ANNUAL REPORT 2010

Farm Credit Services
OF ILLINOIS

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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:

Each year at this time we pause to look back on the events, issues, challenges and opportunities that formed the basis for our achievements during the year. With the majority of our customers devoted to production agriculture, any review of the past year must include some discussion about the weather. Finally, in 2010 we encountered a year where weather was not a critical factor. With the exception of a short hot and dry period toward the end of the growing season that did impact corn yields, the year was favorable and harvest weather was exceptional. Nationally, the agricultural sector is very diversified, however, here in the mid-west we are concentrated in grain production and that has been a blessing for the owners of this cooperative. Our success is a direct reflection of the owners' success and 2010 was a great year for your association. Once again, we are pleased to provide you with an exceptional report of operations.

During the first quarter of 2010, most producers were facing a tough spring planting season as much of the previous year's fall tillage was deferred due to a very wet and late harvest. Commodity prices were soft and declining and input costs remained high. Not the most optimistic scenario, but by mid-summer commodity prices had rebounded and all the hard work left over from the previous year had been completed. We were well on the path for another year of exceptional farm earnings, particularly for grain producers. With more than 63% of our portfolio devoted to cash crops, our portfolio quality has remained favorable. Ethanol, livestock, and dairy operations, which represent a small percentage of the portfolio fared a little better during the year but remain susceptible to escalating grain prices. Overall our portfolio quality improved during the year from 96.8% at December 31, 2009 to 97.5% at 2010 year end. With this level of credit quality and a permanent capital position of 14.9%, your association remains safe, sound and financially strong. Given the sluggish general economy and stress in some sectors of the agricultural economy, we have truly been blessed during these times.

The most significant financial accomplishments for the year were favorable portfolio growth and record net earnings. Portfolio growth during the year was primarily the result of strong loan demand from our traditional loan service area. Overall the portfolio grew $362 million or 17.1%, with more than 61.0% of new loans coming from our branch offices. We experienced record loan demand during the month of December with more than $133 million of FLCA loans closed and more than $65 million of growth in the operating and equipment loans during that month alone. The exceptional portfolio growth, a favorable interest rate environment and several unique, non-recurring transactions resulted in record net earnings for us. Most analysts expected interest rates to rise during the year, but the sluggish economy and continued monetary easing by the Federal Reserve kept interest rates at historical lows. We followed the direction set by the board of directors to keep interest rates low. We offered competitive interest rates and provided many interest rate conversions as customers moved from higher fixed and adjustable rates to lower short term and variable rates. Each year there are unexpected transactions that occur, some favorable and some not so favorable. During 2010 we experienced many favorable non-recurring transactions that added to the record earnings. Among those transactions was a refund from the Farm Credit System Insurance Corporation, a profit sharing distribution from our crop insurance operations, and a substantial increase in patronage income from AgriBank. These transactions along with a favorable operating expense variance resulted in record net earnings of more than $61 million.

We are constantly reminded of how fortunate we are to be involved in mid-west agriculture. While there remains considerable stress, volatility and uncertainty in much of the agricultural economy, your association is safe, sound and standing strong. The consistent quality of our loan portfolio, our strong capital position and the efficiency of our operations puts us in a very enviable position. We are constantly mindful that our strength and viability comes from you, our stockholders. Your board of directors, management and our professional staff are all dedicated to you and this exceptional cooperative. Together we are well positioned to manage our way through difficult times.

On behalf of the board of directors and staff we want to thank you for your continued support. We are truly blessed and there is much to be thankful for!

Sincerely,

Mark B. Miller

Mark B. Miller
Chairperson of the Board
Farm Credit Services of Illinois, ACA

David M. Owens

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

March 11, 2011

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

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

	2010	2009	2008	2007	2006
Statement of Condition Data					
Loans	**$2,479,533**	$2,117,061	$1,965,059	$2,007,552	$1,612,209
Allowance for loan losses	**6,538**	9,753	5,805	2,278	1,725
Net loans	**2,472,995**	2,107,308	1,959,254	2,005,274	1,610,484
Investment in AgriBank, FCB	**79,685**	76,004	77,814	40,343	32,342
Other property owned	**--**	961	7	7	7
Other assets	**55,153**	46,616	42,644	53,695	44,947
Total assets	**$2,607,833**	$2,230,889	$2,079,719	$2,099,319	$1,687,780
Obligations with maturities of one year or less	**$2,136,514**	$1,821,408	$1,707,239	$1,764,024	$1,381,037
Total liabilities	**2,136,514**	1,821,408	1,707,239	1,764,024	1,381,037
Protected members' equity	**27**	31	41	50	64
Capital stock and participation certificates	**7,705**	7,325	7,156	6,759	6,401
Unallocated surplus	**463,587**	402,125	365,283	328,486	300,278
Total members' equity	**471,319**	409,481	372,480	335,295	306,743
Total liabilities and members' equity	**$2,607,833**	$2,230,889	$2,079,719	$2,099,319	$1,687,780
Statement of Income Data					
Net interest income	**$61,170**	$49,920	$45,618	$41,884	$37,493
(Reversal of) provision for loan losses	**(2,823)**	5,839	3,723	521	(140)
Patronage income	**17,000**	12,527	9,045	4,972	3,837
Other expense, net	**16,455**	18,394	12,888	17,301	16,689
Provision for income taxes	**3,076**	1,372	1,255	826	1,134
Net income	**$61,462**	$36,842	$36,797	$28,208	$23,647
Key Financial Ratios					
Return on average assets	**2.7%**	1.8%	1.8%	1.6%	1.6%
Return on average members' equity	**14.0%**	9.5%	10.4%	8.8%	8.0%
Net interest income as a percentage of average earning assets	**2.8%**	2.6%	2.4%	2.4%	2.6%
Members' equity as a percentage of assets	**18.1%**	18.4%	17.9%	16.0%	18.2%
Net chargeoffs as a percentage of average loans	**--**	0.1%	--	--	--
Allowance for loan losses as a percentage of loans	**0.3%**	0.5%	0.3%	0.1%	0.1%
Permanent capital ratio	**14.9%**	14.2%	13.7%	13.8%	15.4%
Total surplus ratio	**14.6%**	13.9%	13.3%	13.4%	15.0%
Core surplus ratio	**14.6%**	13.9%	13.3%	13.4%	15.0%

No income was distributed to members in the form of 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 $2.5 billion at December 31, 2010. The changes in loan volume for the last two years were as follows (in thousands):

Change in loan volume	**2010 vs. 2009**		2009 vs. 2008	
Accrual				
Mortgage	**$291,721**	**19.4%**	$144,160	10.6%
Commercial	**88,826**	**15.0%**	11,863	2.0%
Nonaccrual	**(18,075)**	**(85.6%)**	(4,021)	(16.0%)
Total loans	**$362,472**	**17.1%**	$152,002	7.7%

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 stock equal to 8% of the pool assets.

The favorable interest rate environment along with decreased competition resulted in growth in loan volume during 2010. The decrease in nonaccrual loan volume was a result of a large participation loan moving back to accrual status along with our ability to restructure stressed loans.

Portfolio Distribution

We are chartered to serve certain counties in Illinois. Approximately 5.7% of our total loan portfolio was in Champaign county at December 31, 2010. No other counties had more than 5% concentration.

Our portfolio is heavily concentrated in corn and soybeans, representing approximately 63.1% 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.

Agricultural and Economic Conditions

As of November, 2010, the United States Department of Agriculture (USDA) forecasted net farm income for 2010 at $81.6 billion, an increase from $62.2 billion recorded in 2009. The forecasted $19.4 billion increase comes from higher meat, dairy, and crop margins, which had earlier been expected to be flat in 2010. Net cash income, a better indicator of ability to repay loans, is forecasted to be a record $92.5 billion, 2.3% higher than the previous record set in 2008.

Commodity prices remained strong in the fourth quarter of 2010 as counter-seasonal rallies continued in corn and soybeans, while wheat prices remained firm. Livestock prices also fared well as cattle trended up and hogs showed choppy sideways trading action at reasonably good prices. For all commodities, 2010 was an extremely bullish year, with corn up 52%, soybeans up 34%, wheat up 47%, cattle up 25%, and hogs up 21% at year-end. Other ag commodities were up sharply for the year as well, with cotton increasing 91% and coffee up 77%. These increases were due not only to supply and demand factors for the individual commodities themselves, but also were due to a general move to hard assets throughout the economy.

Market analysts expect firmness or continued strength in corn, soybean, and wheat prices in the first quarter of 2011. Additional acres will be needed for all three crops in order to avoid a draw-down of stocks at the end of the marketing year. Because the total number of acres available is limited, commentators anticipate that each market will have to bid aggressively for acres over the next few months as the planting season approaches.

During the last quarter of 2010, input costs increased somewhat in response to continued strength in the grain markets. However, the increases were not as steep as those that were seen in the fall of 2008. While prices for nitrogen, phosphate, potash, fuel, and seed were higher than during the summer months, they remained well under the price highs of 2008.

USDA projects 2010 to be a financially strong year for US agriculture, with Net Farm Income (NFI) forecast to be $81.6 billion. This is up 31% from 2009 and is well above the 10-year average NFI of $64.8 billion from 2000 to 2009. The past decade has been characterized not only by very strong NFI levels, but also by increased volatility in NFI as both commodity prices and inputs costs have varied far more than in previous decades.

The market for farmland in the our territory was very robust in the fourth quarter of 2010. Although the number of farms changing hands had been historically low for the past several years, this trend was reversed quite dramatically in the last several months of 2010. There was a significant increase in the number of farms sold and land prices increased as well, with very strong sales in some market areas. The increase in the number for farms sold is due in part to concerns that the tax law might be changed if the Bush tax cuts were allowed to expire. Concerned that higher taxes might be in place for transactions closed after January 1, 2011, and in response to higher land prices, some sellers moved sales up in order to close in 2010. Rather than pushing prices down, this increased supply was met with even stronger demand. In some areas, prices jumped substantially. Buyers included investors confronted with low rates of return on alternate investments, as well as local farmers with strong farm incomes wanting to expand their operations. Many of these sales were auctions and bidding was aggressive, often with multiple bidders, particularly in neighborhoods where very little land had been offered for sale in the past several years.

Agricultural economists expect continued upward pressure on cash rents for the 2011 crop. Landowners will push for higher rents in response to the increases in land values that have been seen during the past year. In some cases, operators may be willing to pay higher rents than in 2010, especially those who have locked in 2011 input costs and are looking at current fall 2011 bids of $6.60/bushel for corn and $12.95/bushel for beans.

Analysis of Risk

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

As of December 31	**2010**	2009	2008
Loans:			
Accruing restructured	**$48**	$951	$54
Past due 90 days or more still accruing	**3**	204	1,570
Nonaccrual	**3,036**	21,111	25,132
Total risk loans	**3,087**	22,266	26,756
Other property owned	**--**	961	7
Total risk assets	**$3,087**	$23,227	$26,763
Risk loans as a percentage of total loans	**0.1%**	1.0%	1.3%
Total delinquencies as a percentage of total loans	**0.1%**	0.3%	0.3%

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 mainly due to a large participation loan moving from nonaccrual status back to accrual status. Our total risk loans as a percentage of total loans remain well within our established risk management guidelines. The volume of nonaccrual loans remained at an acceptable level at December 31, 2010, and represented 0.1% of our total portfolio. At December 31, 2010, 44.5% of our nonaccrual loans were current.

The decline in other property owned was related to the sale of an ethanol plant during 2010.

Portfolio Credit Quality

The credit quality of our portfolio improved during 2010. Adversely classified assets declined from 3.2% of the portfolio at December 31, 2009, to 2.4% of the portfolio at December 31, 2010. Adversely classified assets are assets 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, 2010, $19.5 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	**2010**	2009	2008
Allowance as a percentage of:			
Loans	**0.3%**	0.5%	0.3%
Nonaccrual loans	**215.3%**	46.2%	23.1%
Total risk loans	**211.8%**	43.8%	21.7%
Net chargeoffs as a percentage of average loans	**--**	0.1%	--
Adverse assets to risk funds	**15.2%**	20.2%	10.3%

The reduction in our allowance for loan losses is attributed to a reversal of specific allowance on a purchased participation loan. 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, 2010.

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.

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, 2010	Young	Beginning	Small
FCS of Illinois	16.9%	17.5%	43.5%
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 2010:

Young Beginning Farmers and Ranchers - Target and Goals for the Year 2010				
Category	Number of New Loans Closed	Number of Loans Outstanding	Total Loan Volume (000)	Percent of Total Loans
Young Farmer	770	2,700	$260,000	10.0%
Beginning Farmer	770	2,700	260,000	10.0%
Small Farmer	2,700	9,000	575,000	40.0%
Outreach Program - Goal for total number of activities			70	

As of December 31, 2010, all targets and goals for the YBS program were met.

The following tables detail the level of new business generated in 2010 plus the level of business outstanding as of December 31, 2010, 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	15,698	100.0%	$2,092,284	100.0%
2.	Total loans and commitments made to young farmers and ranchers	2,226	14.2%	$235,563	11.3%
3.	Total loans and commitments made to beginning farmers and ranchers	2,087	13.3%	$233,132	11.1%

Young and Beginning Farmers and Ranchers – Number/Volume of Loans Outstanding at December 31

	Category	Number of Loans	Percent of Total	Volume Outstanding	Percent of Total
1.	Total loans and commitments outstanding at year end	27,100	100.0%	$3,228,281	100.0%
2.	Young farmers and ranchers	4,574	16.9%	$471,274	14.6%
3.	Beginning farmers and ranchers	4,736	17.5%	$537,600	16.7%

The following tables detail the level of new business generated in 2010 plus the level of business outstanding as of December 31, 2010, both by number of loans and by volume for small farmers and ranchers:

Small Farmers and Ranchers - Gross New Business by Loan Size Number/Volume of Loans

	Number/Volume	$0 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 and greater
1.	Total number of new loans and commitments made during the year	5,932	3,225	2,911	3,630
2.	Total number of loans made to small farmers and ranchers during the year	3,571	1,257	615	163
3.	Number of loans to small farmers and ranchers as a % of total number of loans	60.2%	39.0%	21.1%	4.5%
4.	Total gross loan volume of all new loans and commitments made during the year)	$72,502	$121,735	$283,277	$1,614,770
5.	Total gross loan volume to small farmers and ranchers	$37,417	$48,123	$77,405	$66,903
6.	Loan volume to small farmers and ranchers as a % of total gross new loan volume	51.6%	39.5%	27.3%	4.1%

Small Farmers and Ranchers - Number/Volume of Loans Outstanding by Loan Size

	Number/Volume Outstanding	$0 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 and greater
1.	Total number of loans and commitments outstanding at year end	12,488	5,770	5,580	3,262
2.	Total number of loans to small farmers and ranchers	7,091	2,532	1,702	451
3.	Number of loans to small farmers and ranchers as a % of total number of loans	56.8%	43.9%	30.5%	13.8%
4.	Total loan volume outstanding at year end	$185,972	$306,629	$706,753	$2,028,927
5.	Total loan volume to small farmers and ranchers	$102,024	$143,616	$247,383	$199,244
6.	Loan volume to small farmers and ranchers as a % of total loan volume	54.9%	46.8%	35.0%	9.8%

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 2010, 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 121 outreach activities in 2010, 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	**2010**	2009	2008
Net income	**$61,462**	$36,842	$36,797
Return on average assets	**2.7%**	1.8%	1.8%
Return on average members' equity	**14.0%**	9.5%	10.4%

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	**2010 vs. 2009**	2009 vs. 2008
Net interest income	**$11,250**	$4,302
Provision for loan losses	**8,662**	(2,116)
Patronage income	**4,473**	3,482
Other income, net	**3,248**	(4,185)
Operating expenses	**(1,309)**	(1,321)
Provision for income taxes	**(1,704)**	(117)
Total change in net income	**$24,620**	$45

Net Interest Income

Net interest income was $61.2 million for the year ended December 31, 2010. The following table quantifies changes in net interest income (in thousands):

Changes in net interest income due to:	**2010 vs. 2009**	2009 vs. 2008
Changes in volume	**$6,988**	($881)
Changes in rates	**4,383**	4,265
Changes in nonaccrual income and other	**(121)**	918
Net change	**$11,250**	$4,302

Net interest income included income on nonaccrual loans that totaled $2.7 million in 2010, $652 thousand in 2009, and $247 thousand in 2008. 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 2.8% in 2010, 2.6% in 2009 and 2.4% in 2008.

(Reversal of) Provision for Loan Losses

The variance in the (Reversal of) provision for loan losses is related to improved credit quality along with a significant reversal of allowance on a large participation loan, thus allowing us to reduce our overall provision expense for the year.

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 $7.6 million in 2010, $4.8 million in 2009, and $4.4 million in 2008. 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 42 basis points in 2010, 30 basis points in 2009, and 27 basis points in 2008.

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 approximated 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 $9.4 million in 2010, $7.7 million in 2009, and $4.6 million in 2008. Patronage income increased in 2010 due to the share of distributions from Allocated Insurance Reserve Accounts (AIRA) related to the participations sold to AgriBank totaling $451 thousand. These reserve accounts were established in previous years by the Farm Credit System Insurance Corporation when premiums collected increased the level of the Insurance Fund beyond the required 2% of insured debt.

Other Income, Net

The increase in other income, net is primarily due to our share of distributions from AIRA of $2.1 million, along with a gain from the sale of other property owned.

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	**2010**	2009	2008
Salaries and benefits	**$16,983**	$15,256	$14,946
Purchased and vendor services	**1,710**	1,761	1,709
Communications	**498**	561	617
Occupancy and equipment	**2,268**	2,194	1,970
Advertising and promotion	**2,514**	1,437	1,282
Examination	**608**	587	540
Farm Credit System insurance	**978**	3,567	2,921
Other	**4,486**	3,373	3,430
Total	**$30,045**	$28,736	$27,415
Operating rate	**1.4%**	1.5%	1.4%

The operating expense increases were primarily related to increase in advertising and promotion expense created by a $1.0 million endowment fund established for the benefit of several agricultural entities/programs, salaries and benefits expense due to hiring of additional staff and overall pay increases, and other expense that was mainly related to tax equalization sum payments paid to another FCS association for purchases of participation loans.

Provision for Income Taxes

We recorded tax expense of $3.1 million for the year ended December 31, 2010, compared to $1.4 million for 2009, and $1.3 million for 2008. 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 2010, our average balance was $1.8 billion with an average interest rate of 1.9%. Our average balance during 2009 was $1.6 billion with an average interest rate of 2.3% and during 2008 our average balance was $1.6 billion with an average interest rate of 3.8%. 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, 2010, we had $628.9 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 $61.8 million during 2010 due to net income for the period, along with an increase in capital stock and participation certificates outstanding.

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

As of December 31	**2010**	2009	2008
Members' equity	**$471,319**	$409,481	$372,480
Surplus as a percentage of members' equity	**98.4%**	98.2%	98.1%
Permanent capital ratio	**14.9%**	14.2%	13.7%
Total surplus ratio	**14.6%**	13.9%	13.3%
Core surplus ratio	**14.6%**	13.9%	13.3%

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, 2010, 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, 2010, our optimum permanent capital target was 14.0%.

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 the ProPartners Financial (ProPartners) alliance with certain 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 $61.8 million of ProPartners volume at December 31, 2010, $70.0 million at December 31, 2009, and $66.7 million at December 31, 2008.

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 $20.6 million of volume under this pilot program outstanding at December 31, 2010, $13.7 million at December 31, 2009, and $6.2 million at December 31, 2008.

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, cost of liquidity and bank profit, and
- a risk premium component, if applicable.

In the periods presented, we were not subject to the risk premium component. In 2010, an additional 2.1 basis points was added to the spread component related to the cost of AgriBank's 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, 2010, we were required to maintain a 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 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, 2010, $30.3 million of our investment in AgriBank consisted of stock representing distributed AgriBank surplus and $49.4 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 $801 thousand in 2010, $880 thousand in 2009, and $845 thousand in 2008.

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 AgriBank and 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

Ilinois 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 certain 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 pro rata 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.

Mark B. Miller

Mark B. Miller
Chairperson of the Board
Farm Credit Services of Illinois, ACA

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 11, 2011

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 Board 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, 2010. 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, 2010, 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, 2010.

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 11, 2011

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 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, 2010, 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, 2010.

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, Jack Crumrin, Dale Crawford, J. Dale Edwards, Dennis Frey, Jack Hastings, Larry Hasheider, Mark Miller, Karen Neff, John Schable, Bridget Schneider, and Wes Durbin

March 11, 2011

Report of Independent Auditors

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

In our opinion, the accompanying consolidated statements 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, 2010, 2009 and 2008, 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 11, 2011

PricewaterhouseCoopers LLP, 225 South Sixth Street, Suite 1400, Minneapolis, MN 55402
T: (612) 596 6000, www.pwc.com/us

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

As of December 31	**2010**	2009	2008
ASSETS			
Loans	**$2,479,533**	$2,117,061	$1,965,059
Allowance for loan losses	**6,538**	9,753	5,805
Net loans	**2,472,995**	2,107,308	1,959,254
Investment in AgriBank, FCB	**79,685**	76,004	77,814
Accrued interest receivable	**30,210**	26,810	25,939
Premises and equipment, net	**11,927**	9,362	8,683
Other property owned	**--**	961	7
Other assets	**13,016**	10,444	8,022
Total assets	**$2,607,833**	$2,230,889	$2,079,719
LIABILITIES			
Note payable to AgriBank, FCB	**$2,120,817**	$1,803,006	$1,684,622
Accrued interest payable	**8,353**	8,817	13,604
Net deferred income tax liability	**576**	691	809
Other liabilities	**6,768**	8,894	8,204
Total liabilities	**2,136,514**	1,821,408	1,707,239
Contingencies and commitments	**--**	--	--
MEMBERS' EQUITY			
Protected members' equity	**27**	31	41
Capital stock and participation certificates	**7,705**	7,325	7,156
Unallocated surplus	**463,587**	402,125	365,283
Total members' equity	**471,319**	409,481	372,480
Total liabilities and members' equity	**$2,607,833**	$2,230,889	$2,079,719

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

CONSOLIDATED STATEMENTS OF INCOME

Farm Credit Services of Illinois, ACA

(Dollars in thousands)

Year ended December 31	**2010**	2009	2008
Interest income	**$95,224**	$86,581	$107,810
Interest expense	**34,054**	36,661	62,192
Net interest income	**61,170**	49,920	45,618
(Reversal of) provision for loan losses	**(2,823)**	5,839	3,723
Net interest income after provision for loan losses	**63,993**	44,081	41,895
Other income			
Patronage income	**17,000**	12,527	9,045
Financially related services income	**7,774**	8,124	10,703
Fee income	**2,784**	2,471	1,460
Allocated insurance reserve account distribution	**2,129**	--	--
Miscellaneous income, net	**903**	(253)	2,364
Total other income	**30,590**	22,869	23,572
Operating expense			
Salaries and employee benefits	**16,983**	15,256	14,946
Other operating expense	**13,062**	13,480	12,469
Total operating expense	**30,045**	28,736	27,415
Income before income taxes	**64,538**	38,214	38,052
Provision for income taxes	**3,076**	1,372	1,255
Net income	**$61,462**	$36,842	$36,797

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

CONSOLIDATED STATEMENTS 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, 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**
Net income			**61,462**	**61,462**
Capital stock/participation certificates issued		**900**		**900**
Capital stock/participation certificates retired	**(4)**	**(520)**		**(524)**
Balance at December 31, 2010	**$27**	**$7,705**	**$463,587**	**$471,319**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Year ended December 31	**2010**	2009	2008
Cash flows from operating activities			
Net income	**$61,462**	$36,842	$36,797
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation on premises and equipment	**763**	681	611
Depreciation on assets held for lease	**29**	29	42
(Reversal of) provision for loan losses	**(2,823)**	5,839	3,723
Stock patronage received from AgriBank, FCB	**(2,689)**	(1,190)	--
(Increase) decrease in accrued interest receivable	**(4,257)**	(1,045)	14,723
Increase in other assets	**(2,572)**	(2,450)	(2,220)
Decrease in accrued interest payable	**(464)**	(4,787)	(7,325)
(Decrease) increase in other liabilities	**(2,241)**	572	572
Gain on sale of other property owned	**(866)**	(100)	--
Loss (gain) on sale of premises and equipment	**30**	7	(2,111)
Gain on disposal of assets held for lease	**--**	--	(2)
Total adjustments	**(15,090)**	(2,444)	8,013
Net cash provided by operating activities	**46,372**	34,398	44,810
Cash flows from investing activities			
(Increase) decrease in loans, net	**(361,469)**	(154,466)	43,001
(Purchases) redemptions of investment in AgriBank, FCB, net	**(992)**	3,000	(37,471)
(Purchases) sales of assets held for lease, net	**(29)**	(1)	82
Proceeds from sales of other property owned, net	**1,827**	261	--
Purchases of premises and equipment, net	**(3,358)**	(1,367)	(299)
Net cash (used in) provided by investing activities	**(364,021)**	(152,573)	5,313
Cash flows from financing activities			
Increase (decrease) in note payable to AgriBank, FCB, net	**317,811**	118,384	(50,032)
Capital stock and participation certificates retired, net	**(162)**	(209)	(91)
Net cash provided by (used in) financing activities	**317,649**	118,175	(50,123)
Net change in cash	**--**	--	--
Cash at beginning of year	**--**	--	--
Cash at end of year	**$ --**	$ --	$ --
Supplemental schedule of non-cash activities			
Stock financed by loan activities	**$780**	$634	$763
Stock applied against loan principal	**241**	264	284
Stock applied against interest	**1**	2	--
Interest transferred to loans	**856**	172	225
Loans transferred to other property owned	**--**	12,611	--
Financed sales of other property owned	**--**	11,496	--
Supplemental information			
Interest paid	**$34,518**	$41,448	$69,517
Taxes paid	**3,221**	1,190	1,748

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, 2010, the Farm Credit System consisted of four Farm Credit Banks, one Agricultural Credit Bank, and 86 associations. AgriBank and its affiliated associations are collectively referred to as the District. At December 31, 2010, the District consisted of 17 Agricultural Credit Associations (ACA) that each have wholly-owned Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries. FLCAs are authorized to originate long-term real estate mortgage loans. PCAs are authorized to originate short-term and intermediate-term loans. ACAs 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 made for nonaccrual loans and impaired investment securities are assessed a surcharge while guaranteed loans and investment securities are deductions from 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 net interest income.

Other loan fees are netted with the related origination costs and included as an adjustment to net interest income. 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.

Loans are classified as restructured when the terms of a distressed loan have been modified in a way that a concession has been granted in order to make it probable that the operations of the distressed borrower will become viable. Formally restructured loans are returned to performing status when the loan has a similar interest rate as that charged for loans of comparable risk and it otherwise meets the criteria of performing loans. Interest income on formally restructured loans is recognized in accordance with the loan's classification as accrual or nonaccrual.

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 "(Reversal of) provision for loan losses" on the Consolidated Statements of Income, and chargeoffs and recoveries.

Investment in AgriBank: Accounting for our stock investment in AgriBank is on a cost plus allocated equities basis.

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: Other property owned, consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition and is included in "Other property owned" on the Consolidated Statements of Condition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Related income and expenses from operations and carrying value adjustments are included in "Miscellaneous income, net" on the Consolidated Statements 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 Statements of Condition and represents the asset cost net of accumulated depreciation.

Post-Employment Benefit Plans: The AgriBank Farm Credit District has three post-employment 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. All employees hired after December 31, 2006, only participate in the defined contribution plan. 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 also participate in the defined benefit retirement plan of the AgriBank Farm Credit District. The plan is comprised of two benefit formulas. 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. Between October 1, 2001 and December 31, 2006, all new benefits-eligible employees participated in the cash balance formula. Effective January 1, 2007, the defined benefit retirement plan was closed to new employees. The District plan utilizes the "Projected Unit Credit" actuarial method for financial reporting purposes and the "Entry Age Normal Cost" method for funding purposes.

We also provide certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. 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.

Statements 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, 2010, we adopted FASB guidance on "Fair Value Measurements and Disclosures," which is intended to improve disclosures about fair value measurements by increasing transparency in financial reporting. The guidance provides for a greater level of disaggregated information for assets and liabilities measured on a recurring basis and more robust disclosures of valuation techniques and inputs to fair value measurements. The adoption of this guidance had no impact on our financial condition and results of operations.

In June 2009, the FASB issued guidance on "Accounting for Transfers of Financial Assets," which amended 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 required additional disclosure about transfers of financial assets and a transferor's continued involvement with transferred assets. This guidance was effective as of January 1, 2010, and applied to transfers which occurred on or after the effective date. Adoption of this guidance did not have a material impact on our financial condition and results of operations.

In July 2010, the FASB issued guidance on "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This guidance is intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. Existing disclosures are amended to include additional disclosures of financing receivables on a disaggregated basis and also calls for new disclosures. For non-public entities, the disclosures are effective for interim and annual reporting periods ending on or after December 15, 2011. The adoption of this guidance will have no impact on our financial condition or results of operations, but it will result in additional disclosures.

NOTE 3: LOANS

Loans consisted of the following (in thousands):

As of December 31, 2010	Amount	Percentage
Long-term agricultural mortgage	**$1,551,843**	**53.4%**
Production	**441,865**	**15.2%**
Intermediate-term	**249,202**	**8.6%**
Processing and marketing	**42,632**	**1.5%**
Farm-related business	**2,842**	**0.1%**
Rural home	**419**	**0.0%**
Participations purchased	**596,031**	**20.5%**
Other	**21,213**	**0.7%**
Subtotal	**2,906,047**	**100.0%**
Participations sold	**(426,514)**	
Total loans	**$2,479,533**	

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	

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, 2010	Purchased	Sold
Participations purchased from/sold to:		
AgriBank, FCB	**$ --**	**$411,263**
Other Farm Credit System institutions	**584,690**	**7,707**
Non-Farm Credit System institutions	**11,341**	**7,544**
Total participations purchased/sold	**$596,031**	**$426,514**

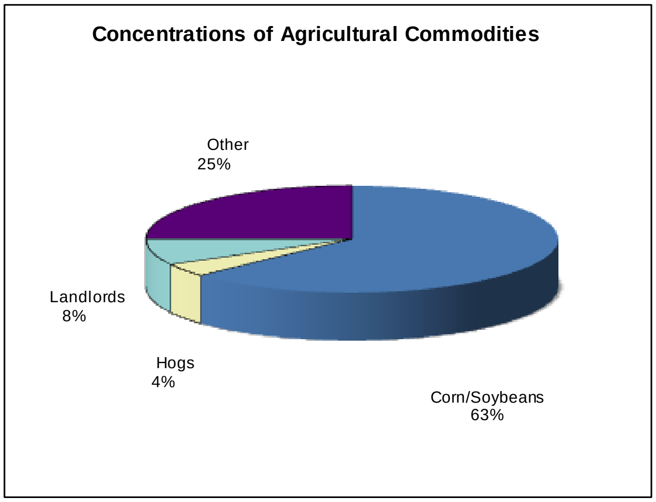
The AgriBank participation volume is largely due to participation interests in real estate loans. The other participation volume is largely due to participations on loans to agribusinesses.

Portfolio Concentrations

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

At December 31, 2010, volume plus commitments to our ten largest borrowers totaled an amount equal to 44.0% of members' equity.

Our agricultural commodity concentrations at December 31, 2010, were as follows:



The commodity concentrations have not changed materially from prior years.

We are chartered to operate in certain counties in Illinois. Approximately 5.7% of our total loan portfolio was in Champaign county at December 31, 2010. 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	2010	2009	2008
Nonaccrual loans:			
Current as to principal and interest	**$1,350**	$18,197	$23,537
Past due	**1,686**	2,914	1,595
Total nonaccrual loans	**3,036**	21,111	25,132
Accruing restructured loans	**48**	951	54
Loans past due 90 days or more still accruing	**3**	204	1,570
Total risk loans	**$3,087**	$22,266	$26,756
Volume with specific reserves	**$730**	$17,675	$12,601
Volume without specific reserves	**2,357**	4,591	14,155
Total risk loans	**$3,087**	$22,266	$26,756
Total specific reserves	**$459**	$3,542	$2,234
For the year ended December 31	**2010**	2009	2008
Income on accrual risk loans	**$60**	$28	$18
Income on nonaccrual loans	**2,692**	652	247
Total income on risk loans	**$2,752**	$680	$265
Average recorded investment	**$16,126**	$23,924	$9,862

We did not have any material commitments to lend additional money to borrowers whose loans were at risk at December 31, 2010.

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	2010	2009	2008
Balance at beginning of year	**$9,753**	$5,805	$2,278
(Reversal of) provision for loan losses	**(2,823)**	5,839	3,723
Loan recoveries	**167**	26	(34)
Loan chargeoffs	**(559)**	(1,917)	(162)
Balance at end of year	**$6,538**	$9,753	$5,805

The decrease in allowance for loan losses is related to a reversal of $2.8 million provision expense in 2010 reflecting the improved credit quality of our portfolio and the reversal of a specific allowance on a large participation loan.

NOTE 5: INVESTMENT IN AGRIBANK

At December 31, 2010, 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, 2010, we were also 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 balance of our investment in AgriBank, all required stock, was $79.7 million at December 31, 2010, $76.0 million at December 31, 2009, and $77.8 million at December 31, 2008.

NOTE 6: PREMISES AND EQUIPMENT

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

As of December 31	**2010**	2009	2008
Land, buildings and improvements	**$12,869**	$10,580	$9,389
Furniture and equipment	**4,624**	4,255	4,092
Subtotal	**17,493**	14,835	13,481
Less: accumulated depreciation	**(5,566)**	(5,473)	(4,798)
Total	**$11,927**	$9,362	$8,683

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 $2.8 billion and the outstanding principal under the line of credit was $2.1 billion as of December 31, 2010. The interest rate is adjusted monthly and was 1.7% at December 31, 2010. During 2010, our average balance was $1.8 billion with an average interest rate of 1.9%. Our average balance during 2009 was $1.6 billion with an average interest rate of 2.3% and during 2008 our average balance was $1.6 billion with an average interest rate of 3.8%. The maturity date is July 31, 2011, 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, 2010, 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 were to be 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, 2010, our ratio was 14.9%.
- 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, 2010, our ratio was 14.6%.
- The core surplus ratio is average unallocated surplus less any deductions made in the computation of total surplus and less any excess stock investment in AgriBank divided by average risk-adjusted assets. At December 31, 2010, our ratio was 14.6%.

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 of our investment in AgriBank that is in excess of the required amount. At December 31, 2010, December 31, 2009 and December 31, 2008, we no longer had any excess 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, 2010. All shares and participation certificates were $5.00 par value.

As of December 31, 2010	Shares Outstanding
Class A common stock (protected)	**5,304**
Class C common stock (at-risk)	**1,530,392**
Participation certificates (at-risk)	**10,679**
Class F participation certificates (protected)	**8**

Under our bylaws, we are also authorized to issue Class B and Class D common stock. This Class B common stock is at-risk and nonvoting with a $5.00 par value per share and 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, 2010, 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 2011. 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	2010	2009	2008
Current:			
Federal	**$2,598**	$1,237	$1,141
State	**593**	253	265
Total current	**3,191**	1,490	1,406
Deferred:			
Federal	**(94)**	(96)	(123)
State	**(21)**	(22)	(28)
Total deferred	**(115)**	(118)	(151)
Provision for income taxes	**$3,076**	$1,372	$1,255
Effective tax rate	**4.8%**	3.6%	3.3%

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	2010	2009	2008
Federal tax at statutory rate	**$21,943**	$12,993	$12,938
State tax, net	**380**	169	155
Effect of non-taxable entity	**(19,259)**	(11,798)	(11,844)
Other	**12**	8	6
Provision for income taxes	**$3,076**	$1,372	$1,255

Deferred Income Taxes

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

As of December 31	2010	2009	2008
Allowance for loan losses	**$449**	$236	$42
Postretirement benefit accrual	**474**	457	437
Accrued incentive	**165**	53	--
Accrued patronage income not received	**(562)**	(291)	(144)
AgriBank, FCB 2002 allocated stock	**(529)**	(529)	(529)
Accrued pension asset	**(400)**	(464)	(469)
Other assets	**25**	39	46
Other liabilities	**(198)**	(192)	(192)
Net deferred tax liabilities	**($576)**	($691)	($809)
Gross deferred tax assets	**$1,113**	$785	$525
Gross deferred tax liabilities	**($1,689)**	($1,476)	($1,334)

A valuation reserve for the deferred tax assets was not necessary at December 31, 2010, December 31, 2009, or December 31, 2008.

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 $398.6 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, 2010, we had no uncertain income tax positions.

NOTE 10: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank, FCB and Affiliated Associations 2010 Annual Report.

As disclosed in the AgriBank, FCB and Affiliated Associations 2010 Annual Report, the defined benefit plans reflect an unfunded liability totaling $276.5 million at December 31, 2010. 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, 2010, to reflect the $276.5 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 $276.5 million unfunded liability represents potential future contributions that may need to be made by the participating employers. The $355.8 million recorded in AOCI represents 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, 2010, our share of the $355.8 million potential future expense would be approximately $15.7 million and our share of the $276.5 million potential future cash contributions would be $13.4 million. Please refer to the AgriBank, FCB and Affiliated Associations 2010 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 2010, $1.2 million for 2009, and $1.3 million for 2008. Plan expenses included in "Salaries and employee benefits" expense in the Consolidated Statements of Income were $1.7 million for 2010, $1.2 million for 2009, and $885 thousand for 2008.

Life Insurance and Retiree Medical Plans: District employers also provide certain health and life 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 in the Consolidated Statements of Income were $143 thousand for 2010, $149 thousand for 2009, and $98 thousand for 2008.

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" expense in the Consolidated Statements of Income were $55 thousand for 2010, $111 thousand for 2009, and $86 thousand for 2008.

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 $683 thousand in 2010, $575 thousand in 2009, and $527 thousand in 2008.

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, 2010, 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):

	2010	2009	2008
As of December 31:			
Total related party loans and leases	**$18,255**	$12,531	$9,920
For the year ended December 31:			
Advances to related parties	**$9,717**	$10,520	$6,017
Repayments by related parties	**7,855**	11,025	8,360

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, financial services, accounting and reporting services, human resource services, and retail product processing and support services. The total cost of services we purchased from AgriBank was $801 thousand in 2010, $880 thousand in 2009, and $845 thousand in 2008.

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. Commercial letters of credit are agreements to pay a beneficiary under specific conditions. At December 31, 2010, we had commitments to extend credit and unexercised commitments related to standby letters of credit of $704.6 million. Additionally, we had $18.5 million of issued standby letters of credit as of December 31, 2010.

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, 2010, 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, 2010	Fair Value Measurement Using			Total Fair Value	Total Gains
	Level 1	Level 2	Level 3		
Loans	**$ --**	**$20**	**$264**	**$284**	**$3,083**
Other property owned	**--**	**--**	**--**	**--**	**866**

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

As of December 31, 2008	Fair Value Measurement Using			Total Fair Value	Total (Losses)
	Level 1	Level 2	Level 3		
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, 2010	Carrying Amount	Fair Value
Financial assets:		
Loans, net	**$2,472,995**	**$2,495,098**
Financial liabilities:		
Note payable to AgriBank, FCB	**$2,120,817**	**$2,138,748**
Unrecognized financial instruments:		
Commitments to extend credit and letters of credit		**($904)**

As of December 31, 2009	Carrying Amount	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	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)

NOTE 15: QUARTERLY FINANCIAL INFORMATION (Unaudited)

Quarterly consolidated results of operations for the years ended December 31, 2010, December 31, 2009, and December 31, 2008, follow (in thousands):

2010	**First**	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$14,228**	**$15,015**	**$15,401**	**$16,526**	**$61,170**
Provision for (reversal of) loan losses	**423**	**(1,182)**	**(2,704)**	**640**	**(2,823)**
Patronage income	**3,393**	**3,130**	**3,016**	**7,461**	**17,000**
Other expense, net	**2,016**	**2,374**	**4,047**	**8,018**	**16,455**
Provision for income taxes	**617**	**411**	**940**	**1,108**	**3,076**
Net income	**$14,565**	**$16,542**	**$16,134**	**$14,221**	**$61,462**

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

NOTE 16: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 11, 2011, which is the date the financial statements were available to be issued. There have been no material subsequent events that would require recognition in our 2010 Consolidated Financial Statements or disclosure in the Notes to those financial statements.

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	Owned	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, 2010.

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, 2010, 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. He serves as president of Carlyle FFA Alumni in Carlyle, IL, promoting agricultural issues and is vice president of Clinton County Extension Foundation in Breese, IL, promoting agricultural issues. His current term on the board began January 2009 and expires in December 2013.

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 2011 and expires in December 2014.

Dale Crawford, is a self-employed grain farmer. He is a director on the Moultrie Co. Farm Bureau Board in Sullivan, IL, an agricultural advocacy group, 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 2011 and expires in December 2014.

J. Dale Edwards, is a self-employed grain and livestock farmer. 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. His current term on the board began January 2010 and expires 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, is a self-employed grain and livestock farmer. He is also a real estate agent. He serves as a director on the Clay County Board of Review, a tax assessment review board. His current term on the board began January 2010 and expires in December 2013.

Mark Miller, Chairperson of the Board, is a self-employed grain farmer and a seed dealer. He is a director of the Farmers Grain Co. of Latham, a grain elevator. He is also a park commissioner of Chestnut Beason Park District. His current term on the board began January 2010 and expires in December 2011.

Karen Neff, Vice-Chairperson of the Board, is a self-employed grain and livestock farmer and a project manager with UNISYS. Her current term on the board began January 2011 and expires in December 2014.

John Schable, is a self-employed grain farmer. He serves as director of AgriBank, FCB, a financial lending institution in St. Paul, MN. His current term on the board began January 2010 and expires in December 2011.

K. Bridget Schneider, appointed director, is a financial consultant for Lincoln Financial Securities specializing in retirement planning. Her current term on the Board began February 2010 and expires December 2012.

As of January 2011, Wes Durbin was elected to the board of directors. He is a self-employed grain and livestock farmer. He is also a director of the Shelby County Young Leaders and serves as treasurer of the Shelby County Pork Producers. He and his wife are members of the Class of 2011 Cultivating Mater Farmer Program. His term will expire in December, 2014.

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 2010 follows:

	Number of Days Served		Compensation paid for	
	Board Meetings	Other Official Activities	service on a board committee	Total Compensation Paid in 2010
Beery, Lance	15.5	14	none	$17,000
Brinkman, Kent	15.5	10	none	15,400
Champion Jr., William David	13.5	14	none	16,200
Carls, Mike *****	15.5	14	none	15,700
Crawford, Dale	15.5	25	none	23,400
Crumrin, Jack E.	15.5	15	none	17,400
Edwards, J. Dale	15.5	6	none	13,800
Frey, Dennis	15.5	14	none	17,000
Hashieder, Larry	13.5	7	none	13,400
Hastings, Jack	15.5	21	none	21,800
Miller, Mark	15.5	12	none	16,200
Neff, Karen	15.5	15	none	17,400
Schable, John	15.5	7	none	14,200
Schnieder, K. Bridget	14.5	18	none	19,067
Total	212.0	192.0		$237,967

* Not re-elected

SENIOR OFFICERS

The senior officers (and the date each began his/her current position) 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)
Tom Tracy, Sr. Vice President, Operations (August, 2010)

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 and Mr. Tracy. 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. Mr. Tracy previously served as Chief Credit Officer of a community bank and then as a commercial lender with FCS of Illinois. Other business interests where a senior officer served as a director or senior officer include: Donald J. Olson, Chief Credit Officer, also is a managing member of Olson Acres, LLC, and a board member of ProPartners Financial.

A summary of compensation earned by senior officers/highly compensated individuals during 2010 follows (in thousands):

Name of Individual	Year	Salary	Bonus	Deferred/ Perquisites	Other	Total
David M. Owens, CEO	**2010**	**$290**	**$174**	**$9**	**$ --**	**$473**
	2009	285	113	12	--	410
	2008	242	102	3	--	347
Aggregate Number of Senior Officers/Highly Compensated Individuals, excluding CEO						
Six	**2010**	**$978**	**$331**	**$14**	**$ --**	**$1,323**
Five	2009	800	319	11	--	1,130
Seven	2008	880	710	7	--	1,597

Members may request information on the compensation paid during 2010 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 $144 thousand in 2010, $106 thousand in 2009, and $119 thousand in 2008.

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, 2011 or at any time during 2010.

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 2010 were $67 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

www.fcsillinois.com