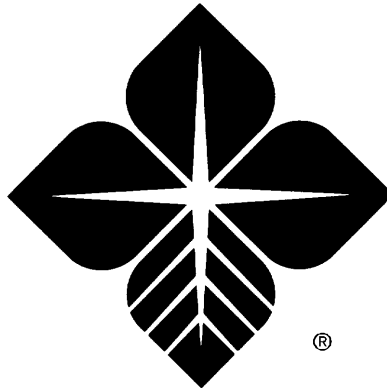


# **LOUISIANA FLBA, FLCA**

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## **2009 Quarterly Report First Quarter**



**For the Quarter Ended March 31, 2009**

## REPORT OF MANAGEMENT

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

[electronic signature]

Darrel Jans, Chief Executive Officer

*May 8, 2009*

[electronic signature]

R. Ernest Girouard, Chairman, Board of Directors

*May 8, 2009*

[electronic signature]

Sandra Robinson, Chief Financial Officer

*May 8, 2009*

**LOUISIANA FLBA, FLCA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following commentary reviews the financial performance of the Louisiana FLBA, FLCA (Federal Land Credit Association), referred to as the Association, for the quarter and three months ended March 31, 2009. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2008 Annual Report of the Association.

The financial statements were prepared under the oversight of the Association's audit committee.

**Significant Events:**

Due to the Association's sound financial performance in 2008, and solid capital position, the Board of Directors approved a patronage payment of approximately \$2.6 million to be distributed in the second quarter of 2009. Distribution of these earnings allows stockholders to benefit from the earnings of the Association. The determination of whether to pay a patronage is based upon annual analysis of the financial performance and capital position of the Association by the Board of Directors.

**Loan Portfolio:**

Total loans outstanding at March 31, 2009, including nonaccrual loans and sales contracts, were \$829,163,871 compared to \$831,803,390 at December 31, 2008, reflecting a decrease of 0.3 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.9 percent at March 31, 2009, compared to 0.7 percent at December 31, 2008.

The Association recorded \$458,500 in charge-offs and \$0 in recoveries for the quarter ending March 31, 2009, and did not record any charge-offs or recoveries for the same period in 2008. The Association's allowance for loan losses was 0.1 percent and 0.1 percent of total loans outstanding as of March 31, 2009, and December 31, 2008, respectively.

Nonaccrual loan volume is expected to increase as the economic downturn continues to stress borrowers' ability to pay.

**Risk Exposure:**

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

	<u>March 31, 2009</u>		<u>December 31, 2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Nonaccrual	\$ 7,527,296	51.0%	\$ 7,731,903	96.8%
90 days past due and still accruing interest	6,973,591	47.3%	32,550	0.4%
Formally restructured	124,718	0.8%	121,717	1.5%
Other property owned, net	135,395	0.9%	104,836	1.3%
Total	<u>\$ 14,761,000</u>	<u>100.0%</u>	<u>\$ 7,991,006</u>	<u>100.0%</u>

A significant portion of loans 90 days past due as of March 31, 2009, is composed of one loan with principal and accrued interest totaling nearly \$6.5 million. This loan is in the process of being sold; therefore, payment has been deferred until fall to enable the borrower to complete the sale, and pay the loan in full.

High risk asset volumes could increase as loans 30-89 days past due move to 90 days past due during the next several months, because of the economic downturn impacting borrowers' ability to pay.

The Association is one of 13 associations in the District that participated in a loan to one borrower through the former Capital Markets of the South (CMS). Of the 13 associations that participated in the loan, five were members of CMS (including this Association), and eight were non-CMS members with the FLBA of South Alabama, FLCA, serving as the lead lender. The original funded balance of the loan was \$68,500,000, and the Association retained 6.67 percent of the loan. During the second quarter of 2007, the loan was deemed to be nonaccrual due to its significant under collateralized position and a credit default. Accordingly, the FLBA of South Alabama, FLCA began pursuing collection efforts, including liquidating part of the loan's collateral, which was applied to the outstanding balance for all participants. In addition, by the end of 2007 the Association, along with the four other CMS member associations, repurchased, on a pro-rata basis, the portions of the loan held by all other non-CMS participants, which resulted in the Association holding a total of 20.22 percent. As part of loan repurchase transactions noted above, the CMS member

associations received a general release from the non-CMS participants for claims related to the loan, and agreed to indemnify the non-CMS participants from any liability arising from legal proceedings related to the loan.

In 2008 collection efforts continued, resulting in legal judgments against the borrowers, allowing the FLBA of South Alabama, FLCA to foreclose on portions of the real estate collateral, with sales proceeds being applied against the outstanding balance of the loan, and is still in process of foreclosing on the remaining portions of the real estate collateral. In addition, the borrowers have surrendered various other real and personal properties, all of which is to be liquidated and applied against the loan balance. All sales of remaining real estate collateral and other properties are expected to be completed in the first half of 2009.

During 2007, charge-offs of \$30,245,000 were recognized; the Association's portion of the 2007 charge-offs was \$5,150,272. No further charge-offs or allowance reserves were required to be recognized in 2008 or year to date in 2009. As of March 31, 2009, the Association's portion of the loan's remaining book balance and allowance reserves were \$430,522, and \$295,244, respectively. For more information on impaired loans and the allowance for loan losses, see Note 2 to the financial statements, "Allowance for Loan Losses," included in this quarterly report.

### Results of Operations:

The Association had net income of \$2,102,762 for the three months ended March 31, 2009, as compared to net income of \$1,829,857 for the same period in 2008 reflecting an increase of 14.9 percent. Net interest income was \$4,976,261 for the three months ended March 31, 2009, compared to \$5,053,567 for the same period in 2008. Interest income for the first three months of 2009 decreased by \$2,491,096 or 17.6 percent from the same periods of 2008, primarily due to declines in yields on earning assets and a decrease in average loan volume. Interest expense for the first three months of 2009 decreased by \$2,413,790, or 26.4 percent, from the same periods of 2008 due to a decrease in interest rates and a decrease in average debt volume. Average loan volume for the first quarter of 2009 was \$826,715,146, compared to \$827,076,111 in the first quarter of 2008. The average spread on the loan portfolio for the first quarter 2009 was 1.94 percent, compared to 1.85 percent in the first quarter of 2008.

The Association's return on average assets for the three months ended March 31, 2009, was 1.00 compared to 0.86 percent for the same period in 2008. The Association's return on average equity for the three months ended March 31, 2009, was 6.35 compared to 5.87 percent for the same period in 2008.

The quality of the loan portfolio remained strong through the first three months of 2009 as a result of government payments to farmers, and the availability of off-farm income sources. Good yields and higher commodity prices will help offset the high fuel cost. Fuel and fertilizer costs, which are impacted by increases in fuel oil and natural gas prices, continue to be a major consideration in producers' planning process. Cotton and grain prices are expected to hold steady to trend lower depending on weather from now to harvest, and foreign production levels. Overall grain stocks are moderate compared to recent historical levels. Prices for cattle will depend on continued foreign confidence in the safety of American beef as well as on feed costs. Timber prices are weak with little change expected as a result of the new construction slow down. Interest rates have remained favorable through the first quarter of 2009. Lending rates, which had begun to climb in 2007, have seen a decline through the first quarter of 2009 as a result of the drastic cuts by the Federal Reserve to stimulate the lagging economy. Most of the operators in the District will continue to benefit from the low interest rate environment in the near term. As the Association's demand for loans is as much a function of the health of the general economy as of the agricultural sector, loan volume growth is stable as compared to last year.

### Liquidity and Funding Sources:

The Association secures the majority of its lendable funds from the Bank, which obtains its funds through the issuance of Systemwide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Note payable to the Bank	\$ 721,612,426	\$ 727,337,234
Accrued interest on note payable	2,170,302	2,747,124
Total	<b>\$ 723,782,728</b>	<b>\$ 730,084,358</b>

**Capital Resources:**

The Association's capital position decreased by \$524,441 at March 31, 2009, compared to December 31, 2008. The Association's debt as a percentage of members' equity was 5.52:1 as of March 31, 2009, compared to 5.53:1 as of December 31, 2008.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital ratio of seven percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at March 31, 2009, was 13.6 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at March 31, 2009, were 13.2 and 13.2 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

**Relationship with the Farm Credit Bank of Texas:**

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the December 31, 2008 Annual Report of Louisiana FLBA, FLCA more fully describe the Association's relationship with the Bank.

The Tenth Farm Credit District's (District) annual and quarterly stockholder reports are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9260. Copies of the District's quarterly and annual stockholder reports also can be requested by e-mail at [fcb@farmcreditbank.com](mailto:fcb@farmcreditbank.com). The District makes its annual and quarterly stockholder reports available on its web site at [www.farmcreditbank.com](http://www.farmcreditbank.com).

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Louisiana FLBA, FLCA 2413 Tower Drive, Monroe, Louisiana 71201 or calling (318)387-7535. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing [Sandra.robinson@farmcreditbank.com](mailto:Sandra.robinson@farmcreditbank.com).

**LOUISIANA FLBA, FLCA**

**BALANCE SHEET**

	<b>March 31, 2009 (unaudited)</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Cash	\$ 1,960,150	\$ 5,522,062
Loans	829,163,871	831,803,390
Less: allowance for loan losses	732,706	755,584
Net loans	828,431,165	831,047,806
Accrued interest receivable	11,364,417	11,777,736
Investment in and receivable from the Bank:		
Capital stock	14,640,855	14,640,855
Other	529,671	220,228
Other property owned, net	135,395	104,836
Premises and equipment	3,208,423	3,261,023
Other assets	1,203,813	223,652
Total assets	\$ 861,473,889	\$ 866,798,198
<b>LIABILITIES</b>		
Note payable to the Bank	\$ 721,612,426	\$ 727,337,234
Accrued interest payable	2,170,302	2,747,124
Drafts outstanding	16,100	395,052
Dividends Payable	2,599,560	-
Other liabilities	2,903,872	3,622,718
Total liabilities	729,302,260	734,102,128
<b>MEMBERS' EQUITY</b>		
Capital stock and participation certificates	3,061,295	3,073,375
Unallocated retained earnings	128,792,257	129,289,055
Accumulated other comprehensive income	318,077	333,640
Total members' equity	132,171,629	132,696,070
Total liabilities and members' equity	\$ 861,473,889	\$ 866,798,198

LOUISIANA FLBA, FLCA

STATEMENT OF INCOME

(unaudited)

	Quarter Ended	
	March 31,	
	<u>2009</u>	<u>2008</u>
<b><u>INTEREST INCOME</u></b>		
Loans	\$ 11,693,573	\$ 14,184,669
<b><u>INTEREST EXPENSE</u></b>		
Note payable to the Bank	<u>6,717,312</u>	9,131,102
Net interest income	4,976,261	5,053,567
<b><u>PROVISION FOR LOSSES</u></b>		
Provision for loan losses	<u>435,622</u>	-
Net interest income after provision for loan losses	<u>4,540,639</u>	<u>5,053,567</u>
<b><u>NONINTEREST INCOME</u></b>		
Patronage Income from the bank	665,187	163,394
Loan fees	351,624	432,888
Financially related services income	1,284	1,323
Gain on sale of premises and equipment, net	39,575	10,170
Other noninterest income	<u>4,200</u>	<u>8,411</u>
Total noninterest income	<u>1,061,870</u>	<u>616,186</u>
<b><u>NONINTEREST EXPENSES</u></b>		
Salaries and employee benefits	2,297,453	2,537,383
Directors' expense	45,594	58,106
Purchased services	212,198	354,133
Travel	86,421	92,664
Occupancy and equipment	88,158	87,004
Communications	30,739	34,769
Advertising	93,373	96,740
Public and member relations	91,340	71,548
Supervisory and exam expense	97,105	89,620
Insurance Fund premiums	340,722	307,864
Provision for acquired property losses	1,843	-
Other noninterest expense	<u>114,801</u>	<u>110,065</u>
Total noninterest expenses	<u>\$ 3,499,747</u>	<u>\$ 3,839,896</u>
Income before income taxes	<u>\$ 2,102,762</u>	<u>\$ 1,829,857</u>

LOUISIANA FLBA, FLCA

STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	<u>Capital Stock/ Participation Certificates</u>	<u>Retained Earnings Unallocated</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Members' Equity</u>
Balance at December 31, 2007	\$ 2,968,120	\$ 120,947,424	\$ 477,107	\$ 124,392,651
Adjustment to beginning balance due to FAS No. 158 accounting change	-	(13,609)	-	(13,609)
Balance at January 1, 2008	2,968,120	120,933,815	477,107	124,379,042
Comprehensive income				
Net income	-	1,829,857	-	1,829,857
Amortization of costs included in periodic retirement benefit costs	-	-	(17,104)	(17,104)
Total comprehensive income	-	1,829,857	(17,104)	1,812,753
Capital stock/participation certificates issued	132,215	-	-	132,215
Capital stock/participation certificates and allocated retained earnings retired	(109,810)	-	-	(109,810)
Balance at March 31, 2008	<u>\$ 2,990,525</u>	<u>\$ 122,763,672</u>	<u>\$ 460,003</u>	<u>\$ 126,214,200</u>
Balance at December 31, 2008	\$ 3,073,375	\$ 129,289,055	\$ 333,640	\$ 132,696,070
Comprehensive income				
Net income	-	2,102,762	-	2,102,762
Amortization of costs included in periodic retirement benefit costs	-	-	(15,563)	(15,563)
Total comprehensive income	-	2,102,762	(15,563)	2,087,199
Capital stock/participation certificates issued	140,535	-	-	140,535
Capital stock/participation certificates and allocated retained earnings retired	(152,615)	-	-	(152,615)
Patronage refunds:				
Cash	-	(2,599,560)	-	(2,599,560)
<b>Balance at March 31, 2009</b>	<u><b>\$ 3,061,295</b></u>	<u><b>\$ 128,792,257</b></u>	<u><b>\$ 318,077</b></u>	<u><b>\$ 132,171,629</b></u>

**LOUISIANA FLBA, FLCA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(UNAUDITED)

**NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:**

The Louisiana FLBA, FLCA (Federal Land Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn in the state of Louisiana. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

Effective January 1, 2009, the Association adopted FSP No. 157-2, "Effective Date of FASB Statement No. 157." This FSP delayed the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities. The impact of adoption resulted in additional fair value disclosures but did not have an impact on our financial condition or results of operations.

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

The preparation of these financial statements requires the use of management's estimates. The results for the quarter and the three months ended March 31, 2009, are not necessarily indicative of the results to be expected for the year ended December 31, 2009. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

**NOTE 2 — ALLOWANCE FOR LOAN LOSSES:**

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

	<b>March 31, 2009</b>	March 31, 2008
Balance at beginning of quarter	\$ 755,584	\$ 418,619
Provision for loan losses	435,622	-
Charge-offs	(458,500)	-
Recoveries	-	-
Balance at end of quarter	<u>\$ 732,706</u>	<u>\$ 418,619</u>

The following table presents information concerning impaired loans:

	<b>March 31, 2009</b>	March 31, 2008
Impaired loans with related allowance	\$ 430,522	\$ 2,159,531
Impaired loans with no related allowance	<b>14,195,083</b>	1,374,993
Total impaired loans	<b>\$ 14,625,605</b>	<b>\$ 3,534,524</b>
Allowance on impaired loans	\$ 380,775	\$ 295,244
Average impaired loans	\$ 14,513,856	\$ 3,544,476
Interest income on impaired loans for the quarter	\$ 89,395	\$ 4,758

### NOTE 3 — CAPITAL:

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

### NOTE 4 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for the three months ended March 31, :

	Other Benefits	
	<b>2009</b>	2008
Service cost	\$ -	\$ 12,952
Interest cost	-	28,000
Amortization of prior service costs	<b>(17,021)</b>	(23,004)
Amortizations of net (gain) loss	<b>1,458</b>	198
Net periodic benefit cost	<b>\$ (15,563)</b>	<b>\$ 18,146</b>

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158), which required the recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. The balance sheet recognition provisions of SFAS 158 were adopted at December 31, 2007. SFAS 158 also requires that employers measure the benefit obligation and plan assets as of the fiscal year end for fiscal years ending after December 15, 2008. In fiscal 2007 and earlier, we used a September 30 measurement date for pension and other postretirement benefit plans. The Standard provides two approaches for an employer to transition to a fiscal year end measurement date. We have applied the second approach, which allows for the use of the measurements determined for the prior year end.

Under this alternative, pension and postretirement benefit income measured for the three-month period October 1, 2007 to December 31, 2007 (determined using the September 2007 measurement date) was recorded as an adjustment to beginning 2008 retained earnings. As a result, the Association decreased retained earnings \$13,611 and increased the pension and other postretirement benefit liabilities by \$13,611.

The Association has made contributions of \$347,763 to its defined benefit pension plan as of March 31, 2009. The Association presently anticipates contributing an additional \$1,043,289 to fund its defined pension plan in 2009 for a total \$1,391,052.

## **NOTE 5 — LEGAL PROCEEDINGS:**

In relation to the loan described in the "Risk Exposure" section of Management's Discussion and Analysis, above, the Association along with the four other CMS member associations was party to one lawsuit. The overall character of the lawsuit is for damages incurred by the Association as a result of alleged wrongful acts of the borrower and other third-party defendants. The lead lender, FLBA of South Alabama, FLCA, serving as lead lender, brought this civil lawsuit in the US Federal District Court in Texas, the borrower's domicile state, and the trial was held in early February 2009. On March 19, 2009, the court rendered judgment in favor of the FLBA of South Alabama against all parties, jointly and severally, on all counts for \$41,549,236 in actual damages. Because the FLBA of South Alabama was granted a judgment for violation of the RICO statute, it is expected that the court will treble the judgment to \$124,647,710. One defendant has appealed the judgment. The FLBA of South Alabama intends to pursue the assets of all liable parties in satisfaction of the judgment.

Two other court actions had previously existed on this loan. The first was in Texas state court and was brought in order to obtain access to collateral for this loan. This suit was successful and has now been dismissed. The second court action was in Kentucky state court where the FLBA of South Alabama's suit on the debt was pending, as the loan's primary real estate collateral is located in Kentucky. In mid-September 2008, the Kentucky Court granted summary judgment in favor of the FLBA of South Alabama for the debt plus interest, costs and fees. This step allowed the FLBA of South Alabama to have a foreclosure sale of its real estate collateral located in Bell/Harlan Counties, which sale was conducted on October 10, 2008, resulting in a purchase by a third party of such collateral for \$7,001,000. That sale was consummated by the middle of November 2008 and the FLBA of South Alabama on behalf of the CMS members received \$6,971,336. The Association's portion of the sale, \$1,409,759, was applied against the outstanding debt on the loan. In February 2009, the lead lender received approval to foreclose the lien of its mortgage on real estate collateral held in Muhlenberg County and intends to foreclose such lien in the second quarter of 2009. The Association has been and will remain vigorous in pursuit of collection of the loan balances outstanding and other potential sources of recovery.