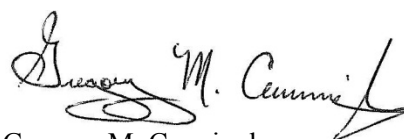

Farm Credit of Florida, ACA
THIRD QUARTER 2015

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CERTIFICATION

The undersigned certify that we have reviewed the September 30, 2015 quarterly report of Farm Credit of Florida, 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.



Gregory M. Cunningham
Chief Executive Officer



Laura Craker
Chief Financial Officer



Robert G. Sexton
Chairman of the Board

November 6, 2015

Farm Credit of Florida, 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 Consolidate 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.



Gregory M. Cunningham
Chief Executive Officer



Laura Craker
Chief Financial Officer

November 6, 2015

Farm Credit of Florida, 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 Farm Credit of Florida, ACA, (Association) for the period ended September 30, 2015. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated 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.

Effective January 1, 2011, Farm Credit of North Florida and Farm Credit of Southwest Florida merged into Farm Credit of South Florida. The merged associations operate under the name of Farm Credit of Florida. The primary reason for the merger was based on a determination that the combined organization would be financially and operationally stronger than either of the associations on a stand-alone basis. The merger was accounted for under the acquisition method of accounting.

Additional information regarding the merger including the terminated Financial Assistance Agreement with AgFirst Farm Credit Bank (Bank) is contained in Note 9, *Business Combination*, of the Notes to the Consolidated Financial Statements.

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 in the north and southern regions of Florida. The commodities include cattle, citrus, dairy, field crops, nurseries, sugar, timber, tropical fruits, and vegetables. All commodity groups identified within the portfolio have experienced generally favorable operating results with the exception of the horticultural or nursery segment which continues to exhibit stress in several segments resulting from the recession and reduced activity in commercial and residential construction. Several loans in produce segments have also exhibited stress as a result of weather events in 2015. Farm size varies throughout the regions and many borrowers have diversified farming operations. This factor, along with numerous opportunities for non-farm income in the territory,

reduces the level of repayment dependency on a single agricultural commodity.

Land values in the north region appear to have stabilized over the last 12 months. Land values in the south region show stability with value increase in more urban areas. There have been no significant weather events in the territory that have adversely impacted borrower operations over the past 12 months except select locations in the produce segment. Management recognizes mounting risk in the citrus industry resulting from impacts of citrus greening disease. Continued stress may adversely impact citrus growers over the near and long term horizon. All Florida citrus production continues to decline according to the USDA crop forecast.

The gross loan volume of the Association as of September 30, 2015, was \$872,210, an increase of \$18,263 or 2.14 percent as compared to \$853,947 at December 31, 2014. Net loans outstanding at September 30, 2015, were \$866,637 as compared to \$847,837 at December 31, 2014, an increase of \$18,800 or 2.22 percent. Net loans accounted for 94.45 percent of total assets at September 30, 2015, as compared to 93.11 percent of total assets at December 31, 2014. The increase in both gross and net loan volume during the period is primarily attributed to increased demand for credit in the market and a more concerted marketing effort by Association lenders.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has improved compared to year end 2014 as a result of the movement of loans from Substandard to OAEM and the liquidation of loans in process of collection. Acceptable and OAEM credit quality as a percentage of the total loan portfolio was 96.24% as of September 30, 2015 compared to 94.08% at December 31, 2014. During the nine months, nonaccrual loans decreased to \$18,780 from the \$29,686 balance at December 31, 2014. The nonaccrual loan decline is primarily attributed to liquidation of loans in process of collection and other liquidation and curtailments on troubled assets. The balance of Other Property Owned at September 30, 2015 was \$6,316 an increase of \$2,471 or 64.27 percent from the \$3,845 balance at December 31, 2014. Acquisitions outpaced sales of properties during the period resulting in this increase where increases were generally in a small number of larger properties.

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 at September 30, 2015, was \$5,573 compared to \$6,110 at December 31, 2014. This decrease is the result of recoveries of \$4,052 recorded during the period offset by a provision for loan loss reversal of \$3,348 and \$1,241 in charge-offs recorded on loans transferred to nonaccrual or other property owned. Management considers the current level of allowance adequate to cover additional possible losses. The ratio of the allowance for loan losses to gross loans at September 30, 2015 was 0.64 percent.

The allowance for loan losses at September 30, 2015 does not include \$6.0 million of net purchase discounts related to the acquired loans. The allowance for these loans was not carried forward at acquisition per accounting guidance. However, they were purchased at a net discount, which is the direct reduction to the recorded loan amount, to reflect the credit and market metrics related to the acquired portfolios. At September 30, 2015, the amount of credit risk reduction in addition to the allowance for loan losses, provided by these remaining discounts would equate to 0.69 percent of gross loans.

RESULTS OF OPERATIONS

As a result of the merger on January 1, 2011, \$551.5 million in non-impaired loans were purchased at a combined discount of approximately \$30.3 million. In accordance with accounting guidance, this discount is to be accreted into interest income over the remaining life of each individual loan. For loans that are paid off early, any remaining discount would be accreted into income at time of pay off. The discount amount accreted into interest income for the nine months ended September 30, 2015, was \$1,200.

For the three months ended September 30, 2015

The Association recorded net income for the three months ended September 30, 2015 of \$5,466 as compared to \$7,240 for the same period in 2014. This \$1,774 decrease is primarily attributed to an increase in noninterest expense resulting from reduction in gains on other property owned.

Net interest income was \$6,221 for the three months ended September 30, 2015 as compared to \$6,028 during the same period in 2014. The change in net interest income represents a \$193 or 3.20 percent increase when compared to the same period last year and is attributed to an increase in loan volume over the last 12 months.

Noninterest income for the three months ended September 30, 2015, totaled \$1,445 as compared to \$1,769 for the same period of 2014, a decrease of \$324 or 18.32 percent. This decrease is attributed primarily to increases in losses on other transactions of \$255.

Noninterest expense for the three months ended September 30, 2015, totaled \$5,016 as compared to \$3,361 for the same period of 2014, an increase of \$1,655 or 49.24 percent. The primary reason for the increase in noninterest expense is attributed to

\$2,210 decrease in gains on other property owned offset by \$577 decrease in other operating expenses.

For the nine months ended September 30, 2015

Net income for the nine months ended September 30, 2015, totaled \$12,079 compared to \$16,606 for the same period in 2014, a decrease of \$4,527 or 27.26 percent. The decrease is primarily attributed to a reduction in the reversal of allowance for loan losses during the period along with a reduction in noninterest income. The decrease of \$3,437 in reversals of allowance for loan losses are primarily due to a reduction in recoveries of amounts previously charged-off during 2015 compared to the same period last year. While there has been a reduction in recoveries compared to prior year, the Association has net recoveries of \$2,811 during the current period resulting in recording a reversal of the provision for loan losses of \$3,349 for the nine months ended September 30, 2015.

Net interest income increased \$283 for the nine months ended September 30, 2015, as compared to the same period in 2014. This increase is attributed to the increased loan volume over the last 12 months.

Noninterest income for the nine months ended September 30, 2015, totaled \$5,750 as compared to \$6,691 for the same period of 2014, a decrease of \$941 or 14.06 percent. This decrease is attributed to decreases in patronage refunds from other Farm Credit institutions of \$354, increases in losses on other transactions of \$482 along with a decrease in other noninterest income of \$363. These decreases were offset by an increase of \$110 in fees for financially related services.

Noninterest expense for the nine months ended September 30, 2015, increased \$434 compared to the same period of 2014. The primary reason for the increase is attributed to a decrease in gains on other property owned of \$1,940 offset by reduced staffing costs of \$470 for the period. Additional decreases were realized in other operating expenses of \$992.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (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. These funds are advanced by the Bank 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 \$669,600 as compared to \$662,690 at December 31, 2014. The increase during the period of \$6,910 is primarily attributed to an increase in loan volume during the period offset by an increase in

members' equity resulting from net income for the nine months ended 2015 and receipt of 2014 patronage dividends due from AgFirst Farm Credit Bank.

CAPITAL RESOURCES

Total members' equity at September 30, 2015, increased to \$229,171 from the December 31, 2014 total of \$217,062. The increase is primarily attributed to the net income during the period.

Total capital stock and participation certificates were \$2,539 on September 30, 2015, compared to \$2,515 on December 31, 2014. This increase is attributed to the issuance of capital stock and participation certificates.

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 total surplus ratio and core surplus ratio were 22.00 percent and 22.00 percent, respectively, and the permanent capital ratio was 22.14 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

As previously disclosed, on June 15, 2012 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The written supervisory agreement required the Association to take corrective actions and other actions with respect to certain areas of its operations, including board governance, director fiduciary duties and standards of conduct, board consultant functions, staffing and succession planning, asset quality, collateral risk, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, and business planning and reporting. In addition, the Association operated under Supervisory Conditions of Merger and maintained compliance with all requirements and conditions.

On September 25, 2014, the Association was notified that the written supervisory agreement and the Supervisory Conditions of Merger were terminated by the FCA board on September 16, 2014. The termination was recognition by the FCA that the conditions that prompted the need for the agreement and the Conditions of Merger have been effectively addressed by the Association.

OTHER 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.

Dr. Harrell H. Phillips was appointed to the Board of Directors to fill a vacant board position effective August 2015. Dr. Phillips is a cattleman and veterinarian in Levy and Marion Counties. Dr. Phillips owns and operates Phillips Ranch, a ranching and background / stocker operation, with almost 1,200 breeding age beef cattle and background approximately 1,500 calves annually. The ranch also produces hay, sod, grass seed, small grains, and timber. Dr. Phillips has 28 years of experience as a veterinarian. He serves as Director, and is past President, of both the Florida Cattlemen's Association and the Marion County Cattlemen's Association. Dr. Phillips is a past Director of the National Cattlemen's Beef Association. He has ownership in The Creek at Wekiva, LLC, a recreation and conservation property. He serves as Director on the Southeastern Youth Fair Board. His current term of office is 2015 to 2016. He is a current member of the Credit/Lending Committee.

Mr. James Alderman resigned from the Board of Directors effective September 2015.

During the third quarter of 2015, the Association entered into an agreement with and began providing certain standard and as-requested optional or negotiated services to Puerto Rico Farm Credit, ACA for a fee. These services include, but do not fully cover and are not limited to, accounting, reporting, risk management, human resources, and loan on-boarding and servicing. The agreement is expected to leverage synergies and realize operating efficiencies and savings for both institutions. Both institutions are required to meet specified obligations under the agreement, which is automatically renewable for a one year term unless terminated by either institution with 180 days prior written notice or sooner if specified obligations are not satisfied.

On October 19, 2015, AgFirst's Board of Directors declared a special patronage distribution to be paid on January 1, 2016. The Association will receive approximately \$4,338 which will be recorded in October 2015 as patronage refunds from other Farm Credit institutions.

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.

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 (561)-965-9001, or writing Laura Craker, CFO, Farm Credit of Florida, ACA, P. O. Box 213069, West Palm Beach, FL 33421, or accessing the website, www.farmcreditfl.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.

Farm Credit of Florida, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	September 30, 2015 <i>(unaudited)</i>	December 31, 2014 <i>(audited)</i>
Assets		
Cash	\$ 15	\$ 36
Investment securities:		
Held to maturity (fair value of \$11,223 and \$13,572, respectively)	10,785	13,063
Loans	872,210	853,947
Allowance for loan losses	(5,573)	(6,110)
Net loans	866,637	847,837
Loans held for sale	—	428
Other investments	80	80
Accrued interest receivable	4,639	3,209
Investments in other Farm Credit institutions	12,600	12,885
Premises and equipment, net	6,574	6,900
Other property owned	6,316	3,845
Accounts receivable	4,602	14,434
Other assets	5,280	7,882
Total assets	\$ 917,528	\$ 910,599
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 669,600	\$ 662,690
Accrued interest payable	1,235	1,186
Patronage refunds payable	403	7,924
Accounts payable	3,594	2,129
Advanced conditional payments	1,274	1,972
Other liabilities	12,251	17,636
Total liabilities	688,357	693,537
Commitments and contingencies (Note 8)		
Members' Equity		
Protected borrower stock	531	554
Capital stock and participation certificates	2,008	1,961
Additional paid-in-capital	7,873	7,873
Retained earnings		
Allocated	103,248	103,837
Unallocated	115,747	103,079
Accumulated other comprehensive income (loss)	(236)	(242)
Total members' equity	229,171	217,062
Total liabilities and members' equity	\$ 917,528	\$ 910,599

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

Farm Credit of Florida, ACA

Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Interest Income				
Loans	\$ 9,778	\$ 9,617	\$ 29,230	\$ 28,731
Investments	79	129	272	410
Total interest income	9,857	9,746	29,502	29,141
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	3,636	3,718	10,638	10,560
Net interest income	6,221	6,028	18,864	18,581
Provision for (reversal of allowance for) loan losses	(2,816)	(2,806)	(3,349)	(6,786)
Net interest income after provision for (reversal of allowance for) loan losses	9,037	8,834	22,213	25,367
Noninterest Income				
Loan fees	163	139	388	422
Fees for financially related services	6	7	770	660
Patronage refunds from other Farm Credit institutions	1,380	1,536	4,437	4,791
Gains (losses) on sales of rural home loans, net	59	27	153	60
Gains (losses) on sales of premises and equipment, net	5	(25)	81	(8)
Gains (losses) on other transactions	(201)	54	(288)	194
Other noninterest income	33	31	209	572
Total noninterest income	1,445	1,769	5,750	6,691
Noninterest Expense				
Salaries and employee benefits	3,765	3,733	11,723	12,193
Occupancy and equipment	276	305	841	925
Insurance Fund premiums	205	186	617	577
(Gains) losses on other property owned, net	25	(2,185)	(18)	(1,958)
Other operating expenses	745	1,322	2,721	3,713
Total noninterest expense	5,016	3,361	15,884	15,450
Income before income taxes	5,466	7,242	12,079	16,608
Provision for income taxes	—	2	—	2
Net income	\$ 5,466	\$ 7,240	\$ 12,079	\$ 16,606

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

Farm Credit of Florida, ACA
Consolidated Statements of
Comprehensive Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Net income	\$ 5,466	\$ 7,240	\$ 12,079	\$ 16,606
Other comprehensive income net of tax				
Employee benefit plans adjustments	2	2	6	4
Comprehensive income	\$ 5,468	\$ 7,242	\$ 12,085	\$ 16,610

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

Farm Credit of Florida, ACA
Consolidated Statements of Changes in
Members' Equity

(unaudited)

(dollars in thousands)

	Protected Borrower Stock	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
				Allocated	Unallocated		
Balance at December 31, 2013	\$ 765	\$ 2,028	\$ 7,873	\$ 102,421	\$ 90,829	\$ (157)	\$203,759
Comprehensive income					16,606	4	16,610
Protected borrower stock issued/(retired), net	(50)						(50)
Capital stock/participation certificates issued/(retired), net		(122)					(122)
Patronage distribution adjustment				1,381	(1,382)		(1)
Balance at September 30, 2014	\$ 715	\$ 1,906	\$ 7,873	\$ 103,802	\$106,053	\$ (153)	\$220,196
Balance at December 31, 2014	\$ 554	\$ 1,961	\$ 7,873	\$ 103,837	\$103,079	\$ (242)	\$217,062
Comprehensive income					12,079	6	12,085
Protected borrower stock issued/(retired), net	(23)						(23)
Capital stock/participation certificates issued/(retired), net		47					47
Patronage distribution adjustment				(589)	589		—
Balance at September 30, 2015	\$ 531	\$ 2,008	\$ 7,873	\$ 103,248	\$115,747	\$ (236)	\$229,171

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

Farm Credit of Florida, 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 Farm Credit of Florida, 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 may 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.

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.

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

A summary of loans outstanding at period end follows:

	September 30, 2015	December 31, 2014
Real estate mortgage	\$ 551,327	\$ 535,509
Production and intermediate-term	175,826	190,851
Loans to cooperatives	4,012	1,344
Processing and marketing	93,123	89,658
Farm-related business	18,843	13,329
Communication	20,163	16,764
Energy and water/waste disposal	1,784	1,568
Rural residential real estate	6,693	4,924
International	439	–
Total Loans	<u>\$ 872,210</u>	<u>\$ 853,947</u>

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 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	\$ 3,277	\$ 96,514	\$ –	\$ 15,497	\$ 4,534	\$ 784	\$ 7,811	\$ 112,795
Production and intermediate-term	35,353	72,915	16,583	943	47,042	–	98,978	73,858
Loans to cooperatives	4,027	–	–	–	–	–	4,027	–
Processing and marketing	82,668	8,456	–	7,290	–	–	82,668	15,746
Farm-related business	12,607	–	–	1,677	–	–	12,607	1,677
Communication	20,218	–	–	–	–	–	20,218	–
Energy and water/waste disposal	1,786	–	–	–	–	–	1,786	–
International	439	–	–	–	–	–	439	–
Total	<u>\$ 160,375</u>	<u>\$ 177,885</u>	<u>\$ 16,583</u>	<u>\$ 25,407</u>	<u>\$ 51,576</u>	<u>\$ 784</u>	<u>\$ 228,534</u>	<u>\$ 204,076</u>

	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	\$ 852	\$ 96,970	\$ –	\$ –	\$ 5,118	\$ 1,172	\$ 5,970	\$ 98,142
Production and intermediate-term	40,276	127,053	18,787	3,407	87,030	–	146,093	130,460
Loans to cooperatives	1,348	–	–	–	–	–	1,348	–
Processing and marketing	85,271	64,893	–	11,869	51,124	–	136,395	76,762
Farm-related business	10,348	–	–	1,743	258	–	10,606	1,743
Communication	16,791	–	–	–	–	–	16,791	–
Energy and water/waste disposal	1,571	–	–	–	–	–	1,571	–
Total	<u>\$ 156,457</u>	<u>\$ 288,916</u>	<u>\$ 18,787</u>	<u>\$ 17,019</u>	<u>\$ 143,530</u>	<u>\$ 1,172</u>	<u>\$ 318,774</u>	<u>\$ 307,107</u>

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	\$ 32,576	\$ 133,726	\$ 385,025	\$ 551,327
Production and intermediate term	62,304	87,361	26,161	175,826
Loans to cooperatives	–	4,012	–	4,012
Processing and marketing	27	45,301	47,795	93,123
Farm-related business	1,096	13,385	4,362	18,843
Communication	–	17,176	2,987	20,163
Energy and water/waste disposal	–	1,784	–	1,784
Rural residential real estate	189	732	5,772	6,693
International	–	439	–	439
Total Loans	\$ 96,192	\$ 303,916	\$ 472,102	\$ 872,210
Percentage	11.03%	34.84%	54.13%	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		September 30, 2015	December 31, 2014
Real estate mortgage:			Communication:		
Acceptable	92.64%	89.74%	Acceptable	100.00%	100.00%
OAEM	3.17	3.47	OAEM	–	–
Substandard/doubtful/loss	4.19	6.79	Substandard/doubtful/loss	–	–
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Energy and water/waste disposal:		
Acceptable	89.80%	93.06%	Acceptable	100.00%	100.00%
OAEM	4.92	1.90	OAEM	–	–
Substandard/doubtful/loss	5.28	5.04	Substandard/doubtful/loss	–	–
	100.00%	100.00%		100.00%	100.00%
Loans to cooperatives:			Rural residential real estate:		
Acceptable	100.00%	100.00%	Acceptable	93.11%	89.62%
OAEM	–	–	OAEM	1.33	2.75
Substandard/doubtful/loss	–	–	Substandard/doubtful/loss	5.56	7.63
	100.00%	100.00%		100.00%	100.00%
Processing and marketing:			International:		
Acceptable	100.00%	95.31%	Acceptable	100.00%	–%
OAEM	–	–	OAEM	–	–
Substandard/doubtful/loss	–	4.69	Substandard/doubtful/loss	–	–
	100.00%	100.00%		100.00%	–%
Farm-related business:			Total Loans:		
Acceptable	99.63%	99.45%	Acceptable	93.22%	91.45%
OAEM	0.37	0.55	OAEM	3.02	2.63
Substandard/doubtful/loss	–	–	Substandard/doubtful/loss	3.76	5.92
	100.00%	100.00%		100.00%	100.00%

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

	September 30, 2015					Total Loans	Recorded Investment 90 Days or More Past Due and Accruing Interest
	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		
Real estate mortgage	\$ 2,883	\$ 5,168	\$ 8,051	\$ 546,855	\$ 554,906	\$ –	
Production and intermediate-term	1,113	1,741	2,854	173,669	176,523	–	
Loans to cooperatives	–	–	–	4,015	4,015	–	
Processing and marketing	–	–	–	93,295	93,295	–	
Farm-related business	–	–	–	18,887	18,887	–	
Communication	–	–	–	20,182	20,182	–	
Energy and water/waste disposal	–	–	–	1,784	1,784	–	
Rural residential real estate	72	45	117	6,606	6,723	–	
International	–	–	–	439	439	–	
Total	\$ 4,068	\$ 6,954	\$ 11,022	\$ 865,732	\$ 876,754	\$ –	

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	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	\$ 5,558	\$ 5,823	\$ 11,381	\$ 526,473	\$ 537,854	\$ -
Production and intermediate-term	1,110	4,702	5,812	185,692	191,504	-
Loans to cooperatives	-	-	-	1,345	1,345	-
Processing and marketing	-	-	-	89,732	89,732	-
Farm-related business	-	-	-	13,364	13,364	-
Communication	-	-	-	16,766	16,766	-
Energy and water/waste disposal	-	-	-	1,568	1,568	-
Rural residential real estate	153	-	153	4,784	4,937	-
Total	<u>\$ 6,821</u>	<u>\$ 10,525</u>	<u>\$ 17,346</u>	<u>\$ 839,724</u>	<u>\$ 857,070</u>	<u>\$ -</u>

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	\$ 12,657	\$ 21,461
Production and intermediate-term	5,956	8,072
Rural residential real estate	167	153
Total	<u>\$ 18,780</u>	<u>\$ 29,686</u>
Accruing restructured loans:		
Real estate mortgage	\$ 1,522	\$ 2,072
Production and intermediate-term	536	574
Total	<u>\$ 2,058</u>	<u>\$ 2,646</u>
Accruing loans 90 days or more past due:		
Total	<u>\$ -</u>	<u>\$ -</u>
Total nonperforming loans	\$ 20,838	\$ 32,332
Other property owned	6,316	3,845
Total nonperforming assets	<u>\$ 27,154</u>	<u>\$ 36,177</u>
Nonaccrual loans as a percentage of total loans	2.15%	3.48%
Nonperforming assets as a percentage of total loans and other property owned	3.09%	4.22%
Nonperforming assets as a percentage of capital	11.85%	16.67%

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	\$ 10,537	\$ 15,172
Past due	8,243	14,514
Total	<u>18,780</u>	<u>29,686</u>
Impaired accrual loans:		
Restructured	2,058	2,646
90 days or more past due	-	-
Total	<u>2,058</u>	<u>2,646</u>
Total impaired loans	<u>\$ 20,838</u>	<u>\$ 32,332</u>

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

Impaired loans	September 30, 2015			Quarter Ended September 30, 2015		Nine Months Ended September 30, 2015	
	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:							
Real estate mortgage	\$ 641	\$ 798	\$ 39	\$ 717	\$ 9	\$ 830	\$ 29
Production and intermediate-term	358	488	153	400	5	464	16
Rural residential real estate	46	45	8	51	1	59	2
Total	\$ 1,045	\$ 1,331	\$ 200	\$ 1,168	\$ 15	\$ 1,353	\$ 47
With no related allowance for credit losses:							
Real estate mortgage	\$ 13,538	\$ 29,465	\$ –	\$ 15,135	\$ 192	\$ 17,525	\$ 604
Production and intermediate-term	6,134	11,876	–	6,858	87	7,940	274
Rural residential real estate	121	383	–	136	1	158	6
Total	\$ 19,793	\$ 41,724	\$ –	\$ 22,129	\$ 280	\$ 25,623	\$ 884
Total:							
Real estate mortgage	\$ 14,179	\$ 30,263	\$ 39	\$ 15,852	\$ 201	\$ 18,355	\$ 633
Production and intermediate-term	6,492	12,364	153	7,258	92	8,404	290
Rural residential real estate	167	428	8	187	2	217	8
Total	\$ 20,838	\$ 43,055	\$ 200	\$ 23,297	\$ 295	\$ 26,976	\$ 931

Impaired loans	December 31, 2014			Year Ended December 31, 2014	
	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	\$ 4,638	\$ 9,400	\$ 826	\$ 7,016	\$ 455
Production and intermediate-term	1,674	5,720	244	2,533	164
Rural residential real estate	–	–	–	–	–
Total	\$ 6,312	\$ 15,120	\$ 1,070	\$ 9,549	\$ 619
With no related allowance for credit losses:					
Real estate mortgage	\$ 18,895	\$ 36,739	\$ –	\$ 28,585	\$ 1,853
Production and intermediate-term	6,972	14,870	–	10,547	684
Rural residential real estate	153	396	–	231	15
Total	\$ 26,020	\$ 52,005	\$ –	\$ 39,363	\$ 2,552
Total:					
Real estate mortgage	\$ 23,533	\$ 46,139	\$ 826	\$ 35,601	\$ 2,308
Production and intermediate-term	8,646	20,590	244	13,080	848
Rural residential real estate	153	396	–	231	15
Total	\$ 32,332	\$ 67,125	\$ 1,070	\$ 48,912	\$ 3,171

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	Total
Activity related to the allowance for credit losses:								
Balance at June 30, 2015	\$ 4,056	\$ 1,061	\$ 713	\$ 61	\$ 14	\$ 42	\$ –	\$ 5,947
Charge-offs	(681)	(282)	–	–	–	–	–	(963)
Recoveries	2,398	1,007	–	–	–	–	–	3,405
Provision for loan losses	(1,635)	(677)	(515)	5	(5)	11	–	(2,816)
Balance at September 30, 2015	\$ 4,138	\$ 1,109	\$ 198	\$ 66	\$ 9	\$ 53	\$ –	\$ 5,573
Balance at December 31, 2014	\$ 4,335	\$ 862	\$ 851	\$ 34	\$ –	\$ 28	\$ –	\$ 6,110
Charge-offs	(684)	(557)	–	–	–	–	–	(1,241)
Recoveries	2,790	1,263	–	–	–	–	–	4,053
Provision for loan losses	(2,303)	(459)	(653)	32	9	25	–	(3,349)
Balance at September 30, 2015	\$ 4,138	\$ 1,109	\$ 198	\$ 66	\$ 9	\$ 53	\$ –	\$ 5,573
Balance at June 30, 2014	\$ 4,740	\$ 1,387	\$ 339	\$ 25	\$ –	\$ 35	\$ –	\$ 6,526
Charge-offs	(27)	–	–	–	–	–	–	(27)
Recoveries	2,193	359	–	–	–	–	–	2,552
Provision for loan losses	(2,339)	(383)	(81)	2	–	(5)	–	(2,806)
Balance at September 30, 2014	\$ 4,567	\$ 1,363	\$ 258	\$ 27	\$ –	\$ 30	\$ –	\$ 6,245
Balance at December 31, 2013	\$ 5,545	\$ 1,371	\$ 439	\$ 22	\$ 4	\$ 27	\$ –	\$ 7,408
Charge-offs	(153)	(41)	–	–	–	–	–	(194)
Recoveries	4,432	1,382	–	–	–	3	–	5,817
Provision for loan losses	(5,257)	(1,349)	(181)	5	(4)	–	–	(6,786)
Balance at September 30, 2014	\$ 4,567	\$ 1,363	\$ 258	\$ 27	\$ –	\$ 30	\$ –	\$ 6,245
Allowance on loans evaluated for impairment:								
Individually	\$ 39	\$ 153	\$ –	\$ –	\$ –	\$ 8	\$ –	\$ 200
Collectively	4,099	956	198	66	9	45	–	5,373
PCI**	–	–	–	–	–	–	–	–
Balance at September 30, 2015	\$ 4,138	\$ 1,109	\$ 198	\$ 66	\$ 9	\$ 53	\$ –	\$ 5,573
Individually	\$ 669	\$ 244	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 913
Collectively	3,509	618	851	34	–	28	–	5,040
PCI**	157	–	–	–	–	–	–	157
Balance at December 31, 2014	\$ 4,335	\$ 862	\$ 851	\$ 34	\$ –	\$ 28	\$ –	\$ 6,110
Recorded investment in loans evaluated for impairment:								
Individually	\$ 12,293	\$ 6,112	\$ –	\$ –	\$ –	\$ 96	\$ –	\$ 18,501
Collectively	540,498	170,032	116,197	20,182	1,784	6,556	439	855,688
PCI**	2,115	379	–	–	–	71	–	2,565
Balance at September 30, 2015	\$ 554,906	\$ 176,523	\$ 116,197	\$ 20,182	\$ 1,784	\$ 6,723	\$ 439	\$ 876,754
Individually	\$ 21,014	\$ 8,159	\$ –	\$ –	\$ –	\$ 69	\$ –	\$ 29,242
Collectively	514,274	182,858	104,441	16,766	1,568	4,784	–	824,691
PCI**	2,566	487	–	–	–	84	–	3,137
Balance at December 31, 2014	\$ 537,854	\$ 191,504	\$ 104,441	\$ 16,766	\$ 1,568	\$ 4,937	\$ –	\$ 857,070

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

**Purchased credit impaired loans.

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. The tables do not include purchased credit impaired loans.

Outstanding Recorded Investment	Three Months Ended September 30, 2015				Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total	
Pre-modification:					
Real estate mortgage	\$ –	\$ 102	\$ –	\$ 102	
Total	\$ –	\$ 102	\$ –	\$ 102	
Post-modification:					
Real estate mortgage	\$ –	\$ 94	\$ –	\$ 94	\$ –
Total	\$ –	\$ 94	\$ –	\$ 94	\$ –

Outstanding Recorded Investment	Nine Months Ended September 30, 2015					Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total		
Pre-modification:						
Real estate mortgage	\$ –	\$ 1,575	\$ –	\$ 1,575		
Total	\$ –	\$ 1,575	\$ –	\$ 1,575		
Post-modification:						
Real estate mortgage	\$ –	\$ 613	\$ –	\$ 613	\$ –	
Total	\$ –	\$ 613	\$ –	\$ 613	\$ –	

Outstanding Recorded Investment	Three months ended September 30, 2014					Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total		
Pre-modification:						
Real estate mortgage	\$ 125	\$ 517	\$ –	\$ 642		
Production and intermediate-term	–	172	–	172		
Total	\$ 125	\$ 689	\$ –	\$ 814		
Post-modification:						
Real estate mortgage	\$ 126	\$ 520	\$ –	\$ 646	\$ –	
Production and intermediate-term	–	172	–	172	–	
Total	\$ 126	\$ 692	\$ –	\$ 818	\$ –	

Outstanding Recorded Investment	Nine months ended September 30, 2014					Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total		
Pre-modification:						
Real estate mortgage	\$ 235	\$ 1,792	\$ –	\$ 2,027		
Production and intermediate-term	–	553	–	553		
Total	\$ 235	\$ 2,345	\$ –	\$ 2,580		
Post-modification:						
Real estate mortgage	\$ 192	\$ 1,801	\$ –	\$ 1,993	\$ (10)	
Production and intermediate-term	–	710	–	710	–	
Total	\$ 192	\$ 2,511	\$ –	\$ 2,703	\$ (10)	

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
Defaulted troubled debt restructurings:				
Production and intermediate-term	\$ –	\$ 300	\$ –	\$ 300
Total	\$ –	\$ 300	\$ –	\$ 300

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	\$ 8,258	\$ 14,307	\$ 6,736	\$ 12,235
Production and intermediate-term	1,894	3,604	1,358	3,030
Rural residential real estate	(11)	(4)	(11)	(4)
Total Loans	\$ 10,141	\$ 17,907	\$ 8,083	\$ 15,261
Additional commitments to lend	\$ –	\$ –		

The following table presents information as of period end:

	<u>September 30, 2015</u>
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	\$ —
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	\$ 228

Purchased Credit Impaired (PCI) Loans

For further discussion of the Association's accounting for PCI loans, see Note 2, *Summary of Significant Accounting Policies*, from the Association's most recent Annual Report.

The carrying amounts of loans acquired in a 2011 business combination included in the balance sheet amounts of loans receivable at period end were as follows:

	<u>September 30, 2015</u>
Real estate mortgage	\$ 2,115
Production and intermediate-term	379
Rural residential real estate	71
Total Loans	<u>\$ 2,565</u>

The allowance for loan losses related to these loans was \$0 and \$157 at September 30, 2015 and December 31, 2014, respectively. During the three and nine month periods ended September 30, 2015, provision for loan losses on these loans was an expense reversal of \$589 and an expense reversal of \$686, respectively, compared with an expense reversal of \$19 and an expense reversal of \$477 for the three and nine month periods ended September 30, 2014, respectively. See above for a summary of changes in the total allowance for loan losses for the period ended September 30, 2015. There were no loans acquired during 2015 or 2014 for which it was probable at acquisition that all contractually required payments would not be collected.

Certain of the loans acquired by the Association in the 2011 business combination that were within the scope of PCI loan guidance are accounted for using a cash basis method of income recognition because the Association cannot reasonably estimate cash flows expected to be collected. Substantially all of the loans acquired were real estate collateral dependent loans. The real estate market in Florida was extremely unstable, making the estimation of the amount and timing of a sale of loan collateral in essentially the same condition as received upon foreclosure indeterminate. As such, the Association did not have the information necessary to reasonably estimate cash flows expected to be collected to compute a yield. Management determined a nonaccrual classification would be the most appropriate and that no income would be recognized on these loans as is allowed under accounting guidance.

Note 3 — Investments

Investment Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small

Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

The Association's investments also consist of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment program approved by the 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 one RAB 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:

	<u>September 30, 2015</u>				
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Yield</u>
RABs	\$ 2,999	\$ 483	\$ (6)	\$ 3,476	5.50%
ABSs	7,786	38	(77)	7,747	-0.20
Total	<u>\$ 10,785</u>	<u>\$ 521</u>	<u>\$ (83)</u>	<u>\$ 11,223</u>	<u>1.40%</u>

	<u>December 31, 2014</u>				
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Yield</u>
RABs	\$ 3,019	\$ 512	\$ (16)	\$ 3,515	5.55%
ABSs	10,044	71	(58)	10,057	0.14
Total	<u>\$ 13,063</u>	<u>\$ 583</u>	<u>\$ (74)</u>	<u>\$ 13,572</u>	<u>1.39%</u>

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

	<u>September 30, 2015</u>		
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Weighted Average Yield</u>
In one year or less	\$ 81	\$ 83	-3.26%
After one year through five years	5,957	5,892	0.04
After five years through ten years	513	513	0.64
After ten years	4,234	4,735	3.50
Total	<u>\$ 10,785</u>	<u>\$ 11,223</u>	<u>1.40%</u>

A portion of these investments has 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. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

September 30, 2015				
Less than 12 Months		12 Months or Greater		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	\$ —	\$ —	\$ 913	\$ (5)
ABSs	588	(3)	4,045	(75)
Total	\$ 588	\$ (3)	\$ 4,958	\$ (80)

December 31, 2014				
Less than 12 Months		12 Months or Greater		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	\$ —	\$ —	\$ 917	\$ (16)
ABSs	2,297	(17)	3,481	(41)
Total	\$ 2,297	\$ (17)	\$ 4,398	\$ (57)

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.

A substantial portion of these investments were in U. S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at period end.

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 3.83 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 \$3,003 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 and 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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Employee Benefit Plans:				
Balance at beginning of period	\$ (238)	\$ (155)	\$ (242)	\$ (157)
Other comprehensive income before reclassifications	-	-	-	-
Amounts reclassified from AOCI	2	2	6	4
Net current period other comprehensive income	2	2	6	4
Balance at end of period	\$ (236)	\$ (153)	\$ (236)	\$ (153)

	Three Months Ended September 30,		Nine Months Ended September 30,		Income Statement Line Item
	2015	2014	2015	2014	
Defined Benefit Pension Plans:					
Periodic pension costs	\$ (2)	\$ (2)	\$ (6)	\$ (4)	See Note 7.
Net amounts reclassified	\$ (2)	\$ (2)	\$ (6)	\$ (4)	

(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	\$ 746	\$ 746	\$ -	\$ -	\$ 746	
Recurring Assets	\$ 746	\$ 746	\$ -	\$ -	\$ 746	
Liabilities:						
Recurring Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	
Nonrecurring Measurements						
Assets:						
Impaired loans	\$ 20,638	\$ -	\$ -	\$ 20,638	\$ 20,638	\$ 3,681
Other property owned	6,316	-	-	7,131	7,131	95
Other investments	80	-	-	80	80	-
Nonrecurring Assets	\$ 27,034	\$ -	\$ -	\$ 27,849	\$ 27,849	\$ 3,776
Other Financial Instruments						
Assets:						
Cash	\$ 15	\$ 15	\$ -	\$ -	\$ 15	
RABs	2,999	-	-	3,476	3,476	
ABSs	7,786	-	7,747	-	7,747	
Loans	845,999	-	-	851,827	851,827	
Other Financial Assets	\$ 856,799	\$ 15	\$ 7,747	\$ 855,303	\$ 863,065	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	\$ 669,600	\$ -	\$ -	\$ 668,554	\$ 668,554	
Other Financial Liabilities	\$ 669,600	\$ -	\$ -	\$ 668,554	\$ 668,554	

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	\$ 843	\$ 843	\$ -	\$ -	\$ 843	
Recurring Assets	\$ 843	\$ 843	\$ -	\$ -	\$ 843	
Liabilities:						
Recurring Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	
Nonrecurring Measurements						
Assets:						
Impaired loans	\$ 31,262	\$ -	\$ -	\$ 31,262	\$ 31,262	\$ 6,766
Other property owned	3,845	-	-	4,294	4,294	1,645
Other investments	80	-	-	80	80	(60)
Nonrecurring Assets	\$ 35,187	\$ -	\$ -	\$ 35,636	\$ 35,636	\$ 8,351
Other Financial Instruments						
Assets:						
Cash	\$ 36	\$ 36	\$ -	\$ -	\$ 36	
RABs	3,019	-	-	3,515	3,515	
ABSs	10,044	-	10,057	-	10,057	
Loans	817,003	-	-	822,508	822,508	
Other Financial Assets	\$ 830,102	\$ 36	\$ 10,057	\$ 826,023	\$ 836,116	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	\$ 662,690	\$ -	\$ -	\$ 658,746	\$ 658,746	
Other Financial Liabilities	\$ 662,690	\$ -	\$ -	\$ 658,746	\$ 658,746	

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	\$ 27,769	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*
Other investments – RBIC	\$ 80	Third party evaluation	Income, expense, capital	Not applicable

* 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
RABs	Discounted cash flow	Prepayment rates
		Risk adjusted discount rate
ABSs	Vendor priced	**
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

** The inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.

Note 7 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Pension	\$ 883	\$ 905	\$ 2,649	\$ 2,714
401(k)	127	96	397	335
Other postretirement benefits	198	119	595	358
Total	\$ 1,208	\$ 1,120	\$ 3,641	\$ 3,407

The following is a table of 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	\$ 32	\$ 3,590	\$ 3,622
Other postretirement benefits	262	79	341
Total	\$ 294	\$ 3,669	\$ 3,963

Contributions in the above table 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 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 — Business Combination

Effective January 1, 2011, Farm Credit of North Florida, ACA, and Farm Credit of Southwest Florida, ACA, merged with and into Farm Credit of South Florida, ACA. Farm Credit of South Florida then changed its name to Farm Credit of Florida, ACA. As part of the merger, those Associations entered into an agreement with the Bank under which the Bank would provide limited financial assistance to the merged Association in the event of substantial further deterioration in the combined high risk asset portfolio of the merged Association. This agreement related only to a finite pool of high risk assets of the merged Association existing at the merger date. This agreement with the Bank did not include losses that are sustained outside of the high risk asset pool. The agreement provided for limits on the merged Association's ability to make patronage distributions and certain other restrictions which are imposed if certain merged Association capital ratios fail to meet minimum established levels.

Under the financial assistance agreement, as amended, if specified minimum levels of capital allocated to the high risk asset pool were not maintained by the merged Association, the Bank would provide financial assistance as stipulated in the agreement. This agreement was terminated effective October 15, 2014.

Note 10 — Regulatory Enforcement Matters

As previously disclosed, on June 15, 2012 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The written supervisory agreement required the Association to take corrective actions and other actions with respect to certain areas of its operations, including board governance, director fiduciary duties and standards of conduct, board consultant functions, staffing and succession planning, asset quality, collateral risk, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, and business planning and reporting. In addition, the Association operated under Supervisory Conditions of Merger and maintained compliance with all requirements and conditions.

On September 25, 2014, the Association was notified that the written supervisory agreement and the Supervisory Conditions of Merger were terminated by the FCA board on September 16, 2014. The termination was recognition by the FCA that the conditions that prompted the need for the agreement and the Conditions of Merger have been effectively addressed by the Association.

Note 11 — 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 will receive approximately \$4,338 which will be recorded in October 2015 as patronage refunds from other Farm Credit institutions.