*Ag***Choice** *Farm Credit, ACA*

# THIRD QUARTER 2015

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**CERTIFICATION**

The undersigned certify that we have reviewed the September 30, 2015 quarterly report of *Ag***Choice** Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Darrell L. Curtis
Chief Executive Officer

Mark F. Kerstetter
Chief Financial Officer

Dennis B. Spangler
Chairman of the Board

November 6, 2015

*Ag***Choice** *Farm Credit, ACA*

# Report on Internal Control Over Financial Reporting

The Association's 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. This process provides 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.

Internal control over financial reporting 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 September 30, 2015. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, 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's management concluded that as of September 30, 2015, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of September 30, 2015.

Darrell L. Curtis
Chief Executive Officer

Mark F. Kerstetter
Chief Financial Officer

November 6, 2015

*Ag*Choice ***Farm Credit, ACA***

# Management's Discussion and Analysis of Financial Condition and Results of Operations

*(dollars in thousands)*

The following commentary reviews the financial condition and results of operations of ***AgChoice*** Farm Credit ACA, (Association) for the period ended September 30, 2015. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements, and the 2014 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. Information in any part of this Quarterly Report may be incorporated by reference in answer or partial answer to any other item of the Quarterly Report.

## LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short- and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities, including dairy, livestock, poultry, forest products, and various crops, and also includes part-time farm and rural home loans. Farm size varies, and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, impacts the level of dependency on a given commodity.

Loans as of September 30, 2015, were $1,627,806, an increase of $51,535 as compared to $1,576,271 at December 31, 2014. Net loans outstanding at September 30, 2015, were $1,617,765 as compared to $1,565,661 at December 31, 2014. Net loans accounted for 96.9 percent of total assets at September 30, 2015, as compared to 95.8 percent of total assets at December 31, 2014. The increase in both loans and net loans resulted from increased volume in both our local servicing area and participations purchased.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. Nonaccrual volume decreased from $27,655 at December 31, 2014, to $16,473 at September 30, 2015, mainly due to one large transfer to accruing status, one large payoff and several large payments. The Association continues efforts to work out of nonaccrual accounts or to assist such operations to return to accrual status.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses was $10,041 and $10,610 at September 30, 2015 and December 31, 2014, respectively. These reserves were considered by management to be adequate to cover possible losses. As a further means to reduce credit risk, as of September 30, 2015, the Association had loans amounting to $10,407 under a long-term standby commitment from Farmer Mac to purchase these loans in the event of loan defaults.

## RESULTS OF OPERATIONS

***For the three months ended September 30, 2015***

Net income for the three months ended September 30, 2015, totaled $8,207, a decrease of $1,554 compared to $9,761 for the same period in 2014. This decrease resulted primarily from a smaller reversal of allowance for loan losses in 2015 as compared to 2014, higher noninterest expense and lower noninterest income offset by slightly higher net interest income.

Net interest income increased by $278 for the three months ended September 30, 2015 compared to the same period in 2014. This increase resulted from an increase of $18 in interest income on nonaccruing loans and an increase of $1,029 in interest income on accruing loans and investment securities, offset by an increase of $769 in interest expense.

The reversal of allowance for loan losses was $17 in the third quarter of 2015 as compared to a reversal of $674 in the same period for 2014. In both years, specific reserves decreased significantly, but in 2015 that decrease was nearly offset by an increase in general reserves, while in 2014, the increase in general reserves was much smaller.

Noninterest income for the three months ended September 30, 2015 decreased by $698 to $3,644, compared to $4,342 for the same period of 2014. This decrease resulted primarily from lower participation pool patronage, lower Business Management Services (BMS) and leasing income and lower gains on reversal of reserves on unfunded commitments, offset by higher general pool patronage.

Noninterest expense for the three months ended September 30, 2015, increased $452, compared to the same period of 2014. This increase is due to by higher personnel, travel, public relations, FCSIC insurance and other expenses offset by lower advertising expenses.

The benefit for income taxes was $21 and $46 for the third quarters of 2015 and 2014, respectively.

***For the nine months ended September 30, 2015***

Net income for the nine months ended September 30, 2015, totaled $23,498, as compared to $26,356 for the same period in 2014. Net interest income increased $5 for the nine months ended September 30, 2015, as compared to the same period one year ago, mostly due to increased volume offset by declining margins.

For the nine months ended September 30, 2015, interest income on accruing loans and investment securities increased $2,349 compared to a year ago. Nonaccrual interest income was $781 for the nine months ended September 30, 2015, as compared to $974 for the same period in 2014. Interest expense increased $2,151 for the nine months ended September 30, 2015, as compared to the comparable period of 2014. The increase in interest income on accruing loans and interest expense is primarily related to an increase in loan volume.

Increases in general reserves and a large charge-off of a participation loan offset by a decrease in specific reserves resulted in a $24 provision for allowance for loan losses through the third quarter of 2015.

Noninterest income for the nine months ended September 30, 2015, totaled $10,907, as compared to $12,048 for the same period of 2014, a decrease of $1,141. This decrease resulted primarily from the following factors: a $506 reduction in the reserve for unfunded commitment in 2014 that did not repeat in 2015, a decrease of $145 in fees on participations purchased, a decrease of $694 in patronage on participations sold due to a decline in volume and a decrease of $75 on the gain on sale of vehicles, offset by higher late fees of $47, an increase of $55 in BMS revenue and an increase of $336 in general patronage due to loan volume growth.

Noninterest expense for the nine months ended September 30, 2015, increased $674, compared to the same period of 2014. This increase was primarily due to higher personnel, cost of space, public and member relations, furniture & equipment, travel and Farm Credit System Insurance Corporation (FCSIC) expense offset by lower directors, purchased services, data processing, advertising and other expense.

The provision for income taxes was $124 for the nine months ended September 30, 2015 as compared to $129 in the same period last year.

**FUNDING SOURCES**

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at September 30, 2015, was $1,314,201 as compared to $1,283,873 at December 31, 2014. This increase resulted from loan volume growth and spring patronage payments to stockholders offset by the receipt of the 2014 equity in earnings of other Farm Credit institutions and cash generated from Association year-to-date 2015 earnings.

**CAPITAL RESOURCES**

Total members' equity at September 30, 2015 increased by $18,134 to $332,675 from the December 31, 2014 total of $314,541. The increase is primarily attributed to year-to-date 2015 net income offset by retired surplus.

Total capital stock and participation certificates were $11,027 on September 30, 2015, compared to $10,948 on December 31, 2014.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus, as defined in FCA regulations, by a risk-adjusted asset base. As of September 30, 2015, the Association's permanent capital and total surplus ratios were 18.10 percent and 17.46 percent, respectively, and the core surplus ratio was 17.17 percent. All three ratios were well above the minimum regulatory requirements of 7.00 percent for the permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

**REGULATORY MATTERS**

On July 25, 2014, the FCA published a proposed rule in the Federal Register to revise the requirements governing the eligibility of investments for System banks and associations. The public comment period ended on October 23, 2014. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System banks and associations.

- To ensure that System banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption.
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers.
- To comply with the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).
- To modernize the investment eligibility criteria for System banks.
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

On September 4, 2014, the FCA published a proposed rule in the Federal Register to modify the regulatory capital requirements for System banks and associations. The initial public comment period ended on February 16, 2015. On June 15, 2015, the Farm Credit Administration reopened the comment period from June 26 to July 10, 2015. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise.
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System.
- To make System regulatory capital requirements more transparent.
- To meet the requirements of section 939A of the Dodd-Frank Act.

## FINANCIAL REGULATORY REFORM

See discussion of the Dodd-Frank Act in the Financial Regulatory Reform section of the Association's 2014 Annual Report.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements"*, in the Notes to the Financial Statements, and the 2014 Annual Report to Shareholders for recently issued accounting pronouncements.

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**Note**: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745 ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-349-3568 or writing ***Ag*****Choice** Farm Credit, ACA, 900 Bent Creek Blvd., Mechanicsburg, PA, 17050, or accessing the website *www.agchoice.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

*Ag* **Choice Farm Credit, ACA**

# Consolidated Balance Sheets

| *(dollars in thousands)* | | September 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| | | *(unaudited)* | | *(audited)* |
| **Assets** | | | | |
| Cash | **$** | **193** | $ | 82 |
| Investment securities: | | | | |
| Held to maturity (fair value of $2,399 and $2,446, respectively) | | **2,277** | | 2,311 |
| Loans | | **1,627,806** | | 1,576,271 |
| Allowance for loan losses | | **(10,041)** | | (10,610) |
| Net loans | | **1,617,765** | | 1,565,661 |
| Loans held for sale | | **—** | | 306 |
| Accrued interest receivable | | **7,400** | | 5,296 |
| Investments in other Farm Credit institutions | | **21,172** | | 21,752 |
| Premises and equipment, net | | **6,891** | | 6,812 |
| Other property owned | | **1,886** | | 169 |
| Accounts receivable | | **9,605** | | 27,633 |
| Other assets | | **1,968** | | 4,293 |
| Total assets | **$** | **1,669,157** | $ | 1,634,315 |
| **Liabilities** | | | | |
| Notes payable to AgFirst Farm Credit Bank | **$** | **1,314,201** | $ | 1,283,416 |
| Accrued interest payable | | **2,507** | | 2,354 |
| Patronage refunds payable | | **649** | | 17,469 |
| Accounts payable | | **3,178** | | 4,290 |
| Other liabilities | | **15,947** | | 12,245 |
| Total liabilities | | **1,336,482** | | 1,319,774 |
| Commitments and contingencies (Note 8) | | | | |
| **Members' Equity** | | | | |
| Capital stock and participation certificates | | **11,027** | | 10,948 |
| Surplus | | | | |
| Allocated | | **161,489** | | 164,844 |
| Unallocated | | **160,219** | | 138,810 |
| Accumulated other comprehensive income (loss) | | **(60)** | | (61) |
| Total members' equity | | **332,675** | | 314,541 |
| Total liabilities and members' equity | **$** | **1,669,157** | $ | 1,634,315 |

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

## *Ag* Choice Farm Credit, ACA

# Consolidated Statements of Income

*(unaudited)*

| *(dollars in thousands)* | For the three months ended September 30, 2015 | 2014 | For the nine months ended September 30, 2015 | 2014 |
|---|---|---|---|---|
| **Interest Income** | | | | |
| Loans | **$ 18,721** | $ 17,673 | **$ 54,733** | $ 52,575 |
| Investments | **35** | 36 | **107** | 109 |
| Total interest income | **18,756** | 17,709 | **54,840** | 52,684 |
| **Interest Expense** | | | | |
| Notes payable to AgFirst Farm Credit Bank | **7,498** | 6,729 | **21,703** | 19,552 |
| Net interest income | **11,258** | 10,980 | **33,137** | 33,132 |
| Provision for (reversal of allowance for) loan losses | **(17)** | (674) | **24** | (1,029) |
| Net interest income after provision for (reversal of allowance for) loan losses | **11,275** | 11,654 | **33,113** | 34,161 |
| **Noninterest Income** | | | | |
| Loan fees | **269** | 258 | **868** | 973 |
| Fees for financially related services | **377** | 465 | **1,031** | 1,060 |
| Patronage refunds from other Farm Credit institutions | **2,961** | 3,229 | **8,704** | 9,128 |
| Gains (losses) on sales of rural home loans, net | **21** | 20 | **51** | 43 |
| Gains (losses) on sales of premises and equipment, net | **33** | 40 | **93** | 161 |
| Gains (losses) on other transactions | **(23)** | 324 | **(5)** | 538 |
| Other noninterest income | **6** | 6 | **165** | 145 |
| Total noninterest income | **3,644** | 4,342 | **10,907** | 12,048 |
| **Noninterest Expense** | | | | |
| Salaries and employee benefits | **4,310** | 4,151 | **13,478** | 12,826 |
| Occupancy and equipment | **321** | 313 | **892** | 825 |
| Insurance Fund premiums | **411** | 356 | **1,195** | 1,051 |
| (Gains) losses on other property owned, net | **50** | 2 | **(30)** | 4 |
| Other operating expenses | **1,641** | 1,459 | **4,863** | 5,018 |
| Total noninterest expense | **6,733** | 6,281 | **20,398** | 19,724 |
| Income before income taxes | **8,186** | 9,715 | **23,622** | 26,485 |
| Provision (benefit) for income taxes | **(21)** | (46) | **124** | 129 |
| Net income | **$ 8,207** | $ 9,761 | **$ 23,498** | $ 26,356 |

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

*Ag* **Choice Farm Credit, ACA**

# Consolidated Statements of Comprehensive Income

*(unaudited)*

| *(dollars in thousands)* | For the three months ended September 30, 2015 | 2014 | For the nine months ended September 30, 2015 | 2014 |
|---|---|---|---|---|
| Net income | **$ 8,207** | $ 9,761 | **$ 23,498** | $ 26,356 |
| **Other comprehensive income net of tax** | | | | |
| Employee benefit plans adjustments | **—** | — | **1** | — |
| Comprehensive income | **$ 8,207** | $ 9,761 | **$ 23,499** | $ 26,356 |

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

*Ag* **Choice Farm Credit, ACA**

# Consolidated Statements of Changes in Members' Equity

*(unaudited)*

| *(dollars in thousands)* | Capital Stock and Participation Certificates | Surplus Allocated | Surplus Unallocated | Accumulated Other Comprehensive Income (Loss) | Total Members' Equity |
|---|---|---|---|---|---|
| Balance at December 31, 2013 | $ 10,878 | $ 152,204 | $ 127,685 | $ (25) | $ 290,742 |
| Comprehensive income | | | 26,356 | | 26,356 |
| Capital stock/participation certificates issued/(retired), net | 21 | | | | 21 |
| Dividends declared/paid | 13 | | (13) | | — |
| Surplus retired | | (8,761) | | | (8,761) |
| Patronage distribution adjustment | | 252 | (251) | | 1 |
| Balance at September 30, 2014 | $ 10,912 | $ 143,695 | $ 153,777 | $ (25) | $ 308,359 |
| **Balance at December 31, 2014** | **$ 10,948** | **$ 164,844** | **$ 138,810** | **$ (61)** | **$ 314,541** |
| **Comprehensive income** | | | **23,498** | **1** | **23,499** |
| **Capital stock/participation certificates issued/(retired), net** | **66** | | | | **66** |
| **Dividends declared/paid** | **13** | | **(13)** | | **—** |
| **Surplus retired** | | **(5,425)** | | | **(5,425)** |
| **Patronage distribution adjustment** | | **2,070** | **(2,076)** | | **(6)** |
| **Balance at September 30, 2015** | **$ 11,027** | **$ 161,489** | **$ 160,219** | **$ (60)** | **$ 332,675** |

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

## *Ag***Choice** *Farm Credit, ACA*

# Notes to the Consolidated Financial Statements

*(dollars in thousands, except as noted)*
*(unaudited)*

**Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements**

***Organization***
The accompanying financial statements include the accounts of *Ag***Choice** Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2014, are contained in the 2014 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

***Basis of Presentation***
In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

***Significant Accounting Policies***
The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

***Accounting Standards Updates (ASUs) Issued During the Period***
The following ASUs were issued by the Financial Accounting Standards Board (FASB) since the most recent Annual Report:

- 2015-16 Business Combinations – In September, 2015, the FASB issued ASU 2015-16 Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations.

- 2015-15 Interest – In August, 2015, the FASB issued ASU 2015-15 Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with

Line-of-Credit Arrangements. The update adds Securities and Exchange Commission (SEC) paragraphs pursuant to the SEC Staff Announcement at the June 18, 2015 Emerging Issues Task Force (EITF) meeting about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements.

- 2015-10 Technical Corrections and Improvements – In June, 2015, the FASB issued ASU 2015-10, Technical Corrections and Improvements (numerous Topics). The amendments in the Update represent changes to make minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments were effective upon the issuance of the Update.

- 2015-07 Fair Value Measurement – In May, 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Topic 820 permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date. To address diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized, the amendments in this Update remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier application is permitted. The guidance is to be applied retrospectively to all periods presented. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations, but will require modifications to footnote disclosures.

- Accounting Standards Update 2015-02 Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments in this Update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: 1. Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, 2. Eliminate the presumption that a general partner should consolidate a limited partnership, 3. Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, 4. Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations.

***ASUs Pending Effective Date***
For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date – In August, 2015, the FASB issued an update that defers by one year the effective date of ASU 2014-09, Revenue from Contracts with Customers. The new ASU reflects decisions reached by the FASB at its meeting on July 9, 2015.

***Accounting Standards Effective During the Period***
There were no changes in the accounting principles applied from the latest Annual Report, other than any discussed below.

No recently adopted accounting guidance issued by the FASB had a significant effect on the current period reporting. See the most recent Annual Report for a detailed description of each of the standards below:

- 2014-14 Classification of Certain Government-Guaranteed Mortgage Loans – The Association did not have a significant amount of loans that met the criteria of the guidance.

- 2014-11 Repurchase-to-Maturity Transactions – The Association did not have a significant amount of transactions that met the criteria of the guidance.
- 2014-08 Discontinued Operations – The Association has not had and does not anticipate any significant disposals.
- 2014-04 Reclassification of Consumer Mortgage Loans – The criteria of the standard were not significantly different from the Association's policy in place at adoption. The amendment was adopted prospectively. See Note 2, *Loans and Allowance for Loan Losses*, for the additional disclosures required by this guidance.

**Note 2 — Loans and Allowance for Loan Losses**

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Real estate mortgage | $ 728,498 | $ 700,689 |
| Production and intermediate-term | 604,105 | 580,145 |
| Loans to cooperatives | 32,981 | 29,228 |
| Processing and marketing | 106,154 | 106,155 |
| Farm-related business | 35,859 | 33,831 |
| Communication | 69,920 | 68,944 |
| Energy and water/waste disposal | 15,427 | 19,350 |
| Rural residential real estate | 21,370 | 22,100 |
| International | 12,398 | 11,993 |
| Lease receivables | 771 | 992 |
| Other (including Mission Related) | 323 | 2,844 |
| Total loans | $ 1,627,806 | $ 1,576,271 |

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present participation and syndication loan balances at periods ended:

| | September 30, 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Within AgFirst District | | Within Farm Credit System | | Outside Farm Credit System | | Total | |
| | Participations Purchased | Participations Sold | Participations Purchased | Participations Sold | Participations Purchased | Participations Sold | Participations Purchased | Participations Sold |
| Real estate mortgage | $ 1,285 | $ 44,946 | $ 9,716 | $ – | $ – | $ – | $ 11,001 | $ 44,946 |
| Production and intermediate-term | 28,334 | 29,506 | 77,771 | 5,514 | 8,202 | – | 114,307 | 35,020 |
| Loans to cooperatives | – | – | 32,992 | – | – | – | 32,992 | – |
| Processing and marketing | 18,586 | 296 | 47,425 | – | 37,980 | – | 103,991 | 296 |
| Farm-related business | 8,426 | – | – | – | 1,191 | – | 9,617 | – |
| Communication | 1,639 | – | 68,474 | – | – | – | 70,113 | – |
| Energy and water/waste disposal | 3,778 | – | 15,727 | – | – | – | 19,505 | – |
| Rural residential real estate | – | 572 | – | – | – | – | – | 572 |
| Lease receivables | – | – | 771 | – | – | – | 771 | – |
| International | 412 | – | 12,000 | – | – | – | 12,412 | – |
| Total | $ 62,460 | $ 75,320 | $ 264,876 | $ 5,514 | $ 47,373 | $ – | $ 374,709 | $ 80,834 |

| | December 31, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Within AgFirst District | | Within Farm Credit System | | Outside Farm Credit System | | Total | |
| | Participations Purchased | Participations Sold | Participations Purchased | Participations Sold | Participations Purchased | Participations Sold | Participations Purchased | Participations Sold |
| Real estate mortgage | $ 608 | $ 49,956 | $ 10,222 | $ – | $ – | $ – | $ 10,830 | $ 49,956 |
| Production and intermediate-term | 30,826 | 40,106 | 64,577 | 1,514 | 8,258 | – | 103,661 | 41,620 |
| Loans to cooperatives | – | – | 29,164 | – | – | – | 29,164 | – |
| Processing and marketing | 31,474 | 419 | 41,399 | – | 31,413 | – | 104,286 | 419 |
| Farm-related business | 8,870 | 250 | – | – | – | – | 8,870 | 250 |
| Communication | – | – | 69,080 | – | – | – | 69,080 | – |
| Energy and water/waste disposal | 3,865 | – | 15,521 | – | – | – | 19,386 | – |
| Rural residential real estate | – | 589 | – | – | – | – | – | 589 |
| International | – | – | 11,983 | – | – | – | 11,983 | – |
| Lease receivables | – | – | 992 | – | – | – | 992 | – |
| Total | $ 75,643 | $ 91,320 | $ 242,938 | $ 1,514 | $ 39,671 | $ – | $ 358,252 | $ 92,834 |

A significant source of liquidity for the Association is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end:

| | September 30, 2015 | | | |
|---|---|---|---|---|
| | Due less than 1 year | Due 1 Through 5 years | Due after 5 years | Total |
| Real estate mortgage | $ 18,479 | $ 163,271 | $ 546,748 | $ 728,498 |
| Production and intermediate-term | 108,292 | 333,825 | 161,988 | 604,105 |
| Loans to cooperatives | – | 28,376 | 4,605 | 32,981 |
| Processing and marketing | 5,878 | 48,981 | 51,295 | 106,154 |
| Farm-related business | 5,188 | 22,182 | 8,489 | 35,859 |
| Communication | – | 49,970 | 19,950 | 69,920 |
| Energy and water/waste disposal | 98 | 6,004 | 9,325 | 15,427 |
| Rural residential real estate | 504 | 2,898 | 17,968 | 21,370 |
| International | – | 10,400 | 1,998 | 12,398 |
| Lease receivables | 36 | 735 | – | 771 |
| Other (including Mission Related) | – | 323 | – | 323 |
| Total Loans | $ 138,475 | $ 666,965 | $ 822,366 | $ 1,627,806 |
| Percentage | 8.51% | 40.97% | 50.52% | 100.00% |

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Real estate mortgage:** | | |
| Acceptable | 96.70% | 96.29% |
| OAEM | 1.17 | 1.40 |
| Substandard/doubtful/loss | 2.13 | 2.31 |
| | 100.00% | 100.00% |
| **Production and intermediate-term:** | | |
| Acceptable | 95.79% | 95.43% |
| OAEM | 2.26 | 2.03 |
| Substandard/doubtful/loss | 1.95 | 2.54 |
| | 100.00% | 100.00% |
| **Loans to cooperatives:** | | |
| Acceptable | 100.00% | 100.00% |
| OAEM | – | – |
| Substandard/doubtful/loss | – | – |
| | 100.00% | 100.00% |
| **Processing and marketing:** | | |
| Acceptable | 89.81% | 95.23% |
| OAEM | 5.44 | 0.40 |
| Substandard/doubtful/loss | 4.75 | 4.37 |
| | 100.00% | 100.00% |
| **Farm-related business:** | | |
| Acceptable | 99.33% | 98.36% |
| OAEM | 0.67 | 0.86 |
| Substandard/doubtful/loss | – | 0.78 |
| | 100.00% | 100.00% |
| **Communication:** | | |
| Acceptable | 96.03% | 96.47% |
| OAEM | 3.97 | 3.53 |
| Substandard/doubtful/loss | – | – |
| | 100.00% | 100.00% |

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Energy and water/waste disposal:** | | |
| Acceptable | 100.00% | 92.77% |
| OAEM | – | – |
| Substandard/doubtful/loss | – | 7.23 |
| | 100.00% | 100.00% |
| **Rural residential real estate:** | | |
| Acceptable | 92.60% | 91.72% |
| OAEM | 2.89 | 2.73 |
| Substandard/doubtful/loss | 4.51 | 5.55 |
| | 100.00% | 100.00% |
| **International:** | | |
| Acceptable | 100.00% | 100.00% |
| OAEM | – | – |
| Substandard/doubtful/loss | – | – |
| | 100.00% | 100.00% |
| **Lease receivables:** | | |
| Acceptable | 82.68% | 83.73% |
| OAEM | 14.78 | 13.21 |
| Substandard/doubtful/loss | 2.54 | 3.06 |
| | 100.00% | 100.00% |
| **Other (including Mission Related)** | | |
| Acceptable | 50.90% | 7.51% |
| OAEM | – | – |
| Substandard/doubtful/loss | 49.10 | 92.49 |
| | 100.00% | 100.00% |
| **Total loans:** | | |
| Acceptable | 96.00% | 95.77% |
| OAEM | 1.94 | 1.62 |
| Substandard/doubtful/loss | 2.06 | 2.61 |
| | 100.00% | 100.00% |

The following tables provide an age analysis of the recorded investment of past due loans as of:

| | September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | 30 Through 89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less Than 30 Days Past Due | Total Loans and Accrued Interest | Recorded Investment 90 Days or More Past Due and Accruing Interest |
| Real estate mortgage | $ 2,547 | $ 381 | $ 2,928 | $ 729,495 | $ 732,423 | $ – |
| Production and intermediate-term | 3,127 | 2,871 | 5,998 | 600,821 | 606,819 | – |
| Loans to cooperatives | – | – | – | 32,984 | 32,984 | – |
| Processing and marketing | – | – | – | 106,435 | 106,435 | – |
| Farm-related business | – | – | – | 36,053 | 36,053 | – |
| Communication | – | – | – | 70,001 | 70,001 | – |
| Energy and water/waste disposal | – | – | – | 15,441 | 15,441 | – |
| Rural residential real estate | 201 | 64 | 265 | 21,200 | 21,465 | – |
| International | – | – | – | 12,439 | 12,439 | – |
| Lease receivables | – | 9 | 9 | 766 | 775 | – |
| Other (including Mission Related) | – | – | – | 324 | 324 | – |
| Total | $ 5,875 | $ 3,325 | $ 9,200 | $ 1,625,959 | $ 1,635,159 | $ – |

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | 30 Through 89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less Than 30 Days Past Due | Total Loans and Accrued Interest | Recorded Investment 90 Days or More Past Due and Accruing Interest |
| Real estate mortgage | $ 3,499 | $ 453 | $ 3,952 | $ 699,375 | $ 703,327 | $ – |
| Production and intermediate-term | 3,208 | 7,476 | 10,684 | 571,525 | 582,209 | – |
| Loans to cooperatives | – | – | – | 29,260 | 29,260 | – |
| Processing and marketing | – | – | – | 106,393 | 106,393 | – |
| Farm-related business | – | – | – | 33,897 | 33,897 | – |
| Communication | – | – | – | 69,000 | 69,000 | – |
| Energy and water/waste disposal | – | – | – | 19,381 | 19,381 | – |
| Rural residential real estate | 329 | 73 | 402 | 21,771 | 22,173 | – |
| International | – | – | – | 12,072 | 12,072 | – |
| Lease receivables | – | 15 | 15 | 983 | 998 | – |
| Other (including Mission Related) | – | 2,631 | 2,631 | 214 | 2,845 | – |
| Total | $ 7,036 | $ 10,648 | $ 17,684 | $ 1,563,871 | $ 1,581,555 | $ – |

Nonperforming assets (including the recorded investment for loans) and related credit quality statistics at period end were as follows:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Nonaccrual loans:** | | |
| Real estate mortgage | $ 8,118 | $ 9,116 |
| Production and intermediate-term | 8,095 | 14,395 |
| Processing and marketing | 21 | 30 |
| Energy and water/waste disposal | – | 1,400 |
| Rural residential real estate | 71 | 85 |
| Lease receivables | 9 | 15 |
| Other (including Mission Related) | 159 | 2,614 |
| Total | $ 16,473 | $ 27,655 |
| **Accruing restructured loans:** | | |
| Real estate mortgage | $ 1,546 | $ 2,481 |
| Production and intermediate-term | 5,621 | 5,518 |
| Total | $ 7,167 | $ 7,999 |
| **Accruing loans 90 days or more past due:** | | |
| Total | $ – | $ – |
| Total nonperforming loans | $ 23,640 | $ 35,654 |
| Other property owned | 1,886 | 169 |
| Total nonperforming assets | $ 25,526 | $ 35,823 |
| Nonaccrual loans as a percentage of total loans | 1.01% | 1.75% |
| Nonperforming assets as a percentage of total loans and other property owned | 1.57% | 2.27% |
| Nonperforming assets as a percentage of capital | 7.67% | 11.39% |

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Impaired nonaccrual loans:** | | |
| Current as to principal and interest | $ 12,983 | $ 14,303 |
| Past due | 3,490 | 13,352 |
| Total | 16,473 | 27,655 |
| **Impaired accrual loans:** | | |
| Restructured | 7,167 | 7,999 |
| 90 days or more past due | – | – |
| Total | 7,167 | 7,999 |
| Total impaired loans | $ 23,640 | $ 35,654 |

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

| | September 30, 2015 | | | Quarter Ended September 30, 2015 | | Nine Months Ended September 30, 2015 | |
|---|---|---|---|---|---|---|---|
| **Impaired loans** | **Recorded Investment** | **Unpaid Principal Balance** | **Related Allowance** | **Average Impaired Loans** | **Interest Income Recognized on Impaired Loans** | **Average Impaired Loans** | **Interest Income Recognized on Impaired Loans** |
| **With a related allowance for credit losses:** | | | | | | | |
| Production and intermediate-term | $ 1,219 | $ 1,673 | $ 286 | $ 1,291 | $ – | $ 1,562 | $ – |
| Total | $ 1,219 | $ 1,673 | $ 286 | $ 1,291 | $ – | $ 1,562 | $ – |
| **With no related allowance for credit losses:** | | | | | | | |
| Real estate mortgage | $ 9,664 | $ 10,602 | $ – | $ 10,236 | $ 134 | $ 12,384 | 446 |
| Production and intermediate-term | 12,497 | 18,752 | – | 13,237 | 148 | 16,013 | 332 |
| Processing and marketing | 21 | 18 | – | 22 | – | 27 | 1 |
| Rural residential real estate | 71 | 239 | – | 76 | – | 92 | 2 |
| Lease receivables | 9 | 63 | – | 9 | – | 11 | – |
| Other (including Mission Related) | 159 | 961 | – | 168 | – | 203 | – |
| Total | $ 22,421 | $ 30,635 | $ – | $ 23,748 | $ 282 | $ 28,730 | $ 781 |
| **Total:** | | | | | | | |
| Real estate mortgage | $ 9,664 | $ 10,602 | $ – | $ 10,236 | $ 134 | $ 12,384 | $ 446 |
| Production and intermediate-term | 13,716 | 20,425 | 286 | 14,528 | 148 | 17,575 | 332 |
| Processing and marketing | 21 | 18 | – | 22 | – | 27 | 1 |
| Rural residential real estate | 71 | 239 | – | 76 | – | 92 | 2 |
| Lease receivables | 9 | 63 | – | 9 | – | 11 | – |
| Other (including Mission Related) | 159 | 961 | – | 168 | – | 203 | – |
| Total | $ 23,640 | $ 32,308 | $ 286 | $ 25,039 | $ 282 | $ 30,292 | $ 781 |

| | December 31, 2014 | | | Year Ended December 31, 2014 | |
|---|---|---|---|---|---|
| **Impaired loans** | **Recorded Investment** | **Unpaid Principal Balance** | **Related Allowance** | **Average Impaired Loans** | **Interest Income Recognized on Impaired Loans** |
| **With a related allowance for credit losses:** | | | | | |
| Real estate mortgage | $ 1 | $ – | $ – | $ – | $ – |
| Production and intermediate-term | 5,668 | 7,279 | 1,924 | 7,571 | – |
| Energy and water/waste disposal | 1,400 | 1,426 | 805 | 535 | – |
| Total | $ 7,069 | $ 8,705 | $ 2,729 | $ 8,106 | $ – |
| **With no related allowance for credit losses:** | | | | | |
| Real estate mortgage | $ 11,596 | $ 12,685 | $ – | $ 10,351 | $ 811 |
| Production and intermediate-term | 14,245 | 16,628 | – | 11,540 | 328 |
| Processing and marketing | 30 | 27 | – | 34 | 1 |
| Energy and water/waste disposal | – | – | – | – | – |
| Rural residential real estate | 85 | 184 | – | 177 | – |
| Lease receivables | 15 | 69 | – | 66 | – |
| Other (including Mission Related) | 2,614 | 3,313 | – | 3,328 | – |
| Total | $ 28,585 | $ 32,906 | $ – | $ 25,496 | $ 1,140 |
| **Total:** | | | | | |
| Real estate mortgage | $ 11,597 | $ 12,685 | $ – | $ 10,351 | $ 811 |
| Production and intermediate-term | 19,913 | 23,907 | 1,924 | 19,111 | 328 |
| Processing and marketing | 30 | 27 | – | 34 | 1 |
| Energy and water/waste disposal | 1,400 | 1,426 | 805 | 535 | – |
| Rural residential real estate | 85 | 184 | – | 177 | – |
| Lease receivables | 15 | 69 | – | 66 | – |
| Other (including Mission Related) | 2,614 | 3,313 | – | 3,328 | – |
| Total | $ 35,654 | $ 41,611 | $ 2,729 | $ 33,602 | $ 1,140 |

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at each reporting period.

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

| | Real Estate Mortgage | Production and Intermediate-term | Agribusiness* | Communication | Energy and Water/Waste Disposal | Rural Residential Real Estate | International | Lease receivables | Other (Including Mission Related) | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Activity related to the allowance for credit losses:** | | | | | | | | | | |
| Balance at June 30, 2015 | $ 1,592 | $ 6,023 | $ 1,239 | $ 743 | $ 259 | $ 158 | $ 27 | $ 51 | $ 2 | 10,094 |
| Charge-offs | – | (39) | – | – | (1) | – | – | – | – | (40) |
| Recoveries | – | 4 | – | – | – | – | – | – | – | 4 |
| Provision for loan losses | 10 | (275) | 102 | 195 | (42) | 6 | (2) | (11) | – | (17) |
| Balance at September 30, 2015 | $ 1,602 | $ 5,713 | $ 1,341 | $ 938 | $ 216 | $ 164 | $ 25 | $ 40 | $ 2 | $ 10,041 |
| Balance at December 31, 2014 | $ 1,481 | $ 5,807 | $ 1,227 | $ 560 | $ 1,022 | $ 431 | $ 21 | $ 59 | $ 2 | $ 10,610 |
| Charge-offs | (26) | (95) | – | – | (414) | (65) | – | – | – | (600) |
| Recoveries | 3 | 4 | – | – | – | – | – | – | – | 7 |
| Provision for loan losses | 144 | (3) | 114 | 378 | (392) | (202) | 4 | (19) | – | 24 |
| Balance at September 30, 2015 | $ 1,602 | $ 5,713 | $ 1,341 | $ 938 | $ 216 | $ 164 | $ 25 | $ 40 | $ 2 | $ 10,041 |
| Balance at June 30, 2014 | $ 1,554 | $ 6,865 | $ 1,078 | $ 365 | $ 760 | $ 408 | $ 20 | $ 62 | $ 154 | $ 11,266 |
| Charge-offs | – | – | – | – | – | – | – | – | – | – |
| Recoveries | – | 17 | – | – | – | – | – | – | – | 17 |
| Provision for loan losses | 61 | (741) | 68 | 47 | (128) | 29 | 1 | (3) | (8) | (674) |
| Balance at September 30, 2014 | $ 1,615 | $ 6,141 | $ 1,146 | $ 412 | $ 632 | $ 437 | $ 21 | $ 59 | $ 146 | $ 10,609 |
| Balance at December 31, 2013 | $ 1,546 | $ 7,304 | $ 1,206 | $ 282 | $ 563 | $ 414 | $ 19 | $ 74 | $ 300 | $ 11,708 |
| Charge-offs | – | (97) | – | – | – | – | – | – | – | (97) |
| Recoveries | 10 | 17 | – | – | – | – | – | – | – | 27 |
| Provision for loan losses | 59 | (1,083) | (60) | 130 | 69 | 23 | 2 | (15) | (154) | (1,029) |
| Balance at September 30, 2014 | $ 1,615 | $ 6,141 | $ 1,146 | $ 412 | $ 632 | $ 437 | $ 21 | $ 59 | $ 146 | $ 10,609 |
| **Allowance on loans evaluated for impairment:** | | | | | | | | | | |
| Individually | $ – | $ 286 | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ 286 |
| Collectively | 1,602 | 5,427 | 1,341 | 938 | 216 | 164 | 25 | 40 | 2 | 9,755 |
| Balance at September 30, 2015 | $ 1,602 | $ 5,713 | $ 1,341 | $ 938 | $ 216 | $ 164 | $ 25 | $ 40 | $ 2 | $ 10,041 |
| Individually | $ – | $ 1,924 | $ – | $ – | $ 805 | $ – | $ – | $ – | $ – | $ 2,729 |
| Collectively | 1,480 | 3,884 | 1,227 | 560 | 217 | 431 | 21 | 59 | 2 | 7,881 |
| Balance at December 31, 2014 | $ 1,480 | $ 5,808 | $ 1,227 | $ 560 | $ 1,022 | $ 431 | $ 21 | $ 59 | $ 2 | $ 10,610 |
| **Recorded investment in loans evaluated for impairment:** | | | | | | | | | | |
| Individually | $ 6,186 | $ 6,592 | $ – | $ – | $ – | $ – | $ – | $ – | $ 159 | $ 12,937 |
| Collectively | 726,237 | 600,227 | 175,472 | 70,001 | 15,441 | 21,465 | 12,439 | 775 | 165 | 1,622,222 |
| Balance at September 30, 2015 | $ 732,423 | $ 606,819 | $ 175,472 | $ 70,001 | $ 15,441 | $ 21,465 | $ 12,439 | $ 775 | $ 324 | $ 1,635,159 |
| Individually | $ 7,246 | $ 12,977 | $ – | $ – | $ 1,400 | $ – | $ – | $ – | $ 2,631 | $ 24,254 |
| Collectively | 696,081 | 569,232 | 169,550 | 69,000 | 17,981 | 22,173 | 12,072 | 998 | 214 | 1,557,301 |
| Balance at December 31, 2014 | $ 703,327 | $ 582,209 | $ 169,550 | $ 69,000 | $ 19,381 | $ 22,173 | $ 12,072 | $ 998 | $ 2,845 | $ 1,581,555 |

**Includes the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented.

| | Three Months Ended September 30, 2015 | | | | |
|---|---|---|---|---|---|
| **Outstanding Recorded Investment** | **Interest Concessions** | **Principal Concessions** | **Other Concessions** | **Total** | **Charge-offs** |
| **Pre-modification:** | | | | | |
| Production and intermediate-term | $ 77 | $ 205 | $ – | $ 282 | |
| Total | $ 77 | $ 205 | $ – | $ 282 | |
| **Post-modification:** | | | | | |
| Production and intermediate-term | $ 77 | $ 205 | $ – | $ 282 | $ – |
| Total | $ 77 | $ 205 | $ – | $ 282 | $ – |

| | Nine Months Ended September 30, 2015 | | | | |
|---|---|---|---|---|---|
| **Outstanding Recorded Investment** | **Interest Concessions** | **Principal Concessions** | **Other Concessions** | **Total** | **Charge-offs** |
| **Pre-modification:** | | | | | |
| Production and intermediate-term | $ 1,477 | $ 390 | $ – | $ 1,867 | |
| Other (including Mission Related) | – | – | 1,000 | 1,000 | |
| Total | $ 1,477 | $ 390 | $ 1,000 | $ 2,867 | |
| **Post-modification:** | | | | | |
| Production and intermediate-term | $ 1,477 | $ 390 | $ – | $ 1,867 | $ – |
| Other (including Mission Related) | – | – | 1,000 | 1,000 | – |
| Total | $ 1,477 | $ 390 | $ 1,000 | $ 2,867 | $ – |

| | Three months ended September 30, 2014 | | | | |
|---|---|---|---|---|---|
| **Outstanding Recorded Investment** | **Interest Concessions** | **Principal Concessions** | **Other Concessions** | **Total** | **Charge-offs** |
| **Pre-modification:** | | | | | |
| Real estate mortgage | $ – | $ – | $ – | $ – | |
| Production and intermediate-term | 185 | 488 | – | 673 | |
| Total | $ 185 | $ 488 | $ – | $ 673 | |
| **Post-modification:** | | | | | |
| Real estate mortgage | $ 185 | $ – | $ – | $ 185 | $ – |
| Production and intermediate-term | – | 370 | – | 370 | – |
| Total | $ 185 | $ 370 | $ – | $ 555 | $ – |

| | Nine months ended September 30, 2014 | | | | |
|---|---|---|---|---|---|
| **Outstanding Recorded Investment** | **Interest Concessions** | **Principal Concessions** | **Other Concessions** | **Total** | **Charge-offs** |
| **Pre-modification:** | | | | | |
| Real estate mortgage | $ – | $ 173 | $ – | $ 173 | |
| Production and intermediate-term | 185 | 666 | – | 851 | |
| Total | $ 185 | $ 839 | $ – | $ 1,024 | |
| **Post-modification:** | | | | | |
| Real estate mortgage | $ 185 | $ 159 | $ – | $ 344 | $ – |
| Production and intermediate-term | – | 534 | – | 534 | – |
| Total | $ 185 | $ 693 | $ – | $ 878 | $ – |

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Real estate mortgage | $ – | $ 259 | $ – | $ 527 |
| Production and intermediate-term | – | 444 | – | 698 |
| Rural residential real estate | – | 66 | – | 132 |
| Total | $ – | $ 769 | $ – | $ 1,357 |

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

| | Total TDRs | | Nonaccrual TDRs | |
|---|---|---|---|---|
| | **September 30, 2015** | **December 31, 2014** | **September 30, 2015** | **December 31, 2014** |
| Real estate mortgage | $ 2,184 | $ 2,965 | $ 638 | $ 484 |
| Production and intermediate-term | 10,864 | 11,803 | 5,243 | 6,285 |
| Rural residential real estate | – | 66 | – | 66 |
| Other (including Mission Related | 159 | – | 159 | – |
| Total Loans | $ 13,207 | $ 14,834 | $ 6,040 | $ 6,835 |
| Additional commitments to lend | $ 194 | $ 1,561 | | |

The following table presents information as of period end:

| | September 30, 2015 | |
|---|---|---|
| Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession | $ | 281 |
| Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process | $ | – |

**Note 3 — Investments**

***Investment Securities***

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment program approved by FCA. In its Conditions of Approval for the program, the FCA considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. At September 30, 2015, the Association held no RABs as investment securities whose credit quality has deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

| | September 30, 2015 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Yield |
| RABs | $ 2,277 | $ 122 | $ – | $ 2,399 | 6.23% |

| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Yield |
| RABs | $ 2,311 | $ 135 | $ – | $ 2,446 | 6.23% |

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

| | September 30, 2015 | | |
|---|---|---|---|
| | Amortized Cost | Fair Value | Weighted Average Yield |
| In one year or less | $ – | $ – | –% |
| After one year through five years | – | – | – |
| After five years through ten years | – | – | – |
| After ten years | 2,277 | 2,399 | 6.23 |
| Total | $ 2,277 | $ 2,399 | 6.23% |

All of these investments have contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. A continuous unrealized loss position for an investment is based on the date the impairment was first identified. The Association had no investments that have been in a continuous unrealized loss position at September 30, 2015 or December 31, 2014.

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

***Investments in other Farm Credit Institutions***

The Association is required to maintain ownership in AgFirst Farm Credit Bank (AgFirst or the Bank) of Class B and Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owns 8.40 percent of the issued stock of the Bank as of September 30, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled $30.0 billion and shareholders' equity totaled $2.4 billion. The Bank's earnings were $254 million for the first nine months of 2015. In addition, the Association has an investment of $132 related to other Farm Credit institutions.

## Note 4 — Debt

***Notes Payable to AgFirst Farm Credit Bank***

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

## Note 5 — Members' Equity

***Accumulated Other Comprehensive Income (AOCI)***

**Changes in Accumulated Other Comprehensive Income by Component** *(a)*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Employee Benefit Plans:** | | | | |
| Balance at beginning of period | $ (60) | $ (25) | $ (61) | $ (25) |
| Other comprehensive income before reclassifications | – | – | – | – |
| Amounts reclassified from AOCI | – | – | 1 | – |
| Net current period other comprehensive income | – | – | 1 | – |
| Balance at end of period | $ (60) | $ (25) | $ (60) | $ (25) |

**Reclassifications Out of Accumulated Other Comprehensive Income** *(b)*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | Income Statement Line Item |
| **Defined Benefit Pension Plans:** | | | | | |
| Periodic pension costs | $ – | $ – | $ (1) | $ – | See Note 7. |
| Net amounts reclassified | $ – | $ – | $ (1) | $ – | |

*(a) Amounts in parentheses indicate debits to AOCI.*
*(b) Amounts in parentheses indicate debits to profit/loss.*

## Note 6 — Fair Value Measurement

Fair value is defined 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.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 2 or Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Fair values are estimated at least annually, or when information suggests a significant change in value, for assets measured at fair value on a nonrecurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

| | At or for the Nine Months Ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | **Total Carrying Amount** | **Level 1** | **Level 2** | **Level 3** | **Total Fair Value** | **Fair Value Effects On Earnings** |
| **Recurring Measurements** | | | | | | |
| **Assets:** | | | | | | |
| Assets held in Trust funds | $ 515 | $ 515 | $ – | $ – | $ 515 | |
| Recurring Assets | $ 515 | $ 515 | $ – | $ – | $ 515 | |
| **Liabilities:** | | | | | | |
| Recurring Liabilities | $ – | $ – | $ – | $ – | $ – | |
| **Nonrecurring Measurements** | | | | | | |
| **Assets:** | | | | | | |
| Impaired loans | $ 23,354 | $ – | $ – | $ 23,354 | $ 23,354 | $ 1,850 |
| Other property owned | 1,886 | – | – | 2,166 | 2,166 | (46) |
| Nonrecurring Assets | $ 25,240 | $ – | $ – | $ 25,520 | $ 25,520 | $ 1,804 |
| **Other Financial Instruments** | | | | | | |
| **Assets:** | | | | | | |
| Cash | $ 193 | $ 193 | $ – | $ – | $ 193 | |
| Investment securities, held-to-maturity | 2,277 | – | – | 2,399 | 2,399 | |
| Loans | 1,594,411 | – | – | 1,593,197 | 1,593,197 | |
| Other Financial Assets | $ 1,596,881 | $ 193 | $ – | $ 1,595,596 | $ 1,595,789 | |
| **Liabilities:** | | | | | | |
| Notes payable to AgFirst Farm Credit Bank | $ 1,314,201 | $ – | $ – | $ 1,312,613 | $ 1,312,613 | |
| Other Financial Liabilities | $ 1,314,201 | $ – | $ – | $ 1,312,613 | $ 1,312,613 | |

| | At or for the Year Ended December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Total Carrying Amount | Level 1 | Level 2 | Level 3 | Total Fair Value | Fair Value Effects On Earnings |
| **Recurring Measurements** | | | | | | |
| **Assets:** | | | | | | |
| Assets held in Trust funds | $ 503 | $ 503 | $ – | $ – | $ 503 | $ |
| Recurring Assets | $ 503 | $ 503 | $ – | $ – | $ 503 | $ |
| **Liabilities:** | | | | | | |
| Recurring Liabilities | $ – | $ – | $ – | $ – | $ – | $ |
| **Nonrecurring Measurements** | | | | | | |
| **Assets:** | | | | | | |
| Impaired loans | $ 32,925 | $ – | $ – | $ 32,925 | $ 32,925 | $ 125 |
| Other property owned | 169 | – | – | 192 | 192 | 21 |
| Nonrecurring Assets | $ 33,094 | $ – | $ – | $ 33,117 | $ 33,117 | $ 146 |
| **Other Financial Instruments** | | | | | | |
| **Assets:** | | | | | | |
| Cash | $ 82 | $ 82 | $ – | $ – | $ 82 | $ |
| Investment securities, held-to-maturity | 2,311 | – | – | 2,446 | 2,446 | |
| Loans | 1,533,042 | – | – | 1,534,784 | 1,534,784 | |
| Other Financial Assets | $ 1,535,435 | $ 82 | $ – | $ 1,537,230 | $ 1,537,312 | $ |
| **Liabilities:** | | | | | | |
| Notes payable to AgFirst Farm Credit Bank | $ 1,283,416 | $ – | $ – | $ 1,276,148 | $ 1,276,148 | $ |
| Other Financial Liabilities | $ 1,283,416 | $ – | $ – | $ 1,276,148 | $ 1,276,148 | $ |

## SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

### *Investment Securities*

The fair values of predominantly all Level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these level 3 assets.

### *Inputs to Valuation Techniques*

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements**

| | Fair Value | Valuation Technique(s) | Unobservable Input | Range |
|---|---|---|---|---|
| Impaired loans and other property owned | $ 25,520 | Appraisal | Income and expense | * |
| | | | Comparable sales | * |
| | | | Replacement cost | * |
| | | | Comparability adjustments | * |

** Ranges for this type of input are not useful because each collateral property is unique.*

**Information about Other Financial Instrument Fair Value Measurements**

| | Valuation Technique(s) | Input |
|---|---|---|
| Cash | Carrying Value | Par/Principal and appropriate interest yield |
| Loans | Discounted cash flow | Prepayment forecasts |
| | | Probability of default |
| | | Loss severity |
| Investment securities, held-to-maturity | Discounted cash flow | Prepayment rates |
| | | Risk adjusted discount rate |
| Notes payable to AgFirst Farm Credit Bank | Discounted cash flow | Prepayment forecasts |
| | | Probability of default |
| | | Loss severity |

## Note 7 — Employee Benefit Plans

The following table summarizes retirement and other postretirement benefit expenses for the Association:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Pension | $ 781 | $ 817 | $ 2,343 | $ 2,449 |
| 401(k) | 189 | 130 | 570 | 390 |
| Other postretirement benefits | 218 | 132 | 653 | 398 |
| Total | $ 1,188 | $ 1,079 | $ 3,566 | $ 3,237 |

The following table summarizes retirement and other postretirement benefit contributions for the Association:

| | Actual YTD Through 9/30/15 | Projected Contributions For Remainder of 2015 | Projected Total Contributions 2015 |
|---|---|---|---|
| Pension | $ 15 | $ 3,190 | $ 3,205 |
| Other postretirement benefits | 312 | 106 | 418 |
| Total | $ 327 | $ 3,296 | $ 3,623 |

Contributions in the table above include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2015.

Further details regarding employee benefit plans are contained in the 2014 Annual Report to Shareholders, including a discussion of benefit plan changes related to the termination of the AgFirst Farm Credit Cash Balance Retirement Plan.

## Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

## Note 9 — Subsequent Events

The Association evaluated subsequent events and determined that, except as described below, there were none requiring disclosure through November 6, 2015, which was the date the financial statements were issued.

On October 19, 2015, AgFirst's Board of Directors declared a special patronage distribution to be paid on January 1, 2016. The Association expects to receive approximately $8,895 which will be recorded in October 2015 as patronage refunds from other Farm Credit institutions.