreclosure process. The Association is actively marketing all properties for resale.

RESULTS OF OPERATIONS

For the three months ended March 31, 2012

Net income for the three months ended March 31, 2012 totaled $2,809, a decrease of $841, or 23.04 percent, as compared to the same period of 2011. The primary reason for the decrease in net income as compared to the previous period is due to a $429 increase in noninterest expense, and a $265 increase in the provision for losses. At March 31, 2012, total interest income decreased by $852 compared to March 31, 2011. The decrease in interest income is due primarily to reduced interest rates as compared to the same period in 2011.

Interest income from nonaccrual loans was $77 for the three months ended March 31, 2012, a decrease of $95 from the same period of 2011. Interest expense decreased $815 for the three months ended March 31, 2012, as compared to the comparable period of 2011. The decrease in interest expense is attributed to a decline in funding rates and from the use of Association earnings to fund loans.

Noninterest income for the three months ended March 31, 2012 totaled $2,708 as compared to $2,818 for the same period of 2011, a decrease of $110. The decrease is primarily due to a reduction in patronage refunds from other Farm Credit institutions.

Noninterest expense for the three months ended March 31, 2012 was $4,618, an increase of $429 as compared to the same period of 2011. The reason for the increase is due primarily to an increase in salaries and employee benefits and other operating expenses. Salaries and employee benefits totaled $3,327 for the three months ended March 31, 2012, for an increase of $312, or 10.35 percent, as compared to the same period of 2011. The increase in salaries and employee benefits is primarily due to an increase in employee staffing.

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 March 31, 2012 was $675,183 as compared to $744,285 at December 31, 2011. The 9.28 percent decrease during the period is primarily attributed to loan seasonality.

The Association has no lines of credit outstanding with third parties as of March 31, 2012.

CAPITAL RESOURCES

Total members' equity at March 31, 2012, increased 0.81 percent to $187,078 from the December 31, 2011, total of $185,566. The increase is attributed to the increase in retained earnings. Preferred stock was $31,179 as of March 31, 2012, as compared to $32,344 on December 31, 2011, for a decrease of 3.60 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 March 31, 2012, the Association's total surplus ratio and core surplus ratio were both 16.89 percent, and the permanent capital ratio was 21.32 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

For the three months ended March 31, 2012, the FCA took no enforcement action against the Association.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2011 Annual Report to Shareholders for recently issued accounting pronouncements.

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)		March 31, 2012		December 31, 2011
		(unaudited)		*(audited)*
Assets				
Cash	$	5,096	$	3,191
Loans		818,506		859,180
Less: allowance for loan losses		13,138		12,890
Net loans		805,368		846,290
Other investments		29,741		45,325
Accrued interest receivable		8,840		14,043
Investments in other Farm Credit institutions		13,863		13,863
Premises and equipment, net		8,664		8,706
Other property owned		1,970		1,543
Due from AgFirst Farm Credit Bank		1,334		7,809
Other assets		9,132		9,848
Total assets	$	884,008	$	950,618
Liabilities				
Notes payable to AgFirst Farm Credit Bank	$	675,183	$	744,285
Accrued interest payable		1,378		1,617
Patronage refunds payable		284		4,725
Other liabilities		20,085		14,425
Total liabilities		696,930		765,052
Commitments and contingencies				
Members' Equity				
Preferred stock		31,179		32,344
Member stock and participation certificates		3,230		3,244
Retained earnings				
Allocated		86,646		86,845
Unallocated		66,023		63,133
Total members' equity		187,078		185,566
Total liabilities and members' equity	$	884,008	$	950,618

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

AgCarolina Financial, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2012	2011
Interest Income		
Loans	$ 9,732	$ 10,444
Other investments	393	533
Total interest income	10,125	10,977
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	4,341	5,156
Net interest income	5,784	5,821
Provision for loan losses	1,065	800
Net interest income after provision for loan losses	4,719	5,021
Noninterest Income		
Loan fees	1,086	1,091
Fees for financially related services	192	202
Patronage refunds from other Farm Credit institutions	1,334	1,406
Gains (losses) on other property owned, net	28	—
Gains (losses) on sales of premises and equipment, net	—	11
Other noninterest income	68	108
Total noninterest income	2,708	2,818
Noninterest Expense		
Salaries and employee benefits	3,327	3,015
Occupancy and equipment	272	279
Insurance Fund premiums	88	108
Other operating expenses	931	787
Total noninterest expense	4,618	4,189
Net income	2,809	3,650
Other comprehensive income	—	—
Comprehensive income	$ 2,809	$ 3,650

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, 2010	$ 24,558	$ 3,180	$ 79,014	$ 62,739	$ 169,491
Comprehensive income				3,650	3,650
Preferred stock issued(retired), net	2,452				2,452
Member stock/participation certificates issued/(retired), net		(48)			(48)
Dividends declared/paid		116		(116)	–
Patronage distribution adjustment			400	(400)	–
Balance at March 31, 2011	$ 27,010	$ 3,248	$ 79,414	$ 65,873	$ 175,545
Balance at December 31, 2011	$ 32,344	$ 3,244	$ 86,845	$ 63,133	$ 185,566
Comprehensive income				2,809	2,809
Preferred stock issued(retired), net	(1,165)				(1,165)
Member stock/participation certificates issued/(retired), net		(132)			(132)
Dividends declared/paid		118		(118)	–
Patronage distribution adjustment			(199)	199	–
Balance at March 31, 2012	$ 31,179	$ 3,230	$ 86,646	$ 66,023	$ 187,078

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, 2011, are contained in the 2011 Annual Report to Shareholders. These unaudited first quarter 2012 consolidated financial statements should be read in conjunction with the 2011 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, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012.

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, 2012, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Recently Issued Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." This amendment is intended to increase the prominence of other comprehensive income in financial statements. The current option that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The main provisions of the guidance provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements: (1) A single statement must present the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income; (2) In a two-statement approach, an entity must present the components of net income and total net income in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. With either approach, an entity is required to present reclassification adjustments for items reclassified from other comprehensive income to net income in the statement(s). This guidance is to be applied retrospectively. For public entities, it is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact the Association's financial condition or results of operations, but resulted in changes to the presentation of comprehensive income. In December 2011, the FASB issued guidance (ASU 2011-12; Topic 220) to defer the new requirement to present components of accumulated other comprehensive income reclassified as components of net income on the face of the financial statements. All other requirements in the guidance for comprehensive income are required to be adopted as set forth in the June 2011 guidance. The deferral is effective at the same time the new standard on comprehensive income is adopted.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following: (1) Application of the highest and best use and valuation premise is only relevant when measuring the fair value of nonfinancial assets (does not apply to financial assets and liabilities); (2) Aligns the fair value measurement of instruments classified within an entity's shareholders' equity with the guidance for liabilities. As a result, an entity should measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets; (3) Clarifies that a reporting entity should disclose quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy; (4) An exception to the requirement for measuring fair value when a reporting entity manages its financial instruments on the basis of its net exposure, rather than its gross exposure, to those risks; (5) Clarifies that the application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability being measured at fair value. Premiums or discounts related to size as a characteristic of the entity's holding (that is, a blockage factor) instead of as a characteristic of the asset or liability (for example, a control premium), are not permitted. A fair value measurement that is not a Level 1 measurement may include premiums or discounts other than blockage factors when market participants would incorporate the premium or discount into the measurement at the level of the unit of account specified in other guidance; (6) Expansion of the disclosures about fair value measurements. The most significant change will require entities, for their recurring Level 3 fair value measurements, to disclose quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. New disclosures are required about the use of a nonfinancial asset measured or disclosed at fair value if its use differs from its highest and best use. In addition, entities must report the level in the fair value hierarchy of assets and liabilities not recorded at fair value but where fair value is disclosed. The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. Early application is not permitted. The adoption of this guidance did not impact the Association's financial condition or results of operations, but resulted in additional disclosures.

In April 2011, the FASB issued ASU 2011-02, "Receivables (Topic 310): 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. The guidance is effective for nonpublic entities, for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The guidance should be applied retrospectively to the beginning of the annual period of adoption. The new disclosures about TDR activity required by the guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses," as discussed below, are effective for annual reporting periods ending after December 15, 2011.

In January 2011, the FASB issued ASU 2011-01, "Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings." This amendment temporarily delayed the effective date of the disclosures about TDRs required by the guidance previously issued on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." These new disclosures about TDRs were effective for fiscal years ending after December 15, 2011, and for interim periods within those fiscal years. The adoption of this guidance had no material impact on the Association's financial condition and results of operations but resulted in significant additional disclosures.

Other recently issued accounting pronouncements are discussed in the 2011 Annual Report to Shareholders.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans outstanding at period end were as follows:

	March 31, 2012	December 31, 2011
Real estate mortgage	$ 346,823	$ 364,365
Production and intermediate-term	428,336	454,208
Agribusiness		
Loans to cooperatives	1,427	907
Processing and marketing	9,894	11,801
Farm-related business	8,534	5,315
Total agribusiness	19,855	18,023
Communication	1,390	1,267
Rural residential real estate	22,102	21,317
Total Loans	$ 818,506	$ 859,180

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. Participations purchased and sold balances at period end were as follows:

	March 31, 2012							
	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	$ 2,925	$ 22,376	$ 1,796	$ 1,376	$ –	$ –	$ 4,721	$ 23,752
Production and intermediate-term	22,988	34,485	775	9,765	17,362	–	41,125	44,250
Agribusiness								
Loans to cooperatives	1,336	–	–	–	–	–	1,336	–
Processing and marketing	8,784	–	1,121	–	–	–	9,905	–
Farm-related business	874	–	–	–	–	–	874	–
Total agribusiness	10,994	–	1,121	–	–	–	12,115	–
Communication	1,391	–	–	–	–	–	1,391	–
Total	$ 38,298	$ 56,861	$ 3,692	$ 11,141	$ 17,362	$ –	$ 59,352	$ 68,002

	December 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	$ 2,940	$ 23,321	$ 2,032	$ –	$ –	$ –	$ 4,972	$ 23,321
Production and intermediate-term	26,868	36,508	431	7,474	12,084	–	39,383	43,982
Agribusiness								
Loans to cooperatives	827	–	–	–	–	–	827	–
Processing and marketing	10,685	–	1,121	–	–	–	11,806	–
Farm-related business	874	–	–	–	–	–	874	–
Total agribusiness	12,386	–	1,121	–	–	–	13,507	–
Communication	1,267	–	–	–	–	–	1,267	–
Total	$ 43,461	$ 59,829	$ 3,584	$ 7,474	$ 12,084	$ –	$ 59,129	$ 67,303

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, 2012 and indicates that approximately 22.19 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	$ 45,904	$ 106,685	$ 194,234	$ 346,823
Production and intermediate-term	122,105	180,806	125,425	428,336
Agribusiness				
Loans to cooperatives	1,177	250	–	1,427
Processing and marketing	8,593	1,109	192	9,894
Farm-related business	1,619	3,284	3,631	8,534
Total agribusiness	11,389	4,643	3,823	19,855
Communication	1,360	30	–	1,390
Rural residential real estate	837	2,795	18,470	22,102
Total Loans	$ 181,595	$ 294,959	$ 341,952	$ 818,506

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.

	March 31, 2012	December 31, 2011
Real estate mortgage:		
Acceptable	81.43%	81.76%
OAEM	7.80	6.92
Substandard/doubtful/loss	10.77	11.32
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	90.47%	89.88%
OAEM	4.33	5.50
Substandard/doubtful/loss	5.20	4.62
	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	82.82%	82.37%
OAEM	11.95	12.95
Substandard/doubtful/loss	5.23	4.68
	100.00%	100.00%
Farm-related business:		
Acceptable	49.23%	75.29%
OAEM	50.77	24.71
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	March 31, 2012	December 31, 2011
Total agribusiness:		
Acceptable	69.62%	81.17%
OAEM	27.78	15.77
Substandard/doubtful/loss	2.60	3.06
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	90.37%	90.01%
OAEM	4.44	4.64
Substandard/doubtful/loss	5.19	5.35
	100.00%	100.00%
Total Loans:		
Acceptable	86.15%	86.28%
OAEM	6.36	6.28
Substandard/doubtful/loss	7.49	7.44
	100.00%	100.00%

The following tables provide an aging analysis of past due loans and related accrued interest.

March 31, 2012	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	$ 6,963	$ 4,764	$ 11,727	$ 338,844	$ 350,571	$ –
Production and intermediate-term	4,500	7,573	12,073	421,192	433,265	–
Agribusiness						
Loans to cooperatives	–	–	–	1,430	1,430	–
Processing and marketing	–	–	–	9,919	9,919	–
Farm-related business	–	–	–	8,556	8,556	–
Total agribusiness	–	–	–	19,905	19,905	–
Communication	–	–	–	1,390	1,390	–
Rural residential real estate	311	859	1,170	21,045	22,215	–
Total	$ 11,774	$ 13,196	$ 24,970	$ 802,376	$ 827,346	$ –

December 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	$ 4,280	$ 13,879	$ 18,159	$ 351,356	$ 369,515	$ –
Production and intermediate-term	3,030	6,503	9,533	453,420	462,953	–
Agribusiness						
Loans to cooperatives	–	–	–	908	908	–
Processing and marketing	–	–	–	11,829	11,829	–
Farm-related business	27	–	27	5,312	5,339	–
Total agribusiness	27	–	27	18,049	18,076	–
Communication	–	–	–	1,267	1,267	–
Rural residential real estate	301	342	643	20,769	21,412	–
Total	$ 7,638	$ 20,724	$ 28,362	$ 844,861	$ 873,223	$ –

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 period end were as follows:

	March 31, 2012	December 31, 2011
Nonaccrual loans:		
Real estate mortgage	$ 18,926	$ 21,429
Production and intermediate-term	11,691	12,609
Rural residential real estate	902	910
Total nonaccrual loans	$ 31,519	$ 34,948
Accruing restructured loans:		
Real estate mortgage	$ 3,347	$ 3,574
Production and intermediate-term	29	–
Rural residential real estate	–	–
Total accruing restructured loans	$ 3,376	$ 3,574
Accruing loans 90 days or more past due:		
Real estate mortgage	$ –	$ –
Production and intermediate-term	–	–
Rural residential real estate	–	–
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 34,895	$ 38,522
Other property owned	1,970	1,543
Nonperforming assets	$ 36,865	$ 40,065
Nonaccrual loans as a percentage of total loans	3.85%	4.07%
Nonperforming assets as a percentage of total loans and other property owned	4.49%	4.65%
Nonperforming assets as a percentage of capital	19.71%	21.59%

The following table presents information relating to impaired loans (including accrued interest) at period end. 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, 2012	December 31, 2011
Impaired nonaccrual loans:		
Current as to principal and interest	$ 15,485	$ 13,773
Past due	16,034	21,175
Total impaired nonaccrual loans	31,519	34,948
Impaired accrual loans:		
Restructured	3,376	3,574
90 days or more past due	–	-
Total impaired accrual loans	3,376	3,574
Total impaired loans	$ 34,895	$ 38,522

The following tables present additional information concerning impaired loans and related allowance by loan type at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	March 31, 2012			Quarter Ended March 31, 2012	
	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	$ 11,103	$ 12,331	$ 3,527	$ 11,637	$ 25
Production and intermediate-term	2,949	3,387	515	3,092	7
Rural residential real estate	180	188	–	188	–
Total	$ 14,232	$ 15,906	$ 4,042	14,917	32
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 11,170	$ 13,308	$ –	$ 11,708	$ 24
Production and intermediate-term	8,771	13,773	–	9,192	19
Rural residential real estate	722	859	–	757	2
Total	$ 20,663	$ 27,940	$ –	$ 21,657	$ 45
Total impaired loans:					
Real estate mortgage	$ 22,273	$ 25,639	$ 3,527	$ 23,345	$ 49
Production and intermediate-term	11,720	17,160	515	12,284	26
Rural residential real estate	902	1,047	–	945	2
Total	$ 34,895	$ 43,846	$ 4,042	$ 36,574	$ 77

	December 31, 2011			Year Ended December 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	$ 10,708	$ 11,845	$ 3,438	$ 9,856	$ 153
Production and intermediate-term	3,807	4,608	653	3,504	54
Rural residential real estate	184	188	1	169	3
Total	$ 14,699	$ 16,641	$ 4,092	$ 13,529	$ 210
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 14,295	$ 17,352	$ –	$ 13,157	$ 203
Production and intermediate-term	8,802	13,301	–	8,101	126
Rural residential real estate	726	860	–	669	10
Total	$ 23,823	$ 31,513	$ –	$ 21,927	$ 339
Total impaired loans:					
Real estate mortgage	$ 25,003	$ 29,197	$ 3,438	$ 23,013	$ 356
Production and intermediate-term	12,609	17,909	653	11,605	180
Rural residential real estate	910	1,048	1	838	13
Total	$ 38,522	$ 48,154	$ 4,092	$ 35,456	$ 549

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at March 31, 2012.

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

March 31, 2012	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Communication	Rural Residential Real Estate	Total
Allowance for credit losses:						
Balance at December 31, 2011	$ 7,162	$ 5,317	$ 182	$ 13	$ 216	$ 12,890
Charge-offs	(836)	(32)	–	–	–	(868)
Recoveries	1	50	–	–	–	51
Provision for loan losses	1,054	(56)	37	2	28	1,065
Balance at March 31, 2012	$ 7,381	$ 5,279	$ 219	$ 15	$ 244	$ 13,138
March 31, 2012 allowance ending balance:						
Loans individually evaluated for impairment	$ 3,527	$ 515	$ –	$ –	$ –	$ 4,042
Loans collectively evaluated for impairment	$ 3,854	$ 4,764	$ 219	$ 15	$ 244	$ 9,096
Recorded investment in loans outstanding:						
Ending Balance at March 31, 2012	$ 350,571	$ 433,265	$ 19,905	$ 1,390	$ 22,215	$ 827,346
March 31, 2012 recorded investment ending balance:						
Loans individually evaluated for impairment	$ 18,245	$ 11,168	$ 1,246	$ –	$ 860	$ 31,519
Loans collectively evaluated for impairment	$ 332,326	$ 422,097	$ 18,659	$ 1,390	$ 21,355	$ 795,827

December 31, 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	(2,889)	(2,783)	–	–	(9)	(5,681)
Recoveries	22	124	–	–	5	151
Provision for loan losses	3,935	2,955	(95)	–	41	6,836
Balance at December 31, 2011	$ 7,162	$ 5,317	$ 182	$ 13	$ 216	$ 12,890
December 31, 2011 allowance ending balance:						
Loans individually evaluated for impairment	$ 3,439	$ 653	$ –	$ –	$ –	$ 4,092
Loans collectively evaluated for impairment	$ 3,723	$ 4,664	$ 182	$ 13	$ 216	$ 8,798
Recorded investment in loans outstanding:						
Ending Balance at December 31, 2011	$ 369,515	$ 462,953	$ 18,076	$ 1,267	$ 21,412	$ 873,223
December 31, 2011 recorded investment ending balance:						
Loans individually evaluated for impairment	$ 25,003	$ 12,609	$ –	$ –	$ 910	$ 38,522
Loans collectively evaluated for impairment	$ 344,512	$ 450,344	$ 18,076	$ 1,267	$ 20,502	$ 834,701

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about activity that occurred during the periods presented, related to TDRs. The table does not include purchased credit impaired loans.

	Three months ended March 31, 2012			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 82	$ –	$ 82
Production and intermediate-term	25	–	–	25
Total	$ 25	$ 82	$ –	$ 107

	Three months ended March 31, 2012					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ –	$ 93	$ –	$ 93	$ –	$ –
Production and intermediate-term	30	–	–	30	–	–
Total	$ 30	$ 93	$ –	$ 123	$ –	$ –

	Three months ended March 31, 2011			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ –	$ 2,669	$ –	$ 2,669
Production and intermediate-term	–	642	–	642
Rural residential real estate	–	–	–	–
Total	$ –	$ 3,311	$ –	$ 3,311

	Three months ended March 31, 2011					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ –	$ 2,669	$ –	$ 2,669	$ 728	$ (728)
Production and intermediate-term	–	642	–	642	47	(1)
Rural residential real estate	–	–	–	–	(4)	–
Total	$ –	$ 3,311	$ –	$ 3,311	$ 771	$ (729)

Interest concessions include interest forgiveness and interest deferment. Principal concessions include principal forgiveness, principal deferment, and maturity extension. Other concessions include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the first quarter of 2012. Payment default is defined as a payment that was thirty days or more past due.

TDRs outstanding at period end totaled $13,356, of which $9,980 were in nonaccrual status.

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, 2012	For the three months ended March 31, 2011
Pension	$ 676	$ 662
401(k)	101	105
Other postretirement benefits	94	125
Total	$ 871	$ 892

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

	Actual YTD Through 3/31/12	Projected Contributions For Remainder of 2012	Projected Total Contributions 2012
Pension	$ –	$ 2,104	$ 2,104
Other postretirement benefits	94	273	367
Total	$ 94	$ 2,377	$ 2,471

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, 2012.

Further details regarding employee benefit plans are contained in the 2011 Annual Report to Shareholders.

NOTE 4 — FAIR VALUE MEASUREMENT

FASB guidance defines fair value, establishes a framework for measuring fair value and requires fair value disclosures for certain assets and liabilities measured at fair value on a recurring and nonrecurring basis. These assets and liabilities consist primarily 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.

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 3.97 percent of the issued stock of the Bank as of March 31, 2012 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.1 billion and shareholders' equity totaled $2.2 billion. The Bank's earnings were $123 million for the first three months of 2012. In addition, the Association has an investment of $22 related to other Farm Credit institutions.

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

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 March 31, 2012 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 include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace. For cash, the carrying value is primarily utilized as a reasonable estimate of fair value.

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.

The carrying value of accrued interest approximates its fair value.

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 March 31, 2012 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 principal balance of the loan, a specific reserve is established.

Because no active market exists for the Association's accruing loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans currently would be made to borrowers with similar credit risk. 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 values of loans in a nonaccrual status are estimated to be the carrying amount of the loan less specific reserves (see Level 3 below).

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. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

For other investments, which consist of Tobacco Buyout SIIC, fair value is determined by discounting the expected future cash flows using current interest rates for similar assets.

Other property owned is classified as a level 3 asset at March 31, 2012. The fair value 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. Other property owned consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure and is carried as an asset held for sale, which is generally not its highest and best use. These properties are part of the Association's credit risk mitigation efforts, not its ongoing business. In addition, FCA regulations require that these types of property be disposed of within a reasonable period of time.

For 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; therefore, the related credit risk is not significant.

Information about Sensitivity to Changes in Significant Unobservable Inputs

For certain recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Other fair value measurements may use contractual payments and a risk adjusted discount rate, which is generated using the Association's 14-point risk rating scale. An increase in risk rating will generally produce a lower fair value measurement.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended March 31, 2012 and 2011. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the first three months of 2012 and 2011.

	Standby Letters Of Credit
Balance at January 1, 2012	$ 27
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other Comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	–
Settlements	(6)
Transfers in and/or out of level 3	–
Balance at March 31, 2012	$ 21

	Standby Letters Of Credit
Balance at January 1, 2011	$ 54
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other Comprehensive income (loss)	–
Purchases	–
Sales	–
Issuances	–
Settlements	(1)
Transfers in and/or out of level 3	–
Balance at March 31, 2011	$ 53

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	Appraisal	Income and expense	*
		Comparable sales	*
		Replacement costs	*
		Comparability adjustments	*

** Ranges for this type of input are not useful because each collateral property is unique.*

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility
Other investments	Discounted cash flow	Probability of default
		Risk adjusted discount rate
Accrued interest	Carrying value	Coupon interest rates
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility

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 following table presents the carrying amounts and fair values of assets and liabilities that are measured at fair value on a recurring and nonrecurring basis, as well as, those financial instruments not measured at fair value, for each of the hierarchy levels at the period ended:

	March 31, 2012					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Comprehensive Income
Recurring Measurements						
Assets:						
Assets held in Mutual funds	$ 2,290	$ 2,290	$ –	$ –	$ 2,290	$ –
Recurring Assets	$ 2,290	$ 2,290	$ –	$ –	$ 2,290	$ –
Liabilities:						
Standby letters of credit	$ 21	$ –	$ –	$ 21	$ 21	$ –
Deferred compensation liabilities	2,001	–	2,001	–	2,001	–
Recurring Liabilities	$ 2,022	$ –	$ 2,001	$ 21	$ 2,022	$ –
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 30,852	$ –	$ –	$ 30,852	$ 30,852	$ (767)
Other property owned	1,970	–	–	2,323	2,323	39
Nonrecurring Assets	$ 32,822	$ –	$ –	$ 33,175	$ 33,175	$ (728)
Other Financial Instruments						
Assets:						
Cash	$ 5,096	$ 5,096	$ –	$ –	$ 5,096	
Loans	774,515	–	–	774,848	774,848	
Other investments	29,741	–	–	31,284	31,284	
Accrued interest receivable	8,840	–	8,840	–	8,840	
Other Assets	$ 818,192	$ 5,096	$ 8,840	$ 806,132	$ 820,068	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 675,183	$ –	$ –	$ 678,291	$ 678,291	
Accrued interest payable	1,378	–	1,378	–	1,378	
Other Liabilities	$ 676,561	$ –	$ 1,378	$ 678,291	$ 679,669	

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

	December 31, 2011			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Assets held in Mutual funds	$ 3,145	$ –	$ –	$ 3,145
Total Assets	$ 3,145	$ –	$ –	$ 3,145
Liabilities:				
Deferred Compensation Liabilities	$ –	$ 2,115	$ –	$ 2,115
Standby letters of credit	–	–	27	27
Total Liabilities	$ –	$ 2,115	$ 27	$ 2,142

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2011 for each of the fair value hierarchy values are summarized below.

	December 31, 2011				
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	$ –	$ –	$ 10,607	$ 10,607	$ (6,299)
Other property owned	$ –	$ –	$ 1,810	$ 1,810	$ (1,124)

The estimated fair values of the Association's financial instruments at December 31, 2011 are as follows:

	December 31, 2011	
	Carrying Amount	Estimated Fair Value
Financial assets:		
Cash	$ 3,191	$ 3,191
Loans, net of allowance	$ 846,290	$ 850,021
Accrued interest receivable	$ 14,043	$ 14,043
Other investments	$ 45,325	$ 47,114
Assets held in Mutual funds	$ 3,145	$ 3,145
Financial liabilities:		
Notes payable and accrued interest to AgFirst Farm Credit Bank	$ 745,902	$ 756,493
Deferred Compensation Liability	$ 2,115	$ 2,115

NOTE 5 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined that, except as described below, there are none requiring disclosure through May 9, 2012, which is the date the financial statements were issued.

In April 2012, the Association accrued $1.1 million due to an insurance premium refund from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. This payment is nonrecurring and resulted from the assets of the Farm Credit Insurance Fund exceeding the secure base amount as defined by the Farm Credit Act.