

TEXAS AGFINANCE, FARM CREDIT SERVICES

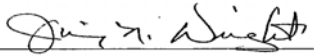
2009 Quarterly Report Third Quarter



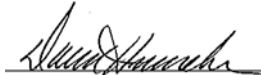
For the Quarter Ended September 30, 2009

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.



Jimmy N. Wright, Chief Executive Officer
November 6, 2009



David Henneke, Chairman, Board of Directors
November 6, 2009



Keith A. Ibrom, Chief Financial Officer
November 6, 2009

TEXAS AGFINANCE, FARM CREDIT SERVICES MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Texas AgFinance, Farm Credit Services (Agricultural Credit Association), referred to as the Association, for the quarter and nine months ended September 30, 2009. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2008 Annual Report of the Association.

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 thereunder.

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:

On January 1, 2009, a joint management agreement was executed between Texas AgFinance, Farm Credit Services and AgCredit of South Texas, Agricultural Credit Association, whereas the executive management team of Texas AgFinance would serve as executive management for AgCredit of South Texas.

Loan Portfolio:

Total loans outstanding at September 30, 2009, including nonaccrual loans and sales contracts, were \$412,533,072 compared to \$418,135,309 at December 31, 2008, reflecting a decrease of 1.3 percent. Nonaccrual loans as a percentage of total loans outstanding were 1.4 percent at September 30, 2009, compared to 0.6 percent at December 31, 2008.

The Association recorded \$0 in recoveries and \$6,477 in charge-offs for the quarter ending September 30, 2009, and \$0 in recoveries and \$0 in charge-offs for the same period in 2008. The Association's allowance for loan losses was 0.4 percent and 0.2 percent of total loans outstanding as of September 30, 2009, and December 31, 2008, respectively.

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.

	September 30, 2009		December 31, 2008	
	Amount	%	Amount	%
Nonaccrual	\$ 5,581,477	100.0%	\$ 2,681,979	97.4%
90 days past due and still accruing interest	-	0.0%	70,841	2.6%
Formally restructured	-	0.0%	-	0.0%
Other property owned, net	-	0.0%	-	0.0%
Total	\$ 5,581,477	100.0%	\$ 2,752,820	100.0%

Results of Operations:

The Association had net income of \$1,516,020 and \$4,361,131 for the three and nine months ended September 30, 2009, as compared to net income of \$2,115,556 and \$5,241,116 for the same periods in 2008 reflecting a decrease of 28.3 and 16.8 percent, respectively. Net interest income was \$2,654,199 and \$7,931,533, respectively, for the three and nine months ended September 30, 2009, compared to \$2,734,210 and \$7,897,164 for the same periods in 2008. Interest income for the first nine months of 2009 decreased by \$2,855,925 or 13.7 percent from the same periods of 2008, primarily due to declines in yields on earning assets, offset by higher average loan volume. Interest expense for the first nine months of 2009 decreased by \$2,890,294, or 22.2 percent, from the same periods of 2008 due to a decrease in interest rates, offset by higher debt. Average loan volume for the third quarter of 2009 was \$413,224,508, compared to \$424,508,065 in the third quarter of 2008. The average spread on the loan portfolio for the third quarter 2009 was 2.28 percent, compared to 2.28 percent in the third quarter of 2008.

The Association's return on average assets for the nine months ended September 30, 2009, was 1.35 and 1.65 percent for the same period in 2008. The Association's return on average equity for the nine months ended September 30, 2009, was 13.97 and 18.36 percent for the same period in 2008.

The decrease in net income and the accompanying ratios for the six months ended June 30, 2009 compared to the same period in 2008 is primarily due to an increase in the Association's bad debt provision of \$500,000. The provision was recorded as an increase in general reserves in the allowance for loan loss. Furthermore, the Association's pension expense for DB Plan participants increased significantly in 2009. The Association had to contribute an additional \$580,000 to its pension liability for 2009 compared to plan contribution it made in 2008. This amount is expensed equally over the twelve months of 2009.

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 Systemwide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	September 30, 2009	December 31, 2008
Note payable to the Bank	\$ 377,966,204	\$ 384,991,152
Accrued interest on note payable	1,054,686	1,335,317
Total	<u>\$ 379,020,890</u>	<u>\$ 386,326,469</u>

Capital Resources:

The Association's capital position increased by \$4,260,771 at September 30, 2009, compared to December 31, 2008. The Association's debt as a percentage of members' equity was 8.68:1 as of September 30, 2009, compared to 9.82:1 as of December 31, 2008.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of seven percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at September 30, 2009, was 11.8 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at September 30, 2009, were 10.7 and 11.3 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

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, 2008 Annual Report of Texas AgFinance, Farm Credit Services more fully describe the Association's relationship with the Bank.

The Tenth 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) 483-9260. 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 web site 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 Texas AgFinance, Farm Credit Services, P.O. Box 711, Robstown, Texas, 78380 or calling (361) 387-8563. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing kibrom@texasagfinance.com. The Association makes its annual and quarterly stockholder reports available on its Web site at www.texasagfinance.com.

TEXAS AGFINANCE, FARM CREDIT SERVICES

CONSOLIDATED BALANCE SHEET

	September 30, 2009 (unaudited)	December 31, 2008
<u>ASSETS</u>		
Cash	\$ 549,048	\$ 113,268
Loans	412,533,072	418,135,309
Less: allowance for loan losses	<u>1,500,000</u>	<u>1,000,000</u>
Net loans	411,033,072	417,135,309
Accrued interest receivable	4,312,304	3,928,790
Investment in and receivable from the Bank:		
Capital stock	7,594,110	7,594,110
Other	-	209,356
Deferred taxes, net	56,003	57,015
Premises and equipment	1,381,481	1,157,563
Other assets	<u>1,332,746</u>	<u>95,195</u>
Total assets	<u><u>\$ 426,258,764</u></u>	<u><u>\$ 430,290,606</u></u>
<u>LIABILITIES</u>		
Note payable to the Bank	\$ 377,966,204	\$ 384,991,152
Advance conditional payments	1,292,320	751,317
Accrued interest payable	1,054,686	1,399,652
Patronage distributions payable	9,210	1,509,211
Other liabilities	<u>1,915,689</u>	<u>1,879,390</u>
Total liabilities	<u><u>382,238,109</u></u>	<u><u>390,530,722</u></u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	1,417,010	1,511,400
Allocated retained earnings	7,706,282	7,707,562
Unallocated retained earnings	34,381,807	29,978,245
Accumulated other comprehensive income (loss)	<u>515,556</u>	<u>562,677</u>
Total members' equity	<u>44,020,655</u>	<u>39,759,884</u>
Total liabilities and members' equity	<u><u>\$ 426,258,764</u></u>	<u><u>\$ 430,290,606</u></u>

TEXAS AGFINANCE, FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<u>INTEREST INCOME</u>				
Loans	\$ 5,875,661	\$ 6,985,357	\$ 18,056,557	\$ 20,912,482
<u>INTEREST EXPENSE</u>				
Note payable to the Bank	3,221,365	4,249,359	10,124,791	13,009,263
Advance conditional payments	97	1,788	233	6,055
Total interest expense	<u>3,221,462</u>	<u>4,251,147</u>	<u>10,125,024</u>	<u>13,015,318</u>
Net interest income	<u>2,654,199</u>	<u>2,734,210</u>	<u>7,931,533</u>	<u>7,897,164</u>
<u>PROVISION FOR LOSSES</u>				
Provision for loan losses	<u>6,477</u>	<u>3,565</u>	<u>528,553</u>	<u>20,755</u>
Net interest income after provision for loan losses	<u>2,647,722</u>	<u>2,730,645</u>	<u>7,402,980</u>	<u>7,876,409</u>
<u>NONINTEREST INCOME</u>				
Income from the bank:				
Patronage income	380,939	63,489	1,148,605	827,072
Loan fees	115,899	349,485	479,181	771,246
Financially related services income	104,915	532,475	551,238	646,727
Gain on sale of premises and equipment, net	6,565	-	8,384	637
Other noninterest income	27,755	10,698	157,411	104,690
Total noninterest income	<u>636,073</u>	<u>956,147</u>	<u>2,344,819</u>	<u>2,350,372</u>
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits	938,692	818,823	2,897,518	2,534,200
Directors' expense	22,524	25,960	115,881	131,353
Purchased services	76,978	47,906	98,060	92,623
Travel	62,153	50,835	161,547	135,190
Occupancy and equipment	138,210	119,980	382,423	350,080
Communications	36,661	35,895	102,565	112,417
Advertising	22,836	21,862	38,607	52,481
Public and member relations	49,589	37,489	154,175	168,127
Supervisory and exam expense	24,130	25,735	72,392	77,205
Insurance Fund premiums	184,184	146,525	559,991	443,730
Other noninterest expense	214,320	238,628	689,373	761,717
Total noninterest expenses	<u>1,770,277</u>	<u>1,569,638</u>	<u>5,272,532</u>	<u>4,859,123</u>
Income before income taxes	<u>1,513,518</u>	<u>2,117,154</u>	<u>4,475,267</u>	<u>5,367,658</u>
Provision for (benefit from) income taxes	<u>(2,502)</u>	<u>1,598</u>	<u>114,136</u>	<u>126,542</u>
Net income	<u>\$ 1,516,020</u>	<u>\$ 2,115,556</u>	<u>\$ 4,361,131</u>	<u>\$ 5,241,116</u>

TEXAS AGFINANCE, FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2007	\$ 1,632,965	\$ 7,148,304	\$ 26,547,479	\$ 611,806	\$ 35,940,554
Net income	-	-	5,241,116	-	5,241,116
Amortization of costs included in periodic retirement benefit costs	-	-	-	(33,390)	(33,390)
Total comprehensive income	-	-	5,241,116	(33,390)	5,207,726
Capital stock/participation certificates issued	252,440	-	-	-	252,440
Capital stock/participation certificates and allocated retained earnings retired	(335,660)	-	-	-	(335,660)
Patronage refunds:					
Cash	-	-	(7,061,154)	-	(7,061,154)
Capital stock/participation certificates and allocated retained earnings	-	(742)	7,055,051	-	7,054,309
Balance at September 30, 2008	<u>\$ 1,549,745</u>	<u>\$ 7,147,562</u>	<u>\$ 31,782,492</u>	<u>\$ 578,416</u>	<u>\$ 41,058,215</u>
Balance at December 31, 2008	\$ 1,511,400	\$ 7,707,562	\$ 29,978,245	\$ 562,677	\$ 39,759,884
Comprehensive income					
Net income	-	-	4,361,131	-	4,361,131
Amortization of costs included in periodic retirement benefit costs	-	-	-	(47,121)	(47,121)
Total comprehensive income	-	-	4,361,131	(47,121)	4,314,010
Capital stock/participation certificates issued	136,560	-	-	-	136,560
Capital stock/participation certificates and allocated retained earnings retired	(230,950)	-	-	-	(230,950)
Patronage refunds:					
Cash	-	-	(4,100,482)	-	(4,100,482)
Capital stock/participation certificates and allocated retained earnings	-	(1,280)	4,142,913	-	4,141,633
Balance at September 30, 2009	<u>\$ 1,417,010</u>	<u>\$ 7,706,282</u>	<u>\$ 34,381,807</u>	<u>\$ 515,556</u>	<u>\$ 44,020,655</u>

TEXAS AGFINANCE, FARM CREDIT SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Texas AgFinance, Farm Credit Services (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 the counties of Aransas, Atascosa, Austin, Bandera, Bee, Bexar, Brooks, DeWitt, Dimmitt, Edwards, Fayette, Frio, Goliad, Gonzales, Guadalupe, Jim Wells, Karnes, Kenedy, Kerr, Kinney, Kleberg, LaSalle, Lavaca, Live Oak, Maverick, McMullen, Medina, Nueces, Real, San Patricio, Uvalde, Val Verde, Waller, Wilson, Washington, and Zavala, parts of Refugio, and the lower half of Lee in the State of Texas. 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.

Effective January 1, 2009, the Association adopted accounting guidance for fair value measurements of nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures but did not have an impact on our financial condition or results of operations.

In April 2009, the FASB issued guidance, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly”. The guidance emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique and inputs used, the objective for fair value measurement is unchanged from what it would be if markets were operating at normal activity levels or transactions were orderly; that is, to determine the current exit price. It sets forth additional factors that should be considered to determine whether there has been a significant decrease in volume and level of activity when compared with normal market activity. The reporting entity shall evaluate the significance and relevance of the factors to determine whether, based on the weight of evidence, there has been a significant decrease in activity and volume. The guidance indicates that if an entity determines that either the volume or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. It is further noted that a fair value measurement should include a risk adjustment to reflect the amount market participants would demand because of the risk (uncertainty) in the cash flows.

This guidance also requires a reporting entity to make additional disclosures in interim and annual periods. It is effective for interim periods ending after June 15, 2009, with early application permitted for periods ending after March 15, 2009. Revisions resulting from a change in valuation techniques or their application are accounted for as a change in accounting estimate. The Association adopted the guidance in second quarter 2009. The adoption did not have a material impact on the financial condition or results of operations of the Association.

In April 2009, the FASB issued guidance, “Recognition and Presentation of Other-Than-Temporary Impairments”, which amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt securities in the financial statements. It does not change existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

This guidance changes existing impairment guidance related to accounting for certain investments in debt and equity securities by eliminating the “ability and intent to hold” provision. In addition, impairment is now considered to be other than temporary if an entity (i) intends to sell the security, (ii) more likely than not will be required to sell the security before recovering its cost, or (iii) does not expect to recover the security’s entire amortized cost basis (even if the entity does not intend to sell). The “probability” standard relating to the collectability of cash flows is also eliminated, and impairment is now considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to as a “credit loss”). If an entity intends to sell an impaired debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other-than-temporary and should be recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income. For held-to-maturity securities, the portion of the other-than-temporary impairment not related to a credit loss will be recognized in a new category of other comprehensive income and amortized over the remaining life of the debt security as an increase in the security’s carrying

amount. Disclosure requirements for impaired debt and equity securities are expanded and will now be required quarterly, as well as annually.

The guidance was effective for interim and annual periods ending after June 15, 2009, with early application permitted for periods ending after March 15, 2009. For securities held at the beginning of the interim period of adoption for which an other-than-temporary impairment was previously recognized, if an entity does not intend to sell and it is more likely than not that it will be required to sell before recovery of its amortized cost basis, the entity shall recognize the cumulative effect of initially applying this guidance as an adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income. The Association adopted the guidance in the second quarter of 2009 and did not recognize an adjustment to beginning retained earnings or accumulated other comprehensive income since no impairment losses were previously recognized. The Association held no investments in debt securities during the first six months of 2009.

In May 2009, the FASB issued guidance, "Subsequent Events", which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. There are two types of subsequent events: the first type consists of events or transactions that provide additional evidence about conditions that existed at the balance sheet date (recognized subsequent events) and the second type consists of events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date (nonrecognized subsequent events). Recognized subsequent events should be recognized in the financial statements since the conditions existed at the date of the balance sheet. Nonrecognized subsequent events are not recognized in the financial statements since the conditions arose after the balance sheet date but before the financial statements are issued or are available to be issued. This guidance, which includes a required disclosure of the date through which an entity has evaluated subsequent events, was effective for interim or annual periods ending after June 15, 2009.

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, 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 and the nine months ended September 30, 2009, are not necessarily indicative of the results to be expected for the year ended December 31, 2009. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — Investments:

The Association did not hold any investments requiring disclosure as of September 30, 2009.

NOTE 3 — ALLOWANCE FOR LOAN LOSSES:

The allowance for loan losses is maintained at a level considered adequate by management to provide for estimated losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition and prior loan loss experience. An analysis of the allowance for loan losses follows:

	September 30, 2009	September 30, 2008
Balance at beginning of quarter	\$ 1,500,000	\$ 211,855
Provision for loan losses	6,477	3,565
Charge-offs	(6,477)	-
Recoveries	-	-
Balance at end of quarter	<u>\$ 1,500,000</u>	<u>\$ 215,420</u>

The following table presents information concerning impaired loans:

	September 30, 2009	September 30, 2008
Impaired loans with related allowance	\$ 3,626,511	\$ -
Impaired loans with no related allowance	1,954,966	1,879,055
Total impaired loans	<u>\$ 5,581,477</u>	<u>\$ 1,879,055</u>
Allowance on impaired loans	\$ 516,470	\$ -
Average impaired loans	\$ 4,208,354	\$ 1,879,055
Interest income on impaired loans for the quarter	\$ -	\$ -

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:

Texas AgFinance, Farm Credit Services 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. The Association plans on distributing a patronage for fiscal year 2009. 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 (over 50 percent probability), based on management's estimate, that they will not be realized. For the nine months ended September 30, 2009 and 2008, the Association recorded federal income taxes of \$114,136 and \$126,542, respectively.

Subsidiary, Texas AgFinance, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

The Association is unaware of any material changes in uncertain tax positions or changes in classification of interest and/or penalties.

NOTE 6 — FAIR VALUE MEASUREMENTS:

SFAS No. 157 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 11 to the 2008 Annual Report to Stockholders for a more complete description.

The Association has no fair value disclosures to report in accordance with SFAS No. 157.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for the nine months ended September 30, :

	Other Benefits	
	2009	2008
Service cost	\$22,299	\$19,446
Interest cost	48,645	48,513
Amortization of prior service costs	(50,487)	(51,162)
Amortizations of net (gain) loss	-	1,077
Net periodic benefit cost	<u>\$ 20,457</u>	<u>\$ 17,874</u>

The Association previously disclosed in its financial statements for the year ended December 31, 2008, that it expected to contribute \$42,069 to its defined pension plan in 2009. As of September 30, 2009, \$31,552 in contributions has been made. The Association presently does not anticipate contributing any additional funds to its defined pension plan in 2009.

NOTE 8 — Subsequent Events:

The Association has evaluated subsequent events through November 6, 2009 (date), which is the date the financial statements were issued and determined no disclosures are required.