

THIRD QUARTER 2011

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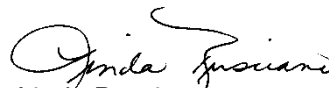
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CERTIFICATION

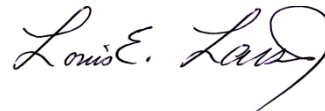
The undersigned certify that we have reviewed the September 30, 2011 quarterly report of Farm Credit of Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Don Rice
Chief Executive Officer



Linda Rusciano
Chief Financial Officer



Louis E. Larson, Jr.
Chairman of the Board

November 7, 2011

Farm Credit of Florida, ACA

Report on Internal Control Over Financial Reporting

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

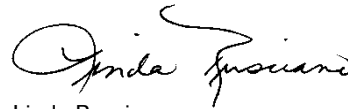
Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of September 30, 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 September 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 September 30, 2011.



Don Rice
Chief Executive Officer



Linda Rusciano
Chief Financial Officer

November 7, 2011

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Florida, ACA, (Association) for the period ended September 30, 2011. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2010 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

Effective January 1, 2011, Farm Credit of North Florida and Farm Credit of Southwest Florida merged into Farm Credit of South Florida. The merged associations operate under the name of Farm Credit of Florida. The primary reason for the merger was based on a determination that the combined organization would be financially and operationally stronger than either of the associations on a stand-alone basis. The merger was accounted for under the acquisition method of accounting. Additional information regarding the merger and the related impact to the Association's financial condition is contained in Note 7 of the Notes to the Consolidated Financial Statements.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including cattle, citrus, dairy, field crops, nurseries, sugar, timber, tropical fruits and vegetables. During the period of 2002 through 2007, the Association's territory witnessed a rapid appreciation of real estate values followed by a significant decline since the summer of 2007. The Florida real estate market continues to experience an oversupply of properties with few interested buyers which has led to lower values. Land prices in much of the territory have declined 30-60% and the Florida housing market continues to have one of the highest foreclosure rates in the country.

In addition the recession of 2008-2009 and 2010-2011 economic stagnation has had a significant negative impact to two of the Association's largest commodities, nursery and timber due to less new home construction and reduced demand for foliage/landscape material. Currently, these growers continue to remain stressed and are having to adjust their operations to bring costs in line with lower sales and

reductions in prices. The nursery sales YTD for 2011 are only reflecting a small increase over 2010. The amount of product available is less and sizes are smaller due to the reduction in planting over the past few years, with shortages of some products reported. Many tree and palm growers have realized their trees will be too large when the industry recovers and have been destroying existing inventory and replanting younger material.

The 2010-11 citrus crops was smaller than last season but the higher prices received resulted in the majority of growers having a more profitable year. The 2011-12 crop is in good to excellent condition and harvest of early fruit is getting underway. Current juice futures remain at higher than historical levels and are currently profitable. Citrus canker and citrus greening continue to plague growers and continue to severely impact citrus acreage throughout the state. Fighting these diseases has materially increased the cost of production.

Cattle prices are currently in the mid \$1.20/lb range and are projected in the \$1.10-1.25/lb range during the next twelve months. Exports of beef currently exceed imports. Lower cattle numbers has increased demand for feeders and the increased demand for cheaper cuts of beef has resulted in higher prices for cull cows. This has also helped the dairy farmers with replacements. The oversupply of milk has fallen resulting in increased milk prices. Milk prices for 2010 averaged \$19.02/cwt and are currently at \$25+/cwt. Prices are expected to average \$20/cwt for 2012. Feed costs are increasing due to higher grain prices and will negatively impact profitability until milk prices can be increased to cover the additional input costs. Presently, most dairies are showing a profit.

The 2010-11 sugarcane crop was impacted by winter freezes which resulted in lower yields. Prices were strong for the 2010-11 crop. Crop quality was good and the current market price is in the \$.38 range for the 2011-12 crops. Harvest is getting underway for the 2011-12 crop but yields are expected to be lower due to last winter's freezes which burned back new plant growth and shortened the growing season. Futures prices for sugar are at record highs and this segment of the portfolio should perform extremely well. The possibility exists that a loss in volume could occur as sugar farmers, with excess cash, simply prepay debt to utilize cash.

Some 2011 winter corn in the Glades was lost due to a freeze. Bean and winter squash were also heavily damaged or destroyed. Surviving crops saw record prices with peppers at \$30/ct, beans \$45/ct, squash \$25/ct, and tomatoes \$45/ct,

which resulted in most growers having a profitable year. The harvest of 2011 fall vegetables is just getting started.

Due to the slowdown in housing, saw timber is down about 10%, chip n saw and pulpwood remain about the same price as last year. The general economic recession and resulting low new housing starts have hurt sawmills and timber growers with tight cash flows that have led many in the industry to experience loan performance problems.

The gross loan volume of the Association as of September 30, 2011, was \$979,962, an increase of \$420,050 as compared to \$559,912 at December 31, 2010. Net loans outstanding at September 30, 2011, were \$966,551 as compared to \$549,233 at December 31, 2010, an increase of \$417,318 or 75.98 percent. Net loans accounted for 89.58 percent of total assets at September 30, 2011, as compared to 94.08 percent of total assets at December 31, 2010. The increase in both gross and net loan volume during the period is attributed to the merger of Farm Credit of North Florida and Farm Credit of Southwest Florida into Farm Credit of South Florida.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to decline but remains at an acceptable level and credit administration is satisfactory. As a result of the merger, nonaccrual loans increased to \$117,726 from the \$49,268 balance at December 31, 2010. This increase is a result of the merger the three association's nonaccrual portfolios and 51 borrowers totaling \$40,777 being moved into nonaccrual status during the period offset by 26 properties totaling \$6,013 moving from nonaccrual to Other Property Owned. The balance of Other Property Owned at September 30, 2011 was \$12,778, an increase of \$8,262 from the \$4,516 balance at December 31, 2010.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at September 30, 2011, was \$13,411 compared to \$10,679 at December 31, 2010. This increase is the result a provision for loan loss of \$13,617 recorded during the period and recoveries of \$1,641 offset by \$12,526 in charge-offs recorded on loans transferred to nonaccrual or other property owned. Management considers the current level of allowance adequate to cover additional possible losses. The ratio of the allowance for loan losses to gross loans at September 30, 2011 was 1.37 percent.

RESULTS OF OPERATIONS

As a result of the merger on January 1, 2011, \$551.5 million in non-impaired loans were purchased at a combined discount of approximately \$30.3 million. In accordance with accounting guidance, this discount is to be accreted into interest income over the remaining life of each individual loan. For loans that are paid off early, any remaining discount would be accreted into income at time of pay off. The discount amount accreted

into interest income for the three and nine months ended September 30, 2011, was \$2,329 and \$9,997.

For the three months ended September 30, 2011

The Association recorded a net loss for the three months ended September 30, 2011 of \$2,427 as compared to net loss of \$600 for the same period in 2010. This \$1,827 additional loss is primarily attributed to additions to provision for loan losses during the period. The third quarter analysis of the allowance for loan losses revealed provisions required during the period of \$8,333. These provisions are primarily due to charge-offs on non-performing loans and specific reserves needed to cover potential future losses.

Net interest income before provision for loan losses was \$8,369 as of September 30, 2011 as compared to \$3,809 during the same period in 2010. The increase in net interest income represents a 119.72 percent increase when compared to the same period last year and is attributed to the increase in loan volume as a result of the merger.

Noninterest income for the three months ended September 30, 2011, totaled \$2,725 as compared to \$1,766 for the same period of 2010, an increase of \$959 or 54.3 percent. This increase is attributed primarily to increases in equity earnings of other Farm Credit institutions of \$1,227, loan fees of \$89, other noninterest income of \$136, gains on sales of rural home loans of \$25 and fees earned for financially related services of \$14. These improvements in noninterest income were offset by an increase in losses on other property owned of \$528 and a \$4 decrease in gains on sales of premises and equipment.

Noninterest expense for the three months ended September 30, 2011, increased \$3,313 or 176.69 percent compared to the same period of 2010. The primary reasons for the increase in noninterest expense is attributed to \$2,419 increase in salaries and employee benefits, as a result of the staffing increase of 98 employees in the merger of the three associations. Other increases in operating expense included \$208 increase in occupancy and equipment expense, \$596 increase in other operating expense and \$90 increase in the Farm Credit Insurance Fund premium.

For the nine months ended September 30, 2011

Net income for the nine months ended September 30, 2011, totaled \$9,571 compared to \$5,355 for the same period in 2010, an increase of \$4,216 or 78.73%. Net interest income increased \$17,093 for the nine months ended September 30, 2011, as compared to the same period in 2010. This increase is attributed to the increased volume as a result of the merger and accretion of discounts on loans acquired in the merger as described above. Provisions for loan losses increased \$6,717 as compared to September 30, 2010 resulting in a net increase to net interest income after provisions for loan losses of \$10,376.

Noninterest income for the nine months ended September 30, 2011, totaled \$10,434 as compared to \$5,990 for the same period of 2010, an increase of \$4,444 or 74.2%. This increase is attributed to increases in equity earnings from AgFirst Farm Credit Bank of \$4,400, \$633 in loan fees, \$241 in other noninterest income and \$72 in gains on sale of rural home loans. These increases were offset by decreases of \$80 in financially related services income, additional losses on other property owned of \$248 and a \$571 decrease in insurance premium refund as explained below.

Noninterest expense for the nine months ended September 30, 2011, increased \$10,604 compared to the same period of 2010. The primary reasons for the increase is attributed to merger related staffing cost increases totaling \$7,562. Additional increases were realized in occupancy and equipment expense of \$661, other operating expenses of \$2,080 and \$301 in the Farm Credit Insurance Fund premium.

In 2010, the Association recorded \$571 of insurance premium refunds from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. The amount is reflected in Noninterest Income on the Consolidated Statements of Income. These payments are nonrecurring and resulted from the assets of the Farm Credit Insurance Fund exceeding the secure base amount as defined by the Farm Credit Act.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. These 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 September 30, 2011, was \$854,513 as compared to \$454,284 at December 31, 2010. The increase during the period of \$400,229 is primarily attributed to the merger of the three entities and fluctuations in the usage of borrower SmartCash accounts. SmartCash accounts, a voluntary additional conditional payment fund, which are offset against the related loan outstanding in the portfolio, can influence fluctuations in volume and notes payable with the Bank. SmartCash balances at September 30, 2011 were \$10,485 as compared to \$5,455 at December 31, 2010. Additional SmartCash funds, held in Other Liabilities against commitment balances totaled \$3,772 as of September 30, 2011 as compared to \$3,710 at year-end.

CAPITAL RESOURCES

Total members' equity at September 30, 2011, increased to \$204,842 from the December 31, 2010 total of \$119,034. The increase is primarily attributed to additional paid in capital and allocated surplus from the equity acquired through the merger of Farm Credit of North Florida and Farm Credit of Southwest Florida.

Total capital stock and participation certificates were \$4,948 on September 30, 2011, compared to \$3,098 on December 31, 2010. This increase is attributed to the combined capital stock of the three former associations offset by the retirement of protected stock and participation certificates on loans liquidated in the normal course of business and new loans being capitalized at new lower regulatory levels.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of September 30, 2011, the Association's total surplus ratio and core surplus ratio were 15.57 percent and 15.57 percent, respectively, and the permanent capital ratio was 16.33 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 August 18, 2011, the FCA published for comment an amendment to the regulations governing investments held by institutions of the System. The stated objectives of the proposed rule are to:

- ensure that the Banks hold sufficient high quality, readily marketable investments to provide sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption;
- strengthen the safety and soundness of System institutions;
- seek comments on how the FCA can comply with section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires the FCA to remove all references to and requirements relating to credit ratings and to substitute other appropriate standards of creditworthiness;
- reduce regulatory burden with respect to investments that fail to meet eligibility criteria after purchase or are unsuitable; and

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- enhance the ability of the System to supply credit to agriculture and aquatic producers by ensuring adequate availability to funds.

The System is in the process of developing a response to the proposed amendment to the investment regulations. Comments are due by November 16, 2011.

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 (561)-965-9001, or writing Linda Rusciano, CFO, Farm Credit of Florida, ACA, P. O. Box 213069, West Palm Beach, FL 33421, or accessing the website, www.farmcreditfl.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of Florida, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2011 <i>(unaudited)</i>	December 31, 2010 <i>(audited)</i>
Assets		
Cash	\$ 190	\$ 2,790
Investment securities:		
Held to maturity (fair value of \$37,263 and \$2,024 respectively)	35,957	1,987
Loans	979,962	559,912
Less: allowance for loan losses	13,411	10,679
Net loans	966,551	549,233
Other investments	7,979	—
Accrued interest receivable	5,487	2,086
Investments in other Farm Credit institutions	24,745	8,716
Premises and equipment, net	8,367	5,348
Other property owned	12,778	4,516
Due from AgFirst Farm Credit Bank	6,767	4,484
Other assets	10,106	4,658
Total assets	<u>\$ 1,078,927</u>	<u>\$ 583,818</u>
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 854,513	\$ 454,284
Accrued interest payable	1,825	1,006
Patronage refund payable	238	671
Advanced conditional payments	3,772	3,710
Other liabilities	13,737	5,113
Total liabilities	<u>874,085</u>	<u>464,784</u>
Commitments and contingencies		
Members' Equity		
Protected borrower stock	2,602	2,463
Capital stock and participation certificates	2,346	635
Additional paid in capital	7,922	—
Retained earnings		
Allocated	97,197	30,879
Unallocated	94,775	85,057
Total members' equity	<u>204,842</u>	<u>119,034</u>
Total liabilities and members' equity	<u>\$ 1,078,927</u>	<u>\$ 583,818</u>

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

Farm Credit of Florida, ACA

Consolidated Statements of Operations

(unaudited)

(dollars in thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Interest Income				
Investment securities	\$ 302	\$ (19)	\$ 967	\$ 48
Loans	13,116	6,851	44,400	21,362
Other investments	37	—	92	—
Total interest income	13,455	6,832	45,459	21,410
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	5,086	3,023	16,423	9,467
Net interest income	8,369	3,809	29,036	11,943
Provision for loan losses	8,333	4,300	13,617	6,900
Net interest income (loss) after provision for loan losses	36	(491)	15,419	5,043
Noninterest Income				
Loan fees	913	824	2,705	2,072
Fees for financially related services	23	9	540	620
Patronage refund from other Farm Credit institutions	2,108	881	7,629	3,229
Gains (losses) on other property owned, net	(570)	(42)	(952)	(704)
Gains (losses) on sale of rural home loans, net	25	—	72	—
Gains (losses) on sales of premises and equipment, net	(1)	3	2	5
Insurance Fund refunds	—	—	—	571
Other noninterest income	227	91	438	197
Total noninterest income	2,725	1,766	10,434	5,990
Noninterest Expense				
Salaries and employee benefits	3,664	1,245	11,539	3,977
Occupancy and equipment	347	139	1,055	394
Insurance Fund premium	153	63	489	188
Other operating expenses	1,024	428	3,199	1,119
Total noninterest expense	5,188	1,875	16,282	5,678
Net income (loss)	\$ (2,427)	\$ (600)	\$ 9,571	\$ 5,355

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

Farm Credit of Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)

	Protected Borrower Capital	Capital Stock and Participation Certificates	Additional Paid In Capital	Retained Earnings		Total Members' Equity
				Allocated	Unallocated	
Balance at December 31, 2009	\$ 2,475	\$ 657	\$ —	\$ 25,239	\$ 82,268	\$ 110,639
Net income					5,355	5,355
Protected borrower equity retired	(13)					(13)
Capital stock/participation certificates issued/(retired), net		(16)				(16)
Patronage distribution adjustment				(368)	862	494
Balance at September 30, 2010	\$ 2,462	\$ 641	\$ —	\$ 24,871	\$ 88,485	\$ 116,459
Balance at December 31, 2010	\$ 2,463	\$ 635	\$ —	\$ 30,879	\$ 85,057	\$ 119,034
Net income					9,571	9,571
Protected borrower equity retired	(128)					(128)
Capital stock/participation certificates issued/(retired), net		(225)				(225)
Equity re-characterized due to merger	267	1,936	7,922	66,464		76,589
Patronage distribution adjustment				(146)	147	1
Balance at September 30, 2011	\$ 2,602	\$ 2,346	\$ 7,922	\$ 97,197	\$ 94,775	\$ 204,842

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

Farm Credit of Florida, 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 Farm Credit of Florida, ACA (the Association). A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2010, are contained in the 2010 Annual Report to Shareholders. These unaudited third 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 nine months ended September 30, 2011, are not necessarily indicative of the results to be expected for the year ending December 31, 2011.

Intra-District Restructurings: Effective January 1, 2011, Farm Credit of North Florida and Farm Credit of Southwest Florida merged into Farm Credit of South Florida. The merged associations operate under the name of Farm Credit of Florida (FCFL). The primary reason for the merger was based on a determination that the combined organization would be financially and operationally stronger than either of the associations on a stand-alone basis. The merger was accounted for under the acquisition method of accounting.

The fair value of the assets acquired, including specific intangible assets and liabilities assumed, were measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. This evaluation produced a fair value of identifiable assets acquired and liabilities assumed that was substantially equal to the fair value of the member interests transferred in the merger. The excess value received, by the acquiring association from the acquired association, over the par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

Total fair value of assets acquired was \$709,829, and liabilities assumed were \$621,252 (see Note 7).

The assets acquired included gross loans at fair value of \$616,189 with a contractual amount of \$661,194. As of January 1, 2011, the gross contractual amount of loans not expected to be collected was \$27,386.

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

The Association maintains an allowance for loan losses in accordance with GAAP. The loan portfolio is reviewed quarterly to determine the adequacy of the allowance for losses. As of September 30, 2011, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Recently Issued Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled, "Compensation – Retirement Benefits – Multiemployer Plans." The amendment is intended to provide for more information about an employer's financial obligations to multiemployer pension and other postretirement benefit plans, which should help financial statement users better understand the financial health of significant plans in which the employer participates. The additional disclosures include: a) a description of the nature of plan benefits, b) a qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer, and c) other quantitative information to help users understand the financial information about the plan. The amendments are effective for annual periods for fiscal years ending after December 15, 2011 for public entities. The amendments should be applied retrospectively for all prior periods presented.

In June 2011, the FASB issued guidance entitled, "Comprehensive Income – 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. 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 will not impact financial condition or results of operations, but will result in changes to the presentation of comprehensive income.

In May 2011, the FASB issued guidance entitled, "Fair Value Measurement – 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.

In April 2011, the FASB issued guidance entitled, "A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which provides for clarification on whether a restructuring constitutes a troubled debt restructuring (TDR). In evaluating whether a restructuring is a TDR, a creditor must separately conclude that both of the following exists: (1) the restructuring constitutes a concession, and (2) the debtor is experiencing financial difficulties. The guidance is effective for nonpublic entities, including the Association, 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. 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 January 2011, the FASB issued guidance entitled, "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." The effective date of the new disclosures about TDRs coincides with the guidance for determining what constitutes a TDR as described above.

In July 2010, the FASB issued guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This amendment 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 3).

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 5).

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

NOTE 2 — INVESTMENT SECURITIES

A summary of the amortized cost and fair value of investment securities held-to-maturity at September 30, 2011 and December 31, 2010 follows:

	September 30, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	\$ 9,719	\$ 1,550	\$ -	\$ 11,269	6.11 %
Asset-backed securities	26,238	144	(388)	25,994	0.84
Total	\$ 35,957	\$ 1,694	\$ (388)	\$ 37,263	2.26%

	December 31, 2010				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Asset-backed securities	\$ 1,987	\$ 37	\$ -	\$ 2,024	2.33%

A summary of the expected maturity, amortized cost and estimated fair value of investment securities held-to-maturity at September 30, 2011 follows:

	September 30, 2011		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	\$ -	\$ -	-0%
After one year through five years	6,542	6,364	0.04
After five years through ten years	16,724	16,767	1.44
After ten years	12,691	14,132	4.49
Total	\$ 35,957	\$ 37,263	2.26%

The ABSs are rated AAA and they are guaranteed by the full faith and credit of the United States government. ABSs are held for managing short-term surplus funds and managing interest rate risk. These securities must meet the applicable Farm Credit Administration (FCA) regulatory guidelines, which require these securities to be high quality, senior class, and rated AAA at the time of purchase. To achieve the ratings, these securities have a guarantee of timely payment of principal and interest or credit enhancement achieved through over collateralization and the priority of payments of senior classes over junior classes. The FCA considers an asset-backed security investment ineligible if it falls below the AAA credit rating criteria and requires System institutions to divest of such an investment unless approval is granted to continue to hold by the FCA. All of the Association's asset-backed securities at September 30, 2011 are considered eligible under FCA regulatory guidelines.

Mission related investments consist primarily of Rural America Bonds, which are private placement securities purchased under the Mission Related Investment program approved by the FCA.

An investment is considered impaired if its fair value is less than its cost. A continuous unrealized loss position for an investment is based on the date the impairment was first identified. The Association had no investments that had been in a continuous unrealized loss position at December 31, 2010.

The following table shows the fair value and gross unrealized losses for investments that have been in a continuous unrealized loss position aggregated by investment category at September 30, 2011:

	September 30, 2011			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission-related investments	\$ -	\$ -	\$ -	\$ -
Asset-backed securities	-	-	17,083	(388)
Total	\$ -	\$ -	\$ 17,083	\$ (388)

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify any future possible loss of principal or interest due on each security identified for additional analysis. Factors considered in determining whether an impairment is other-than-temporary include among others as applicable: 1) the length of time and the extent to which the fair value is less than cost, 2) adverse conditions specifically related to the industry, 3) geographic area and the condition of the underlying collateral, 4) payment structure of the security, 5) ratings by rating agencies, 6) the credit worthiness of bond insurers, and 7) volatility of the fair value changes.

Based on the results of all analyses, the Association has not recognized any other-than-temporary impairment as the unrealized losses resulted primarily from non-credit related factors. The Association has the ability and intent to hold these investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements. The Association does not intend to sell these investments and it is not more likely than not that the Association would be required to sell these investments before recovering its costs. The majority of these investments were in U. S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at September 30, 2011.

Note 3 – Loans and Allowance for Loan Losses

A summary of loans outstanding as of September 30, 2011 and December 31, 2010, follows:

	September 30, 2011	December 31, 2010
Real estate mortgage	\$ 686,961	\$ 395,049
Production and intermediate-term	220,363	110,974
Agribusiness		
Loans to cooperatives	2,795	5,473
Processing and marketing	41,642	36,065
Farm-related business	15,847	8,117
Total agribusiness	60,284	49,655
Communication	2,427	2,335
Energy	1,655	1,780
Rural residential real estate	8,272	119
Total Loans	\$ 979,962	\$ 559,912

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 September 30, 2011 and December 31, 2010:

	September 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	\$ 3,783	\$ 298,635	\$ 2,034	\$ 7,269	\$ 149,841	\$ 2,946	\$ 155,658	\$ 308,850
Production and intermediate-term	66,099	48,699	7,955	7,476	-	-	74,054	56,175
Agribusiness								
Loans to cooperatives	1,915	-	883	-	-	-	2,798	-
Processing and marketing	21,579	27,489	4,749	7,091	-	-	26,328	34,580
Farm-related business	1,768	5,576	1,657	-	296	-	3,721	5,576
Total agribusiness	25,262	33,065	7,289	7,091	296	-	32,847	40,156
Communication	2,518	-	-	-	-	-	2,518	-
Energy	1,664	-	-	-	-	-	1,664	-
Total	\$ 99,326	\$ 380,399	\$ 17,278	\$ 21,836	\$ 150,137	\$ 2,946	\$ 266,741	\$ 405,181

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	\$ -	\$ 11,792	\$ 2,042	\$ 16,246	\$ 8,136	\$ -	\$ 10,178	\$ 28,038
Production and intermediate-term	41,056	4,076	7,395	-	-	-	48,451	4,076
Agribusiness								
Loans to cooperatives	3,835	-	1,186	-	505	-	5,526	-
Processing and marketing	18,733	317	5,960	3,331	-	-	24,693	3,648
Farm-related business	2,823	3,836	2,060	-	750	-	5,633	3,836
Total agribusiness	25,391	4,153	9,206	3,331	1,255	-	35,852	7,484
Energy	1,797	-	-	-	-	-	1,797	-
Total	\$ 68,244	\$ 20,021	\$ 18,643	\$ 19,577	\$ 9,391	\$ -	\$ 96,278	\$ 39,598

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 September 30, 2011 and indicates that approximately 34.99 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	\$ 154,262	\$ 358,944	\$ 173,755	\$ 686,961
Production and intermediate term	144,202	50,241	25,920	220,363
Agribusiness				
Loans to cooperatives	1,814	981	-	2,795
Processing and marketing	29,370	8,937	3,335	41,642
Farm-related business	7,157	7,621	1,069	15,847
Total agribusiness	38,341	17,539	4,404	60,284
Communication	2,419	8	-	2,427
Energy	1,655	-	-	1,655
Rural residential real estate	1,981	1,312	4,979	8,272
Total Loans	\$ 342,860	\$ 428,044	\$ 209,058	\$ 979,962

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 September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010		September 30, 2011	December 31, 2010
Real estate mortgage:			Total agribusiness:		
Acceptable	71.69%	71.99%	Acceptable	76.29%	85.84%
OAEM	6.01	9.46	OAEM	14.78	10.04
Substandard/doubtful/loss	22.30	18.55	Substandard/doubtful/loss	8.93	4.12
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Communication:		
Acceptable	70.39%	72.64%	Acceptable	100.00%	-%
OAEM	8.69	8.01	OAEM	-	-
Substandard/doubtful/loss	20.92	19.35	Substandard/doubtful/loss	-	100.00
	100.00%	100.00%		100.00%	100.00%
Agribusiness:			Energy and water/waste disposal:		
Loans to cooperatives:			Acceptable	100.00%	100.00%
Acceptable	91.38%	100.00%	OAEM	-	-
OAEM	8.62	-	Substandard/doubtful/loss	-	-
Substandard/doubtful/loss	-	-		100.00%	100.00%
	100.00%	100.00%	Rural residential real estate:		
Processing and marketing:			Acceptable	71.11%	100.00%
Acceptable	72.96%	80.65%	OAEM	1.98	-
OAEM	18.73	13.82	Substandard/doubtful/loss	26.91	-
Substandard/doubtful/loss	8.31	5.53		100.00%	100.00%
	100.00%	100.00%	Total Loans:		
Farm-related business:			Acceptable	71.79%	73.14%
Acceptable	82.38%	99.35%	OAEM	7.09	9.15
OAEM	5.50	-	Substandard/doubtful/loss	21.12	17.71
Substandard/doubtful/loss	12.12	0.65		100.00%	100.00%
	100.00%	100.00%			

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

September 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	\$ 22,888	\$ 62,454	\$ 85,342	\$ 606,028	\$ 691,370	\$ 3,141
Production and intermediate-term Agribusiness	2,616	21,157	23,773	197,807	221,580	202
Loans to cooperatives	-	-	-	2,774	2,774	-
Processing and marketing	-	476	476	40,880	41,356	-
Farm-related business	1,045	1,346	2,391	13,367	15,758	-
Total agribusiness	1,045	1,822	2,867	57,021	59,888	-
Communication	-	-	-	2,405	2,405	-
Energy and water/waste disposal	-	-	-	1,639	1,639	-
Rural residential real estate	301	1,612	1,913	6,321	8,234	-
Total	\$ 26,850	\$ 87,045	\$ 113,895	\$ 871,221	\$ 985,116	\$ 3,343

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	\$ 14,405	\$ 19,837	\$ 34,242	\$ 362,267	\$ 396,509	\$ -
Production and intermediate-term Agribusiness	2,017	10,203	12,220	99,214	111,434	-
Loans to cooperatives	-	-	-	5,509	5,509	-
Processing and marketing	-	-	-	36,129	36,129	-
Farm-related business	-	60	60	8,088	8,148	-
Total agribusiness	-	60	60	49,726	49,786	-
Communication	-	-	-	2,358	2,358	-
Energy and water/waste disposal	-	-	-	1,779	1,779	-
Rural residential real estate	-	-	-	119	119	-
Total	\$ 16,422	\$ 30,100	\$ 46,522	\$ 515,463	\$ 561,985	\$ -

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 September 30, 2011 and December 31, 2010 are as follows:

	September 30, 2011	December 31, 2010
Nonaccrual loans:		
Real estate mortgage	\$ 88,903	\$ 34,194
Production and intermediate-term	25,061	12,663
Agribusiness		
Processing and marketing	242	-
Farm-related business	1,715	53
Total agribusiness	1,957	53
Communication	-	2,358
Rural residential real estate	1,805	-
Total nonaccrual loans	<u>\$ 117,726</u>	<u>\$ 49,268</u>
Accruing restructured loans:		
Real estate mortgage	\$ 1,050	\$ -
Production and intermediate-term	2,065	-
Agribusiness		
Processing and marketing	-	-
Farm-related business	-	-
Total agribusiness	-	-
Rural residential real estate	-	-
Total accruing restructured loans	<u>\$ 3,115</u>	<u>\$ -</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	\$ 3,141	\$ -
Production and intermediate-term	202	-
Agribusiness		
Processing and marketing	-	-
Farm-related business	-	-
Total agribusiness	-	-
Rural residential real estate	-	-
Total accruing loans 90 days or more past due	<u>\$ 3,343</u>	<u>\$ -</u>
Total nonperforming loans	<u>\$ 124,184</u>	<u>\$ 49,268</u>
Other property owned	12,778	4,516
Total nonperforming assets	<u>\$ 136,962</u>	<u>\$ 53,784</u>
Nonaccrual loans as a percentage of total loans	12.01%	8.80%
Nonperforming assets as a percentage of total loans and other property owned	13.80%	9.53%
Nonperforming assets as a percentage of capital	<u>66.86%</u>	<u>45.18%</u>

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

	September 30, 2011	December 31, 2010
Impaired nonaccrual loans:		
Current as to principal and interest	\$ 28,420	\$ 11,592
Past due	89,306	37,676
Total impaired nonaccrual loans	<u>117,726</u>	<u>49,268</u>
Impaired accrual loans:		
Restructured	3,115	-
90 days or more past due	3,343	-
Total impaired accrual loans	<u>6,458</u>	<u>-</u>
Total impaired loans	<u>\$ 124,184</u>	<u>\$ 49,268</u>

Additional impaired loan information as of September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011			Quarter Ended September 30, 2011		Nine Months Ended September 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	\$ 28,897	\$ 39,795	\$ 1,671	\$ 30,145	\$ 113	\$ 28,946	\$ 227
Production and intermediate-term Agribusiness	9,399	15,503	811	9,805	37	9,415	74
Processing and marketing Farm-related business	-	-	-	-	-	-	-
Farm-related business	1,346	1,710	48	1,404	5	1,348	11
Total agribusiness	1,346	1,710	48	1,404	5	1,348	11
Rural residential real estate	1,624	2,538	80	1,695	6	1,627	13
Total	\$ 41,266	\$ 59,546	\$ 2,610	\$ 43,049	\$ 161	\$ 41,336	\$ 325
Impaired loans with no related allowance for credit losses:							
Real estate mortgage	\$ 64,197	\$ 80,056	\$ -	\$ 66,973	\$ 250	\$ 64,307	\$ 506
Production and intermediate-term Agribusiness	17,929	24,564	-	18,703	70	17,959	141
Processing and marketing Farm-related business	242	922	-	253	1	243	2
Farm-related business	369	1,090	-	385	2	370	3
Total agribusiness	611	2,012	-	638	3	613	5
Rural residential real estate	181	452	-	188	1	181	1
Total	\$ 82,918	\$ 107,084	\$ -	\$ 86,502	\$ 324	\$ 83,060	\$ 653
Total impaired loans:							
Real estate mortgage	\$ 93,094	\$ 119,851	\$ 1,671	\$ 97,118	\$ 363	\$ 93,253	\$ 733
Production and intermediate-term Agribusiness	27,328	40,067	811	28,508	107	27,374	215
Processing and marketing Farm-related business	242	922	-	253	1	243	2
Farm-related business	1,715	2,800	48	1,789	7	1,718	14
Total agribusiness	1,957	3,722	48	2,042	8	1,961	16
Rural residential real estate	1,805	2,990	80	1,883	7	1,808	14
Total	\$ 124,184	\$ 166,630	\$ 2,610	\$ 129,551	\$ 485	\$ 124,396	\$ 978

	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	\$ 3,937	\$ 5,145	\$ 503	\$ 3,050	\$ 14
Production and intermediate-term Agribusiness	9,571	9,828	879	7,414	34
Farm-related business	-	-	-	-	-
Total agribusiness	-	-	-	-	-
Communication	-	-	-	-	-
Total	\$ 13,508	\$ 14,973	\$ 1,382	\$ 10,464	\$ 48
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	\$ 30,257	\$ 35,079	\$ -	\$ 23,438	\$ 106
Production and intermediate-term Agribusiness	3,092	3,781	-	2,396	11
Farm-related business	53	88	-	41	-
Total agribusiness	53	88	-	41	-
Communication	2,358	3,261	-	1,827	8
Total	\$ 35,760	\$ 42,209	\$ -	\$ 27,702	\$ 125
Total impaired loans:					
Real estate mortgage	\$ 34,194	\$ 40,224	\$ 503	\$ 26,488	\$ 120
Production and intermediate-term Agribusiness	12,663	13,609	879	9,810	45
Farm-related business	53	88	-	41	-
Total agribusiness	53	88	-	41	-
Communication	2,358	3,261	-	1,827	8
Total	\$ 49,268	\$ 57,182	\$ 1,382	\$ 38,166	\$ 173

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

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at September 30, 2011 and December 31, 2010.

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

September 30, 2011								
	Real Estate Mortgage	Production and Intermediate- term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total	
Allowance for credit losses:								
Balance at December 31, 2010	\$ 7,684	\$ 1,878	\$ 955	\$ 162	\$ -	\$ -	\$ -	\$ 10,679
Charge-offs	(7,938)	(3,412)	(1,101)	-	-	-	(75)	(12,526)
Recoveries	162	622	32	825	-	-	-	1,641
Provision for loan losses	9,580	4,019	717	(984)	2	283	-	13,617
Balance at September 30, 2011	<u>\$ 9,488</u>	<u>\$ 3,107</u>	<u>\$ 603</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 208</u>	<u>\$ -</u>	<u>\$ 13,411</u>
September 30, 2011 allowance ending balance:								
Loans individually evaluated for impairment	<u>\$ 1,193</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,471</u>
Loans collectively evaluated for impairment	<u>\$ 7,817</u>	<u>\$ 2,296</u>	<u>\$ 555</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 10,801</u>
Loans acquired with deteriorated credit quality	<u>\$ 478</u>	<u>\$ 533</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 1,139</u>
Recorded investment in loans outstanding:								
Ending Balance at September 30, 2011	<u>\$ 691,370</u>	<u>\$ 221,580</u>	<u>\$ 59,888</u>	<u>\$ 2,405</u>	<u>\$ 1,639</u>	<u>\$ 8,234</u>	<u>\$ -</u>	<u>\$ 985,116</u>
September 30, 2011 recorded investment ending balance:								
Loans individually evaluated for impairment	<u>\$ 103,378</u>	<u>\$ 31,829</u>	<u>\$ 2,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,848</u>	<u>\$ -</u>	<u>\$ 139,571</u>
Loans collectively evaluated for impairment	<u>\$ 555,365</u>	<u>\$ 180,435</u>	<u>\$ 55,657</u>	<u>\$ 2,405</u>	<u>\$ 1,639</u>	<u>\$ 4,642</u>	<u>\$ -</u>	<u>\$ 800,143</u>
Loans acquired with deteriorated credit quality	<u>\$ 32,627</u>	<u>\$ 9,316</u>	<u>\$ 1,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,744</u>	<u>\$ -</u>	<u>\$ 45,402</u>

December 31, 2010								
	Real Estate Mortgage	Production and Intermediate- term	Agribusiness	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total	
Allowance for credit losses:								
Balance at December 31, 2009	\$ 6,267	\$ 1,238	\$ 2,933	\$ 1,525	\$ -	\$ -	\$ -	\$ 11,963
Charge-offs	(4,934)	(1,783)	(20)	(2,554)	-	-	-	(9,291)
Recoveries	95	12	-	-	-	-	-	107
Provision for loan losses	6,256	2,411	(1,958)	1,191	-	-	-	7,900
Balance at December 31, 2010	<u>\$ 7,684</u>	<u>\$ 1,878</u>	<u>\$ 955</u>	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,679</u>
December 31, 2010 allowance ending balance:								
Loans individually evaluated for impairment	<u>\$ 503</u>	<u>\$ 879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,382</u>
Loans collectively evaluated for impairment	<u>\$ 7,181</u>	<u>\$ 999</u>	<u>\$ 955</u>	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,297</u>
Recorded investment in loans outstanding:								
Ending Balance at December 31, 2010	<u>\$ 396,509</u>	<u>\$ 111,434</u>	<u>\$ 49,786</u>	<u>\$ 2,358</u>	<u>\$ 1,779</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 561,985</u>
December 31, 2010 recorded investment ending balance:								
Loans individually evaluated for impairment	<u>\$ 34,194</u>	<u>\$ 12,663</u>	<u>\$ 53</u>	<u>\$ 2,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,268</u>
Loans collectively evaluated for impairment	<u>\$ 362,315</u>	<u>\$ 98,771</u>	<u>\$ 49,733</u>	<u>\$ -</u>	<u>\$ 1,779</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 512,717</u>

Purchased Impaired Loan Disclosures

FCFL acquires loans individually and in groups or portfolios. For certain acquired loans that experienced deterioration in credit quality between origination and acquisition, the amount paid for the loan will reflect this fact. At acquisition, each loan is reviewed to determine whether there is evidence of deterioration of credit quality since origination and if it is probable that FCFL would be unable to collect all amounts due according to the loan's contractual terms. If both conditions exist, the purchaser determines whether each such loan is to be accounted for individually or whether such loans would be assembled into pools of loans based on common risk characteristics (credit score, loan type, and date of origination, for example). Considerations of value should include expected prepayments, the estimated amount and timing of undiscounted expected principal, interest, and other cash flows (expected at acquisition) for each loan and the subsequently aggregated pool of loans. Any excess of the loan's or pool's scheduled contractual principal and contractual interest payments over all of the cash flows expected at acquisition is an amount that should not be accreted to income (nonaccretable difference). The remaining amount, representing the excess of the loan's cash flows expected to be collected over the amount paid, is accreted into interest income over the remaining life of the loan or pool (accretable yield).

Accounting guidance requires that the purchaser continue to estimate cash flows expected to be collected over the life of the loan or pool. It then evaluates at the balance sheet date whether the present value of its loans, determined using the effective interest rate, has decreased and if so, recognizes a loss. For loans or pools that are not accounted for as debt securities, the present value of any subsequent increase in the loan's or pool's actual cash flows or cash flows expected to be collected is used first to reverse any existing valuation allowance for that loan or pool. For any remaining increases in cash flows expected to be collected, or for loans or pools accounted for as debt securities, a purchaser adjusts the amount of accretable yield recognized on a prospective basis over the loan's or pool's remaining life.

Valuation allowances for all purchased impaired loans reflect only those losses incurred after acquisition, that is, the present value of cash flows expected at acquisition that are not expected to be collected. Valuation allowances are established only subsequent to acquisition of the loans.

As discussed in Note 7, effective January 1, 2011, Farm Credit of North Florida, ACA (NFL), and Farm Credit of Southwest Florida, ACA (SWFL), merged with and into Farm Credit of South Florida, ACA (SFL), which then changed its name to Farm Credit of Florida, ACA (FCFL). The merger was accounted for under the acquisition method of accounting guidance.

In connection with the merger, SFL (now FCFL) purchased impaired loans from NFL and SWFL that are not accounted for as debt securities. The carrying amounts of those loans included in the balance sheet amounts of loans receivable at September 30, 2011, were as follows.

September 30, 2011	
Real estate mortgage	\$ 32,627
Production and intermediate-term	9,316
Agribusiness	
Loans to cooperatives	-
Processing and marketing	-
Farm-related business	1,715
Total agribusiness	1,715
Communication	-
Energy	-
Rural residential real estate	1,744
Total Loans	<u>\$ 45,402</u>

At September 30, 2011, the allowance for loan losses related to these loans was \$1,139 thousand. During the period ended September 30, 2011, provision expense on these loans was \$4,144. There were no reversals of allowance for loan losses during the period ended September 30, 2011 for these acquired loans. See above for a summary of changes in the total allowance for loan losses for the period ended September 30, 2011.

The total of loans acquired during the year for which it was probable at acquisition that all contractually required payments would not be collected are as follows.

September 30, 2011	
Real estate mortgage	\$ 57,735
Production and intermediate-term	18,862
Agribusiness	
Loans to cooperatives	-
Processing and marketing	2,196
Farm-related business	1,734
Total agribusiness	3,930
Communication	-
Energy	-
Rural residential real estate	1,769
Total Loans	<u>\$ 82,296</u>

Certain of the loans acquired by FCFL in the business combination that are within the scope of purchased impaired loan guidance are not accounted for using that income recognition model because FCFL cannot reasonably estimate cash flows expected to be collected. Substantially all of the loans acquired were real estate collateral dependent loans. As discussed previously, the real estate market in Florida is extremely unstable, making the estimation of the amount and timing of a sale of loan collateral in essentially the same condition as received upon foreclosure indeterminate. As such, FCFL does not have the information necessary to reasonably estimate cash flows expected to be collected to compute its yield. Management determined a nonaccrual classification would be the most appropriate and that no

income would be recognized on these loans as is allowed under accounting guidance. The purchase value of such impaired loans acquired during the year totaled \$82.3 million. The carrying amount at September 30, 2011 was \$45.4 million. These amounts are included in the carrying values, net of allowance, described above.

NOTE 4 – EMPLOYEE BENEFIT PLANS

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

	For the nine months ended September 30,	
	2011	2010
Pension	\$ 2,563	\$ 649
401(k)	254	106
Other postretirement benefits	328	76
Total	<u>\$ 3,145</u>	<u>\$ 831</u>

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

	Actual YTD Through 9/30/11	Projected Contributions For Remainder of 2011	Projected Total Contributions 2011
Pension	\$ 32	\$ 2,781	\$2,813
Other postretirement benefits	175	93	268
Total	<u>\$ 207</u>	<u>\$ 2,874</u>	<u>\$3,081</u>

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 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 5 – FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Association adopted FASB guidance on fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value and expands the Association's fair value disclosures for certain assets and liabilities measured at fair value on a recurring and non-recurring basis. These assets and liabilities consist primarily of 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 September 30, 2011 consist of assets held in trust funds related to deferred compensation plans. 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.

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 at September 30, 2011.

Level 3

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

Level 3 assets at September 30, 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 principal balance of the loan, an allowance for loan loss is established.

Other property owned is classified as a Level 3 asset at September 30, 2011. The fair value for other property owned is based upon the collateral value. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. Level 3 liabilities at September 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 September 30, 2011 and December 31, 2010 for each of the fair value hierarchy levels:

September 30, 2011				
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Assets held in trust funds	\$ 2,068	\$ -	\$ -	\$ 2,068
Total Assets	\$ 2,068	\$ -	\$ -	\$ 2,068
Liabilities:				
Standby letters of credit	\$ -	\$ -	\$ 248	\$ 248
Total Liabilities	\$ -	\$ -	\$ 248	\$ 248
December 31, 2010				
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Assets held in trust funds	\$ 1,733	\$ -	\$ -	\$ 1,733
Total Assets	\$ 1,733	\$ -	\$ -	\$ 1,733
Liabilities:				
Standby letters of credit	\$ -	\$ -	\$ 141	\$ 141
Total Liabilities	\$ -	\$ -	\$ 141	\$ 141

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

	Standby Letters Of Credit
Balance at January 1, 2011	\$ 141
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive loss	-
Purchases	-
Sales	-
Issuances	-
Settlements	107
Transfers in and/or out of level 3	-
Balance at September 30, 2011	\$ 248

	Standby Letters Of Credit
Balance at January 1, 2010	\$ 256
Total gains or (losses) realized/unrealized:	
Included in earnings	-
Included in other comprehensive loss	-
Purchases, sales, issuances and settlements, net	(45)
Transfers in and/or out of level 3	-
Balance at September 30, 2010	\$ 211

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

Assets and liabilities measured at fair value on a non-recurring basis at September 30, 2011 and December 31, 2010 for each of the fair value hierarchy values are summarized below:

September 30, 2011					
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	\$ -	\$ -	\$ 38,562	\$ 38,562	\$ (12,112)
Other property owned	\$ -	\$ -	\$ 7,641	\$ 7,641	\$ (748)
December 31, 2010					
	Level 1	Level 2	Level 3	Total Fair Value	YTD Total Gains (Losses)
Assets:					
Impaired loans	\$ -	\$ -	\$ 12,126	\$ 12,126	\$ (5,729)
Other property owned	\$ -	\$ -	\$ 4,342	\$ 4,342	\$ (592)

NOTE 6 — DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Association's financial instruments at September 30, 2011 and December 31, 2010.

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

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

	<u>September 30, 2011</u>		<u>December 31, 2010</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Financial assets:				
Cash	\$ 190	\$ 190	\$ 2,790	\$ 2,790
Loans, net of allowance	\$ 971,704	\$ 1,005,432	\$ 551,306	\$ 545,850
Investment securities	\$ 36,291	\$ 37,263	\$ 2,000	\$ 2,024
Other investments	\$ 7,979	\$ 8,076	\$ -	\$ -
Assets held in trust funds	\$ 2,068	\$ 2,068	\$ 1,733	\$ 1,733
Financial liabilities:				
Notes payable to AgFirst Farm Credit Bank	\$ 856,338	\$ 863,289	\$ 455,290	\$ 459,092

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

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

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

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

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

- C. **Investment Securities:** Fair value is primarily based upon prices obtained from a third party valuation service.
- D. **Investment in AgFirst Farm Credit Bank and Other Farm Credit Institutions:** Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 5.30 percent of the issued stock of the Bank as of September 30, 2011 net of any reciprocal investment. As of that date, the Bank's assets totaled \$30.3 billion and shareholders' equity totaled \$2.2 billion. The Bank's earnings were \$295 million during the first nine months of 2011.

In addition, the Association has an investment of \$5,901 related to other Farm Credit institutions.

- E. **Notes Payable to AgFirst Farm Credit Bank:** The notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets) which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables plus accrued interest on the notes payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.
- The book value of accrued interest, which has been included in the carrying amount of notes payable, approximates its fair value.
- F. **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 the related credit risk is not significant.
 - G. **Assets Held in Trust Funds:** See Note 5 for discussion of estimation of fair value for this instrument.

NOTE 7 – MERGER ACTIVITY

Effective January 1, 2011, Farm Credit of North Florida and Farm Credit of Southwest Florida merged into Farm Credit of South Florida. The merged associations operate under the name of Farm Credit of Florida. The primary reason for the merger was based on a determination that the combined organization would be financially and operationally stronger than either of the associations on a stand-alone basis. The merger was accounted for under the acquisition method of accounting.

As the accounting acquirer, South Florida accounted for the transaction by using its historical information and accounting policies and adding the identifiable assets and liabilities of North Florida and Southwest Florida as of the acquisition date of January 1, 2011 at their respective fair values.

As cooperative organizations, Farm Credit associations operate for the mutual benefit of their borrowers, and other customers, and not for the benefit of equity investors. As such, their capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and the bylaws, the associations can issue stock only at its par value of \$5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. In these and other respects, the shares of North Florida and Southwest Florida stock that were converted in the merger and the shares of Farm Credit of

Florida's stock to which they were converted had identical rights and attributes. For this reason, the conversion of North Florida and Southwest Florida stock pursuant to the merger occurred at a one-for-one exchange ratio (i.e., each North Florida and Southwest Florida share was converted into one share of Florida's stock with an equal par value).

Management believes that because the stock in each association is fixed in value (although subject to impairment), the Association's stock issued pursuant to the merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, the Association identified and estimated the acquisition date fair value of North Florida and Southwest Florida's equity interests instead of the acquisition date fair value of the Association's equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed from North Florida and Southwest Florida, were measured based on various estimates using assumptions that the Association's management believes are reasonable utilizing information currently available. Use of different estimates and judgments could yield materially different results. This evaluation produced a fair value of identifiable assets acquired and liabilities assumed that was substantially equal to the fair value of the member interests transferred in the merger. As a result, management recorded no goodwill.

The following table reflects the fair values of the identifiable assets acquired and liabilities assumed from North Florida and Southwest Florida, as well as the merged entity balances at January 1, 2011:

Consolidation of Fair Value of Assets Acquired and Liabilities Assumed at January 1, 2011

	SW Florida <i>(unaudited)</i>	North Florida <i>(unaudited)</i>	South Florida <i>(unaudited)</i>	Florida <i>(unaudited)</i>
Assets	\$ –	\$ 13	\$ 2,790	\$ 2,803
Cash				
Investment securities:				
Held to maturity	39,553	–	1,987	41,540
Loans	215,972	385,302	559,912	1,161,186
Less: allowance for loan losses	–	–	10,679	10,679
Net loans	215,972	385,302	549,233	1,150,507
Other investments	–	10,639	–	10,639
Accrued interest receivable	1,405	1,871	2,086	5,362
Investments in other Farm Credit institutions	6,495	9,486	8,716	24,697
Premises and equipment, net	867	2,575	5,348	8,790
Other property owned	2,173	6,310	4,516	12,999
Due from AgFirst Farm Credit Bank	2,337	4,038	4,484	10,859
Other assets	4,924	3,887	4,658	13,469
Total assets	\$ 273,726	\$ 424,121	\$ 583,818	\$ 1,281,665
Liabilities				
Notes payable to AgFirst Farm Credit Bank	\$ 242,347	\$ 369,481	\$ 454,284	\$ 1,066,112
Accrued interest payable	482	823	1,006	2,311
Patronage refund payable	15	40	671	726
Advanced conditional payments	–	407	3,710	4,117
Other liabilities	3,312	4,345	5,119	12,776
Total liabilities	246,156	375,096	464,790	1,086,042
Commitments and contingencies				
Members' Equity				
Protected borrower stock	227	40	2,463	2,730
Capital stock and participation certificates	525	1,411	635	2,571
Additional paid in capital	1,341	6,702	(121)	7,922
Retained earnings				
Allocated	25,592	40,872	30,879	97,343
Unallocated	–	–	85,057	85,057
Accumulated other comprehensive income (loss)	(115)	–	115	–
Total members' equity	27,570	49,025	119,028	195,623
Total liabilities and members' equity	\$ 273,726	\$ 424,121	\$ 583,818	\$ 1,281,665

Disclosures related to acquired impaired loans are contained in Note 3, Loans and Allowance for Loan Losses.

The acquisition method of accounting requires the financial statement presentation of combined balances as of the date of the merger, but only for the acquirer for previous periods. The Consolidated Balance Sheet reflects the merged balances as of September 30, 2011 and the balances of South Florida only as previously presented for December 31, 2010. The Consolidated Statement of Income reflects the results of operations for South Florida as previously reported for 2010. For 2011, the Consolidated Statement of Income reflects the results of operations of the merged entity for the period ended September 30, 2011. The Consolidated Statement of Changes in Members' Equity reflects the changes in equity for the Association as previously reported for the years 2010 and 2009. For 2011, the Consolidated Statement of Changes in Members' Equity reflects the changes in members' equity

of the merged entity for the period ended September 30, 2011.

Information presented in the footnotes to the Consolidated Financial Statements reflects information for South Florida as previously reported for 2010 and 2009, while information for 2011 reflects the balances and transactional activity of the merged entity during and as of the period ended September 30, 2011.

NOTE 8 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined there are none requiring disclosure through November 7, 2011, which is the date the financial statements were issued.