Puerto Rico Farm Credit, ACA

FIRST QUARTER 2015

TABLE OF CONTENTS

CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2015 quarterly report of Puerto Rico 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.

Pablo A. Rodríguez
Chairman of Board of Directors

Ricardo L. Fernández
Chief Executive Officer

Antonio Marichal
Member of Board of Directors
Chairman of the Audit Committee

Johana Quiñones
Director of Finance, Risk
Management and Internal Control

May 8, 2015

Puerto Rico 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 March 31, 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 March 31, 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 March 31, 2015.

Ricardo L. Fernández
Chief Executive Officer

Johana Quiñones
Director of Finance
Risk Management and Internal Control

May 8, 2015

Puerto Rico Farm Credit, ACA

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

(dollars in thousands)

The following commentary reviews the consolidated financial condition and results of operations of Puerto Rico Farm Credit, ACA (Association) for the three months ended March 31, 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.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners, and farm-related businesses for financing short and intermediate-term loans and long-term real estate mortgage loans. The Association also maintains a portfolio of purchased loans, originated by other Farm Credit System entities and non-system entities. The Association's predominant chartered territory agricultural commodities were dairy, fruits (including plantains and coffee) and rural home which totaled approximately $89,374 or 51.55 percent of the gross principal balance, net of sold loans, at March 31, 2015.

The outstanding loan volume of the Association at March 31, 2015 was $165,685 for a decrease of $769 or .46 percent as compared to $166,454 at December 31, 2014. Loans originated within the Association's chartered territory were lower by approximately $2,596, while participation loans purchased increased by approximately $1,827.

Net loans outstanding at March 31, 2015 totaled $163,927 as compared to $164,470 at December 31, 2014. Net loans made up 96.47 percent of total assets at March 31, 2015, as compared to 95.53 percent at December 31, 2014.

As a percentage of outstanding loans, non-accrual loans totaled 4.46 percent at March 31, 2015, compared with 4.66 percent at December 31, 2014. The decrease in the percentage of non-accrual loan volume during the first three months of 2015 was primarily the result of a $478 participation loan transferred to other property owned (OPO) partially offset by a $212 chartered territory loan transfer to nonaccrual and $51 in charges offs recognized, among other repayments. Nonaccrual loans decreased $377 from $7,759 at December 31, 2014 to $7,382 at March 31, 2015. Management expects that a large nonaccrual loan will be resolved during the rest of the year.

The overall delinquency rate for the chartered territory accruing loan portfolio continues to remain stable. Management believes that high risk loans will decrease by the end of the year.

The allowance for loan losses resulted in a decrease of $226 for $1,758 at March 31, 2015 from $1,984 at December 31, 2014. The decrease was primarily due to $269 reduction in the general allowance partially offset by an additional specific reserve of $43 for a chartered territory loan. Management will continue to monitor certain risks, such as collateral risk and other factors that may increase the risk of the portfolio, such as climate conditions, government fiscal policy and overall economic conditions in the island. The total allowance for loan losses to outstanding loan volume ratio decreased to 1.06 percent at March 31, 2015 from 1.19 percent at December 31, 2014.

During the first three months of 2015, charge-offs recognized totaled $51, mainly due to a $45 charge-offs recognized on one nonaccrual chartered territory loans. The Association is actively marketing acquired properties; and may incur in additional accounting losses or gains, as sales are completed.

Prevailing economic indicators signal continued weakness in the island's economy. In addition, the government's fiscal plan which includes increased taxes and lower incentives for investments have and may continue limiting the island's ability to recover economically. On the other hand, the US economic conditions continue improving with moderate economic growth expected in fiscal 2015 and 2016.

The dairy industry's production has been stable year-to-date with production below the previous year. The new administrative order signed by the industry administrator in July 2014 provides farmers with improved margins and has helped provide much needed liquidity to some farmers. The Association continues to monitor events within the industry and there potential impact on the dairy portfolio. The Association lends just over 29.53 percent of total loans to this industry and continues to execute risk management practices to reduce overall risk.

The state-side participation loan portfolio has experienced stability in real estate for "land-in-transition" and "real estate development". Only one loan remains in the participation loan portfolio. Management continues to work together with other associations to collect on this loan.

The Association will continue to search for opportunities to fulfill its public mission. The Board of Directors and management remain cautious of the ACA's ability to quickly grow the portfolio under the prevailing economic environment. Management will focus on targeted marketing to viable farmers in sectors demonstrating the ability to grow and remain competitive in a changing marketplace.

RESULTS OF OPERATIONS

For the three months ended March 31, 2015

Net income from operations totaled $442 for an increase of $236 when compared to a net income from operations of $206 for the same period ended on March 31, 2014. The primary driver for this increase is a $176 reversal of allowance for loan losses.

The net interest income was $1,213 compared to $1,135 for the same period ended on March 31, 2014. Total net interest income increased since the interest income increased by $59 and, the interest expense declined by $19.

Noninterest income, including net gains or losses on other transactions, was $204 compared to a noninterest income of $275 for the same period ended on March 31, 2014, resulting in a decrease of $71 or 26 percent. This decrease was mainly due to a loss provision of $79 for unfunded commitments.

Noninterest expense, including net gains or losses on Other Property Owned, was $1,151 compared to $1,197 for the same period ended March 31, 2014, resulting in a decrease of $46 or 3.84 percent. The decrease was primarily due to a reduction of $75 in salaries and benefits, and a $38 reduction of other property owned expenses, partially offset by an increase of $68 in other operating expenses mainly related with professional services and nonaccrual expenses.

Key Results of Operations Ratios

	Annualized for the three months ended 3/31/15	For the year ended 12/31/14
Return on Average Assets	1.06%	2.34%
Return on Average Equity	3.43%	7.87%
Net Interest Income as a Percentage of Average Earning Assets	3.11%	3.13%

LIQUIDITY AND FUNDING SOURCES

Liquidity

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. Sufficient liquid funds have been available to meet all financial obligations.

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 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 notes. The variable rate notes are utilized by the Association to fund variable rate loan advances and operating fund requirements. The fixed rate notes are used specifically to fund fixed rate loan advances made by the Association.

The total notes payable to AgFirst Farm Credit Bank at March 31, 2015 were $115,813 as compared with $118,626 at December 31, 2014. The decrease of $2,813 or 2.37 percent for the total notes payable is primarily due to an increase in the loanable funds credit that decreased the note payable for lending.

See Note 6 in the Notes to the Consolidated Financial Statements for additional information on the status of compliance with requirements under the General Financing Agreement.

The Association had no lines of credit outstanding with third parties as of March 31, 2015.

Funds Management

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers variable and fixed rate loan products which are competitively priced according to local market rates. Variable rate loans are generally indexed to either the Prime rate or the London Interbank Offered Rate (LIBOR). The majority of the interest rate risk in the Association balance sheet is transferred to the Bank through the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify and control interest rate risk associated with the loan portfolio.

CAPITAL RESOURCES

Total members’ equity at March 31, 2015 increased by $434 or .84 percent to $52,331 from December 31, 2014 when total members’ equity was $51,897. The increase was primarily attributable to the year-to-date net income which totaled $442 at March 31, 2015 partially offset by the decrease of capital stock and participation certificates.

Total capital stock and participation certificates were $512 on March 31, 2015 compared to $520 on December 31, 2014. The decrease of $8 was the net result of refunding more stock to non-borrowing stockholders than new stockholders purchasing capital stock or participation certificates.

Unallocated retained earnings was $51,819 on March 31, 2015 for an increase of $442 or .86 percent from December 31, 2014 when unallocated retained earnings totaled $51,377. The increase was due to the net income during the first three months of 2015.

The Association's regulatory permanent capital ratio at March 31, 2015 was 34.20 percent compared to 32.98 percent at December 31, 2014. The Association's total surplus and core surplus ratios were both 33.85 percent at March 31, 2015. 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.

Key financial condition ratios were as follows:

	3/31/15	12/31/14
Total Members' Equity to Asset	30.80%	30.14%
Debt to Total Members' Equity	2.25	2.32

REGULATORY MATTERS

FCA Supervisory Agreement

On March 17, 2011 the Farm Credit Administration (FCA) entered into a written Supervisory Agreement (SA) with the Board of Directors of the Association. This agreement supersedes FCA Supervisory Letters dated July 23, 2009, March 2, 2010, and December 10, 2010 and incorporates certain requirements from these letters. The Supervisory Agreement requires the Board of Directors to take certain corrective and precautionary measures with respect to some Association practices, including board governance and operation, director fiduciary duties, nominating committee procedures, board policies, board business planning, Association earnings and liquidity, senior management and human capital development, internal audit and review, asset quality, allowance for loan losses and collateral risk management, and capital markets and participation activities. In addition, the SA prohibits the Association from distributing patronage-sourced income without FCA consent.

Conditions and events that led to the need for this agreement include portfolio credit quality deterioration, high turnover in senior management, perceived weaknesses in board governance, and, reduced earnings and liquidity.

The Board of Directors and the Association have worked together to reach significant milestones. The regulator has provided the Board of Directors several interim progress reports on compliance with the SA and delivered a report of examination to the Board of Directors as of December 31, 2014. The Association has achieved full compliance in 14 out of 17 items and substantial compliance in 3 out of 17 items. Some of the results achieved in compliance with the agreement include the following:

- Hiring a board consultant and working with the consultant to assist the Board in fulfilling its fiduciary duties and improving board operations and governance.
- Updating its board committee charters, undergoing several training sessions and changing leadership to improve governance of the Association.
- Revising the director candidate nominating procedures to qualify new candidates, which led to stockholders electing two new directors to the Board in 2012.
- Hiring a new CEO beginning on February 1, 2011 to lead the Association after the retirement of the previous CEO on September 30, 2010.
- Building a cohesive senior management team.
- Overseeing the implementation of updated collateral risk management policies and procedures that are in line with best practices in the industry.
- Improving the methodology used to calculate the Allowance for Loan Losses of the Association.
- Hiring a specialized third party auditor that assessed the capital markets portfolio credit risk and helped, strengthened credit policies and procedures.
- Establishing a Compliance Committee to monitor management's progress in implementing the corrective actions of items identified in the SA.
- Ensuring that FCA's recommendations are incorporated in the various action plans.
- Reviewing the Association's internal audit plan to focus on areas where perceived weaknesses were identified.
- Establishing a risk assessment process to assess risks and controls in the ACA.
- Establishing an asset quality improvement plan to monitor management efforts in managing high risk loans.
- Revising the business plan to establish strategic priorities and to comply with FCA regulations governing business planning.
- Establishing a human capital plan and succession plan to assist in the long-term success of the Association.
- Revising board policies on a quarterly basis to guide management in conducting day to day operations.
- Enhancing the participation's portfolio credit underwriting and administration controls.

All required measures have not been achieved or completed as of the date of this report and the Board of Directors continues to work with the management team in improving the areas identified in the Supervisory Agreement. Besides the ongoing corrective actions already mentioned, other actions to be taken target the following areas:

- Maintain oversight over internal controls.
- Continue executing strategies to grow the Association's loan portfolio with high quality loans to improve asset quality and, enhance earnings and liquidity.
- Continue improving the preparation and documentation of the income approach in appraisals.

The Board of Directors will continue engaging a board consultant to provide advice in understanding and fulfilling its fiduciary responsibilities and to perform other advisory functions as specified in the agreement. Both the Board of Directors and Senior Management are committed to continuing the administration of the Association in a sound manner, compliant with all FCA Regulations.

The Association remained under written supervisory agreement as of the date of this report.

The Board of Directors will continue engaging a board consultant to provide advice in understanding and fulfilling its fiduciary responsibilities and to perform other advisory functions as specified in the agreement. Both the Board of Directors and Senior Management are committed to continuing the administration of the Association in a sound manner, compliant with all FCA Regulations.

The Association remained under written supervisory agreement as of the date of this report.

<u>Other Matters</u>

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 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 public comment period ended on February 16, 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 Wall Street Reform and Consumer Protection Act (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.

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 its website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-981-3323, or writing Nydia J. Acevedo, Controller, Puerto Rico Farm Credit, ACA, PO Box 363649, San Juan, PR 00936-3649, or accessing the website, *www.puertoricofarmcredit.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 Association.

Puerto Rico Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2015	December 31, 2014
	(unaudited)	*(audited)*
Assets		
Cash	**$ 213**	$ 292
Loans	**165,685**	166,454
Allowance for loan losses	**(1,758)**	(1,984)
Net loans	**163,927**	164,470
Other investments	**40**	40
Accrued interest receivable	**663**	576
Investments in other Farm Credit institutions	**1,624**	1,624
Premises and equipment, net	**968**	984
Other property owned	**1,868**	1,484
Accounts receivable	**286**	2,348
Other assets	**335**	346
Total assets	**$ 169,924**	$ 172,164
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 115,813**	$ 118,626
Accrued interest payable	**153**	161
Patronage refunds payable	**2**	800
Accounts payable	**209**	358
Other liabilities	**1,416**	322
Total liabilities	**117,593**	120,267
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	**512**	520
Unallocated retained earnings	**51,819**	51,377
Total members' equity	**52,331**	51,897
Total liabilities and members' equity	**$ 169,924**	$ 172,164

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

Puerto Rico Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2015	2014
Interest Income		
Loans	**$ 1,681**	$ 1,622
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	**468**	487
Net interest income	**1,213**	1,135
Provision for (reversal of allowance for) loan losses	**(176)**	7
Net interest income after provision for (reversal of allowance for) loan losses	**1,389**	1,128
Noninterest Income		
Loan fees	**22**	29
Fees for financially related services	**—**	1
Patronage refunds from other Farm Credit institutions	**228**	226
Gains (losses) on other transactions	**(78)**	6
Other noninterest income	**32**	13
Total noninterest income	**204**	275
Noninterest Expense		
Salaries and employee benefits	**701**	776
Occupancy and equipment	**53**	54
Insurance Fund premiums	**32**	32
(Gains) losses on other property owned, net	**3**	41
Other operating expenses	**362**	294
Total noninterest expense	**1,151**	1,197
Net income	**$ 442**	$ 206

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

Puerto Rico Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2015	2014
Net income	**$ 442**	$ 206
Other comprehensive income net of tax		
Employee benefit plans adjustments	**—**	(2)
Comprehensive income	**$ 442**	$ 204

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

Puerto Rico Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2013	$ 537	$ 48,256	$ 302	$ 49,095
Comprehensive income		206	(2)	204
Capital stock/participation certificates issued/(retired), net	(4)			(4)
Balance at March 31, 2014	$ 533	$ 48,462	$ 300	$ 49,295
Balance at December 31, 2014	**$ 520**	**$ 51,377**	**$ —**	**$ 51,897**
Comprehensive income		**442**		**442**
Capital stock/participation certificates issued/(retired), net	**(8)**			**(8)**
Balance at March 31, 2015	**$ 512**	**$ 51,819**	**$ —**	**$ 52,331**

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

Puerto Rico 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 Puerto Rico Farm Credit, ACA (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.

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

No recently adopted accounting guidance issued by the Financial Accounting Standards Board (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. 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:

	March 31, 2015	December 31, 2014
Real estate mortgage	$ 88,793	$ 90,578
Production and intermediate-term	32,858	33,752
Processing and marketing	19,397	17,722
Farm-related business	2,331	2,350
Communication	6,143	5,658
Energy and water/waste disposal	2,386	2,420
Rural residential real estate	13,777	13,974
Total Loans	$ 165,685	$ 166,454

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:

	March 31, 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	$ 1,035	$ 5,621	$ –	$ –	$ 1,363	$ –	$ 2,398	$ 5,621
Production and intermediate term	6,582	2,045	–	–	5,879	–	12,461	2,045
Processing and marketing	18,852	–	–	–	464	–	19,316	–
Farm-related business	–	–	–	–	2,116	–	2,116	–
Communication	6,163	–	–	–	–	–	6,163	–
Energy and water/waste disposal	2,393	–	–	–	–	–	2,393	–
Total	$ 35,025	$ 7,666	$ –	$ –	$ 9,822	$ –	$ 44,847	$ 7,666

	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	$ 1,048	$ 5,672	$ –	$ –	$ 1,380	$ –	$ 2,428	$ 5,672
Production and intermediate term	7,194	2,146	–	–	5,977	–	13,171	2,146
Processing and marketing	17,153	–	–	–	481	–	17,634	–
Farm-related business	–	–	–	–	2,132	–	2,132	–
Communication	5,668	–	–	–	–	–	5,668	–
Energy and water/waste disposal	2,428	–	–	–	–	–	2,428	–
Total	$ 33,491	$ 7,818	$ –	$ –	$ 9,970	$ –	$ 43,461	$ 7,818

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:

	March 31, 2015			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 19,050	$ 43,309	$ 26,434	$ 88,793
Production and intermediate-term	4,077	22,291	6,490	32,858
Processing and marketing	1,697	11,074	6,626	19,397
Farm-related business	–	232	2,099	2,331
Communication	–	5,490	653	6,143
Energy and water/waste disposal	–	2,386	–	2,386
Rural residential real estate	9	196	13,572	13,777
Total Loans	$ 24,833	$ 84,978	$ 55,874	$ 165,685
Percentage	14.99%	51.29%	33.72%	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:

	March 31, 2015	December 31, 2014
Real estate mortgage:		
Acceptable	89.51%	89.60%
OAEM	0.60	0.60
Substandard/doubtful/loss	9.89	9.80
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	91.61%	89.28%
OAEM	–	–
Substandard/doubtful/loss	8.39	10.72
	100.00%	100.00%
Processing and marketing:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	March 31, 2015	December 31, 2014
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	16.31%	17.58%
OAEM	83.69	82.42
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	95.34%	95.30%
OAEM	0.91	0.77
Substandard/doubtful/loss	3.75	3.93
	100.00%	100.00%
Total Loans:		
Acceptable	91.12%	90.57%
OAEM	1.60	1.59
Substandard/doubtful/loss	7.28	7.84
	100.00%	100.00%

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

	March 31, 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	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,775	$ 4,520	$ 6,295	$ 82,902	$ 89,197	$ –
Production and intermediate-term	–	865	865	32,147	33,012	–
Processing and marketing	–	–	–	19,435	19,435	–
Farm-related business	–	–	–	2,340	2,340	–
Communication	–	–	–	6,145	6,145	–
Energy and water/waste disposal	–	–	–	2,398	2,398	–
Rural residential real estate	262	122	384	13,437	13,821	–
Total	$ 2,037	$ 5,507	$ 7,544	$ 158,804	$ 166,348	$ –

	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	$ 1,444	$ 4,577	$ 6,021	$ 84,848	$ 90,869	$ –
Production and intermediate-term	–	1,343	1,343	32,576	33,919	–
Processing and marketing	–	–	–	17,793	17,793	–
Farm-related business	–	–	–	2,361	2,361	–
Communication	–	–	–	5,660	5,660	–
Energy and water/waste disposal	–	–	–	2,421	2,421	–
Rural residential real estate	346	37	383	13,624	14,007	–
Total	$ 1,790	$ 5,957	$ 7,747	$ 159,283	$ 167,030	$ –

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

	March 31, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	$ 6,174	$ 6,064
Production and intermediate-term	1,043	1,527
Rural residential real estate	165	168
Total	$ 7,382	$ 7,759
Accruing restructured loans:		
Real estate mortgage	$ 2,382	$ 2,392
Production and intermediate-term	1,513	1,555
Total	$ 3,895	$ 3,947
Accruing loans 90 days or more past due:		
Total	$ –	$ –
Total nonperforming loans	$ 11,277	$ 11,706
Other property owned	1,868	1,484
Total nonperforming assets	$ 13,145	$ 13,190
Non-accrual loans as a percentage of total loans	4.46%	4.66%
Nonperforming assets as a percentage of total loans and other property owned	7.85%	7.85%
Nonperforming assets as a percentage of capital	25.12%	25.42%

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.

	March 31, 2015	December 31, 2014
Impaired nonaccrual loans:		
Current as to principal and interest	$ 1,413	$ 1,682
Past due	5,969	6,077
Total	7,382	7,759
Impaired accrual loans:		
Restructured	3,895	3,947
90 days or more past due	–	–
Total	3,895	3,947
Total impaired loans	$ 11,277	$ 11,706

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

	March 31, 2015			Quarter Ended March 31, 2015	
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	$ 558	$ 574	$ 76	$ 558	$ 3
Production and intermediate-term	178	185	6	178	1
Rural residential real estate	–	–	–	–	–
Total	$ 736	$ 759	$ 82	$ 736	$ 4
With no related allowance for credit losses:					
Real estate mortgage	$ 7,998	$ 12,013	$ –	$ 8,005	$ 38
Production and intermediate-term	2,378	5,803	–	2,380	11
Rural residential real estate	165	220	–	165	1
Total	$ 10,541	$ 18,036	$ –	$ 10,550	$ 50
Total:					
Real estate mortgage	$ 8,556	$ 12,587	$ 76	$ 8,563	$ 41
Production and intermediate-term	2,556	5,988	6	2,558	12
Rural residential real estate	165	220	–	165	1
Total	$ 11,277	$ 18,795	$ 82	$ 11,286	$ 54

Impaired loans:	December 31, 2014 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2014 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 651	$ 622	$ 31	$ 797	$ 20
Production and intermediate-term	185	189	9	227	6
Rural residential real estate	–	–	–	–	–
Total	$ 836	$ 811	$ 40	$ 1,024	$ 26
With no related allowance for credit losses:					
Real estate mortgage	$ 7,805	$ 11,780	$ –	$ 9,569	$ 243
Production and intermediate-term	2,897	6,365	–	3,551	90
Rural residential real estate	168	222	–	206	5
Total	$ 10,870	$ 18,367	$ –	$ 13,326	$ 338
Total:					
Real estate mortgage	$ 8,456	$ 12,402	$ 31	$ 10,366	$ 263
Production and intermediate-term	3,082	6,554	9	3,778	96
Rural residential real estate	168	222	–	206	5
Total	$ 11,706	$ 19,178	$ 40	$ 14,350	$ 364

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	Total
Activity related to the allowance for credit losses:							
Balance at December 31, 2014	$ 235	$ 1,250	$ 177	$ 26	$ 17	$ 279	$ 1,984
Charge-offs	(50)	–	–	–	–	–	(50)
Recoveries	–	–	–	–	–	–	–
Provision for loan losses	92	(188)	(25)	1	–	(56)	(176)
Balance at March 31, 2015	$ 277	$ 1,062	$ 152	$ 27	$ 17	$ 223	$ 1,758
Balance at December 31, 2013	$ 1,359	$ 1,002	$ 565	$ 12	$ 2	$ 188	$ 3,128
Charge-offs	(1)	–	–	–	–	(1)	(2)
Recoveries	–	–	–	–	–	–	–
Provision for loan losses	72	40	(148)	1	(1)	43	7
Balance at March 31, 2014	$ 1,430	$ 1,042	$ 417	$ 13	$ 1	$ 230	$ 3,133
Allowance on loans evaluated for impairment:							
Individually	$ 76	$ 6	$ –	$ –	$ –	$ –	$ 82
Collectively	201	1,056	152	27	17	223	1,676
Balance at March 31, 2015	$ 277	$ 1,062	$ 152	$ 27	$ 17	$ 223	$ 1,758
Individually	$ 31	$ 9	$ –	$ –	$ –	$ –	$ 40
Collectively	204	1,241	177	26	17	279	1,944
Balance at December 31, 2014	$ 235	$ 1,250	$ 177	$ 26	$ 17	$ 279	$ 1,984
Recorded investment in loans evaluated for impairment:							
Individually	$ 8,080	$ 2,556	$ –	$ –	$ –	$ –	$ 10,636
Collectively	81,117	30,456	21,775	6,145	2,398	13,821	155,712
Balance at March 31, 2015	$ 89,197	$ 33,012	$ 21,775	$ 6,145	$ 2,398	$ 13,821	$ 166,348
Individually	$ 8,041	$ 3,082	$ –	$ –	$ –	$ –	$ 11,123
Collectively	82,828	30,837	20,154	5,660	2,421	14,007	155,907
Balance at December 31, 2014	$ 90,869	$ 33,919	$ 20,154	$ 5,660	$ 2,421	$ 14,007	$ 167,030

**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 table presents additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. There were no TDRs for three months ended March 31, 2015.

	Three months ended March 31, 2014				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ 115	$ –	$ –	$ 115	
Total	$ 115	$ –	$ –	$ 115	
Post-modification:					
Real estate mortgage	$ 116	$ –	$ –	$ 116	$ –
Total	$ 116	$ –	$ –	$ 116	$ –

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.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the periods presented. Payment default is defined as a payment that was thirty days or more past due.

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	
	March 31, 2015	**December 31, 2014**	**March 31, 2015**	**December 31, 2014**
Real estate mortgage	$ 6,002	$ 6,050	$ 3,620	$ 3,658
Production and intermediate-term	1,691	1,740	178	185
Total Loans	$ 7,693	$ 7,790	$ 3,798	$ 3,843
Additional commitments to lend	$ –	$ –		

The following table presents information as of period end:

	March 31, 2015
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	$ –

Note 3 — Investments

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 0.65 percent of the issued stock of the Bank as of March 31, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.9 billion and shareholders' equity totaled $2.3 billion. The Bank's earnings were $83 million for the first three months of 2015. In addition, the Association has no investments 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.

A Special Credit Agreement (SCA) addressing the Association's GFA earnings covenant default was executed effective January 31, 2013 and expired on January 31, 2014. The Association operated under the terms and requirements of the 2014 GFA from February 1, 2014 until April 11, 2014. On April 11, 2014, the Association entered into a SCA with the Bank pursuant to its GFA as a result of events of default under the GFA related to continued regulatory enforcement matters discussed in Note 9. This SCA expired on April 11, 2015 and was renewed through April 11, 2016. The Association was in compliance with the SCA covenants at March 31, 2015 and December 31, 2014.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive income by Component *(a)*	
	For the Three Months Ended March 31,	
	2015	2014
Employee Benefit Plans:		
Balance at beginning of period	$ –	$ 302
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	–	(2)
Net current period other comprehensive income	–	(2)
Balance at end of period	$ –	$ 300

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	For the Three Months Ended March 31,		
	2015	2014	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	$ –	$ 2	See Note 7.
Net amounts reclassified	$ –	$ 2	

(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.

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets.

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 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.

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.

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	$ 13,214	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*
Other investments – RBIC	$ 40	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 forecast
		Probability of default
		Loss severity
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

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 Three Months Ended March 31, 2015

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Recurring Assets	$ –	$ –	$ –	$ –	$ –	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 11,195	$ –	$ –	$ 11,195	$ 11,195	$ (93)
Other property owned	1,868	–	–	2,019	2,019	1
Other investments	40	–	–	40	40	–
Nonrecurring Assets	$ 13,103	$ –	$ –	$ 13,254	$ 13,254	$ (92)
Other Financial Instruments						
Assets:						
Cash	$ 213	$ 213	$ –	$ –	$ 213	
Loans	152,732	–	–	152,178	152,178	
Other Financial Assets	$ 152,945	$ 213	$ –	$ 152,178	$ 152,391	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 115,813	$ –	$ –	$ 115,693	$ 115,693	
Other Financial Liabilities	$ 115,813	$ –	$ –	$ 115,693	$ 115,693	

	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:						
Recurring Assets	$ –	$ –	$ –	$ –	$ –	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 11,666	$ –	$ –	$ 11,666	$ 11,666	$ (452)
Other property owned	1,484	–	–	1,577	1,577	(194)
Other investments	40	–	–	40	40	(30)
Nonrecurring Assets	$ 13,190	$ –	$ –	$ 13,283	$ 13,283	$ (676)
Other Financial Instruments						
Assets:						
Cash	$ 292	$ 292	$ –	$ –	$ 292	
Loans	152,804	–	–	152,005	152,005	
Other Financial Assets	$ 153,096	$ 292	$ –	$ 152,005	$ 152,297	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 118,626	$ –	$ –	$ 118,454	$ 118,454	
Other Financial Liabilities	$ 118,626	$ –	$ –	$ 118,454	$ 118,454	

Note 7 — Employee Benefit Plans

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

	For the three months ended March 31,	
	2015	2014
Pension	$ 248	$ 262
401(k)	21	16
Other postretirement benefits	–	28
Total	$ 269	$ 306

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

	Actual YTD Through 3/31/15	Projected Contributions For Remainder of 2015	Projected Total Contributions 2015
Pension	$ –	$ 1,016	$ 1,016
Other postretirement benefits	–	–	–
Total	$ –	$ 1,016	$ 1,016

Contributions in the above table include an allocated estimate of funding for the multi-employer pension plan in which the Association participates. The projected amount may change when a total funding amount and allocation is determined by the pension Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change the contribution 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 and the Puerto Rico Farm Credit Benefits Alliance Retiree and Disabled Medical and Dental benefits.

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 — Regulatory Enforcement Matters

On March 17, 2011 the Farm Credit Administration (FCA) entered into a written Supervisory Agreement (SA) with the Board of Directors of the Association. This agreement supersedes FCA Supervisory Letters dated July 23, 2009, March 2, 2010, and December 10, 2010 and incorporates certain requirements from these letters. The Supervisory Agreement requires the Board of Directors to take certain corrective and precautionary measures with respect to some Association practices, including board governance and operation, director fiduciary duties, nominating committee procedures, board policies, board business planning, Association earnings and liquidity, senior management and human capital development, internal audit and review, asset quality, allowance for loan losses and collateral risk management, and capital markets and participation activities. In addition, the SA prohibits the Association from distributing patronage-sourced income without FCA consent.

Conditions and events that led to the need for this agreement include portfolio credit quality deterioration, high turnover in senior management, perceived weaknesses in board governance, and, reduced earnings and liquidity.

The Board of Directors and the Association have worked together to reach significant milestones. The regulator has provided the Board of Directors several interim progress reports on compliance with the SA and delivered a report of examination to the Board of Directors as of December 31, 2014. The Association has achieved full compliance in 14 out of 17 items and substantial compliance in 3 out of 17 items. Some of the results achieved in compliance with the agreement include the following:

- Hiring a board consultant and working with the consultant to assist the Board in fulfilling its fiduciary duties and improving board operations and governance.
- Updating its board committee charters, undergoing several training sessions and changing leadership to improve governance of the Association.
- Revising the director candidate nominating procedures to qualify new candidates, which led to stockholders electing two new directors to the Board in 2012.
- Hiring a new CEO beginning on February 1, 2011 to lead the Association after the retirement of the previous CEO on September 30, 2010.
- Building a cohesive senior management team.
- Overseeing the implementation of updated collateral risk management policies and procedures that are in line with best practices in the industry.
- Improving the methodology used to calculate the Allowance for Loan Losses of the Association.
- Hiring a specialized third party auditor that assessed the capital markets portfolio credit risk and helped, strengthened credit policies and procedures.
- Establishing a Compliance Committee to monitor management's progress in implementing the corrective actions of items identified in the SA.
- Ensuring that FCA's recommendations are incorporated in the various action plans.
- Reviewing the Association's internal audit plan to focus on areas where perceived weaknesses were identified.
- Establishing a risk assessment process to assess risks and controls in the ACA.
- Establishing an asset quality improvement plan to monitor management efforts in managing high risk loans.
- Revising the business plan to establish strategic priorities and to comply with FCA regulations governing business planning.
- Establishing a human capital plan and succession plan to assist in the long-term success of the Association.
- Revising board policies on a quarterly basis to guide management in conducting day to day operations.
- Enhancing the participation's portfolio credit underwriting and administration controls.

All required measures have not been achieved or completed as of the date of this report and the Board of Directors continues to work with the management team in improving the areas identified in the Supervisory Agreement. Besides the ongoing corrective actions already mentioned, other actions to be taken target the following areas:

- Maintain oversight over internal controls.
- Continue executing strategies to grow the Association's loan portfolio with high quality loans to improve asset quality and, enhance earnings and liquidity.
- Continue improving the preparation and documentation of the income approach in appraisals.

The Board of Directors will continue engaging a board consultant to provide advice in understanding and fulfilling its fiduciary responsibilities and to perform other advisory functions as specified in the agreement. Both the Board of Directors and Senior Management are committed to continuing the administration of the Association in a sound manner, compliant with all FCA Regulations.

The Association remained under written supervisory agreement as of the date of this report.

Note 10 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through May 8, 2015, which was the date the financial statements were issued.