ANNUAL REPORT 2009

Farm Credit Services
OF ILLINOIS

We Understand

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Farm Credit Services of Illinois, ACA

AgriBank, FCB's financial condition and results of operations materially affect members' investment in Farm Credit Services of Illinois, ACA. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports contact us at 1100 Farm Credit Drive, Mahomet, Illinois 61853, (217) 590-2200 or contact AgriBank, FCB at 375 Jackson Street, St. Paul, MN 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@AGRIBANK.COM. The reports are also available through AgriBank, FCB's website at www.agribank.com.

To request a free copy of our annual or quarterly reports contact us as stated above. The annual report is available on our website 75 days after the end of the calendar year and members are provided a copy of such report 90 days after the end of the year. The quarterly reports are available on our website 40 days after the end of each calendar quarter.

MESSAGE FROM THE CHAIRPERSON OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Dear Farm Credit Customer:

Once again, we are pleased to provide you with an exceptional report of operations for 2009. A wet spring and late harvest are beginning to sound like a broken record. However, those challenges for 2009 were much more severe than past years. Late planting and cooler than normal temperatures during the growing season resulted in crops with unusually high moisture content which extended harvest as drying capacity at most elevators was insufficient. Extending harvest has resulted in fewer acres of wheat being planted and much of the fall tillage has been pushed back to next spring. Weather is always an unknown, but last year brought many new challenges as well. The domestic and global economic slowdown reduced demand for exports and the continued volatility in input costs and commodity prices leaves profit margins uncertain.

The agricultural sector has fared well compared to the rest of the economy. However, we are not entirely insulated from the long-term effects of a global economic slowdown. Many Farm Credit institutions reported lower credit quality in 2009 due to stress in several industries including ethanol, poultry, timber, lands in transition, dairy, pork and beef. Much of the stress was caused by higher input costs resulting from higher grain prices. With more than 64% of our portfolio devoted to cash crops, we have been the beneficiary of higher commodity prices. In addition, our portfolio concentration in ethanol and livestock remains very low. Credit quality for your association did decline during the year falling from a record high of 99.7% acceptable at June 30, 2008 to 96.8% acceptable at December 31, 2009. Much of this decline was attributed to stress in the ethanol and livestock industry. With our overall credit quality of 96.8% and our permanent capital position of 14.2%, your association remains safe, sound and financially strong. We have truly been blessed during these times.

Portfolio growth for 2009 was much lower than previous years as demand for operating credit, capital markets and commercial lending was weak. Reduced demand for operating credit is usually a good sign of strength in producers' balance sheets and working capital positions. Capital markets and commercial lending was impacted by the overall economic conditions. While portfolio growth was below the previous year we still ended with a respectable 4.45% increase overall. Net earnings for the year were very respectable at $36.8 million. The decline in credit quality and recognition of stress in several segments of our portfolio resulted in a $5.8 million net addition to our allowance for loan losses. These increases are charged against earnings in the current year. Revenue from crop insurance sales was also down for the year as producers enjoyed lower premiums and the association recorded lower commissions. Net earnings were positively impacted by additional revenue from our affiliated Farm Credit Bank, AgriBank.

In the midst of uncertainty, domestic and global economic slowdown, and stress in many agricultural industries; your association is standing strong! Our portfolio quality, capital position and operating efficiency puts us in a very enviable position. Our strength comes from you, our stockholders; our professional staff; your board of directors and management. No one knows what the future will bring, but the strengths in this association are many and we are well positioned to manage our way through difficult times.

On behalf of your board of directors and staff we want to thank you for your continued support. We have much to be thankful for! Let's all pray for a reasonable spring planting season.

Sincerely,

Jack Hastings
Chairperson of the Board
Farm Credit Services of Illinois, ACA

David M. Owens
Chief Executive Officer
Farm Credit Services of Illinois, ACA

March 9, 2010

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Farm Credit Services of Illinois, ACA
(Dollars in thousands)

	2009	2008	2007	2006	2005
Statement of Condition Data					
Loans	**$2,117,061**	$1,965,059	$2,007,552	$1,612,209	$1,417,432
Allowance for loan losses	**9,753**	5,805	2,278	1,725	2,044
Net loans	**2,107,308**	1,959,254	2,005,274	1,610,484	1,415,388
Investment in AgriBank, FCB	**76,004**	77,814	40,343	32,342	26,885
Other property owned	**961**	7	7	7	7
Other assets	**46,616**	42,644	53,695	44,947	36,888
Total assets	**$2,230,889**	$2,079,719	$2,099,319	$1,687,780	$1,479,168
Obligations with maturities of one year or less	**$1,821,408**	$1,707,239	$1,764,024	$1,381,037	$1,196,233
Total liabilities	**1,821,408**	1,707,239	1,764,024	1,381,037	1,196,233
Protected members' equity	**31**	41	50	64	67
Capital stock and participation certificates	**7,325**	7,156	6,759	6,401	6,237
Unallocated surplus	**402,125**	365,283	328,486	300,278	276,631
Total members' equity	**409,481**	372,480	335,295	306,743	282,935
Total liabilities and members' equity	**$2,230,889**	$2,079,719	$2,099,319	$1,687,780	$1,479,168
Statement of Income Data					
Net interest income	**$49,920**	$45,618	$41,884	$37,493	$35,483
Provision for (reversal of) loan losses	**5,839**	3,723	521	(140)	(1,275)
Patronage income	**12,527**	9,045	4,972	3,837	3,580
Other expense, net	**18,394**	12,888	17,301	16,689	16,018
Provision for income taxes	**1,372**	1,255	826	1,134	877
Net income	**$36,842**	$36,797	$28,208	$23,647	$23,443
Key Financial Ratios					
Return on average assets	**1.8%**	1.8%	1.6%	1.6%	1.7%
Return on average members' equity	**9.5%**	10.4%	8.8%	8.0%	8.6%
Net interest income as a percentage of average earning assets	**2.6%**	2.4%	2.4%	2.6%	2.7%
Members' equity as a percentage of assets	**18.4%**	17.9%	16.0%	18.2%	19.1%
Net chargeoffs as a percentage of average loans	**0.1%**	--	--	--	--
Allowance for loan losses as a percentage of loans	**0.5%**	0.3%	0.1%	0.1%	0.1%
Permanent capital ratio	**14.2%**	13.7%	13.8%	15.4%	16.0%
Total surplus ratio	**13.9%**	13.3%	13.4%	15.0%	15.6%
Core surplus ratio	**13.9%**	13.3%	13.4%	15.0%	15.6%

No income was distributed to members in the form of cash, dividends, stock or allocated surplus during these time periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Farm Credit Services of Illinois, ACA

The following commentary reviews the consolidated financial position and consolidated results of operations of Farm Credit Services of Illinois, ACA and its subsidiaries and provides additional specific information. The accompanying consolidated financial statements and notes also contain important information about our financial position and results of operations.

Forward-Looking Information

This Annual Report includes 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 "anticipate", "believe", "could", "estimate", "may", "should", "will", "expect", or other variations on these terms are intended to identify such forward-looking statements. These statements are based on assumptions and analyses made in light of experience, 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,
- fluctuations in the agricultural, energy, financing, and leasing sectors,
- economic conditions and credit performance of our loan portfolio, portfolio growth and seasonal factors,
- changes in our estimates underlying the allowance for loan losses,
- periodically occurring weather-related conditions and plant and animal disease that impact agricultural productivity and income and consumer demand,
- changes in United States government support of the agricultural industry, and
- bio-terrorism and other terrorism.

Loan Portfolio

Loan volume totaled $2.1 billion at December 31, 2009. The changes in loan volume for the last two years were as follows (in thousands):

Change in loan volume	2009 vs. 2008		2008 vs. 2007	
Accrual				
Mortgage	**$144,160**	**10.6%**	($174,362)	(11.4%)
Commercial	**11,863**	**2.0%**	109,668	23.4%
Nonaccrual	**(4,021)**	**(16.0%)**	22,201	757.5%
Total loans	**$152,002**	**7.7%**	($42,493)	(2.1%)

The agricultural sector (especially row crops) was not as badly impacted as the rest of the economy in 2009, therefore volume continued to grow. The decrease in nonaccrual loans was due to a participation loan moving out of nonaccrual status along with an ethanol participation moving to other property owned and subsequently sold.

In May 2008, we sold $500.0 million of a participation interest in real estate loans to AgriBank, FCB (AgriBank). AgriBank has established a separate patronage pool for these assets. Any patronage declared on these pools is solely at the discretion of the AgriBank Board of Directors. AgriBank historically has paid patronage in an amount that approximates the net earnings of those loans. As required by our agreement with AgriBank, we purchased additional AgriBank common stock equal to 8% of the pool assets.

Portfolio Distribution

We are chartered to serve certain counties in Illinois. Approximately 6.3% of our total loan portfolio was in Champaign county at December 31, 2009. No other counties had more than 5% concentration.

Our portfolio is heavily concentrated in corn and soybeans, representing approximately 60.0% of the total portfolio.

The commercial loan portfolio shows some seasonality. These loans are normally at their lowest levels during the winter months because of operating repayments following harvest. They then increase throughout the year as farmers borrow for operating and capital needs.

Financial Market Volatility

During 2009, the severe stress in the financial markets began to and has continued to stabilize. Throughout this period of financial market volatility, AgriBank has been able to access the debt capital markets across the yield curve to support the District mission of providing credit to farmers, ranchers and other eligible borrowers. This has enabled us to continue receiving the funding to support our full array of loan products. We have responded to funding challenges with appropriate actions, including adjusting loan structures and payment terms, and in appropriate cases, increased pricing to customers.

Agricultural and Economic Conditions

The Food, Conservation, and Energy Act of 2008 (FCEA/farm bill) was enacted into law in June 2008. FCEA includes significant federal financial support for wheat, feed grains, cotton, rice, oilseeds and dairy, largely continuing the same total level of financial support to agriculture, while changing the distribution and methods of allocating such support. FCEA also contains new, expanded assistance to certain specialty crops, and added price support and trade protection for domestically produced sugar. FCEA continues the direct payment, loan rate and countercyclical payments (CCP) programs from previous farm support legislation, but the levels of support provided by each program have changed. Such support may be unable to cover operating losses due to the dramatic changes in commodity prices for inputs as well as outputs. Also, FCEA provides a new income support program called Average Crop Revenue Election (ACRE), which provides countercyclical support to farmers of many major commodities and it is based on average statewide farm income of recent years rather than more local average incomes. Enrollment in ACRE is low, however, so at an aggregate level ACRE is not a significant source of farm support. Instead, federal farm support revenue has shifted to subsidized crop insurance programs which, with revenue insurance products, now provide more federal support for farm operations than traditional farm support programs.

Net farm income reached record levels in 2008, but the forecast for 2009 is significantly lower. Strong agricultural economic conditions in 2008 were the result of record high prices for agricultural commodities through the third quarter and the continued positive impact of government programs, but those conditions have changed in 2009. The United States Department of Agriculture ("USDA") now forecasts 2009 net farm income to be $57.0 billion in 2009, down $30.0 billion (34.5%) from 2008. Although dramatically lower than 2008, 2009 will still likely rank as the 8th highest net farm income year in American farm history. Crop income is estimated to drop by $18 billion, the largest drop in crop income in recent history. Net cash income, which is a better measure of farmers' ability to service or repay loans, is estimated at $69.8 billion in 2009, down $27.7 billion (28.4%) from

2008, and $1.8 billion below its 10-year average of $71.6 billion. Net cash income is projected to decline less than net farm income in part because net cash income reflects the sale of $1.0 billion in carryover stocks from 2008. Net farm income reflects only the earnings from production that occurred in the current year.

The 2009 harvest extended well into December with a minimal amount of crop still remaining to be harvested at year end. However, yields were average to above average across our service territory and markets remained strong for cash sales. Crop quality issues found early in the harvest eased as the crop matured and overall quality improved, resulting in a successful culmination of the 2009 corn and soybean harvest for a majority of our customers.

Analysis of Risk

The following table summarizes risk assets (accruing volume includes accrued interest receivable) and delinquency information (in thousands):

As of December 31	2009	2008	2007
Loans:			
Accruing restructured	**$951**	$54	$124
Past due 90 days or more still accruing	**204**	1,570	197
Nonaccrual	**21,111**	25,132	2,931
Total risk loans	**22,266**	26,756	3,252
Other property owned	**961**	7	7
Total risk assets	**$23,227**	$26,763	$3,259
Risk loans			
as a percentage of total loans	**1.0%**	1.3%	0.2%
Total delinquencies			
as a percentage of total loans	**0.3%**	0.3%	0.2%

Based on our analysis, all loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

The decrease in nonaccrual loans was due in part to a participation moving out of nonaccrual status to accrual status along with other participation loans, related to the ethanol industry, moving to other property owned and subsequently sold. This decrease was mitigated somewhat by the weakness in the swine industry. The remaining nonaccrual volume is mainly due to a swine participation loan.

Despite the volume in nonaccrual loans, total risk loans as a percentage of total loans remains well within our established risk management guidelines. The volume of nonaccrual loans remained at an acceptable level at December 31, 2009, and represented 1.0% of our total portfolio. At December 31, 2009, 86.2% of our nonaccrual loans were current.

In April 2009, a portion of our nonaccrual volume related to ethanol was transferred into other property owned, representing our interest in certain ethanol loans. The acquired properties were held in limited liability companies formed by the lenders for that purpose. In addition, during the second quarter of 2009, another participated ethanol loan was transferred into other property owned. The total amount of our share of all these acquired properties was $12.6 million, of which substantially all were sold in 2009. We financed the sales of the acquired properties related to the limited liability company formations, and all of the loans underlying the financed sales were classified as accrual at December 31, 2009.

The credit quality of our portfolio declined during 2009. Adversely classified assets increased from 1.6% of the portfolio at December 31, 2008, to 3.2% of the portfolio at December 31, 2009. Adversely classified assets are assets we have identified as showing some credit weakness outside our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, we use various government guarantee programs to reduce the risk of loss. At December 31, 2009, $17.8 million of our loans were, to some level, guaranteed under these government programs.

Analysis of the Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on the periodic evaluation of factors such as:

- loan loss history,
- portfolio quality, and
- current economic and environmental conditions.

Comparative allowance coverage of various loan categories follows:

As of December 31	2009	2008	2007
Allowance as a percentage of:			
Loans	**0.5%**	0.3%	0.1%
Nonaccrual loans	**46.2%**	23.1%	77.7%
Total risk loans	**43.8%**	21.7%	70.0%
Net chargeoffs as a percentage			
of average loans	**0.1%**	--	--
Adverse assets to risk funds	**20.2%**	10.3%	2.7%

The increase in our allowance for loan losses was due to stress caused in segments of our swine and ethanol portfolio which represented 7.0% of our total loan portfolio. We recorded additional provision for loan losses as a result of continued stress in the market and other loan portfolio risks. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, portfolio quality and current economic conditions. In our opinion, the allowance for loan losses was reasonable in relation to the probable losses in the loan portfolio at December 31, 2009.

Young, Beginning and Small Farmers and Ranchers

We have specific programs in place to serve the credit and related needs of young, beginning and small farmers and ranchers in our territory. The definitions of young, beginning and small farmers and ranchers follow:

- Young: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning: A farmer, rancher, or producer or harvester of aquatic products who has 10 years or less farming or ranching experience as of the loan transaction date.
- Small: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than $250 thousand in annual gross sales of agricultural or aquatic products.

Demographics

We have used a special tabulation of the 2007 USDA Census of Agriculture as our source of demographic data for comparison to our performance in serving young, beginning, and small farmers and ranchers (YBS). This special tabulation included only those farms in our chartered territory that have debt and annual gross sales of at least $10,000.

The following table is a comparison of our results compared to the 2007 USDA Census data for our territory:

	Percentages by Number		
As of December 31, 2009	Young	Beginning	Small
FCS of Illinois	15.9%	16.6%	45.1%
2007 Census data	11.2%	16.4%	53.9%

As shown in the above table, based on year-end numbers, our business activity with young and beginning farmers exceeds the demographics of the marketplace, whereas our business activity with small farmers is below the demographics of the marketplace. Although the business activity with the small farmers was below the census data, it still exceeded our targets as established in our business plan.

Mission Statement

Our mission is to provide competitive and dependable credit and related services. This applies to all eligible customers, and specifically to young, beginning, and small farmers and ranchers. We will accomplish this mission by:

- providing discounted interest rates for up to a maximum period of five years through our YBS Loan Program for young and/or beginning farmers,
- making full use of guaranteed loan programs through the State of Illinois and the USDA Farm Service Agency,
- establishing both quantitative portfolio targets and qualitative goals for services offered, and
- continuing to participate in numerous outreach programs which benefit YBS farmers.

Quantitative Targets and Qualitative Goals

Quantitative targets and qualitative goals for YBS loans are established on an annual basis for the succeeding 3 years. The following targets and goals were established for 2009:

Young Beginning Farmers and Ranchers - Target and Goals for the Year 2009				
Category	Number of New Loans Closed	Number of Loans Outstanding	Total Loan Volume (000)	Percent of Total Loans
Young Farmer	750	2,500	$240,000	10.0%
Beginning Farmer	750	2,500	240,000	10.0%
Small Farmer	2,700	8,000	545,000	40.0%
Outreach Program - Goal for total number of activities			70	

As of December 31, 2009, all targets and goals for the YBS program were met.

The following tables detail the level of new business generated in 2009 plus the level of business outstanding as of December 31, 2009, both by number of loans and by volume for young and beginning farmers and ranchers:

Young and Beginning Farmers and Ranchers – Gross New Business During The Year Number/Volume of Loans					
	Category	Number Of Loans	Percent of Total	Volume Outstanding	Percent of Total
1.	Total gross new loans and commitments made during the year	14,421	100.0%	$1,835,243	100.0%
2.	Total loans and commitments made to young farmers and ranchers	1,891	13.1%	$185,093	10.1%
3.	Total loans and commitments made to beginning farmers and ranchers	1,734	12.0%	$196,343	10.7%

Young Beginning Farmers and Ranchers - Number/Volume of Loans Outstanding					
	Category	Number Of Loans	Percent of Total	Volume Outstanding	Percent of Total
1.	Total loans and commitments outstanding at year end	25,373	100.0%	$2,912,384	100.0%
2.	Young farmers and ranchers	4,033	15.9%	401,061	13.8%
3.	Beginning farmers and ranchers	4,214	16.6%	479,230	16.5%

The following tables detail the level of new business generated in 2009 plus the level of business outstanding as of December 31, 2009, both by number of loans and by volume for small farmers and ranchers:

Small Farmers and Ranchers* - Gross New Business by Loan Size December 31, 2009				
Number/Volume Outstanding	$0 to $50,000	$50,001 to 100,000	$100,001 to 250,000	$250,001 and greater
Total number of new loans and committments made during 2009	5,337	2,955	2,732	3,397
Total number of loans made to small farmers and ranchers during 2009	3,311	1,176	569	119
Percentage	62.0%	39.8%	20.8%	3.5%
Total gross loan volume of all new loans and committments made during 2009	$67,601	$108,509	$254,593	$1,404,540
Total gross loan volume to small farmers and ranchers	37,579	43,937	64,364	50,247
Percentage	55.6%	40.5%	25.3%	3.6%

* Less than $250,000 in annual gross sales.

Small Farmers and Ranchers* - Number/Volume of Loans Outstanding by Loan size December 31, 2009				
Number/Volume Outstanding	$0 to $50,000	$50,001 to 100,000	$100,001 to 250,000	$250,001 and greater
Total number of loans and commitments outstanding at year end	11,460	5,558	5,255	3,100
Total number of loans to small farmers and ranchers	6,812	2,593	1,637	401
Percentage	59.4%	46.7%	31.2%	12.9%
Total loan volume outstanding at year end	$172,211	$291,819	$644,972	$1,803,382
Total loan volume to small farmers and ranchers	100,214	145,629	229,005	184,290
Percentage	58.2%	49.9%	35.5%	10.2%

* Less than $250,000 in annual gross sales.

Outreach Program

Our marketing plan includes special emphasis on the young, beginning, and small farmer loan program and we participate in several outreach programs to promote our products and services to this segment of the market. In 2009, in conjunction with other agribusiness sponsors, we continued to help coordinate the “Cultivating Master Farmers” program whereby young farmers are brought together with Prairie Farmer “Master Farmers” to participate in roundtable discussions to exchange ideas. This program was initially launched in 2005 and the first participating class of 10 young farmers and 6 master farmers “graduated” in the spring of 2007. The second participating class of 10 young farmers and 10 master farmers "graduated" in July 2009, and a third class of 15 young farmers and 9 master farmers is presently participating in the program.

We participated in a total of 113 outreach activities in 2009, surpassing our goal of 70 for the year.

Safety and Soundness of the Program

In order to control our risk for loans approved under the young, beginning, and small farmer loan program, we have established specific lending limits and credit standards for clients who use the program.

Additional Loan Information

Additional loan information is included in Notes 3, 12, 13 and 14.

Results of Operations

The following table illustrates profitability information (in thousands):

For the year ended December 31	**2009**	2008	2007
Net income	**$36,842**	$36,797	$28,208
Return on average assets	**1.8%**	1.8%	1.6%
Return on average members' equity	**9.5%**	10.4%	8.8%

Changes in these ratios relate directly to:

- changes in income as discussed below,
- changes in assets discussed in the Loan Portfolio section, and
- changes in members' equity discussed in the Capital Adequacy section.

The following table summarizes the changes in components of net income (in thousands):

Increase (decrease) in net income	**2009 vs. 2008**	2008 vs. 2007
Net interest income	**$4,302**	$3,734
Provision for loan losses	**(2,116)**	(3,202)
Patronage income	**3,482**	4,073
Financially related services and miscellaneous income, net	**(4,185)**	6,763
Operating expenses	**(1,321)**	(2,350)
Provision for income taxes	**(117)**	(429)
Total change in net income	**$45**	$8,589

Net Interest Income

Net interest income was $49.9 million for the year ended December 31, 2009. The following table quantifies changes in net interest income (in thousands):

Changes in net interest income due to:	**2009 vs. 2008**	2008 vs. 2007
Changes in volume	**($881)**	$3,961
Changes in rates	**4,265**	(146)
Changes in nonaccrual income and other	**918**	(81)
Net change	**$4,302**	$3,734

Net interest income included income on nonaccrual loans that totaled $652 thousand in 2009, $247 thousand in 2008, and $153 thousand in 2007. Nonaccrual income is recognized when:

- received in cash,
- collection of the recorded investment is fully expected, and
- prior chargeoffs have been recovered.

Net interest margin (net interest income divided by average earning assets) was 2.6% in 2009, 2.4% in 2008, and 2.4% in 2007.

Provision for Loan Losses

The variance in the provision for loan losses is related to our estimate of losses in our portfolio, primarily in our ethanol and swine portfolio, for the applicable years. The ethanol and swine portfolio represented 7.0% of our total loan portfolio.

Patronage Income

We received patronage income based on the average balance of our note payable to AgriBank. AgriBank's Board of Directors sets the patronage rate. We recorded patronage income of $4.8 million in 2009, $4.4 million in 2008, and $5.0 million in 2007. Changes in our note payable to AgriBank and patronage rate changes caused the variances in the patronage income amounts. The patronage rates paid by AgriBank were 30 basis points in 2009, 27 basis points in 2008, and 34 basis points in 2007.

We also received patronage income related to our sale of a participation interest in certain real estate loans to AgriBank, as described in the Loan Portfolio section of this report. We received patronage income in an amount that approximates the net earnings of those loans. Net earnings represents the net interest income associated with these loans adjusted for certain fees and costs specific to the related loans as well as adjustments deemed appropriate by AgriBank related to the credit performance of the loans, as applicable. Similar to the patronage on our note payable described above, we also received patronage income based on the estimated note payable of the asset pool loans. Patronage declared on these pools is solely at the discretion of the AgriBank Board of Directors. We recorded asset pool patronage income of $7.7 million in 2009 and $4.6 million in 2008.

Financially Related Services and Miscellaneous Income, Net

The decline in financially related services and miscellaneous income, net is primarily due to a decrease in multi-peril crop insurance revenues resulting from a decline in premiums compared to 2008. In 2008, the premiums were set at high commodity prices in the spring.

Operating Expenses

The following presents a comparison of operating expenses by major category and the operating rate (operating expenses as a percentage of average earning assets) for the past three years (in thousands):

For the year ended December 31	**2009**	2008	2007
Salaries and benefits	**$15,256**	$14,946	$14,228
Purchased and vendor services	**1,761**	1,709	1,523
Advertising and promotion	**1,437**	1,282	1,294
Communications	**561**	617	506
Occupancy and equipment	**2,194**	1,970	1,464
Examination	**587**	540	516
Farm Credit System insurance	**3,567**	2,921	2,570
Other	**3,373**	3,430	2,964
Total	**$28,736**	$27,415	$25,065
Operating rate	**1.5%**	1.4%	1.5%

The operating expense increases were primarily related to an increase in Farm Credit System insurance, salaries and benefits, and occupancy and equipment expenses.

Provision for Income Taxes

We recorded tax expense of $1.4 million for the year ended December 31, 2009, compared to $1.3 million for 2008, and $826 thousand for 2007. See Note 9 for additional discussion.

Funding and Liquidity

We borrow from AgriBank under a note payable, in the form of a line of credit, as described in Note 7. During 2009, our average balance was $1.6 billion with an average interest rate of 2.3%. Our average balance during 2008 was $1.6 billion with an average interest rate of 3.8% and during 2007 our average balance was $1.5 billion with an average interest rate of 5.2%. Our other source of lendable funds is from unallocated surplus.

Our approach to sustaining sufficient liquidity to fund operations and meet current obligations is to maintain an adequate line of credit with AgriBank. At December 31, 2009, we had $390.5 million available under our line of credit. We generally apply excess cash to this line of credit.

We offer variable, fixed, capped, indexed, and adjustable interest rate loan programs to our borrowers. We determine interest margins charged on each lending program based on:

- cost of funds,
- market conditions, and
- the need to generate sufficient earnings.

The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio which significantly reduces our interest rate risk.

Capital Adequacy

Total members' equity increased $37.0 million during 2009 due to net income for the period and an increase in participation certificates outstanding.

Members' equity position information is as follows (in thousands):

As of December 31	**2009**	2008	2007
Members' equity	**$409,481**	$372,480	$335,295
Surplus as a percentage of members' equity	**98.2%**	98.1%	98.0%
Permanent capital ratio	**14.2%**	13.7%	13.8%
Total surplus ratio	**13.9%**	13.3%	13.4%
Core surplus ratio	**13.9%**	13.3%	13.4%

Our capital plan is designed to maintain an adequate amount of surplus and allowance for loan losses which represents our reserve for adversity prior to impairment of stock. We manage our capital to allow us to meet member needs and protect member interests, both now and in the future.

At December 31, 2009, our permanent capital, total surplus, and core surplus ratios significantly exceeded the regulatory minimum requirements. See Note 8 for further discussions of these regulatory ratios.

In addition to these regulatory requirements, we establish an optimum permanent capital target. This target allows us to maintain a capital base adequate for future growth and investment in new products and services. The target is subject to revision as circumstances change. As of December 31, 2009, our optimum permanent capital target was 14%.

The changes in our capital ratios reflect changes in capital and assets. Refer to the Loan Portfolio section for further discussion of the changes in assets. Additional members' equity information is included in Note 8.

Initiatives

We are involved in a number of initiatives designed to improve our credit delivery, related services, and marketplace presence.

ProPartners Financial

We participate in ProPartners Financial (ProPartners) with other associations in North Dakota, Minnesota, Illinois, Wisconsin, and Michigan. ProPartners provides financing programs for clients of agribusiness companies. ProPartners is directed by representatives from the participating associations. The income, expense and loss sharing arrangements are based on each association's participation interest of ProPartners volume. Each association's allocation is established according to a prescribed formula. We had $70.0 million of ProPartners volume at December 31, 2009, $66.7 million at December 31, 2008, and $50.1 million at December 31, 2007.

Farm Cash Management

We offer Farm Cash Management to our members. Farm Cash Management links members' revolving lines of credit with an AgriBank Investment Bond to optimize members' use of funds.

Investments for Rural America Pilot Program

We are participating in an Investments for Rural America pilot program authorized during 2006 by the Farm Credit Administration in order to meet the changing needs of agriculture and rural America by making investments that support farmers, ranchers, agribusinesses, and their rural communities and businesses. These investments will help to increase their well-being and prosperity by providing an adequate flow of capital into rural areas. We had $13.7 million of volume under this pilot program outstanding at December 31, 2009, $6.2 million of volume outstanding at December 31, 2008, and $123 thousand of volume outstanding at December 31, 2007.

Relationship with AgriBank

Borrowings

We borrow from AgriBank to fund our lending operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement, as discussed in Note 7, governs this lending relationship.

Cost of funds under the General Financing Agreement includes:

- a marginal cost of debt component,
- a spread component, which includes cost of servicing and bank profit, and
- a risk premium component, if applicable.

In the periods presented, we were not subject to the risk premium component. Effective in 2010, an additional 2.8 basis point has been added to the spread component related to the cost of AgriBank's new liquidity plan. The marginal cost of debt approach simulates match funding the cost of underlying debt with substantially the same terms as the anticipated terms of our loans to borrowers. This methodology substantially protects us from interest rate risk.

Investment

We are required to invest in AgriBank capital stock as a condition of borrowing. This investment may be in the form of purchased stock or stock representing previously distributed AgriBank surplus. As of December 31, 2009, we were required to maintain a common stock investment equal to 2.5% of the average quarterly balance of our note payable to AgriBank plus an additional 1% on growth that exceeded a targeted rate. AgriBank's current bylaws allow AgriBank to increase the required investment to 4%.

In addition, as described in the Loan Portfolio section of this report, in May 2008, we sold $500.0 million of a participation interest in real estate loans to AgriBank. As part of this transaction, we are required to hold AgriBank common stock equal to 8% of the quarter-end balance of these loans. We met this requirement through the conversion of excess stock held and the purchase of additional stock.

At December 31, 2009, $26.4 million of our investment in AgriBank consisted of stock representing distributed AgriBank surplus and $49.6 million consisted of purchased investment. For the periods presented in this report, we have received no dividend income on this stock investment and we do not anticipate any in future years.

Patronage

We receive different types of discretionary patronage from AgriBank. AgriBank's Board of Directors sets the level of patronage for each of the following:

- patronage on our note payable with AgriBank,
- patronage based on the balance and net earnings of the pool of loans sold to AgriBank.

Beginning in 2009, patronage income on our note payable with AgriBank was received in the form of cash and AgriBank stock.

Purchased Services

We purchase various services from AgriBank including certain:

- information systems,
- financial services,
- accounting and reporting services,
- human resource services, and
- retail product processing and support.

The total cost of services we purchased from AgriBank was $880 thousand in 2009, $845 thousand in 2008, and $898 thousand in 2007.

Affect on Members' Investment

Due to the nature of our financial relationship with AgriBank, the financial condition and results of operations of AgriBank materially affect our members' investment. To request a free copy of the combined AgriBank, FCB and Affiliated Associations' financial reports contact us at 1100 Farm Credit Drive, Mahomet, Illinois 61853, (217) 590-2200 or contact AgriBank at 375 Jackson Street, St. Paul, MN 55101-1810, (651) 282-8800, or via electronic mail to AGRIBANKMN@agribank.com. The reports are also available through AgriBank's website at www.agribank.com.

To request a free copy of our annual or quarterly reports contact us as stated above. The annual report is available on our website 75 days after the end of the calendar year and members are provided a copy of such report 90 days after the end of the year. The quarterly reports are available on our website 40 days after the end of each calendar quarter.

Relationship with Other Farm Credit Institutions

Illinois Capital Markets

We participate in the Illinois Capital Markets Group with another Illinois farm credit association. The Illinois Capital Markets Group focuses on generating revenue and loan volume for the financial benefit of both associations. Loans purchased are booked to the respective association. Management for each association has direct decision making authority over the loans purchased for their respective association. The business arrangement provides an additional means for diversifying the association's portfolio, helps reduce concentration risk, and positions the association for continued growth.

Insight Technology Unit

We participate in the Insight Technology Unit with other AgriBank District associations to facilitate the development and maintenance of certain technology systems essential to providing credit to our borrowers. The Insight Technology Unit is governed by representatives of each participating association. The expenses are shared prorata based on the number of loans and leases of each participant.

REPORT OF MANAGEMENT

Farm Credit Services of Illinois, ACA

We prepare the consolidated financial statements of Farm Credit Services of Illinois, ACA and are responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements, in our opinion, fairly present the financial condition of Farm Credit Services of Illinois, ACA. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. PricewaterhouseCoopers LLP, our independent auditors, audit the consolidated financial statements. They also conduct a review of internal controls to the extent necessary to comply with generally accepted auditing standards in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of Farm Credit Services of Illinois, ACA.

The undersigned certify we have reviewed Farm Credit Services of Illinois, ACA's annual report and it has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Jack Hastings
Chairperson of the Board
Farm Credit Services of Illinois, ACA

David M. Owens
Chief Executive Officer
Farm Credit Services of Illinois, ACA

Steven D. Ray
Chief Financial Officer
Farm Credit Services of Illinois, ACA

March 9, 2010

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Farm Credit Services of Illinois, ACA

The Farm Credit Services of Illinois, ACA (the Association) principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its boards of directors, management and other personnel, to provide 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 and 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 December 31, 2009. 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 December 31, 2009, 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 December 31, 2009.

David M. Owens

David M. Owens
Chief Executive Officer
Farm Credit Services of Illinois, ACA

Steven D Ray

Steven D. Ray
Chief Financial Officer
Farm Credit Services of Illinois, ACA

March 9, 2010

REPORT OF AUDIT COMMITTEE

Farm Credit Services of Illinois, ACA

The consolidated financial statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of the entire Board of Directors of Farm Credit Services of Illinois, ACA (the Association). The Audit Committee oversees the scope of the Association's internal audit program, the approval and independence of PricewaterhouseCoopers LLP (PwC) as our independent auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Audit Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards in the United States of America and to issue their report based on their audit. The Audit Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited consolidated financial statements for the year ended December 31, 2009, with management. The Audit Committee also reviewed with PwC the matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor's Communication with Those Charged with Governance*, and both PwC and the internal auditors directly provided reports on significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC such other matters and received such assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Annual Report for the year ended December 31, 2009.

Wm. David Champion, Jr.

Wm. David Champion, Jr.
Chairperson of the Audit Committee
Farm Credit Services of Illinois, ACA

Audit Committee members:
Lance Beery, Kent Brinkmann, Dave Champion, Mike Carls, Jack Crumrin, Dale Crawford, J. Dale Edwards, Dennis Frey, Jack Hastings, Larry Hasheider, Mark Miller, Karen Neff, John Schable, and Bridget Schneider

March 9, 2010

PRICEWATERHOUSECOOPERS

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225 South Sixth Street
Suite 1400
Minneapolis MN 55402
Telephone (612) 596 6000
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Report of Independent Auditors

To the Board of Directors and Members of
Farm Credit Services of Illinois, ACA

In our opinion, the accompanying consolidated statement of condition and the related consolidated statements of income, of changes in members' equity and of cash flows present fairly, in all material respects, the financial position of Farm Credit Services of Illinois, ACA (the Association) and its subsidiaries at December 31, 2009, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

March 9, 2010

CONSOLIDATED STATEMENT OF CONDITION

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

As of December 31	**2009**	2008	2007
ASSETS			
Loans	**$2,117,061**	$1,965,059	$2,007,552
Allowance for loan losses	**9,753**	5,805	2,278
Net loans	**2,107,308**	1,959,254	2,005,274
Investment in AgriBank, FCB	**76,004**	77,814	40,343
Accrued interest receivable	**26,810**	25,939	40,887
Premises and equipment, net	**9,362**	8,683	6,884
Other property owned	**961**	7	7
Other assets	**10,444**	8,022	5,924
Total assets	**$2,230,889**	$2,079,719	$2,099,319
LIABILITIES			
Note payable to AgriBank, FCB	**$1,803,006**	$1,684,622	$1,734,654
Accrued interest payable	**8,817**	13,604	20,929
Net deferred income tax liability	**691**	809	960
Other liabilities	**8,894**	8,204	7,481
Total liabilities	**1,821,408**	1,707,239	1,764,024
Contingencies			
MEMBERS' EQUITY			
Protected members' equity	**31**	41	50
Capital stock and participation certificates	**7,325**	7,156	6,759
Unallocated surplus	**402,125**	365,283	328,486
Total members' equity	**409,481**	372,480	335,295
Total liabilities and members' equity	**$2,230,889**	$2,079,719	$2,099,319

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

CONSOLIDATED STATEMENT OF INCOME

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

Year ended December 31	**2009**	2008	2007
Interest income	**$86,581**	$107,810	$118,209
Interest expense	**36,661**	62,192	76,325
Net interest income	**49,920**	45,618	41,884
Provision for loan losses	**5,839**	3,723	521
Net interest income after provision for loan losses	**44,081**	41,895	41,363
Other income			
Patronage income	**12,527**	9,045	4,972
Financially related services and miscellaneous income, net	**10,342**	14,527	7,764
Total other income	**22,869**	23,572	12,736
Operating expense			
Salaries and employee benefits	**15,256**	14,946	14,228
Other operating expense	**13,480**	12,469	10,837
Total operating expense	**28,736**	27,415	25,065
Income before income taxes	**38,214**	38,052	29,034
Provision for income taxes	**1,372**	1,255	826
Net income	**$36,842**	$36,797	$28,208

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

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Total Members' Equity
Balance at December 31, 2006	$64	$6,401	$300,278	$306,743
Net income	--	--	28,208	28,208
Capital stock/participation certificates issued	--	722	--	722
Capital stock/participation certificates retired	(14)	(364)	--	(378)
Balance at December 31, 2007	50	6,759	328,486	335,295
Net income	--	--	36,797	36,797
Capital stock/participation certificates issued	--	856	--	856
Capital stock/participation certificates retired	(9)	(459)	--	(468)
Balance at December 31, 2008	41	7,156	365,283	372,480
Net income	**--**	**--**	**36,842**	**36,842**
Capital stock/participation certificates issued	**--**	**730**	**--**	**730**
Capital stock/participation certificates retired	**(10)**	**(561)**	**--**	**(571)**
Balance at December 31, 2009	**$31**	**$7,325**	**$402,125**	**$409,481**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Farm Credit Services of Illinois, ACA
(Dollars in thousands)

Year ended December 31	**2009**	2008	2007
Cash flows from operating activities			
Net income	**$36,842**	$36,797	$28,208
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	**681**	611	473
Depreciation on assets held for lease	**29**	42	161
Provision for loan losses	**5,839**	3,723	521
Stock patronage received from AgriBank, FCB	**(1,190)**	--	--
(Increase) decrease in accrued interest receivable	**(1,045)**	14,723	(6,584)
(Increase) decrease in other assets	**(2,450)**	(2,220)	107
(Decrease) increase in accrued interest payable	**(4,787)**	(7,325)	4,132
Increase (decrease) in other liabilities	**572**	572	(786)
Gain on sale of other property owned	**(100)**	--	--
Loss (gain) on sale of premises and equipment	**7**	(2,111)	3
Gain on disposal of assets held for lease	**--**	(2)	--
Total adjustments	**(2,444)**	8,013	(1,973)
Net cash provided by operating activities	**34,398**	44,810	26,235
Cash flows from investing activities			
(Increase) decrease in loans, net	**(154,466)**	43,001	(394,718)
Redemptions (purchases) of investment in AgriBank, FCB, net	**3,000**	(37,471)	(8,001)
(Purchases) disposals of assets held for lease, net	**(1)**	82	98
Proceeds from sales of other property owned	**261**	--	--
Purchases of premises and equipment, net	**(1,367)**	(299)	(3,223)
Net cash (used in) provided by investing activities	**(152,573)**	5,313	(405,844)
Cash flows from financing activities			
Increase (decrease) in note payable to AgriBank, FCB, net	**118,384**	(50,032)	379,641
Capital stock and participation certificates retired, net	**(209)**	(91)	(32)
Net cash provided by (used in) financing activities	**118,175**	(50,123)	379,609
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental schedule of non-cash activities			
Stock financed by loan activities	**$634**	$763	$624
Stock applied against loan principal	**264**	284	248
Stock applied against interest	**2**	--	--
Interest transferred to loans	**172**	225	217
Loans transferred to other property owned	**12,611**	--	--
Financed sales of other property owned	**11,496**	--	--
Supplemental information			
Interest paid	**$41,448**	$69,517	$72,193
Taxes paid	**1,190**	1,748	1,572

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Farm Credit Services of Illinois, ACA

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

Farm Credit System Lending Institutions: The Farm Credit System is a nationwide system of cooperatively owned banks and associations established by Congress to meet the credit needs of American agriculture. At December 31, 2009, the Farm Credit System consisted of four Farm Credit Banks, one Agricultural Credit Bank, and 89 associations. AgriBank and its affiliated associations are collectively referred to as the District. At December 31, 2009, the District consisted of seventeen Agricultural Credit Associations that each have wholly-owned Federal Land Credit Association and Production Credit Association subsidiaries. Federal Land Credit Associations are authorized to originate long-term real estate mortgage loans. Production Credit Associations are authorized to originate short-term and intermediate-term loans. Agricultural Credit Associations are authorized to originate long-term real estate mortgage loans and short-term and intermediate-term loans either directly or through their subsidiaries. Associations are also authorized to provide lease financing options for agricultural purposes. AgriBank provides funding to all associations chartered within the District.

Associations are authorized to provide, either directly, or in participation with other lenders, credit and related services to eligible borrowers. Eligible borrowers may include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related service businesses. In addition, associations can participate with other lenders in loans to similar entities. Similar entities are parties that are not eligible for a loan from a Farm Credit System lending institution, but have operations that are functionally similar to the activities of eligible borrowers. Associations are also authorized to purchase and hold certain types of investments.

Farm Credit System Regulator: The Farm Credit Administration (FCA) is authorized by Congress to regulate the Farm Credit System banks and associations. We are examined by the FCA and certain association actions are subject to the prior approval of the FCA and/or AgriBank.

Farm Credit Insurance Fund: The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is used:

- to insure the timely payment of principal and interest on Farm Credit Systemwide debt obligations,
- to insure the retirement of protected borrower capital at par or stated value, and
- for other specified purposes.

At the discretion of the Insurance Corporation, the Insurance Fund is also available to provide assistance to certain troubled Farm Credit System institutions and for the operating expenses of the Insurance Corporation. Each Farm Credit System bank has been required to pay premiums into the Insurance Fund until the assets in the Insurance Fund equal 2% of the aggregated insured obligations adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments. This percentage of aggregate obligations can be changed by the Insurance Corporation, at its sole discretion, to a percentage it determines to be actuarially sound.

Effective July 1, 2008, the basis for assessing premiums was changed from loans to debt outstanding. Adjustments to debt outstanding are made for nonaccrual loans and impaired investments which are assessed a surcharge and guaranteed loans which are deductions to the premium base. AgriBank, in turn, assesses the associations premiums each year based on these same factors. Prior to July 1, 2008, the premiums were based on annual average loan principal outstanding and AgriBank assessed the associations' annual premiums based on the average principal outstanding of accrual and nonaccrual loans of the associations.

Association

Farm Credit Services of Illinois**,** ACA and its subsidiaries, Farm Credit Services of Illinois, FLCA and Farm Credit Services of Illinois**,** PCA are lending institutions of the Farm Credit System. We are a member-owned cooperative providing credit and credit-related services to, or for the benefit of, eligible members for qualified agricultural purposes in the counties of Alexander, Bond, Calhoun, Cass, Champaign, Christian, Clark, Clay, Clinton, Coles, Crawford, Cumberland, DeWitt, Douglas, Edgar, Edwards, Effingham, Fayette, Ford, Franklin, Gallatin, Greene, Hamilton, Hardin, Iroquois, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Logan, Macon, Macoupin, Madison, Marion, Massac, Menard, Monroe, Montgomery, Morgan, Moultrie, Perry, Platt, Pope, Pulaski, Randolph, Richland, Saline, Sangamon, Scott, Shelby, St. Clair, Union, Vermillion, Wabash, Washington, Wayne, White and Williamson in the state of Illinois.

We borrow from AgriBank and provide financing and related services to our members. Our ACA holds all the stock of the FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans and provides lease financing options. The PCA makes short-term and intermediate-term loans.

We offer various risk management services, including credit life, crop hail, and multi-peril crop insurance for borrowers and those eligible to borrow.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements present the consolidated financial results of Farm Credit Services of Illinois, ACA (the parent) and Farm Credit Services of Illinois, FLCA and Farm Credit Services of Illinois, PCA (the subsidiaries). All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Loans: Mortgage loan terms range from 5 to 40 years at origination. Almost all commercial loans are made for agricultural production or operating purposes with original loan terms of 10 years or less.

Loans are carried at their principal amount outstanding. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Material fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to the yield. Other loan fees are recorded as an offset to the related origination costs and included as an adjustment to yield. The net amount of these fees and expenses is not material to the consolidated financial statements taken as a whole.

We place loans in nonaccrual status when:

- principal or interest is delinquent for 90 days or more (unless the loan is well secured and in the process of collection) or
- circumstances indicate that full collection is not expected.

When a loan is placed in nonaccrual status, we reverse accrued interest to the extent principal plus accrued interest before the transfer exceeds the net realizable value of the collateral. Any unpaid interest accrued in a prior year is capitalized to the recorded investment of the loan. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and the loan does not have any unrecovered prior chargeoffs. Nonaccrual loans may be returned to accrual status when:

- principal and interest are current,
- prior chargeoffs have been recovered,
- the ability of the borrower to fulfill the contractual repayment terms is fully expected, and
- the loan is not classified as doubtful or loss.

Allowance for Loan Losses: The allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as:

- loan loss history,
- portfolio quality and concentration, and
- current economic and environmental conditions.

Loans in our portfolio that are considered impaired are analyzed individually to establish a specific allowance for impaired loans. A loan is impaired when it is probable that all amounts due under the contractual terms of the loan agreement will not be collected. We generally measure impairment based on the net realizable value of the collateral. All risk loans are considered to be impaired loans. Risk loans include:

- nonaccrual loans,
- formally restructured loans, and
- loans that are 90 days or more past due and still accruing.

We record a specific allowance to reduce the carrying amount of the risk loan to the lower of book value or the net realizable value of collateral. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses.

An allowance is recorded for probable and estimable credit losses as of the financial statement date for loans that are not individually assessed as impaired.

Changes in the allowance for loan losses consist of provision activity, recorded as “Provision for loan losses” on the Consolidated Statement of Income, and chargeoffs and recoveries.

Investment in AgriBank: Accounting for our investment in AgriBank is on a cost plus allocated equities basis. The investment in AgriBank is in the form of Class P common stock.

Premises and Equipment: The carrying amount of premises and equipment is at cost, less accumulated depreciation. Calculation of depreciation is generally on the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in current operating results. Maintenance and repairs are included in operating expense and improvements are capitalized.

Other Property Owned: We record other property owned, which consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, at fair value less estimated selling costs. Income and expense from operations and carrying value adjustments are included in “Financially related services and miscellaneous income, net” on the Consolidated Statement of Income.

Leases: We have operating leases. We recognize operating lease revenue evenly over the term of the lease. We charge depreciation and other expenses against revenue as incurred. The carrying amount of operating leases is included in the “Other assets” on the Consolidated Statement of Condition and represents the asset cost net of accumulated depreciation.

Employee Benefit Plans: The defined contribution plan allows eligible employees to save for their retirement either pre-tax/post-tax or both with an employer match on a percentage of the employee’s contributions. For employees hired after December 31, 2006, the defined contribution plan is the only retirement plan available, and we provide benefits under this plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

Certain employees participate in the defined benefit retirement plan of the Seventh Farm Credit District. The plan is comprised of two benefit formulas. Effective October 1, 2001, all new benefits-eligible employees participate in the cash balance formula. Employees hired prior to October 1, 2001, were on the final average pay formula. These employees were given a one-time option to convert to the cash balance formula or to remain on a final average pay formula. The District plan utilizes the "Projected Unit Credit" actuarial method for financial reporting purposes and the "Entry Age Normal Cost" method for funding purposes. Effective January 1, 2007, the defined benefit retirement plan was closed to new employees.

We also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plan. Prior to December 1, 2008, retirees were also provided with a life insurance benefit. The anticipated cost of these benefits is accrued during the employees’ active service period.

Income Taxes: The ACA and PCA accrue federal and state income taxes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. The expected future tax consequences of uncertain income tax positions are accrued.

The FLCA is exempt from federal and other taxes to the extent provided in the Farm Credit Act.

Statement of Cash Flows: For purposes of reporting cash flow, cash includes cash on hand.

Fair Value Measurement: The Financial Accounting Standards Board (FASB) guidance on “Fair Value Measurements” describes three levels of inputs that may be used to measure fair value.

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly;
- inputs that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates and
- inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Recently Issued or Adopted Accounting Pronouncements

Effective January 1, 2009, we 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 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. Under this Standard, subsequent events that arise from conditions that existed at the date of the balance sheet are recognized in the financial statements, while subsequent events that arise from conditions that did not exist as of the balance sheet date are not recognized in the financial statements. The 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.

In June 2009, the FASB issued new guidance, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." This Codification became the source of authoritative U.S. generally accepted accounting principles recognized by the FASB. This guidance was effective for financial statements issued for interim and annual periods ending after September 15, 2009. This guidance impacted how we refer to guidance in our disclosures but did not have an impact on our financial condition or results of operations.

In December 2008, the FASB issued new guidance that expands the disclosures required in an employer's financial statements about pension and other postretirement benefits plan assets. The disclosures include more details about the categories of plan assets and information regarding fair value measurements. The guidance was effective for fiscal years ending after December 15, 2009. The impact of adoption resulted in additional District level benefit plan disclosures, but did not have an impact on our financial condition or results of operations.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amends previous guidance by providing clarification of the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The guidance also requires additional disclosure about transfers of financial assets and a transferor's continuing involvement with transferred assets. This guidance is effective as of January 1, 2010. This guidance must be applied to transfers occurring on or after the effective date. Adoption of this guidance is not expected to have a material impact on our financial statements.

NOTE 3: LOANS

Loans consisted of the following (in thousands):

As of December 31, 2009	**Amount**	**Percentage**
Long-term agricultural mortgage	**$1,385,575**	**53.5%**
Production	**418,148**	**16.1%**
Intermediate term	**209,903**	**8.1%**
Processing and marketing	**41,382**	**1.6%**
Participations purchased	**521,163**	**20.1%**
Other	**13,726**	**0.6%**
Subtotal	**2,589,897**	**100.0%**
Participations sold	**(472,836)**	
Total loans	**$2,117,061**	

As of December 31, 2008	Amount	Percentage
Long-term agricultural mortgage	$1,287,531	52.0%
Production	420,682	17.0%
Intermediate term	183,318	7.4%
Processing and marketing	39,267	1.6%
Participations purchased	537,402	21.7%
Other	6,591	0.3%
Subtotal	2,474,791	100.0%
Participations sold	(509,732)	
Total loans	$1,965,059	

As of December 31, 2007	Amount	Percentage
Long-term agricultural mortgage	$1,147,249	55.9%
Production	339,930	16.6%
Intermediate term	161,143	7.8%
Processing and marketing	18,501	0.9%
Finance leases	64	0.0%
Participations purchased	386,206	18.8%
Other	912	0.0%
Subtotal	2,054,005	100.0%
Participations sold	(46,453)	
Total loans	$2,007,552	

Participations

We may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration Regulations or General Financing Agreement limitations. The following table presents information regarding participations purchased and/or sold (in thousands):

	Participations	
As of December 31, 2009	**Purchased**	**Sold**
Participations purchased from / sold to:		
AgriBank, FCB	**$ --**	**$440,722**
Other Farm Credit institutions	**515,282**	**31,074**
Non-Farm Credit institutions	**5,881**	**1,040**
Total participations purchased/sold	**$521,163**	**$472,836**

Included in the AgriBank activity above, we sold $500.0 million of a participation interest in real estate loans to AgriBank in 2008. In 2009, we received $7.7 million of asset pool patronage, while we received $4.6 million of asset pool patronage in 2008, related to this participation.

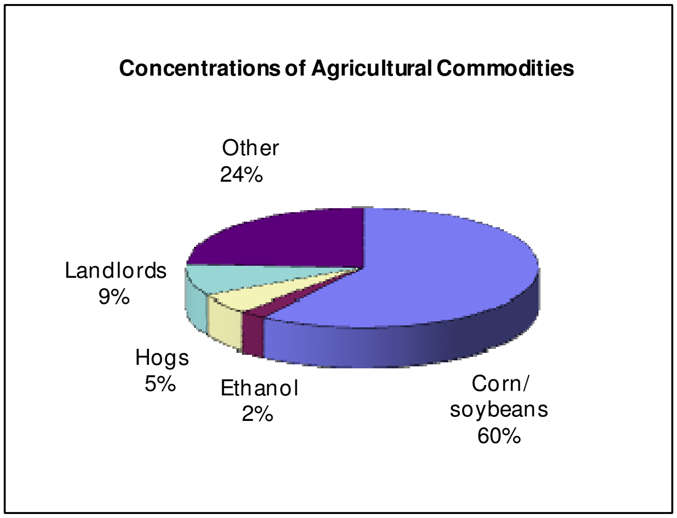
The AgriBank participation volume is largely due to participation interests in real estate loans. The other participation volume is largely due to participations on loans to agribusinesses.

Portfolio Concentrations

We have concentrations with individual borrowers, within various agricultural commodities and within our chartered territory.

At December 31, 2009, volume plus commitments to our ten largest borrowers totaled an amount equal to 45.7% of members' equity.

Our agricultural commodity concentrations at December 31, 2009, were as follows:



The commodity concentrations have not changed materially from prior years.

We are chartered to operate in certain counties in Illinois. Approximately 6.3% of our total loan portfolio was in Champaign county at December 31, 2009. No other counties exceed 5% of our loan portfolio.

While these concentrations represent our maximum potential credit risk as it relates to recorded loan principal, a substantial portion of our lending activities is collateralized. This reduces our exposure to credit loss associated with our lending activities. We consider credit risk exposure in establishing the allowance for loan losses.

Risk Loans

A loan is considered a risk loan if it is probable that we will be unable to collect all principal and interest according to the loan agreement. The following table presents risk loan information (in thousands). Accruing volume includes accrued interest receivable.

As of December 31	**2009**	2008	2007
Nonaccrual loans:			
Current as to principal and interest	**$18,197**	$23,537	$912
Past due	**2,914**	1,595	2,019
Total nonaccrual loans	**21,111**	25,132	2,931
Accruing restructured loans	**951**	54	124
Loans past due 90 days or more still accruing	**204**	1,570	197
Total risk loans	**$22,266**	$26,756	$3,252
Volume with specific reserves	**$17,675**	$12,601	$347
Volume without specific reserves	**4,591**	14,155	2,905
Total risk loans	**$22,266**	$26,756	$3,252
Total specific reserves	**$3,542**	$2,234	$222
For the year ended December 31	**2009**	2008	2007
Income on accrual risk loans	**$28**	$18	$30
Income on nonaccrual loans	**652**	247	153
Total income on risk loans	**$680**	$265	$183
Average recorded investment	**$23,924**	$9,862	$3,172

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2009.

All loans 90 days or more past due and still accruing interest were adequately secured and in the process of collection and, as such, were eligible to remain in accruing status.

NOTE 4: ALLOWANCE FOR LOAN LOSSES

A summary of the changes in the allowance for loan losses follows (in thousands):

For the year ended December 31	**2009**	2008	2007
Balance at beginning of year	**$5,805**	$2,278	$1,725
Provision for loan losses	**5,839**	3,723	521
Loan recoveries	**26**	(34)	44
Loan chargeoffs	**(1,917)**	(162)	(12)
Balance at end of year	**$9,753**	$5,805	$2,278

The increase in allowance for loan losses is related to $5.8 million provision expense we recorded in 2009, primarily reflecting the deterioration in our ethanol and swine portfolio which, together, represented 7.0% of our total loan portfolio.

NOTE 5: INVESTMENT IN AGRIBANK

At December 31, 2009, we were required by AgriBank to maintain an investment equal to 2.5% of the average quarterly balance of our note payable to AgriBank plus an additional 1% on growth that exceeded a targeted rate.

At December 31, 2009, we were required by AgriBank to maintain an investment equal to 8% of the quarter-end balance of the participation interest in real estate loans sold to AgriBank under the asset pool program.

The following summarizes investment balances (in thousands):

	2009	2008	2007
As of December 31:			
Common stock	**$76,004**	$77,814	$40,343
Total investment	**$76,004**	$77,814	$40,343

NOTE 6: PREMISES AND EQUIPMENT

Premises and equipment consisted of the following (in thousands):

As of December 31	2009	2008	2007
Land, buildings and improvements	**$10,580**	$9,389	$9,267
Furniture and equipment	**4,255**	4,092	3,179
Subtotal	**14,835**	13,481	12,446
Less: accumulated depreciation	**(5,473)**	(4,798)	(5,562)
Total	**$9,362**	$8,683	$6,884

NOTE 7: NOTE PAYABLE TO AGRIBANK

Our note payable to AgriBank represents borrowings, in the form of a line of credit, to fund our loan portfolio. The line of credit is governed by a General Financing Agreement and our assets serve as collateral. The total line of credit was $2.2 billion and the outstanding principal under the line of credit was $1.8 billion as of December 31, 2009. The interest rate is adjusted monthly and was 1.7% at December 31, 2009. During 2009, our average balance was $1.6 billion with an average interest rate of 2.3%. Our average balance during 2008 was $1.6 billion with an average interest rate of 3.8% and during 2007 our average balance was $1.5 billion with an average interest rate of 5.2%. The maturity date is July 31, 2010, for our note payable, at which time the note will be renegotiated.

The General Financing Agreement provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2009, and throughout the year, we were within the specified limitations and in compliance with all debt covenants.

NOTE 8: MEMBERS' EQUITY

Capitalization Requirements

In accordance with the Farm Credit Act, each borrower is required to invest in us as a condition of obtaining a loan. As authorized by the Agricultural Credit Act and our capital bylaws, the Board of Directors has adopted a capital plan that establishes a stock purchase requirement for obtaining a loan of 2% of the customer's total loan(s) or one thousand dollars, whichever is less. The purchase of one participation certificate is required of all customers to whom a lease is issued and of all non-stockholder customers who purchase financial services. The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. The borrower acquires ownership of the capital stock at the time the loan or lease is made. The aggregate par value of the stock is added to the principal amount of the related obligation. We retain a first lien on the stock or participation certificates owned by customers.

Protection Mechanisms

Under the Farm Credit Act, certain borrower equity is protected. We are required to retire protected borrower equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock and participation certificates that were outstanding as of January 6, 1988, or were issued prior to October 6, 1988 as a requirement for obtaining a loan. If an association was unable to retire protected borrower equity at par value or stated value, the Farm Credit Insurance Fund would provide the amounts needed to retire this equity.

Regulatory Capitalization Requirements

Under capital adequacy regulations, we are required to maintain a permanent capital ratio of at least 7%, a total surplus ratio of at least 7%, and a core surplus ratio of at least 3.5%. The calculation of these ratios in accordance with Farm Credit Administration Regulations is discussed as follows:

- The permanent capital ratio is average at-risk capital divided by average risk-adjusted assets. At December 31, 2009, our ratio was 14.2%.
- The total surplus ratio is average unallocated surplus less any deductions made in the computation of permanent capital divided by average risk-adjusted assets. At December 31, 2009, our ratio was 13.9%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any preferred stock investment in AgriBank divided by average risk-adjusted assets. At December 31, 2009, our ratio was 13.9%.

We have an agreement with AgriBank which defines how our investment in AgriBank is allocated in calculating regulatory capital ratios. According to the agreement, we include in our ratios all preferred stock which is the amount of our investment in AgriBank that is in excess of the required amount. At December 31, 2009, December 31, 2008, and December 31, 2007 we no longer had any preferred stock.

Description of Equities

The following table presents information regarding classes and number of shares of stock and participation certificates outstanding as of December 31, 2009. All shares and participation certificates were $5.00 par value.

As of December 31, 2009	Shares Outstanding
Class A common stock (protected)	**6,114**
Class C common stock (at-risk)	**1,452,956**
Participation certificates (at-risk)	**12,030**
Series 1 participation certificates (protected)	**16**

Under our bylaws, we are also authorized to issue Class B and Class D common stock. This Class B common stock is at-risk non-voting with a $5.00 par value per share, the Class D common stock is at-risk and non-voting with a $1,000.00 par value per share. Currently, no stock of these classes has been issued.

Only holders of Class C stock have voting rights. Our bylaws do not prohibit us from paying dividends on any classes of stock. However, no dividends have been declared during the last three years.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of the Board of Directors and in accordance with our capitalization plans, provided prescribed capital standards have been met. At December 31, 2009, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

In the event of our liquidation or dissolution, according to our bylaws, any remaining assets after payment or retirement of all liabilities will be distributed in the following order of priority:

- first, pro rata to all class of preferred stock (if any) at par value,
- second, to the holders pro rata of all classes of common stock and participation certificates at par value,
- third, to holders of qualified written notices of allocated surplus pro rata by year of issuance,
- fourth, to holders of non-qualified written notices of allocated surplus pro rata by year of issuance, and
- last, to present and former patrons on a patronage basis.

In the event of impairment, losses will be absorbed by concurrent impairment of all classes of stock; however, protected stock will be retired at par value regardless of impairment.

All classes of stock are transferable to other customers who are eligible to hold such class as long as we meet the regulatory minimum capital requirements.

Patronage Distributions

The Farm Credit Administration Regulations prohibit patronage distributions to the extent they would reduce our permanent capital ratio below the minimum permanent capital adequacy standards. We do not foresee any events that would result in this prohibition in 2010. However, we do not have a patronage program to make such distributions.

NOTE 9: INCOME TAXES

Provision for Income Taxes

Our provision for income taxes follows (in thousands):

For the year ended December 31	2009	2008	2007
Current:			
Federal	**$1,237**	$1,141	$689
State	**253**	265	161
Total current	**1,490**	1,406	850
Deferred:			
Federal	**(96)**	(123)	(19)
State	**(22)**	(28)	(5)
Total deferred	**(118)**	(151)	(24)
Total provision for income taxes	**$1,372**	$1,255	$826
Effective tax rate	**3.6%**	3.3%	2.8%

The following table quantifies the differences between the provision for income taxes and income taxes at the statutory rates (in thousands):

For the year ended December 31	2009	2008	2007
Federal tax at statutory rate	**$12,993**	$12,938	$9,872
State tax, net	**169**	155	102
Effect of non-taxable entity	**(11,798)**	(11,844)	(9,151)
Other	**8**	6	3
Provision for income taxes	**$1,372**	$1,255	$826

Deferred Income Taxes

Deferred tax assets and liabilities are composed of the following (in thousands):

As of December 31	2009	2008	2007
Allowance for loan losses	**$236**	$42	$29
SFAS 106 accrual	**457**	437	424
Accrued patronage income not received	**(291)**	(144)	(208)
AgriBank, FCB 2002 allocated stock	**(529)**	(529)	(529)
Accrued pension asset	**(464)**	(469)	(411)
Accrued incentive	**53**	--	--
Depreciation	**--**	2	(125)
Other liabilities	**(192)**	(192)	(192)
Other assets	**39**	44	52
Net deferred tax liabilities	**($691)**	($809)	($960)
Gross deferred tax assets	**$785**	$525	$505
Gross deferred tax liabilities	**($1,476)**	($1,334)	($1,465)

A valuation reserve for the deferred tax assets was not necessary at December 31, 2009, December 31, 2008, or December 31, 2007.

We have not provided deferred income taxes on approximately $20.6 million of patronage allocations received from AgriBank prior to 1993. Such allocations, distributed in the form of stock, are subject to tax only upon conversion to cash. Our intent is to permanently maintain this investment in AgriBank. Additionally, we have not provided deferred income taxes on accumulated FLCA earnings of $341.9 million as it is our intent to permanently maintain this equity in the FLCA or to distribute the earnings to members in a manner that results in no additional tax liability to us.

At December 31, 2009, we had no uncertain income tax positions.

NOTE 10: EMPLOYEE BENEFIT PLANS

Pension and Post Retirement Benefit Plans

Complete financial information for the pension and post retirement benefit plans may be found in the AgriBank, FCB and Affiliated Associations 2009 Annual Report.

In December 2007, the District adopted the FASB guidance on “Compensation – Retirement Benefits”, which required the recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. The FASB guidance on “Compensation – Retirement Benefits” also requires that employers measure the benefit obligation and plan assets as of fiscal year end starting in 2008. The Standard allows for the use of the measurements determined for the prior year-end.

As disclosed in the District Annual Report, the defined benefit plans reflect an unfunded liability totaling $239.8 million at December 31, 2009.

Our individual association increases our prepaid pension asset when contributions are made and reduces our prepaid pension asset as annual expense is recorded. At December 31, 2009 to reflect the $239.8 million unfunded liability on the District balance sheet, the District reversed the prepaid pension assets and recorded the unfunded position as a liability with an offsetting charge to accumulated other comprehensive income (AOCI). The $239.8 million unfunded liability represents potential future contributions that may need to be made by the participating employers. The $332.0 million recorded in AOCI represents potential future expense that may need to be recognized by the participating employers. The amount ultimately to be contributed and the amount ultimately recognized as expense, and the timing of those contributions and expenses, are subject to many variables including performance of plan assets and levels of interest rates. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements. Based on the District's methodology for allocating expenses and contributions at December 31, 2009, our share of the $332.0 million potential future expense would be approximately $14.6 million and our share of the $239.8 million potential future cash contributions would be $11.7 million. Please refer to the AgriBank, FCB and Affiliated Associations 2009 Annual Report for detailed disclosures under the FASB guidance on "Compensation – Retirement Benefits".

Pension: Certain employees participate in a District-wide multi-employer defined benefit retirement plan (the Plan). The Plan is noncontributory and covers eligible District employees. Benefits are based on salary and years of service. The assets, liabilities and costs of the plan are not segregated by participating entities. Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under the plan. We recognize our proportional share of expense and contribute a proportional share of funding. As a participant in the Plan, we contributed $1.2 million for 2009, $1.3 million for 2008, and $585 thousand for 2007. Plan expenses included in salaries and employee benefits expense in the Consolidated Statement of Income were $1.2 million for 2009, $885 thousand for 2008, and $1.1 million for 2007.

Life Insurance and Retiree Medical Plans: District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plan. Prior to December 1, 2008, retirees were also provided with a life insurance benefit. The anticipated costs of these benefits are accrued during the period of the employee's active status. Postretirement benefits (primarily health care benefits and life insurance) included in salaries and employee benefits expense were $149 thousand for 2009, $98 thousand for 2008 and $128 thousand for 2007.

Nonqualified Retirement Plan: We participate in a District-wide non-qualified defined benefit Pension Restoration Plan. This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under this plan are offset by the benefits payable from the Pension Plan. Pension Restoration plan expenses included in salaries and employee benefits were $111 thousand for 2009, $86 thousand for 2008, and $69 thousand for 2007.

Retirement Savings Plan

We also participate in a retirement savings plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2% and 50 cents on the dollar on the next 4% on both pre-tax and post-tax contributions. The maximum employer match is 4%. For employees hired after December 31, 2006, we contribute 3% of the employee's compensation and will match employee contributions dollar for dollar up to a maximum of 6% on both pre-tax and post-tax contributions. The maximum employer contribution is 9%. Employer contributions under the plan were $575 thousand in 2009, $527 thousand in 2008, and $465 thousand in 2007.

NOTE 11: RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into loan transactions with our officers, directors, their immediate family members, and other organizations with which such persons may be associated. Such transactions are subject to special approval requirements contained in Farm Credit Administration Regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with other persons. In our opinion, none of these loans outstanding at December 31, 2009, involved more than a normal risk of collectability.

The following table represents information on loans and leases to related parties as determined at each year end (in thousands):

	2009	2008	2007
As of December 31:			
Total related party loans and leases	**$12,531**	$9,920	$10,463
For the year ended December 31:			
Advances to related parties	**$10,520**	$6,017	$6,396
Repayments by related parties	**11,025**	8,360	4,981

The composition of related parties can be different each year end due primarily to changes in the makeup of the Board of Directors. Advances and repayments to related parties at the end of each year are included in the preceding chart.

We purchase various services from AgriBank including certain information systems, certain financial services, certain human resource services, certain accounting and reporting services, and selected retail product processing and support services. The total cost of services we purchased from AgriBank was $880 thousand in 2009, $845 thousand in 2008, and $898 thousand in 2007.

NOTE 12: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding which may not be reflected in the accompanying consolidated financial statements. We do not anticipate any material losses because of these contingencies or commitments.

From time to time, we may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these consolidated financial statements, we were not aware of any such actions that would have a material impact on our financial condition. However, such actions could arise in the future.

We have commitments to extend credit and letters of credit to satisfy the financing needs of our borrowers. These financial instruments involve, to varying degrees, elements of credit risk not 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 loan contract. Standby letters of credit are agreements to pay a beneficiary if there is a default on a contractual arrangement. At December 31, 2009, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $732.7 million. Additionally, we had $25.9 million of issued standby letters of credit.

Commitments to extend credit and letters of credit generally have fixed expiration dates or other termination clauses and we may require payment of a fee. If commitments and letters of credit remain unfulfilled or have not expired, they may have credit risk not recognized in the financial statements. Many of the commitments to extend credit and letters of credit will expire without being fully drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. Certain letters of credit may have recourse provisions that would enable us to recover from third parties amounts paid under guarantees, thereby limiting our maximum potential exposure. The credit risk involved in issuing these financial instruments is essentially the same as that involved in extending loans to borrowers and we apply the same credit policies.

NOTE 13: FAIR VALUE MEASUREMENTS

The FASB guidance on "Fair Value Measurements and Disclosures" defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The guidance also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. See Note 2 for a more complete description of the three input levels.

Non-Recurring Basis

We do not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2009 or December 31, 2008. We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. Information on assets measured at fair value on a non-recurring basis is as follows (in thousands):

As of December 31, 2009	Fair Value Measurement Using				
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Total Gains/(Losses)**
Loans	**-**	**-**	**$14,840**	**$14,840**	**($1,304)**
Other property owned	**-**	**-**	**$999**	**$999**	**$100**

As of December 31, 2008	Fair Value Measurement Using				
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Total Losses**
Loans	-	$114	$10,254	$10,368	($2,015)
Other property owned	-	-	$7	$7	-

Valuation Techniques

Loans: Represents the carrying amount and related write-downs of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. The fair value measurement would fall under level 2 of the hierarchy if the process uses independent appraisals and other market-based information. The fair value measurement would fall under level 3 of the hierarchy if the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral, and other matters. 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.

Other Property Owned: Represents the fair value and related losses of foreclosed assets that were measured at fair value based on the collateral value. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS

Quoted market prices are generally not available for our financial instruments. Accordingly, we base fair values on:

- judgments regarding future expected losses,
- current economic conditions,
- risk characteristics of various financial instruments,
- credit risk, and
- other factors.

These estimates involve uncertainties and matters of judgment and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimating the fair value of our investment in AgriBank is not practical because the stock is not traded. As discussed in Note 2 and Note 5, the investment is a requirement of borrowing from AgriBank.

A description of the methods and assumptions used to estimate the fair value of each class of our financial instruments, for which it is practical to estimate that value, follows:

Loans: The estimate of the fair value of loan assets is determined by discounting the expected future cash flows using current interest rates. Current interest rates are estimated based on similar loans made or loans repriced to borrowers with similar credit risk. This methodology is used because no active market exists for the vast majority of these loans. Since the discount rates are based upon internal pricing mechanisms and other estimates, we cannot determine whether the fair values presented would equal the exit price negotiated in an actual sale. Furthermore, certain statutory or regulatory factors not considered in the valuation, such as the unique statutory rights of Farm Credit System borrowers, could render our portfolio unmarketable outside the Farm Credit System.

We segregate the loan portfolio into pools of loans with homogenous characteristics for purposes of determining fair value of accruing loans. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair value of nonaccrual loans, current as to principal and interest, are discounted with appropriately higher rates, reflecting the uncertainty of continued cash flows. We assume that for noncurrent nonaccrual loans, collection will result only from the sale of the underlying collateral. Fair value is estimated to equal the total net realizable value of the underlying collateral, discounted at an interest rate that appropriately reflects the uncertainty of the expected future cash flows over the average disposal period. We use the legal obligation if the net realizable value of the collateral exceeds the legal obligation for a particular loan.

Note Payable to AgriBank: Estimating the fair value of the note payable to AgriBank is determined by segregating the note into pricing pools according to the types and terms of the underlying loans funded. We discount the estimated cash flows from these pools using the current rate charged by AgriBank for additional borrowings with similar characteristics.

Commitments to extend credit and letters of credit: Estimating the fair value of commitments and letters of credit is determined by the inherent credit loss in such instruments.

The estimated fair value of our financial instruments is as follows (in thousands):

As of December 31, 2009	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	**$2,107,308**	**$2,143,167**
Financial liabilities:		
Note payable to AgriBank, FCB	**$1,803,006**	**$1,829,357**
Unrecognized financial instruments:		
Commitments to extend credit and letters of credit		**($948)**

As of December 31, 2008	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	$1,959,254	$1,993,883
Financial liabilities:		
Note payable to AgriBank, FCB	$1,684,622	$1,713,453
Unrecognized financial instruments:		
Commitments to extend credit and letters of credit		($867)

As of December 31, 2007	Carrying Amount	Estimated Fair Value
Financial assets:		
Loans, net	$2,005,274	$2,023,236
Financial liabilities:		
Note payable to AgriBank, FCB	$1,734,654	$1,749,067
Unrecognized financial instruments:		
Commitments to extend credit and letters of credit		($678)

NOTE 15: QUARTERLY FINANCIAL INFORMATION (Unaudited)

Quarterly consolidated results of operations for the years ended December 31, 2009, December 31, 2008, and December 31, 2007, follow (in thousands):

2009	First	Second	Third	Fourth	Total
Net interest income	**$11,634**	**$11,998**	**$12,544**	**$13,744**	**$49,920**
Provision for (reversal of) loan losses	**2,879**	**(92)**	**2,968**	**84**	**5,839**
Patronage income	**2,812**	**2,540**	**2,595**	**4,580**	**12,527**
Other expense, net	**5,114**	**4,180**	**4,813**	**4,287**	**18,394**
Provision for (reversal of) income taxes	**170**	**(61)**	**419**	**844**	**1,372**
Net income	**$6,283**	**$10,511**	**$6,939**	**$13,109**	**$36,842**

2008	First	Second	Third	Fourth	Total
Net interest income	$12,221	$12,031	$10,759	$10,607	$45,618
(Reversal of) provision for loan losses	(22)	81	571	3,093	3,723
Patronage income	1,162	2,227	2,682	2,974	9,045
Other expense, net	4,604	3,192	2,251	2,841	12,888
Provision for income taxes	225	73	783	174	1,255
Net income	$8,576	$10,912	$9,836	$7,473	$36,797

2007	First	Second	Third	Fourth	Total
Net interest income	$10,163	$10,432	$10,493	$10,796	$41,884
(Reversal of) provision for loan losses	(164)	487	31	167	521
Patronage income	897	947	1,007	2,121	4,972
Other expense, net	4,532	4,009	5,302	3,458	17,301
Provision for income taxes	201	221	135	269	826
Net income	$6,491	$6,662	$6,032	$9,023	$28,208

NOTE 16: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 9, 2010, which is the date the financial statements were issued.

DISCLOSURE INFORMATION REQUIRED BY REGULATIONS

Farm Credit Services of Illinois, ACA

(Unaudited)

DESCRIPTION OF BUSINESS

General information regarding the business is discussed in Note 1 of this annual report.

The description of significant business developments, if any, is discussed in the "Management's Discussion and Analysis" portion of this annual report.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding our properties:

Location	Description	Usage
Albion	Owned	Branch
Belleville	Owned	Branch
Benton	Leased	Branch
Effingham	Owned	Branch
Harrisburg	Owned	Branch
Highland	Leased	Branch
Lawrenceville	Owned	Branch
Nashville	Leased	Branch
Paris	Owned	Branch
Red Bud	Owned	Branch
Shelbyville	Owned	Branch
Carlinville	Owned	Branch
Decatur	Leased	Branch
Jacksonville	Owned	Branch
Jerseyville	Leased	Branch
Lincoln	Owned	Branch
Springfield	Owned	Branch
Taylorville	Owned	Branch
Watseka	Owned	Branch
Mahomet	Owned	Headqtrs/Branch

LEGAL PROCEEDINGS

Information regarding legal proceedings is discussed in Note 12 of this annual report. We were not subject to any enforcement actions at December 31, 2009.

DESCRIPTION OF CAPITAL STRUCTURE

Information regarding our capital structure is discussed in Note 8 of this annual report.

DESCRIPTION OF LIABILITIES

Information regarding liabilities is discussed in Note 7 and Note 12 of this annual report.

SELECTED FINANCIAL DATA

The "Consolidated Five-Year Summary of Selected Financial Data" is presented at the beginning of this annual report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Information regarding any material aspects of our financial condition, changes in financial condition, and results of operations are discussed in the "Management's Discussion and Analysis" portion of this annual report.

BOARD OF DIRECTORS

Information regarding directors who served as of December 31, 2009, including business experience in the last five years and any other business interest where a director serves on the board of directors or as a senior officer follows:

Lance Beery, is a self-employed grain and livestock farmer. His current term on the board began January 2009 and expires in December 2012.

Kent Brinkmann, is a self-employed grain farmer and seed dealer. His current term on the board began January 2008 and expires in December 2010.

Mike Carls, is a self-employed grain farmer. He serves on the boards of Menard Electric Cooperative, a utility distribution co-op in Petersburg, IL and Prairie Power Inc., a generation and transmission co-op in Jacksonville, IL. His current term on the board began January 2009 and expires in December 2010.

William David Champion, Jr., Appointed Director, is the president and CEO of the Eastern Illini Electric Cooperative in Paxton, IL. He serves as a director and Chairman of the Board of Prairie Power Inc., an electricity wholesaler. He is also a director and secretary/treasurer of Cooperative Balloon Assoc., LLC involved in the promotion of cooperative electricity. His current term on the board began January 2008 and expires in December 2010.

Dale Crawford, is a self-employed grain farmer. He is a director on the Moultrie Co. Farm Bureau Board in Sullivan, IL, a director with the Illinois Soybean Association in Bloomington, IL, and is director of the Moultrie-Sullivan Counties Jr. Fair. His current term on the board began January 2009 and expires in December 2012.

Jack E. Crumrin, is a self-employed grain and livestock farmer. His current term on the board began January 2008 and expires in December 2010.

J. Dale Edwards, is a self-employed grain and livestock farmer and substitute teacher. He serves as a director for the Sangamon County Fair, the Tri City School Foundation, involved in school fund raising, and the Mechanicsburg Cemetery. He also serves as a district tax assessor for the Illiopolis/Lanesville taxing district and as clerk for the Lanesville Township. He was re-elected to another term on the board beginning January 2010 and ending in December 2013.

Dennis Frey, is a self-employed grain farmer. His current term on the board began January 2009 and expires in December 2012.

Larry Hasheider, is a self-employed grain and livestock farmer. He serves as a district director on the Illinois Corn Marketing Board which promotes world-wide use of corn and he serves as the chairman of the National Corn Growers Association Research and Business Committee. His current term on the board began January 2009 and expires in December 2011.

Jack Hastings, Chairperson of the Board, is a self employed grain and livestock farmer. He is also a real estate agent. He also serves as a director on the Clay County Board of Review, a tax assessment review board. He was re-elected to another term on the board beginning January 2010 and ending in December 2013.

Mark Miller, is a self-employed grain farmer and is a director of the Farmers Grain Co. of Latham, a grain elevator. He was re-elected to another term on the board beginning January 2010 and ending in December 2011.

Karen Neff, is a self employed grain and livestock farmer and a project manager with UNISYS. Her current term on the board began January 2008 and expires in December 2010.

John Schable, is a self-employed grain farmer. He serves as director of AgriBank, FCB, a financial lending institution in St. Paul, MN. He was re-elected to another term on the board beginning January 2010 and ending in December 2011.

As of January 2010, Bridget Schneider was selected as one of our appointed directors. She was appointed to serve the three years remaining of a four year term ending December 2012.

Pursuant to our bylaws, directors are paid a reasonable amount for attendance at board meetings, committee meetings or other special assignments. Directors are also reimbursed for reasonable expenses incurred in connection with such meetings or assignments. The Board of Directors has adopted a rate of $400 per day along with a $1,300 per quarter retainer fee except for the chairman and vice chairman, whose retainer fee was $1,800 per quarter.

Information regarding compensation for each director who served during 2009 follows:

	Number of Days Served: Board Meetings	Number of Days Served: Other Official Activities	Total Compensation Paid in 2009
Beery, Lance	13.5	5	$12,600
Brinkmann, Kent D.	13.5	9	14,200
Champion, David	13.5	6	13,000
Carls, Mike	13.5	9	14,200
Crumrin, Jack	13.0	13	15,600
Crawford, Dale	13.5	13	17,800
Edwards, Dale	13.5	6	13,000
Frey, Dennis	13.5	8	13,800
Harris, Kim *	7.0	0	5,400
Hastings, Jack	13.5	14	18,200
Hasheider, Larry	12.0	5	12,000
Miller, Mark	13.5	5	12,600
Neff, Karen	13.5	3.5	12,000
Schable, John	13.5	15	16,600
Sievers, Donald *	13.5	6	11,700
Total	194	117.5	$202,700

** Retired at the end of 2009*
No director received additional compensation for service on a board committee.

SENIOR OFFICERS

The senior officers (and the date each began his/her term of service) include:

David M. Owens, Chief Executive Officer (July, 2007)
Donald J. Olson, Chief Credit Officer, Executive Vice President (August, 2007)
Steven D. Ray, Chief Financial Officer, Sr. Vice President (September, 2007)
Loren J. Leskis, Sr. Vice President, Field Operations (March, 1989)
Aaron S. Johnson, Sr. Vice President, Field Operations (January, 2002)

Mr. Owens previously served as the CFO of FCS of Illinois. Mr. Olson previously served as senior vice-president at FCS of Illinois. All of the senior officers have been with the Farm Credit System for the past five years, except Mr. Ray. Prior to beginning his employment with us in 2007, Mr. Ray's business experience was with Developmental Services Center, a non-profit company. He also serves on the board of the Disabled Citizens Foundation. Other business interests where a senior officer served as a director or senior officer include: Donald J. Olson, Chief Credit Officer, also is a board member of: Olson Acres, LLC, ProPartners Financial, and serves as the president of Breakers East Homeowners Association.

A summary of compensation paid to the most highly compensated individuals including the senior officers previously noted follows (in thousands):

Name of individual	Year	Salary	Incent. Comp.	Deferred/ Perquisites	Other	Total
David M. Owens	2009	$285	$113	$12	$ --	$410
David M. Owens	2008	242	102	3	--	347
David M. Owens[1]	2007	190	69	3	--	262
Ronald W. Frenn[2]	2007	239	76	9	--	324
Aggregate number of Individuals:						
(does not include CEO compensatio						
Five	2009	$800	$319	$11	$ --	$1,130
Seven	2008	880	710	7	--	1,597
Five	2007	567	262	7	--	836

[1]Became CEO effective 7/6/07. Compensation shown is for the entire year of 2007.
[2]Retired effective 7/05/07. Compensation is through 07/05/07.

Members may request information on the compensation paid during 2009 to the individuals included in the preceding table.

Senior officer incentives are paid annually based on performance criteria established by the Board of Directors. The criteria include return on assets, loan volume, credit quality, personal objectives and performance ratings. We calculate the incentives after the end of the plan year (the plan year is the calendar year). We pay out the incentives within 90 days of year end.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

Information regarding related party transactions is discussed in Note 11 of this annual report.

TRAVEL, SUBSISTENCE AND OTHER RELATED EXPENSES

Directors and senior officers are reimbursed for reasonable travel, subsistence and other related expenses associated with business functions. A copy of our policy for reimbursing these costs is available by contacting us at 1100 Farm Credit Drive, Mahomet, Illinois 61853, (217) 590-2200.

The total directors' travel, subsistence and other related expenses were $106 thousand in 2009, $119 thousand in 2008, and $74 thousand in 2007.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No events occurred during the past five years that are material to evaluating the ability or integrity of any person who served as a director or senior officer on January 1, 2010 or at any time during 2009.

MEMBER PRIVACY

Farm Credit Administration Regulations protect members' nonpublic personal financial information. Our directors and employees are restricted from disclosing information about our association or our members not normally contained in published reports or press releases.

RELATIONSHIP WITH QUALIFIED PUBLIC ACCOUNTANT

There were no changes in independent auditors since the last annual report to members and we are in agreement with the opinion expressed by the independent auditors. The total fees paid during 2009 were $64 thousand. The fees paid were for audit services.

FINANCIAL STATEMENTS

The "Report of Management", "Report on Internal Control Over Financial Reporting", "Report of Audit Committee", "Report of Independent Auditors," "Consolidated Financial Statements", and "Notes to Consolidated Financial Statements" are presented prior to this portion of the annual report.

CREDIT AND SERVICES TO YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

Information regarding credit and services to young, beginning, and small farmers and ranchers and producers or harvesters of aquatic products is discussed in the "Management's Discussion and Analysis" portion of this annual report.

EQUAL EMPLOYMENT OPPORTUNITY

We are an equal opportunity employer. It is our policy to provide equal employment opportunity to all persons regardless of race, national origin, religion, age, sex, disability, marital status, veteran status, public assistance status, or any other condition or status covered by law. We comply with all state and local equal employment opportunity regulations. We conduct all personnel decisions and processes relating to our employees and job applicants in an environment free of discrimination and harassment.

Farm Credit Services of Illinois, ACA

Funds Held Program

The Association offers a Funds Held Program (Funds Held) that provides for customers to make advance payments on designated real estate and intermediate term loans. The following terms and conditions apply to all Funds Held unless the loan agreement, or related documents, between the Association and customer provide for other limitations.

Payment Application

Loan payments received by the Association before the loan has been billed will normally be placed into Funds Held and applied against the next installment due. Loan payments received after the loan has been billed will be directly applied to the installment due on the loan and related charges, if any. Funds received in excess of the billed amount will be placed into Funds Held unless the customer has specified the funds to be applied as a special prepayment of principal.

When a loan installment becomes due, monies in Funds Held for the loan will be automatically applied toward the installment on the due date. Any accrued interest on Funds Held will be applied first. If the balance in Funds Held does not fully satisfy the entire installment, the customer must pay the difference by the installment due date.

Account Maximum

The amount in Funds Held may not exceed the unpaid principal balance of the loan.

The following limits also apply:

- Multi Flex Option Loans - Up to 100% of the loan's outstanding balance or the next payment amount, whichever is greater.
- Flex Option Loans - No more than 10% of the loan's original balance.
- Exceptional Rate Option Loans - No more than 10% of the loan's original balance.

Interest Rate

Interest will accrue on Funds Held at a simple rate of interest that may be changed by the Association from time to time. The interest rate may never exceed the interest rate charged on the related loan. The current interest rate is based upon the following criteria:

- real estate loans and intermediate term loans are paid a rate of interest equal to the loan rate.

Interest rates are currently reported on each customer's year end loan statement.

Withdrawals

Funds in Funds Held may be available to be returned to Borrowers upon request. Members may request up to twelve withdrawals in any calendar year. The minimum withdrawal amount will be $500.00 or the balance in the Funds Held account, whichever is less.

Association Options

In the event of default on any loan or if the Association discontinue their Funds Held program, the Association may apply funds in the account to the unpaid loan balance and other amounts due, and shall return any excess funds to the customer.

Uninsured Account

Funds Held is not a depository account and is not insured. In the event of liquidation of the Association, customers having balances in Funds Held shall be notified according to regulations.

Questions: Please direct any questions regarding Funds Held to your local FCS representative.

Farm Credit Services
OF ILLINOIS

1100 Farm Credit Drive
Mahomet, IL 61853
217.590.2200

Visit our website at: www.fcsillinois.com