AgSouth Farm Credit, ACA

FIRST QUARTER 2013

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2013 quarterly report of AgSouth Farm Credit, 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.

William P. Spigener, Jr.
Chief Executive Officer

Alisa D. Gunter
Chief Financial Officer

Arthur Q. Black
Chairman of the Board

May 9, 2013

AgSouth Farm Credit, 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 affected 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, 2013. 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, 2013, 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, 2013.

William P. Spigener
Chief Executive Officer

Alisa D. Gunter
Chief Financial Officer

May 9, 2013

AgSouth Farm Credit, 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 AgSouth Farm Credit, ACA (Association) for the period ended March 31, 2013. This information should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2012 Annual Report of AgSouth Farm Credit. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

FORWARD LOOKING INFORMATION

This quarterly report contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

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 wide range of agricultural commodities produced in our region, including poultry (broilers, turkeys and eggs), timber, sod and nursery, field crops and grains, cotton, horses, blueberries, fruits, nuts and beef cattle. Loans to producers of these commodities total $1,238,062 or 85.61 percent of the Association's portfolio. Farm size varies, and many of the Association customers have diversified farming operations. These factors, along with the numerous opportunities for non-farm income in the area, reduce to some degree the level of income dependency on any given commodity.

During the first quarter of 2013 the Association originated $36,514 in loans for the secondary market. Originations at the same period 2012 were $29,243. The 24.86 percent increase is the result of the continued historically low rates and the stabilization of home values. This stabilization has encouraged existing home sales and led to an increase in new home construction. As of March 31, 2013, the Association held $1,795 in qualifying loans for sale.

Georgia Region

While the area within AgSouth's territory in Georgia did not experience significant drought conditions in 2012, many areas of the state did. Those drought conditions across the entire state have now been eliminated with record first quarter rainfall. Rainfall in February set a new record with a statewide average of 9.92 inches, breaking the previous average of 8.73 inches set back in 1939. Soil moisture has been recharged for the 2013 planting season. Cooler than normal temperatures in March delayed some early spring plantings; however, most have resumed at this time. USDA reports corn in Georgia is 30 percent planted as of April 1; however, that compares to 68 percent planted by the same time last year. Peaches are reported to be 93 percent blooming as of April 1 and are rated 60 percent good to excellent and 32 percent fair by USDA. Blueberries are rated 51percent good to excellent with 36 percent fair. The Vidalia sweet onion crop is rated 45 percent good to excellent with 53 percent fair. Winter wheat and rye is also in very good condition at this time.

Commodity prices remain strong with producers able to lock in profitable prices for 2013 crops. The cattle markets also look very favorable at this time with strong prices and a positive outlook for the year. The poultry industry continues to improve with higher meat prices creating better profit margins. This has been helped by a moderation in corn prices over the past twelve months. There is some expansion by the major integrators within AgSouth's territory in Georgia and we will look for opportunities to expand loan volume in this area.

First quarter 2013 timber markets were mixed, but most product markets are slightly higher than 2012. Winter rainfall pushed pine pulpwood prices back to above average prices. A few recent sales in the coastal counties have produced prices around $20 per ton. Pulpwood markets have regained a sense of optimism with higher prices and announcements of several new pellet mills to create additional demand. Pine chip-n-saw and sawtimber prices have remained mostly stable. With recent increases in new home construction, lumber prices have risen and may signal that sawtimber demand could follow moving those prices higher. Hardwood markets remain mostly stable as well. Composite index prices on lumber have risen from $270 mbf to $380 mbf since August of 2012, improving margins in area saw mills.

The general economy in Georgia continues to show signs of slow improvement. Unemployment in the state remained at 8.6 percent during the first quarter showing no change from year end 2012. Unemployment is, however, down from 9.1 percent at first quarter 2012. This remains however above the national rate of 7.7 percent. The manufacturing index for the state was up in February to 55.2 (PMI) indicating the state's manufacturing sector continues to expand and at a rate above the national average of 51.4. A PMI above 50 indicates expansion and less than 50 indicates contraction. Koch Foods has announced a $49 million expansion of its poultry processing facilities in Harris County which will create 750 new jobs in that area. This expansion will also include an increase in broiler houses in that area as the Pine Mountain Valley plant comes up to full capacity. Most houses will be in the Heard and Carroll County area. Port activity in Georgia continues to increase, rising 7 percent in February, up over 30 percent compared to February 2012. This continues to stimulate economic activity particularly in the southeast Georgia region.

Housing starts continue to improve both nationally and within the state through February 2013, up 31 percent and 16.9 percent respectively from a year earlier. Mortgage rates remain at historical lows.

Land values continue to show signs of strengthening with an increase in overall land sales activity. Loan demand remains good, however, there has been an increase in competition within the agricultural finance market. Both community banks and large regional and national banks are increasing their interest in ag loans.

South Carolina Region

Information released during the first quarter of 2013 relating to South Carolina farms indicates that there were 26,700 farms in the state in 2012, and the number of farms was down by approximately 300 farms compared to 2011. Acreage considered farms within the state for 2012 totaled 4.8 million acres, down slightly from 2011, and the average size of a SC farm is now 180 acres. Farms with $100,000 or more in sales totaled 2,500 for the past year, which was up 14 percent from 2011, and accounted for 9.4 percent of all farms.

Crop plantings for South Carolina are behind schedule as the first quarter of 2013 ended. Colder than normal weather throughout the state slowed plantings of spring grain crops with late frosts and freezes noted in many areas of the state. Soil moisture was reported as adequate or better with 95 percent of the state having received adequate or surplus moisture through quarter end. Corn planting was at 22 percent at quarter end compared to the previous five year average of 34 percent for the similar time frame. Other spring planted crops of significance including cotton, peanuts, and soybeans are not yet planted and will now overlap with corn plantings to some degree. The overlap of plantings does not create a significant concern. Winter wheat has headed at a slower rate this year, again due to the temperatures experienced during the late winter and early days of spring, with only 3 percent headed compared to a five year average of 7 percent headed by the end of the first quarter. The wheat crop is 98 percent fair to excellent. AgSouth's service area in South Carolina consists of a significant acreage of pasture used for all sorts of livestock, and the recent moisture has pasture 96 percent fair to excellent throughout the state.

Similar to the spring grain crops, cantaloupe, cucumber, tomato, and watermelon plantings were also slowed and are behind schedule. The freeze experienced during late winter and early spring did affect some vegetable and fruit crops. The peach crop received some damage, but the crop continues to be rated in fair condition overall. None of the vegetable or fruit crops produced in the Association's territory represent a significant concentration for the Association so the impact is not of significant concern.

Broilers remain the largest commodity concentration paid from agricultural income within the South Carolina region. Some upgrades of broiler facilities have occurred by broiler producers during recent times, but expansion and new house construction has been limited over the past few years. With the recent pullback in grain prices, the feed costs of the integrators should become less of a concern and could lead to additional broiler houses being constructed in South Carolina. Most regional poultry loans have been guaranteed with 90 percent USDA guarantees due to the specialized nature of the collateral, and the guarantees have served to lower the risk relating to loss for these specific loans.

Forestry products financed within the South Carolina region, excluding the forestry processing and harvesting sector, continue to represent the largest commodity concentration, but a limited number of these accounts are dependent upon timber sales for repayment. During the first quarter, lumber prices improved dramatically and stumpage prices improved to a less significant degree. Processors have utilized the increased margins to improve their finances in recent months. Reports relating to a large sawmill, much larger than any mill currently located in the state, coming to the Orangeburg area of the state persist and air quality permits have been approved for such an investment. The construction of this mill would create a new source of sales for timberland owners and could enhance prices realized by timber producers in a large portion of the state. There is competition for the location of this mill between several states, so the status is yet to be determined.

With a substantial portion of the South Carolina region's loans continuing to be repaid from nonfarm salaries and nonfarm business income, the state's general economy is of significance to AgSouth. Unemployment data improved in February 2013 to 8.6 percent, which is down from 9.4 percent for the same period in 2012. In February, the number of South Carolina residents with jobs reached the highest level since August 2008, rising to nearly 2.0 million employed. Unfortunately, despite the improvement in South Carolina employment, the state's unemployment continues to trail the nation's unemployment which reached a five year low at 7.7 percent in the most recent reporting. On a positive note, the state's exports hit a record $25.3 billion in 2012, which was a 2.23 percent increase over 2011. The potential for further improvement in exports from the state is possible as dredging of the port is undertaken in future years for access by even larger ships and the creation of an inland port in Greer, South Carolina becomes a reality to move product to the coast for shipping. The potential for significant economic improvement in South Carolina is realistic and appears on track.

ASSOCIATION BALANCE SHEET

The gross loan volume of the Association as of March 31, 2013, was $1,446,121, a decrease of $44,846 or 3.01 percent as compared to $1,490,967 at December 31, 2012. Net loans outstanding at March 31, 2013 were $1,435,370 as compared to $1,480,094 at December 31, 2012. Net loans accounted for 94.42 percent of total assets at March 31, 2013, as compared to 93.48 percent of total assets at December 31, 2012.

The decrease in gross loan volume during the reporting period is attributed to payments and payoffs on operating lines in excess of advances on new or existing loans. Commercial bank competition for good, quality loans has also increased within the Association's territory in the current reporting period.

The Association typically structures loans to meet the needs of the borrower. Many term loans are made for ten years or less allowing the borrower to build equity faster and thus reducing the risk in the loan portfolio.

At December 31, 2012, the Association held Investment securities totaling $4,159. These investments are Rural America bonds made under the authority for Mission Related Investments granted by the Farm Credit Administration. At March 31, 2013, investment securities totaled $4,124, a decrease of $35. The less than one percent decrease is from normal payments during the reporting period.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level and credit administration remains satisfactory. Nonaccrual loans increased from $17,153 at December 31, 2012, to $18,738 at March 31, 2013. This increase is the result of transfers to nonaccrual. Nonaccrual loans are reduced by liquidations, returning loans to accrual status, or transferring assets to other property owned. Association staff is working diligently to work out all nonaccrual debt situations, and additional transfers may occur as the economy remains sluggish.

Other property owned decreased to $10,640 at March 31, 2013 from $12,565 at December 31, 2012. The decrease of $1,925 or 15.32 percent in other property owned is the result of the sale or write down of several pieces of property taken during the reporting period exceeding any acquisitions. The Association continues to hold several significant acreage tracts in both the Georgia and South Carolina territory served. The Association is actively marketing all properties for sale. For details, please visit our website at www.agsouthfc.com and click on Property For Sale.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2013, was $10,751 compared to $10,873 at December 31, 2012, and was considered by management to be adequate to cover possible losses. The decrease in the allowance account is the result of a provision adjustment to other liabilities to cover potential losses on undrawn commitment. The Asset/Liability Committee (ALCO) of the Association, which is comprised of members of senior management and staff assigned to special assets management, met in March to review the allowance account. The ALCO determined that an addition to the allowance account was not needed at this time, but that additional funds needed to be set aside for potential losses on undrawn commitment balances which had increased during the reporting period. The ALCO considered the general economic conditions, the potential for further deterioration in the existing portfolio and the possibility for some loan growth in the next quarter in determining the level of allowance.

Premises and equipment, net decreased $138 from $15,802 at December 31, 2012 to $15,664 at March 31, 2013. The decrease is the result of normal activity within the premises and equipment accounts.

The amount due from AgFirst Farm Credit Bank decreased $10,875 from $13,418 at December 31, 2012 to $2,543 at March 31, 2013. This line item includes the accrual of patronage income year to date from AgFirst to the Association. As of March 31, 2013 only one quarter of accrual had been recorded. The Association has no reason to expect that the patronage accrual for 2013 will differ significantly from the 2012 amount.

RESULTS OF OPERATIONS

For the three months ended March 31, 2013

Net income for the three months ended March 31, 2013, totaled $8,798 as compared to $10,430 for the same period in 2012. This is a decrease of $1,632 or 15.65 percent. The commentary below explains the variance.

At March 31, 2013, interest income decreased $918 from $22,653 at March 31, 2012 to $21,735 at March 31, 2013. The decrease was due to the decrease in the loan volume base earning interest income, a decrease in interest income earned on participation purchased loans and a decrease in interest income on investments in Rural America bonds recognized between the two reporting periods. During the first quarter of 2012, a sizable Rural America bond was liquidated and is no longer in the investment portfolio. Nonaccrual income, which is included in interest income, was $25 for the three months ended March 31, 2013, as compared to $176 for the same period in 2012. The significant decrease in nonaccrual income is from a large nonaccrual loan paying off during 2012 that did not reoccur during 2013.

Interest expense for the three months ended March 31, 2013 decreased $890 from $8,842 at March 31, 2012 to $7,952 at March 31, 2013. The decrease is tied to the lower Notes Payable balance, the lower interest rate environment and the ability of the Association to reprice its debt at AgFirst Farm Credit bank at lower rates.

Net interest income before the provision for loan loss decreased $28 for the three months ended March 31, 2013, as compared to the same period in 2012 due primarily to the decrease in nonaccrual income recorded and discussed above. Net interest income after the provision for loan losses increased $122 during the quarter ending March 31, 2013. The increase can be tied to the reversal of the provision made in the quarter ending March 31, 2013. The reversal was necessary to move general allowance to Other Liabilities to cover potential losses on undrawn loan commitment. No provision entry was made during the quarter ending March 31, 2012 period.

Noninterest income decreased $471 over the same period last year. Loan fees decreased $526 or 36.81 percent. During first quarter 2012, a significant fee amount was earned on the payoff of an investment security. Fees for financially related services decreased $37 from $321 at March 31, 2012 compared to $284 at March 31, 2013. The decrease of 11.53 percent is due to a decrease in commissions earned on leasing activities, crop insurance and from the sale of life insurance between the two reporting periods.

The patronage refunds from other Farm Credit institutions increased $18 from $2,721 at March 31, 2012 to $2,739 at March 31, 2013. This is an increase of less than 1 percent and is tied to the lower Notes Payable balance at AgFirst Farm Credit Bank and a decrease in patronage earned on loans sold to other Farm Credit entities. The Notes Payable is the basis for the patronage distribution from the AgFirst Farm Credit Bank.

In the three months ending March 31, 2013, the Association experienced losses on the sale of Other Property Owned in the amount of $257. During the same period of 2012, the Association booked losses on the sale of Other Property Owned of $282. The losses were an accumulation of write downs on several pieces of Other Property Owned held by the Association as well as losses recorded at the time of the sale. Some pieces are under contract for less than the current carrying value, while other write downs were needed due to new appraisals.

Gains on the sale of rural home loans increased $138 from $322 at March 31, 2012 compared to $460 at March 31, 2013. The increase in gains is the result of the increase in originations between the two reporting periods and the increase in yield spread earned on loans sold into the secondary market.

Gains on the sale of premises and equipment were $17 for the period ending March 31, 2013 compared to $0 for the period ending March 31, 2012. During the reporting quarter in 2013, the Association sold several Association owned vehicles at a gain.

Other noninterest income decreased from $217 at March 31, 2012 to $111 at March 31, 2013. The 2013 amount includes the reserve for undrawn loan commitments established during the quarter offset by an insurance refund received in the first quarter.

Noninterest expense for the three months ended March 31, 2013, increased $1,255 or 15.47 percent when compared to the same period of 2012. Salaries and employee benefit expense increased $699 between the two reporting periods. The increase in salaries and employee benefits is tied to an increase in commissions paid to the secondary market origination staff due to their increase in originations and the difference between the actual and estimated accrual of the 2012 incentive. Final results generated a larger incentive payment than estimated.

Occupancy and equipment expense at March 31, 2013 was $768 compared to $568 for the same period in 2012. The increase of $200 is due to the property taxes being paid in a different time period in 2013 than in 2012. Association staff will work to be consistent in the payment of the property taxes going forward.

The Insurance Fund premium increased $128 from $150 at March 31, 2012 to $278 at March 31, 2013. The variance is due to the higher premium on both accruing and nonaccruing loans assessed in 2013 by the Insurance Fund.

Other operating expenses increased $228 from $1,480 at March 31, 2012, compared to $1,708 at March 31, 2013. The increase of 15.41 percent is attributed to an increase in purchased services expense due to some legal and consultant fees. Some of the variance can be explained as timing differences in the payment of advertising and public relations expenses, and an increase in director expense for honorarium and travel due to an increase in the number of board and committee meetings in 2013. The Association continues to experience higher travel expense due to the increase in the cost of operating Association automobiles. Other operating expenses also include communications, data processing, and all other expenses necessary to run the business.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances the funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2013 was $1,209,365 as compared to $1,280,348 at December 31, 2012. The decline in the notes payable correlates to the decrease in gross loans during the reporting period.

See Note 5 in the Notes to the Consolidated Financial Statements for information on the status of compliance with covenants under the General Financing Agreement.

CAPITAL RESOURCES

Total members' equity at March 31, 2013 increased by $8,782 to $275,347 from the December 31, 2012 total of $266,565. The increase is primarily attributed to the addition to capital at year end 2012 offset by the retirement of capital stock and participation certificates during the reporting period. At December 31, 2012, allocated retained earnings totaled $113,193. At March 31, 2013, the allocated retained earnings had decreased to $113,156. The decrease of $37 is not considered material. Unallocated equities increased $8,832 from $146,871 at December 31, 2012 to $155,703 at March 31, 2013. The increase is the result of earnings retained for capital purposes at year end 2012 and year to date earnings in 2013.

Total capital stock and participation certificates were $7,073 on March 31, 2013, compared to $7,108 on December 31, 2012. The decrease is attributed to the retirement of stock and participation certificates on loans liquidated in the normal course of business offset by the purchase of new stock for new borrowing entities.

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, 2013, the Association's total surplus ratio and core surplus ratio were 18.08 percent and 12.58 percent, respectively, and the permanent capital ratio was 18.60 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.

The Association has a portion of the portfolio in an in-portfolio guarantee program with Farmer Mac. The purpose of these guarantees is to improve the Association's capital position. At March 31, 2013, the Association had loans totaling $32,340 in this program. The cost of the guarantees year to date was $46. The use of the Farmer Mac in-portfolio guarantee has a positive effect on the Association's capital ratios.

At December 31, 2012, the Association's permanent capital ratio was 17.05 percent. The increase to 18.60 percent permanent capital at March 31, 2013 is the result of the Association's decision to retain income in unallocated surplus, the limited growth on the balance sheet, and the use of various loan guarantee programs, including FSA, SBA and Farmer Mac. The Association has other tools available to strengthen the capital position. These options include selling additional loans to AgFirst and others, placing additional pools of loans with Farmer Mac in the in-portfolio guarantee program, and participating with AgFirst in a capitalized participation pool. Should additional measures be needed to improve the Association's capital ratios, Association management will study all options and make a recommendation to the Board for consideration.

REGULATORY MATTERS

On October 11, 2012, the Board entered into a Supervisory Agreement with the FCA. The Supervisory Agreement requires the Association to take corrective actions with respect to certain areas of its operations including standards of conduct, acquired property, borrower rights and board policies. Conditions and events that led to the need for this agreement include ineffective controls that resulted in the failure to comply with FCA Regulations in the sale of acquired property; violations of FCA Borrower Rights Regulations at 12 C.F.R. Part 612, Subpart G; ineffective controls over board and employee standards of conduct; an inadequate Standards of

Conduct program which resulted in violations of FCA Regulations; and a lack of controls regarding standards of conduct for agents. The requirements of this agreement include, but are not limited to:

- Appointment of a new Standards of Conduct Official (SOCO)
- Appointment of a Board Compliance Committee as it relates to the Supervisory Agreement and ongoing Standards of Conduct issues
- Establishment of a standards of conduct program for directors, employees, and agents of the Association which is to include a review of applicable policies and procedures, training for directors and employees and comprehensive audits
- Establishment for a defined process for handling borrower rights issues, including updates to Association policy and procedures
- Policies and procedures revisions and updates around the disposition of other property owned
- Special requirements for properties under contract as of the date of the agreement
- Board approval and certification of future contracts on other properties owned to ensure compliance with FCA Regulations and Association policies and procedures

The Association has developed action plans to correct the weaknesses identified with assignments and due dates. The following action steps are complete as of this writing:

- A Compliance Committee was appointed by the Board of Directors. This committee is comprised of the Board chairman and vice chairman, Audit Committee chairman, and two other directors. The Board chairman will serve as the chairman of the Compliance Committee.
- The Board named Wesley D. Sutton as the Association Standards of Conduct Official. This action was approved by the Director, Risk Supervision Division at the FCA.
- Reports of required task completion outlined in the Supervisory Agreement have been made and published to the Director, Risk Supervision Division.
- Standards of Conduct policies and procedures have been updated, revised, and approved by the Board of Directors.
- Training on Standards of Conduct policies and procedures for all directors and employees has been completed.
- Director disclosures were completed and meetings were held with the SOCO to discuss the same. Following completion of the meetings, the SOCO presented a comprehensive report to the Board.
- Employee disclosures were completed and meetings were held with the SOCO to discuss the same. The SOCO will present a comprehensive report to the Board at the April 2013 meeting.
- The 4th quarter 2012 SOCO report was presented to the Board of Directors at the January 2013 Board meeting.
- The 1st quarter 2013 SOCO report was presented to the Board of Directors at the April 2013 Board meeting.
- A report of acquired property activities during the first quarter of 2013 was presented at the April 2013 Board meeting.
- An independent accounting firm has been hired to complete a comprehensive audit of all acquired property sales from December 31, 2009 forward. The final report was presented to the Board at its' March 2013 meeting. No new exceptions to policy or regulation were identified.
- An independent law firm was hired to complete a comprehensive review of the Association's Standard of Conduct programs for directors, employees and agents, including policies and procedures, training materials, and disclosure documents. The final report was presented to the Board of Directors at the February 2013 Board meeting. Additional suggested revisions to Standards of Conduct policies and procedures have been made and approved by the Board of Directors.

Both the Board and Senior Management are committed to continuing the administration of the Association in a safe and sound manner, compliant with all FCA Regulations.

The Association remained under written Supervisory Agreement as of the date of this report.

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 2012 Annual Report to Shareholders for recently issued accounting pronouncements.

NOTE: Shareholder investment in the Association is materially 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 1-800-310-4805, ext. 6737, writing Alisa D. Gunter, CFO, AgSouth Farm Credit, ACA, PO Box 4966, Spartanburg, SC 29305, or accessing the website *www.agsouthfc.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.

AgSouth Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2013 (unaudited)	December 31, 2012 (audited)
Assets		
Cash	$ 2,946	$ 4,619
Investment securities:		
Held to maturity (fair value of $4,538 and $4,628, respectively)	4,124	4,159
Loans	1,446,121	1,490,967
Less: allowance for loan losses	10,751	10,873
Net loans	1,435,370	1,480,094
Loans held for sale	1,795	3,000
Accrued interest receivable	13,001	14,328
Investments in other Farm Credit institutions	21,611	21,686
Premises and equipment, net	15,664	15,802
Other property owned	10,640	12,565
Due from AgFirst Farm Credit Bank	2,543	13,418
Other assets	12,498	13,609
Total assets	$ 1,520,192	$ 1,583,280
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 1,209,365	$ 1,280,348
Accrued interest payable	2,682	2,777
Patronage refunds payable	930	8,555
Other liabilities	31,868	25,035
Total liabilities	1,244,845	1,316,715
Commitments and contingencies		
Members' Equity		
Protected borrower stock	63	78
Capital stock and participation certificates	7,010	7,030
Retained earnings		
Allocated	113,156	113,193
Unallocated	155,703	146,871
Accumulated other comprehensive income (loss)	(585)	(607)
Total members' equity	275,347	266,565
Total liabilities and members' equity	$ 1,520,192	$ 1,583,280

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

AgSouth Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2013	2012
Interest Income		
Investment securities	$ 64	$ 112
Loans	21,671	22,541
Total interest income	21,735	22,653
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	7,948	8,839
Other	4	3
Total interest expense	7,952	8,842
Net interest income	13,783	13,811
Provision for (reversal of allowance for) loan losses	(150)	—
Net interest income after provision for (reversal of allowance for) loan losses	13,933	13,811
Noninterest Income		
Loan fees	903	1,429
Fees for financially related services	284	321
Patronage refunds from other Farm Credit institutions	2,739	2,721
Gains (losses) on other property owned, net	(257)	(282)
Gains (losses) on sales of rural home loans, net	460	322
Gains (losses) on sales of premises and equipment, net	17	—
Other noninterest income	111	217
Total noninterest income	4,257	4,728
Noninterest Expense		
Salaries and employee benefits	6,614	5,915
Occupancy and equipment	768	568
Insurance Fund premiums	278	150
Other operating expenses	1,708	1,480
Total noninterest expense	9,368	8,113
Income before income taxes	8,822	10,426
Provision (benefit) for income taxes	24	(4)
Net income	$ 8,798	$ 10,430

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

AgSouth Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2013	For the three months ended March 31, 2012
Net income	$ 8,798	$ 10,430
Other comprehensive income net of tax		
Employee benefit plans adjustments	22	(28)
Comprehensive income	$ 8,820	$ 10,402

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

AgSouth Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2011	$ 104	$ 6,679	$ 113,878	$ 132,426	$ (474)	$ 252,613
Comprehensive income				10,430	(28)	10,402
Protected borrower stock retired	(23)					(23)
Capital stock/participation certificates issued/(retired), net		71				71
Retained earnings retired			(6)			(6)
Patronage distribution adjustment			21	(30)		(9)
Balance at March 31, 2012	$ 81	$ 6,750	$ 113,893	$ 142,826	$ (502)	$ 263,048
Balance at December 31, 2012	$ 78	$ 7,030	$ 113,193	$ 146,871	$ (607)	$ 266,565
Comprehensive income				8,798	22	8,820
Protected borrower stock retired	(15)					(15)
Capital stock/participation certificates issued/(retired), net		(20)				(20)
Retained earnings retired			(13)			(13)
Patronage distribution adjustment			(24)	34		10
Balance at March 31, 2013	$ 63	$ 7,010	$ 113,156	$ 155,703	$ (585)	$ 275,347

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

AgSouth Farm Credit, 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 AgSouth Farm Credit, 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, 2012, are contained in the 2012 Annual Report to Shareholders. These unaudited first quarter 2013 consolidated financial statements should be read in conjunction with the 2012 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, 2013, are not necessarily indicative of the results to be expected for the year ending December 31, 2013.

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, 2013, the allowance for losses is adequate in management's opinion to provide for possible losses on existing loans.

Recently Issued Accounting Pronouncements

In February 2013 the FASB issued Accounting Standards Update (ASU) 2013-04, "Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date," which addresses the recognition, measurement and disclosure of certain obligations including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The amendments are to be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the Update's scope that exist at the beginning of an entity's fiscal year of adoption. An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in the Update) and should disclose that fact. The amendments are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2014, and interim periods and annual periods thereafter. Early application is permitted. It is not anticipated the adoption of this guidance will have a material impact on the Association's's financial condition or results of operations but will result in additional disclosures.

In February 2013 the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The update is intended to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The amendments do not change the requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early application is permitted.

In January 2013, the FASB issued ASU 2013-01 "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." The Update clarifies that ordinary trade receivables and payables are not in the scope of ASU 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities." Specifically, ASU 2011-11 applies only to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria or subject to a master netting arrangement or similar agreement. The effective date is the same as that for ASU 2011-11 below.

In December 2011, the FASB issued ASU 2011-11, "Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities." The guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities. The requirements apply to recognized financial instruments and derivative instruments that are offset in accordance with accounting guidance and for those recognized financial instruments and derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset or not. This guidance is to be applied retrospectively for all comparative periods and is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance, in conjunction with ASU 2013-01 above, will not impact the Association's financial condition or its results of operations, but will result in additional disclosures.

Other recently issued accounting pronouncements are discussed in the 2012 Annual Report to Shareholders.

NOTE 2 — INVESTMENT SECURITIES

A summary of the amortized cost and fair value of investment securities held-to-maturity at March 31, 2013 and December 31, 2012 follows:

	March 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 4,124	$ 414	$ –	$ 4,538	6.23%

	December 31, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission-related investments	$ 4,159	$ 469	$ –	$ 4,628	5.97%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity at March 31, 2013 follows:

	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	– %
After one year through five years	–	–	–
After five years through ten years	–	–	–
After ten years	4,124	4,538	6.23
Total	$ 4,124	$ 4,538	6.23 %

The Association's mission-related investments consist of private placement securities purchased under the Rural America Bond 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 were in a continuous unrealized loss position at March 31, 2013 or December 31, 2012.

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 in connection with its investment securities. The Association has the ability and intent to hold these investments until maturity and at this time expects to collect the full principal amount and interest due on these securities. 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.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	March 31, 2013	December 31, 2012
Real estate mortgage	$ 1,179,674	$ 1,196,680
Production and intermediate-term	212,337	234,859
Agribusiness		
Loans to cooperatives	588	597
Processing and marketing	6,662	12,010
Farm-related business	9,504	10,339
Total agribusiness	16,754	22,946
Rural residential real estate	36,781	35,901
Other	575	581
Total Loans	$ 1,446,121	$ 1,490,967

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. Participation loan balances at period end were as follows:

	March 31, 2013							
	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	$ 450	$ 106,780	$ –	$ 4,249	$ –	$ –	$ 450	$ 111,029
Production and intermediate-term	130	39,401	802	2,858	2,462	(125)	3,394	42,134
Agribusiness								
Processing and marketing	931	19,066	–	6,319	–	–	931	25,385
Total agribusiness	931	19,066	–	6,319	–	–	931	25,385
Total	$ 1,511	$ 165,247	$ 802	$ 13,426	$ 2,462	$ (125)	$ 4,775	$ 178,548

	December 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	$ 474	$ 102,606	$ –	$ 4,309	$ –	$ –	$ 474	$ 106,915
Production and intermediate-term	247	40,173	821	1,236	2,561	(125)	3,629	41,284
Agribusiness								
Processing and marketing	1,596	19,836	–	6,611	–	–	1,596	26,447
Total agribusiness	1,596	19,836	–	6,611	–	–	1,596	26,447
Total	$ 2,317	$ 162,615	$ 821	$ 12,156	$ 2,561	$ (125)	$ 5,699	$ 174,646

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, 2013 and indicates that approximately 11.24 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	$ 71,239	$ 253,308	$ 855,127	$ 1,179,674
Production and intermediate-term	80,127	91,593	40,617	212,337
Agribusiness				
Loans to cooperatives	500	27	61	588
Processing and marketing	3,055	927	2,680	6,662
Farm-related business	3,544	2,792	3,168	9,504
Total agribusiness	7,099	3,746	5,909	16,754
Rural residential real estate	4,014	5,378	27,389	36,781
Other	–	–	575	575
Total Loans	$ 162,479	$ 354,025	$ 929,617	$ 1,446,121

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, 2013	December 31, 2012
Real estate mortgage:		
Acceptable	93.89%	94.27%
OAEM	3.55	3.46
Substandard/doubtful/loss	2.56	2.27
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	89.55%	90.53%
OAEM	4.19	3.77
Substandard/doubtful/loss	6.26	5.70
	100.00%	100.00%
Agribusiness:		
Loans to cooperatives:		
Acceptable	14.88%	16.52%
OAEM	85.12	83.48
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	95.61%	90.20%
OAEM	–	–
Substandard/doubtful/loss	4.39	9.80
	100.00%	100.00%

	March 31, 2013	December 31, 2012
Farm-related business:		
Acceptable	97.80%	98.06%
OAEM	2.09	1.93
Substandard/doubtful/loss	0.11	0.01
	100.00%	100.00%
Total agribusiness:		
Acceptable	94.03%	91.84%
OAEM	4.17	3.02
Substandard/doubtful/loss	1.80	5.14
	100.00%	100.00%
Rural residential real estate:		
Acceptable	96.40%	97.38%
OAEM	2.42	1.73
Substandard/doubtful/loss	1.18	0.89
	100.00%	100.00%
Other:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total Loans:		
Acceptable	93.32%	93.72%
OAEM	3.62	3.46
Substandard/doubtful/loss	3.06	2.82
	100.00%	100.00%

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

	March 31, 2013					
	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	$ 7,170	$ 3,075	$ 10,245	$ 1,179,790	$ 1,190,035	$ 32
Production and intermediate-term	416	2,263	2,679	211,964	214,643	–
Agribusiness						
Loans to cooperatives	–	–	–	592	592	–
Processing and marketing	–	279	279	6,416	6,695	–
Farm-related business	91	10	101	9,493	9,594	–
Total agribusiness	91	289	380	16,501	16,881	–
Rural residential real estate	518	–	518	36,447	36,965	–
Other	–	–	–	577	577	–
Total	$ 8,195	$ 5,627	$ 13,822	$ 1,445,279	$ 1,459,101	$ 32

	December 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	$ 6,098	$ 3,233	$ 9,331	$ 1,197,758	$ 1,207,089	$ 280
Production and intermediate-term	398	5,770	6,168	232,106	238,274	–
Agribusiness						
Loans to cooperatives	–	–	–	601	601	–
Processing and marketing	–	–	–	12,205	12,205	–
Farm-related business	10	1	11	10,458	10,469	–
Total agribusiness	10	1	11	23,264	23,275	–
Rural residential real estate	595	64	659	35,397	36,056	–
Other (including mission-related)	–	–	–	582	582	–
Total	$ 7,101	$ 9,068	$ 16,169	$ 1,489,107	$ 1,505,276	$ 280

The recorded investment in a 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, 2013	December 31, 2012
Nonaccrual loans:		
Real estate mortgage	$ 8,391	$ 6,956
Production and intermediate-term	9,799	9,820
Agribusiness		
Processing and marketing	295	295
Farm-related business	10	1
Total agribusiness	305	296
Rural residential real estate	243	81
Total nonaccrual loans	$ 18,738	$ 17,153
Accruing restructured loans:		
Real estate mortgage	$ 9,077	$ 8,269
Production and intermediate-term	1,079	1,026
Agribusiness		
Processing and marketing	–	–
Farm-related business	200	202
Total agribusiness	200	202
Rural residential real estate	–	–
Total accruing restructured loans	$ 10,356	$ 9,497
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 32	$ 280
Production and intermediate-term	–	–
Agribusiness		
Processing and marketing	–	–
Farm-related business	–	–
Total agribusiness	–	–
Rural residential real estate	–	–
Total accruing loans 90 days or more past due	$ 32	$ 280
Total nonperforming loans	$ 29,126	$ 26,930
Other property owned	10,640	12,565
Total nonperforming assets	$ 39,766	$ 39,495
Nonaccrual loans as a percentage of total loans	1.30%	1.15%
Nonperforming assets as a percentage of total loans and other property owned	2.73%	2.63%
Nonperforming assets as a percentage of capital	14.44%	14.82%

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, 2013	December 31, 2012
Impaired nonaccrual loans:		
Current as to principal and interest	$ 11,503	$ 7,177
Past due	7,235	9,976
Total impaired nonaccrual loans	18,738	17,153
Impaired accrual loans:		
Restructured	10,356	9,497
90 days or more past due	32	280
Total impaired accrual loans	10,388	9,777
Total impaired loans	$ 29,126	$ 26,930

The following tables present additional information concerning impaired loans and related allowance by loan type at period end.

	March 31, 2013			Quarter Ended March 31, 2013	
	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	$ 3,010	$ 3,647	$ 685	$ 2,866	$ 14
Production and intermediate-term	3,271	3,923	908	3,114	15
Agribusiness					
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Total agribusiness	–	–	–	–	–
Rural residential real estate	–	–	–	–	–
Total	$ 6,281	$ 7,570	$ 1,593	$ 5,980	$ 29
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 14,490	$ 17,519	$ –	$ 13,794	$ 66
Production and intermediate-term	7,607	9,633	–	7,241	35
Agribusiness					
Processing and marketing	295	840	–	281	1
Farm-related business	210	233	–	201	1
Total agribusiness	505	1,073	–	482	2
Rural residential real estate	243	302	–	232	1
Total	$ 22,845	$ 28,527	$ –	$ 21,749	$ 104
Total impaired loans:					
Real estate mortgage	$ 17,500	21,166	685	$ 16,660	$ 80
Production and intermediate-term	10,878	13,556	908	10,355	50
Agribusiness					
Processing and marketing	295	840	–	281	1
Farm-related business	210	233	–	201	1
Total agribusiness	505	1,073	–	482	2
Rural residential real estate	243	302	–	232	1
Total	$ 29,126	$ 36,097	$ 1,593	$ 27,729	$ 133

	December 31, 2012			Year Ended December 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	$ 814	$ 926	$ 310	$ 1,078	$ 53
Production and intermediate-term	3,186	3,784	964	4,219	209
Agribusiness					
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Total agribusiness	–	–	–	–	–
Rural residential real estate	–	–	–	–	–
Total	$ 4,000	$ 4,710	$ 1,274	$ 5,297	$ 262
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 14,691	$ 17,862	$ –	$ 19,459	$ 962
Production and intermediate-term	7,660	8,868	–	10,146	500
Agribusiness					
Processing and marketing	295	840	–	390	19
Farm-related business	203	226	–	268	13
Total agribusiness	498	1,066	–	658	32
Rural residential real estate	81	135	–	108	5
Total	$ 22,930	$ 27,931	$ –	$ 30,371	$ 1,499
Total impaired loans:					
Real estate mortgage	$ 15,505	$ 18,788	$ 310	$ 20,537	$ 1,015
Production and intermediate-term	10,846	12,652	964	14,365	709
Agribusiness					
Processing and marketing	295	840	–	390	19
Farm-related business	203	226	–	268	13
Total agribusiness	498	1,066	–	658	32
Rural residential real estate	81	135	–	108	5
Total	$ 26,930	$ 32,641	$ 1,274	$ 35,668	$ 1,761

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 each reporting period.

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural Residential Real Estate	Other (including mission related)	Total
Allowance for credit losses:						
Balance at December 31, 2012	$ 8,008	$ 2,483	$ 148	$ 230	$ 4	$ 10,873
Charge-offs	(25)	–	–	–	–	(25)
Recoveries	7	14	1	31	–	53
Provision for loan losses	164	(242)	(43)	(29)	–	(150)
Balance at March 31, 2013	$ 8,154	$ 2,255	$ 106	$ 232	$ 4	$ 10,751
Balance at December 31, 2011	$ 4,282	$ 4,833	$ 83	$ 701	$ 1	$ 9,900
Charge-offs	(153)	(145)	–	–	–	(298)
Recoveries	43	8	–	–	–	51
Provision for loan losses	100	(92)	(12)	4	–	–
Balance at March 31, 2012	$ 4,272	$ 4,604	$ 71	$ 705	$ 1	$ 9,653
Loans individually evaluated for impairment	$ 685	$ 908	$ –	$ –	$ –	$ 1,593
Loans collectively evaluated for impairment	7,469	1,347	106	232	4	9,158
Balance at March 31, 2013	$ 8,154	$ 2,255	$ 106	$ 232	$ 4	$ 10,751
Loans individually evaluated for impairment	$ 310	$ 964	$ –	$ –	$ –	$ 1,274
Loans collectively evaluated for impairment	7,698	1,519	148	230	4	9,599
Balance at December 31, 2012	$ 8,008	$ 2,483	$ 148	$ 230	$ 4	$ 10,873
Recorded investment in loans outstanding:						
Loans individually evaluated for impairment	$ 15,761	$ 10,034	$ 499	$ 240	$ –	$ 26,534
Loans collectively evaluated for impairment	1,174,274	204,609	16,382	36,725	577	1,432,567
Ending balance at March 31, 2013	$ 1,190,035	$ 214,643	$ 16,881	$ 36,965	$ 577	$ 1,459,101
Loans individually evaluated for impairment	$ 13,774	$ 10,087	$ 492	$ 79	$ –	$ 24,432
Loans collectively evaluated for impairment	$ 1,193,315	$ 228,187	$ 22,783	$ 35,977	$ 582	$ 1,480,844
Ending balance at December 31, 2012	$ 1,207,089	$ 238,274	$ 23,275	$ 36,056	$ 582	$ 1,505,276

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 regarding TDRs as of the restructuring date that occurred during the periods presented.

	Three months ended March 31, 2013			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ 2,404	$ –	$ –	$ 2,404
Production and intermediate-term	–	41	–	41
Total	$ 2,404	$ 41	$ –	$ 2,445

	Three months ended March 31, 2013					
	Post-modification Outstanding Recorded Investment				Effects of Modification	
	Interest Concessions	Principal Concessions	Other Concessions	Total	Provisions	Charge-offs
Troubled debt restructurings:						
Real estate mortgage	$ 2,406	$ –	$ –	$ 2,406	$ –	$ –
Production and intermediate-term	–	41	–	41	–	–
Total	$ 2,406	$ 41	$ –	$ 2,447	$ –	$ –

	Three months ended March 31, 2012			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ 1,461	$ 141	$ –	$ 1,602
Total	$ 1,461	$ 141	$ –	$ 1,602

	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	$ 1,454	$ 141	$ –	$ 1,595	$ –	$ –
Total	$ 1,454	$ 141	$ –	$ 1,595	$ –	$ –

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

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

	Three Months Ended March 31,	
	2013	2012
Defaulted troubled debt restructurings:		
Real estate mortgage	$ 79	$ 25
Production and intermediate-term	86	599
Agribusiness		
Farm-related business	–	1
Total	$ 165	$ 625

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Real estate mortgage	$ 12,209	$ 10,005	$ 3,132	$ 1,736
Production and intermediate-term	2,008	1,941	929	915
Agribusiness				
Processing and marketing	294	294	294	294
Farm-related business	201	203	1	1
Total agribusiness	495	497	295	295
Total Loans	$ 14,712	$ 12,443	$ 4,356	$ 2,946

At March 31, 2013 and December 31, 2012, there were $0 in additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings.

NOTE 4 — 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,	
	2013	2012
Pension	$ 1,577	$ 1,593
401(k)	138	131
Other postretirement benefits	256	211
Total	$ 1,971	$ 1,935

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

	Actual YTD Through 3/31/13	Projected Contributions For Remainder of 2013	Projected Total Contributions 2013
Pension	$ 21	$ 5,976	$ 5,997
Other postretirement benefits	189	618	807
Total	$ 210	$ 6,594	$ 6,804

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, 2013.

Further details regarding employee benefit plans are contained in the 2012 Annual Report to Shareholders.

NOTE 5 — NOTES PAYABLE TO AGFIRST FARM CREDIT BANK

The Association's indebtedness to the Bank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the terms of the revolving lines of credit are governed by the General Financing Agreement (GFA). The GFA contains requirements and covenants with which the Association must comply. Certain conditions and events that led to the need for the Association to enter into a Supervisory Agreement with the Farm Credit Administration (FCA) as discussed in Note 8, *Regulatory Enforcement Matters*, constituted events of default under the GFA as the Association was not able to remedy the defaults within 30 days of written notice from the Bank. The Bank has waived the Association's events of default under the GFA provided the Association remains compliant with the requirements of the Supervisory Agreement with the FCA.

NOTE 6 — FAIR VALUE MEASUREMENT

Fair value is defined 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.

Accounting 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 6.67 percent of the issued stock of the Bank as of March 31, 2013 net of any reciprocal investment. As of that date, the Bank's assets totaled $27.7 billion and shareholders' equity totaled $2.4 billion. The Bank's earnings were $121 million for the first three months of 2013. In addition, the Association has an investment of $3,392 related to other Farm Credit institutions.

The classifications 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, 2013 consist of assets held in trust funds related to deferred compensation and supplemental retirement 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. 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 at March 31, 2013.

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.

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. Level 3 assets 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. 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. 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.

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 investment securities, the fair value is determined by discounting the expected future cash flows using extrapolated interest rates for similar assets.

Other property owned is classified as a level 3 asset. The fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. 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.

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

	Standby Letters Of Credit
Balance at January 1, 2013	$ 5
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income	–
Purchases	–
Sales	–
Issuances	2
Settlements	–
Transfers in and/or out of level 3	–
Balance at March 31, 2013	$ 7

	Standby Letters Of Credit
Balance at January 1, 2012	$ 7
Total gains or (losses) realized/unrealized:	
Included in earnings	–
Included in other comprehensive income	–
Purchases	–
Sales	–
Issuances	–
Settlements	(2)
Transfers in and/or out of level 3	–
Balance at March 31, 2012	$ 5

INFORMATION ABOUT SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investment Securities

The fair values of predominantly all level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these level 3 assets.

Other Property Owned/Impaired Loans

Other property owned and impaired loans are valued using appraisals, market comparable sales, replacement costs and income and expense (cash flow) techniques. Certain unobservable inputs are used within these techniques to determine the level 3 fair value of these properties. The significant unobservable inputs are primarily sensitive only to industry, geographic and overall economic conditions, and/or specific attributes of each property.

Inputs to Valuation Techniques

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.

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.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Mission Related Investments	$ 4,538	Discounted cash flow	Risk adjusted spread	2.00%–8.25%
Impaired loans and other property owned	$ 38,979	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
Investment securities, held-to-maturity	Discounted cash flow	Probability of default
		Risk adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment rates
		Probability of default
		Loss severity
		Annualized volatility

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:

	At or for the Three Months Ended March 31, 2013					
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Fair Value Effects On Earnings**
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 722	$ 722	$ –	$ –	$ 722	
Recurring Assets	$ 722	$ 722	$ –	$ –	$ 722	
Liabilities:						
Standby letters of credit	$ 7	$ –	$ –	$ 7	$ 7	
Recurring Liabilities	$ 7	$ –	$ –	$ 7	$ 7	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 27,533	$ –	$ –	$ 27,533	$ 27,533	$ (292)
Other property owned	10,640	–	–	11,446	11,446	(228)
Nonrecurring Assets	$ 38,173	$ –	$ –	$ 38,979	$ 38,979	$ (520)
Other Financial Instruments						
Assets:						
Cash	$ 2,946	$ 2,946	$ –	$ –	$ 2,946	
Investment securities, held-to-maturity	4,124	–	–	4,538	4,538	
Loans	1,409,632	–	–	1,417,987	1,417,987	
Other Assets	$ 1,416,702	$ 2,946	$ –	$ 1,422,525	$ 1,425,471	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,209,365	$ –	$ –	$ 1,213,549	$ 1,213,549	
Other Liabilities	$ 1,209,365	$ –	$ –	$ 1,213,549	$ 1,213,549	

	At or for the Year Ended December 31, 2012					
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Fair Value Effects On Earnings**
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 679	$ 679	$ –	$ –	$ 679	
Recurring Assets	$ 679	$ 679	$ –	$ –	$ 679	
Liabilities:						
Standby letters of credit	$ 5	$ –	$ –	$ 5	$ 5	
Recurring Liabilities	$ 5	$ –	$ –	$ 5	$ 5	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 25,656	$ –	$ –	$ 25,656	$ 25,656	$ 3,325
Other property owned	12,565	–	–	13,875	13,875	(3,953)
Nonrecurring Assets	$ 38,221	$ –	$ –	$ 39,531	$ 39,531	$ (628)
Other Financial Instruments						
Assets:						
Cash	$ 4,619	$ 4,619	$ –	$ –	$ 4,619	
Investment securities, held-to-maturity	4,159	–	–	4,628	4,628	
Loans	1,457,003	–	–	1,464,971	1,464,971	
Other Assets	$ 1,465,781	$ 4,619	$ –	$ 1,469,599	$ 1,474,218	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,280,348	$ –	$ –	$ 1,285,484	$ 1,285,484	
Other Liabilities	$ 1,280,348	$ –	$ –	$ 1,285,484	$ 1,285,484	

NOTE 7 – ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in Accumulated Other Comprehensive income by Component *(a)*

	Employee Benefit Plans	
Balance at December 31, 2012	$	(607)
Other comprehensive income before reclassifications		–
Amounts reclassified from AOCI		22
Net current period other comprehensive income		22
Balance at March 31, 2013	$	(585)
Balance at December 31, 2011	$	(474)
Other comprehensive income before reclassifications		(43)
Amounts reclassified from AOCI		15
Net current period other comprehensive income		(28)
Balance at March 31, 2012	$	(502)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	For the three months ended March 31,		
	2013	2012	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	(22)	(15)	See footnote 4.
Net amounts reclassified	(22)	(15)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

NOTE 8 – REGULATORY ENFORCEMENT MATTERS

On October 11, 2012, the Board entered into a Supervisory Agreement with the FCA. The Supervisory Agreement requires the Association to take corrective actions with respect to certain areas of its operations including standards of conduct, acquired property, borrower rights and board policies. Conditions and events that led to the need for this agreement include ineffective controls that resulted in the failure to comply with FCA Regulations in the sale of acquired property; violations of FCA Borrower Rights Regulations at 12 C.F.R. Part 612, Subpart G; ineffective controls over board and employee standards of conduct; an inadequate Standards of Conduct program which resulted in violations of FCA Regulations; and a lack of controls regarding standards of conduct for agents. The requirements of this agreement include, but are not limited to:

- Appointment of a new Standards of Conduct Official (SOCO)
- Appointment of a Board Compliance Committee as it relates to the Supervisory Agreement and ongoing Standards of Conduct issues
- Establishment of a standards of conduct program for directors, employees, and agents of the Association which is to include a review of applicable policies and procedures, training for directors and employees and comprehensive audits
- Establishment for a defined process for handling borrower rights issues, including updates to Association policy and procedures
- Policies and procedures revisions and updates around the disposition of other property owned
- Special requirements for properties under contract as of the date of the agreement
- Board approval and certification of future contracts on other properties owned to ensure compliance with FCA Regulations and Association policies and procedures

The Association has developed action plans to correct the weaknesses identified with assignments and due dates. The following action steps are complete as of this writing:

- A Compliance Committee was appointed by the Board of Directors. This committee is comprised of the Board chairman and vice chairman, Audit Committee chairman, and two other directors. The Board chairman will serve as the chairman of the Compliance Committee.
- The Board named Wesley D. Sutton as the Association Standards of Conduct Official. This action was approved by the Director, Risk Supervision Division at the FCA.
- Reports of required task completion outlined in the Supervisory Agreement have been made and published to the Director, Risk Supervision Division.
- Standard of Conduct policies and procedures have been updated and revised and approved by the Board of Directors.
- Training on Standards of Conduct policies and procedures for all directors and employees has been completed.
- Director disclosures were completed and meetings were held with the SOCO to discuss the same. Following completion of the meetings, the SOCO presented a comprehensive report to the Board.
- Employee disclosures were completed and meetings were held with the SOCO to discuss the same. The SOCO will present a comprehensive report to the Board at the April 2013 meeting.
- The 4th quarter 2012 SOCO report was presented to the Board of Directors at the January 2013 Board meeting.

- The 1st quarter 2013 SOCO report was presented to the Board of Directors at the April 2013 Board meeting.
- A report of acquired property activities during the first quarter of 2013 was presented at the April 2013 Board meeting.
- An independent accounting firm has been hired to complete a comprehensive audit of all acquired property sales from December 31, 2009 forward. The final report was presented to the Board at its March 2013 meeting. No new excepetions to policy or regulation were identified.
- An independent law firm was hired to complete a comprehensive review of the Association's Standard of Conduct programs for directors, employees and agents, including policies and procedures, training materials, and disclosure documents. The final report was presented to the Board of Directors at the February 2013 Board meeting. Additional suggested revisions to Standards of Conduct policies and procedures have been made and approved by the Board of Directors.

Both the Board and Senior Management are committed to continuing the administration of the Association in a safe and sound manner, compliant with all FCA Regulations.

The Association remained under written Supervisory Agreement as of the date of this report.

NOTE 9 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events and has determined that, except as described in Note 8 above, there are none requiring disclosure through May 9, 2013, which is the date the financial statements were issued.