AG NEW MEXICO, FARM CREDIT SERVICES, ACA

2012
Quarterly Report
First Quarter

For the Quarter Ended March 31, 2012

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this report, that it has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of his or her knowledge and belief.

John Burns, Chief Executive Officer

May 9, *2012*

Ronnie Harral, Chairman, Board of Directors

May 9, 2012

Bill Jones, Chief Financial Officer

May 9, 2012

The following commentary reviews the financial performance of the Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the association, for the quarter ended March 31, 2012. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2011 Annual Report to Stockholders.

The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated there under.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the association's audit committee.

Significant Events:

The association entered into a Supervisory Agreement with the Farm Credit Administration (FCA) effective March 20, 2012 which supersedes the January 20, 2010 Agreement. The nature of the Agreement is more fully disclosed in Note 9 "Regulatory Enforcement Matters" included in this quarterly stockholder report.

Loan Portfolio:

Total loans outstanding at March 31, 2012, including nonaccrual loans and sales contracts, were $147,314,417 compared to $149,938,838 at December 31, 2011, reflecting a decrease of 1.8 percent. Nonaccrual loans as a percentage of total loans outstanding were 5.8 percent at March 31, 2012, compared to 6.3 percent at December 31, 2011.

The association recorded $684 in recoveries and $1,008,158 in charge-offs for the quarter ended March 31, 2012, and $12,351 in recoveries and $0 in charge-offs for the same period in 2011. The association's allowance for loan losses was 1.3 percent and 1.6 percent of total loans outstanding as of March 31, 2012, and December 31, 2011, respectively.

The most significant event affecting loan volume and nonaccrual loans were the charge offs mentioned in the preceding paragraph made necessary by recent appraisals received on property for which foreclosure proceedings have been initiated by the association.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the association's components and trends of high-risk assets.

	March 31, 2012		December 31, 2011	
	Amount	**%**	Amount	%
Nonaccrual	**$ 8,495,901**	**71.5%**	$ 9,455,013	73.6%
90 days past due and still accruing interest	**-**	**0.0%**	-	0.0%
Formally restructured	**-**	**0.0%**	-	0.0%
Other property owned, net	**3,393,950**	**28.5%**	3,393,950	26.4%
Total	**$ 11,889,851**	**100.0%**	$ 12,848,963	100.0%

Investments:

During the first quarter of 2010, the association exchanged $26.4 million of mortgage loans that previously were covered under a long-term standby commitment to purchase agreement with Federal Agricultural Mortgage Corporation (Farmer Mac) for a Farmer Mac guaranteed agricultural mortgage-backed security. No gain or loss was recognized in the financial statements upon completion of the exchange transaction. The association continues to service the loans included in this transaction. These investments in guaranteed securities are included in this report's Consolidated Balance Sheet as investments – held-to-maturity.

Results of Operations:

The association had a net loss of $(54,914) for the three months ended March 31, 2012, as compared to net income of $331,315 for the same period in 2011, reflecting a decrease of 116.6 percent. Net interest income was $1,150,096 for the three months ended March 31, 2012, compared to $1,195,052 for the same period in 2011. Interest income for the first three months of 2012 decreased by $191,618, or 9.8 percent, from the same period of 2011, primarily due to declines in yields on earning assets. Interest expense for the first three months of 2012 decreased by $146,662, or 19.4 percent, from the same period of 2011 due to a decrease in interest rates coupled by a decrease in average debt volume. Average loan volume for the first quarter of 2012 was $146,403,234, compared to $146,823,698 in the first quarter of 2011. The average spread on the loan portfolio for the first quarter of 2012 was 2.59 percent, compared to 2.66 percent in the first quarter of 2011. The average spread on the loan portfolio in addition to investments was 2.62 percent, compared to 2.64 percent in the first quarter of 2011.

The association's return on average assets for the three months ended March 31, 2012, was -0.12 percent compared to 0.75 percent for the same period in 2011. The association's return on average equity for the three months ended March 31, 2012, was -0.76 percent, compared to 5.02 percent for the same period in 2011.

The association started accruing the estimated bank's patronage on the direct note in June, 2011. The return on average assets for the first quarter of 2011 reflects the absence of the accrual. The most significant effect on net income/(loss) for the first quarter of 2012 was the $568,468 in provision for loan loss to increase specific reserves for nonaccrual loans for which more recent appraisals were received as mentioned previously

Liquidity and Funding Sources:

The association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the bank), which obtains its funds through the issuance of system wide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	March 31, 2012	December 31, 2011
Note payable to the bank	**$ 150,717,479**	$ 152,404,587
Accrued interest on note payable	**205,195**	219,395
Total	**$ 150,922,674**	$ 152,623,982

The association's liquidity margin as of March 31, 2012 was 9.93 percent which is in compliance with the required minimum of 5 percent as specified by the General Financing Agreement with the funding bank.

Capital Resources:

The association's capital position decreased by $61,182 at March 31, 2012, compared to December 31, 2011. The association's debt as a percentage of members' equity was 5.29:1 as of March 31, 2012, compared to 5.35:1 as of December 31, 2011.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The association's permanent capital ratio at March 31, 2012, was 14.3 percent, which is in compliance with the FCA's minimum permanent capital standard. The association's core surplus ratio and total surplus ratio at March 31, 2012, were 14.2 and 14.2 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Balance Sheet – 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 the rights of offset set forth in 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 will not impact financial condition or results of operations, but will result in additional disclosures.

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Compensation – Retirement Benefits – Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to a multiemployer pension plan, which should help financial statement users better understand the financial health of significant plans that 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, 2012 for nonpublic entities. The amendments should be applied retrospectively for all prior periods presented. The adoption will not impact the district combined financial condition or results of operation.

In June 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Comprehensive Income – Presentation of Comprehensive Income." This guidance 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 provide 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:

- 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.

- 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 applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income.

In December 2011, the FASB issued guidance to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the statement. All other requirements in the guidance for comprehensive income are required to be adopted as set forth in the June 2011 guidance. The deferral is effective at the same time the new standard on comprehensive income is adopted.

In May 2011, the FASB issued 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, as more fully outlined in the 2011 Annual Report to Shareholders. The amendments are to be applied prospectively.

Relationship with the Farm Credit Bank of Texas:

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the December 31, 2011 Annual Report of Ag New Mexico, Farm Credit Services, ACA more fully describe the association's relationship with the bank.

The Texas Farm Credit District's (district) annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. Copies of the district's quarterly and annual stockholder reports also can be requested by e-mail at *fcb@farmcreditbank.com*. The district makes its annual and quarterly stockholder reports available on its website at *www.farmcreditbank.com.*

The association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Ag New Mexico, Farm Credit Services, ACA, P. O. Box 1328, 233 Fairway Terrace North, Clovis, New Mexico 88102-1328 or calling (575) 762-1328. Copies of the association's quarterly stockholder reports can also be requested by e-mailing bill.jones@farmcreditbank.com. The association makes its annual and quarterly stockholder reports available on its website at www.agnewmexico.com.

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash	**$ 103,685**	$ 108,611
Investments	**19,287,272**	19,820,568
Loans	**147,314,417**	149,938,838
Less: allowance for loan losses	**1,927,455**	2,366,461
Net loans	**145,386,962**	147,572,377
Accrued interest receivable	**1,563,053**	1,855,469
Investment in and receivable from the bank:		
Capital stock	**4,530,635**	4,390,455
Other	**1,064,315**	651,600
Deferred taxes, net	**2,077,135**	2,077,135
Other property owned, net	**3,393,950**	3,393,950
Premises and equipment	**3,283,009**	3,310,052
Other assets	**543,550**	135,089
Total assets	**$ 181,233,566**	$ 183,315,306
LIABILITIES		
Note payable to the bank	**$ 150,717,479**	$ 152,404,587
Advance conditional payments	**260,710**	318,689
Accrued interest payable	**205,195**	219,395
Drafts outstanding	**1,116**	14,343
Patronage distributions payable	**283**	300,191
Other liabilities	**1,258,594**	1,206,730
Total liabilities	**152,443,377**	154,463,935
MEMBERS' EQUITY		
Capital stock and participation certificates	**325,160**	327,750
Unallocated retained earnings	**28,688,453**	28,743,367
Accumulated other comprehensive income (loss)	**(223,424)**	(219,746)
Total members' equity	**28,790,189**	28,851,371
Total liabilities and members' equity	**$ 181,233,566**	$ 183,315,306

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

AG NEW MEXICO, FARM CREDIT SERVICES, ACA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended March 31, 2012	Quarter Ended March 31, 2011
INTEREST INCOME		
Loans	**$ 1,543,652**	$ 1,699,542
Investments	**215,946**	251,674
Other	**-**	-
Total interest income	**1,759,598**	1,951,216
INTEREST EXPENSE		
Note payable to the bank	**609,502**	756,164
Advance conditional payments	**-**	-
Total interest expense	**609,502**	756,164
Net interest income	**1,150,096**	1,195,052
PROVISION FOR LOAN LOSSES	**568,468**	-
Net interest income after provision for loan losses	**581,628**	1,195,052
NONINTEREST INCOME		
Income from the bank:		
Patronage income	**264,331**	9,369
Loan fees	**20,157**	15,800
Financially related services income	**13,281**	37,939
Gain (loss) on other property owned, net	**-**	876
Gain (loss) on sale of premises and equipment, net	**10,400**	2,000
Other noninterest income	**9,000**	13,500
Total noninterest income	**317,169**	79,484
NONINTEREST EXPENSES		
Salaries and employee benefits	**566,504**	547,123
Directors' expense	**77,659**	40,717
Purchased services	**27,878**	29,392
Travel	**37,255**	35,909
Occupancy and equipment	**53,954**	113,372
Communications	**6,479**	5,513
Advertising	**9,431**	5,554
Public and member relations	**14,456**	11,057
Supervisory and exam expense	**26,759**	73,538
Insurance Fund premiums	**19,576**	24,715
Other noninterest expense	**112,620**	102,101
Total noninterest expenses	**952,571**	988,991
Income before income taxes	**(53,774)**	285,545
Provision for (benefit from) income taxes	**1,140**	(45,770)
NET INCOME	**(54,914)**	331,315
Other comprehensive income:		
Change in postretirement benefit plans	**(3,678)**	-
Other comprehensive income, net of tax	**(3,678)**	-
COMPREHENSIVE INCOME	**$ (58,592)**	$ 331,315

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

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2010	$ 334,785	$ -	$ -	$ 26,700,182	$ (142,086)	$ 26,892,881
Net income	-	-	-	331,315	-	331,315
Other comprehensive income	-	-	-	-	(6,570)	(6,570)
Capital stock/participation certificates and allocated retained earnings issued	29,635	-	-	-	-	29,635
Capital stock/participation certificates and allocated retained earnings retired	(34,360)	-	-	-	-	(34,360)
Balance at March 31, 2011	$ 330,060	$ -	$ -	$ 27,031,497	$ (148,656)	$ 27,212,901
Balance at December 31, 2011	$ 327,750	$ -	$ -	$ 28,743,367	$ (219,746)	$ 28,851,371
Net income	-	-	-	(54,914)	-	(54,914)
Other comprehensive income	-	-	-	-	(3,678)	(3,678)
Capital stock/participation certificates and allocated retained earnings issued	14,395	-	-	-	-	14,395
Capital stock/participation certificates and allocated retained earnings retired	(16,985)	-	-	-	-	(16,985)
Balance at March 31, 2012	**$ 325,160**	**$ -**	**$ -**	**$ 28,688,453**	**$ (223,424)**	**$ 28,790,189**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Ag New Mexico, Farm Credit Services, ACA (Agricultural Credit Association), referred to as the association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The association serves all counties of New Mexico, with the exception of San Juan County and that portion of Rio Arriba County lying west of the Continental Divide. The FLCA and PCA subsidiaries are authorized to operate in Cochran County, Texas. In addition, the association and Farm Credit Services of New Mexico, ACA have entered into an agreement that allows the association to make mortgage loans in New Mexico, on a statewide basis, without obtaining territorial approval. The association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The significant accounting policies followed and the financial condition and results of operations of the association as of and for the year ended December 31, 2011 are contained in the 2011 Annual Report to Stockholders. These unaudited first quarter 2012 financial statements should be read in conjunction with the 2011 Annual Report to Stockholders.

In December 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Balance Sheet – 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 the rights of offset set forth in 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 will not impact financial condition or results of operations, but will result in additional disclosures.

In September 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Compensation – Retirement Benefits – Multiemployer Plans." The guidance is intended to provide more information about an employer's financial obligations to a multiemployer pension plan, which should help financial statement users better understand the financial health of significant plans that 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, 2012 for nonpublic entities. The amendments should be applied retrospectively for all prior periods presented. The adoption will not impact the district combined financial condition or results of operation.

In June 2011, the Financial Accounting Standards Board (FASB) issued guidance entitled "Comprehensive Income – Presentation of Comprehensive Income." This guidance 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 provide 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:

- 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.

- 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 applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not impact financial condition or results of operations, but resulted in changes to the presentation of comprehensive income.

In December 2011, the FASB issued guidance to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the statement. All other requirements in the guidance for comprehensive income are required to be adopted as set forth in the June 2011 guidance. The deferral is effective at the same time the new standard on comprehensive income is adopted.

In May 2011, the FASB issued 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, as more fully outlined in the 2011 Annual Report to Shareholders. The amendments are to be applied prospectively.

The accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to generally accepted accounting principles, except for the inclusion of a statement of cash flows. Generally accepted accounting principles require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the association has elected not to include a statement of cash flows in these consolidated financial statements.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended March 31, 2012, are not necessarily indicative of the results to be expected for the year ended December 31, 2012. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — INVESTMENTS:

Effective March, 2010, $26.4 million of agricultural mortgage loans previously covered under a long-term standby commitment to purchase agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac) were securitized. No gain or loss was recognized in the financial statements upon completion of the securitization. Terms of the agreement call for a guarantee fee of 20-50 basis points to be paid to Farmer Mac, and for the association to receive a 30-basis-point fee for servicing the underlying loans.

The following is a summary of Farmer Mac agricultural mortgage-backed securities:

	March 31, 2012				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Agricultural mortgage-backed securities	**$ 19,303,319**	**$ -**	**$ 294,997**	**$ 19,008,322**	**4.38 %**

	December 31, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Agricultural mortgage-backed securities	$ 19,820,568	$ -	$ 434,242	$ 19,386,326	4.40 %

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of Farmer Mac investments held-to-maturity at March 31, 2012:

	Due in 1 Year or Less Amount	Due After 1 Years Through 5 Years Amount	Due After 5 Years Through 10 Years Amount	Due After 10 Years Amount	Total Amount
Agricultural mortgage-backed securities	$ -	$ 19,008,322	$ -	$ -	$ 19,008,322
Total fair value	-	19,008,322	-	-	19,008,322
Total amortized cost	$ -	$ 19,303,319	$ -	$ -	$ 19,303,319
Weighted Average Yield	- %	4.38 %	- %	- %	4.38 %

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**March 31, 2012 Amount**	December 31, 2011 Amount
Production agriculture:		
Real estate mortgage	**$ 64,830,256**	$ 65,102,493
Production and intermediate term	**48,502,980**	54,488,261
Agribusiness:		
Loans to cooperatives	**746,210**	-
Processing and marketing	**15,072,982**	13,896,599
Farm-related business	**6,820,555**	5,893,800
Communication	**2,500,216**	1,738,990
Energy	**5,600,120**	5,608,864
Water and waste disposal	**1,893,671**	1,848,101
Rural residential real estate	**1,347,427**	1,361,730
International	**-**	-
Lease receivables	**-**	-
Mission related investments	**-**	-
Total	**$ 147,314,417**	$ 149,938,838

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2012:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 8,273,200	$ 25,123,991	$ -	$ -	$ 8,273,200	$ 25,123,991
Production and intermediate term	4,683,088	22,153,499	-	335,930	4,683,088	22,489,429
Agribusiness	13,175,473	3,743,520	-	-	13,175,473	3,743,520
Communication	2,500,216	-	-	-	2,500,216	-
Energy	5,600,120	-	-	-	5,600,120	-
Water and waste disposal	1,893,671	-	-	-	1,893,671	-
Rural residential real estate	-	-	-	-	-	-
International	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mision related investments	-	-	-	-	-	-
Total	$ 36,125,768	$ 51,021,010	$ -	$ 335,930	$ 36,125,768	$ 51,356,940

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	March 31, 2012	December 31, 2011
Nonaccrual loans:		
Real estate mortgage	**$ 3,170,123**	$ 3,362,779
Production and intermediate term	**5,325,777**	6,092,233
Agribusiness	**1**	1
Total nonaccrual loans	**8,495,901**	9,455,013
Accruing restructured loans:		
Real estate mortgage	**-**	-
Production and intermediate term	**-**	-
Agribusiness	**-**	-
Total accruing restructured loans	**-**	-
Accruing loans 90 days or more past due:		
Real estate mortgage	**-**	-
Production and intermediate term	**-**	-
Agribusiness	**-**	-
Total accruing loans 90 days or more	**-**	-
Total nonperforming loans	**8,495,901**	9,455,013
Other property owned	**3,393,950**	3,393,950
Total nonperforming assets	**$ 11,889,851**	$ 12,848,963

One credit quality indicator utilized by the association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2012		December 31, 2011	
Real estate mortgage				
Acceptable	**88.1**	%	87.6	%
OAEM	**2.5**		2.4	
Substandard/doubtful	**9.4**		10.0	
	100.0		100.0	
Production and intermediate term				
Acceptable	**79.2**		80.2	
OAEM	**8.8**		8.0	
Substandard/doubtful	**12.0**		11.8	
	100.0		100.0	
Agribusiness				
Acceptable	**96.3**		94.5	
OAEM	**3.7**		5.5	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Energy and water/waste disposal				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Communication				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Rural residential real estate				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Total loans				
Acceptable	**87.4**		**86.5**	
OAEM	**4.5**		**4.8**	
Substandard/doubtful	**8.1**		**8.7**	
	100.0	%	**100.0**	%

The following tables provide an age analysis of past due loans (including accrued interest) as of:

March 31, 2012	**30-89 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 and Accruing**
Real estate mortgage	**$ -**	**$ 3,167,643**	**$ 3,167,643**	**$ 62,415,084**	**$ 65,582,727**	**$ -**
Production and intermediate term	**-**	**5,325,777**	**5,325,777**	**43,575,855**	**48,901,632**	**-**
Loans to cooperatives	**-**	**-**	**-**	**747,195**	**747,195**	**-**
Processing and marketing	**-**	**-**	**-**	**15,155,162**	**15,155,162**	**-**
Farm-related business	**-**	**1**	**1**	**6,899,807**	**6,899,808**	**-**
Communication	**-**	**-**	**-**	**2,504,967**	**2,504,967**	**-**
Energy	**-**	**-**	**-**	**5,633,731**	**5,633,731**	**-**
Water and waste disposal	**-**	**-**	**-**	**1,899,174**	**1,899,174**	**-**
Rural residential real estate	**-**	**-**	**-**	**1,352,707**	**1,352,707**	**-**
Total	**$ -**	**$ 8,493,421**	**$ 8,493,421**	**$ 140,183,682**	**$ 148,677,103**	**$ -**

December 31, 2011	30-89 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 and Accruing
Real estate mortgage	$ 832,092	$ 2,488,607	$ 3,320,699	$ 62,554,346	$ 65,875,045	$ -
Production and intermediate term	819	5,104,553	5,105,372	49,908,325	55,013,697	-
Loans to cooperatives	-	-	-	-	-	-
Processing and marketing	-	-	-	13,961,967	13,961,967	-
Farm-related business	-	1	1	5,986,717	5,986,718	-
Communication	-	-	-	1,739,431	1,739,431	-
Energy	-	-	-	5,667,447	5,667,447	-
Water and waste disposal	-	-	-	1,853,544	1,853,544	-
Rural residential real estate	-	-	-	1,367,329	1,367,329	-
Total	$ 832,911	$ 7,593,161	$ 8,426,072	$ 143,039,106	$ 151,465,178	$ -

Note: 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.

A restructuring of a debt constitutes a troubled debt restructuring 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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

The association did not have any troubled debt restructured loans for the first quarter of 2012 or for the preceding twelve months.

Additional impaired loan information is as follows:

	At March 31, 2012			At December 31, 2011		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	**$ 2,295,951**	**$ 2,557,087**	**$ 88,302**	$ -	$ -	$ -
Production and intermediate term	**4,292,383**	**7,448,387**	**1,394,522**	5,058,838	7,403,360	1,904,989
Loans to cooperatives	-	-	-	-	-	-
Processing and marketing	-	-	-	-	-	-
Farm-related business	-	-	-	-	-	-
Communication	-	-	-	-	-	-
Energy and water/waste disposal	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-
International	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mission related investments	-	-	-	$ -	$ -	-
Total	**$ 6,588,334**	**$ 10,005,474**	**$ 1,482,824**	$ 5,058,838	$ 7,403,360	$ 1,904,989
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 874,172**	**$ 1,877,433**	**$ -**	$ 3,362,779	$ 4,430,500	$ -
Production and intermediate term	**1,033,394**	**1,168,575**	-	1,033,394	1,169,258	-
Loans to cooperatives	-	-	-	-	-	-
Processing and marketing	-	-	-	-	-	-
Farm-related business	**1**	**2,097**	-	1	2,097	-
Communication	-	-	-	-	-	-
Energy and water/waste disposal	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-
International	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mission related investments	-	-	-	-	-	-
Total	**$ 1,907,567**	**$ 3,048,105**	**$ -**	$ 4,396,174	$ 5,601,855	$ -
Total impaired loans:						
Real estate mortgage	**3,170,123**	**4,434,520**	**88,302**	$ 3,362,779	$ 4,430,500	$ -
Production and intermediate term	**5,325,777**	**8,616,962**	**1,394,522**	6,092,232	8,572,618	$ 1,904,989
Loans to cooperatives	-	-	-	-	-	-
Processing and marketing	-	-	-	-	-	-
Farm-related business	**1**	**2,097**	-	1	2,097	-
Communication	-	-	-	-	-	-
Energy and water/waste disposal	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-
International	-	-	-	-	-	-
Lease receivables	-	-	-	-	-	-
Mission related investments	-	-	-	-	-	-
	$ 8,495,901	**$ 13,053,579**	**$ 1,482,824**	$ 9,455,012	$ 13,005,215	$ 1,904,989

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Quarter Ended March 31, 2012		For the Year Ended December 31, 2011	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 2,486,298**	**$ -**	$ -	$ -
Production and intermediate term	**5,042,419**	**-**	5,134,760	-
Loans to cooperatives	**-**	**-**	-	-
Processing and marketing	**-**	**-**	-	-
Farm-related business	**-**	**-**	-	-
Communication	**-**	**-**	-	-
Energy and water/waste disposal	**-**	**-**	-	-
Rural residential real estate	**-**	**-**	-	-
International	**-**	**-**	-	-
Lease receivables	**-**	**-**	-	-
Mission related investments	**-**	**-**	-	-
Total	**$ 7,528,717**	**$ -**	$ 5,134,760	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 874,172**	**$ -**	$ 2,553,425	$ 13,679
Production and intermediate term	**1,033,394**	**-**	1,374,532	-
Loans to cooperatives	**-**	**-**	-	-
Processing and marketing	**-**	**-**	-	-
Farm-related business	**1**	**-**	1	-
Communication	**-**	**-**	-	-
Energy and water/waste disposal	**-**	**-**	-	-
Rural residential real estate	**-**	**-**	-	-
International	**-**	**-**	-	-
Lease receivables	**-**	**-**	-	-
Mission related investments	**-**	**-**	-	-
Total	**$ 1,907,567**	**$ -**	$ 3,927,958	$ 13,679
Total impaired loans:				
Real estate mortgage	**$ 3,360,470**	**$ -**	$ 2,553,425	$ 13,679
Production and intermediate term	**6,075,813**	**-**	6,509,292	-
Loans to cooperatives	**-**	**-**	-	-
Processing and marketing	**-**	**-**	-	-
Farm-related business	**1**	**-**	1	-
Communication	**-**	**-**	-	-
Energy and water/waste disposal	**-**	**-**	-	-
Rural residential real estate	**-**	**-**	-	-
International	**-**	**-**	-	-
Lease receivables	**-**	**-**	-	-
Mission related investments	**-**	**-**	-	-
	$ 9,436,284	**$ -**	$ 9,062,718	$ 13,679

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Lease Receivable	Total
Allowance for Credit Losses:									
Balance at December 31, 2011	$ 165,335	$ 2,106,362	$ 60,386	$ 2,504	$ 31,262	$ 612	$ -	$ -	$ 2,366,461
Charge-offs	(196,676)	(811,482)	-	-	-	-	-	-	(1,008,158)
Recoveries	-	684	-	-	-	-	-	-	684
Provision for loan losses	252,583	318,777	748	4,460	(8,077)	(23)	-	-	568,468
Adjustment due to merger	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Balance at March 31, 2012	$ 221,242	$ 1,614,341	$ 61,134	$ 6,964	$ 23,185	$ 589	$ -	$ -	$ 1,927,455
Ending Balance at March 31, 2012:									
Individually evaluated for impairment	$ 88,302	$ 1,394,527	$ -	$ -	$ -	$ -	$ -	$ -	$1,482,829.00
Collectively evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Balance at December 31, 2010	$ 220,222	$ 2,088,653	$ 202,079	$ 2,695	$ 8,013	$ 435	$ -	$ -	$ 2,522,097
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	684	-	-	11,667	-	-	-	12,351
Provision for loan losses	-	-	-	-	-	-	-	-	-
Adjustment due to merger	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Balance at March 31, 2011	$ 220,222	$ 2,089,337	$ 202,079	$ 2,695	$ 19,680	$ 435	$ -	$ -	$ 2,534,448
Ending Balance at March 31, 2011:									
Individually evaluated for impairment	$ -	$ 520,134	$ -	$ -	$ -	$ -	$ -	$ -	$ 520,134
Collectively evaluated for impairment	$ 220,222	$ 1,569,203	$ 202,079	$ 2,695	$ 19,680	$ 435	$ -	$ -	$ 2,014,314
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Recorded Investments in Loans Outstanding:									
Ending Balance at March 31, 2012	$ 65,582,727	$ 48,901,632	$22,802,165	$ 2,504,967	$7,532,905	$ 1,352,707	$ -	$ -	$ 148,677,103
Individually evaluated for impairment	$ 3,170,123	$ 5,325,778	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,495,901
Collectively evaluated for impairment	$ 62,412,604	$ 43,575,854	$22,802,165	$ 2,504,967	$7,532,905	$ 1,352,707	$ -	$ -	$ 140,181,202
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance at March 31, 2011	$ 68,444,960	$ 45,949,477	$24,195,863	$ 1,855,331	$ 876,563	$ 1,347,744	$ -	$ -	$ 142,669,938
Individually evaluated for impairment	$ -	$ 5,247,765	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,247,765
Collectively evaluated for impairment	$ 68,444,960	$ 40,701,712	$24,195,863	$ 1,855,331	$ 876,563	$ 1,347,744	$ -	$ -	$ 137,422,173
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 4 — CAPITAL:

The association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures, and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the association's goals and objectives with the board.

NOTE 5 — INCOME TAXES:

Ag New Mexico, Farm Credit Services, ACA and its subsidiary are subject to federal and certain other income taxes. The associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During the three months ended March 31, 2012, the association did participate in a patronage program. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

The subsidiary, Ag New Mexico Farm Credit Services, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

NOTE 6 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2011 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

March 31, 2012	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ 5,797,352**	**$ 5,797,352**	**$ (1,482,834)**
Other property owned	**-**	**-**	**3,393,950**	**3,393,950**	**-**

December 31, 2011	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ 3,846,872	$ 3,846,872	$ (1,904,989)
Other property owned	-	-	3,393,950	3,393,950	-

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 2 to the 2011 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2011 Annual Report to Stockholders

Loans

For certain loans evaluated for impairment under authoritative guidance, the fair value is based upon the underlying collateral since the loans were collateral-dependent loans for which real estate is the collateral. 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 real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The fair value is based upon the collateral value, which is generally determined using appraisals or other indications based on comparable sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31,:

	Other Benefits	
	2012	2011
Service cost	**$ 5,705**	$ 6,390
Interest cost	**12,231**	9,185
Expected return on plan assets	**-**	-
Amortization of prior service (credits) costs	**(15,178)**	(16,665)
Amortizations of net actuarial (gain) loss	**10,359**	3,428
Net periodic benefit cost	**$ 13,117**	$ 2,338

The association's liability for the plan's unfunded accumulated obligation at March 31, 2012 was $988,339 and is included in "Other Liabilities" in the balance sheet

The structure of the district's defined benefit pension plan is characterized as multi-employer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. The association previously disclosed in its financial statements for the year ended December 31, 2011, that it expected to contribute $361,231 to the district's defined benefit pension plan in 2012. As of March 31, 2012, $90,308 of contributions has been made. The association presently anticipates contributing an additional $270,923 to fund the defined benefit pension plan in 2012 for a total of $361,231.

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2012	2011
Accumulated other comprehensive income (loss) at January 1	**$ 219,746**	$ 142,298
Amortization of prior service credit (costs) included in net periodic postretirement benefit cost	**15,177**	16,269
Amortization of actuarial gain (loss) included in net periodic postretirement benefit cost	**(10,359)**	(7,827)
Income tax expense related to items of other comprehensive income	**(1,140)**	(2,084)
Other comprehensive income (loss), net of tax	**3,678**	6,358
Accumulated other comprehensive income at March 31	**$ 223,424**	$ 148,656

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. There was one pending case of litigation involving the association as of the end of the first quarter in 2012. The lawsuit filed against the association involves a counterclaim in response to collection proceedings initiated by the association. The association's legal counsel estimates the damages would amount to less than $250,000 should the parties filing the lawsuit against the association prevail. The association's attorneys and management estimate the probability of the lawsuit being resolved against the association range from remote to less than likely. In the opinion of legal counsel, any award made to the plaintiff would be more than offset by a deficiency amount held by the association which results in little or no exposure to the association. Accordingly, no liabilities relating to the pending litigation have been accrued by the association.

The association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. At March 31, 2012, $47,766,151 of unfunded commitments for loans with the association's borrowers and $1,990,917 of stand-by letters of credit for participations purchased were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because these amounts are not reflected in the balance sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 9 — REGULATORY ENFORCEMENT MATTERS:

The Farm Credit Administration (FCA) issued reports of examination in June and December 2009 which identified concerns regarding risk management, asset quality, allowance for loan losses and the financial condition and performance of the association. On January 20, 2010, the association entered into a Supervisory Agreement with FCA. The requirements of the agreement included obtaining an independent financial and strategic study, performing a review of the association's governance and management systems, take action to reduce the level of loan and acquired property risk, address identified allowance for loan loss related weaknesses, monthly reporting of liquidity and earnings, and implementation of measures to improve earnings and increase capital.

On March 20, 2012 the Association and FCA entered into a Supervisory Agreement after weaknesses in the Association's governance, nominating committee and purchased loan portfolio were identified. This agreement supersedes previous supervisory agreements. The agreement requires board members to obtain additional training individually and as a board to overcome identified weaknesses. The board will increase the level of financial reporting to the Regulator and the Agreement requires the regulator's approval before declaring a patronage. The Nominating Committee will be asked to strengthen its efforts to identify stockholders that will provide strong leadership if elected to the board. The Board is asked to increase its oversight of the association's purchased loan participation portfolio.

The Board, in response to the new agreement, adopted a multi-step and detailed Plan of Action at its April board meeting that is designed to adequately address each requirement in the new agreement. The board has begun work to meet the requirements. Some of the actions in place are:

- Engaged an outside Consultant to advise the Board as it assesses its training and self-improvement needs
- Formed a Compliance Committee to oversee ongoing compliance with the Agreement
- Engaged a Consultant to work with the Nominating Committee
- Revised the processes used in the purchased loan program and changed personnel to administer the program.

It is the intention of the Board to keep stockholders fully informed as the association progresses toward full compliance with the Supervisory Agreement. Additional progress toward achieving full compliance will be communicated in subsequent quarterly reports.

NOTE 10 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through May 9, 2012, which is the date the financial statements were available to be issued.