

LONE STAR, ACA

**2014
Quarterly Report
Second Quarter**



For the Quarter Ended June 30, 2014

REPORT OF MANAGEMENT

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




Troy Bussmeir, Chief Executive Officer

August 7, 2014



Tom Johnson, Chairman, Board of Directors

August 7, 2014



M'Lissa Kiel, Chief Financial Officer

August 7, 2014



Don Crawford, Chairman, Audit Committee

August 7, 2014

LONE STAR, ACA MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Lone Star, ACA (Agricultural Credit Association), referred to as the association, for the quarter ended June 30, 2014. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2013 Annual Report to Stockholders.

The association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the association's audit committee.

Significant Events:

Effective January 1, 2014, the association merged with Texas Land Bank, ACA. The merger was unanimously approved by stockholders of both associations and granted by the associations' regulator, the Farm Credit Administration. The merged entity is headquartered in Fort Worth, Texas. Board and Management believe the merger of the two associations results in a benefit to shareholders through its ability to better serve the agricultural market within its territory. The merger was accounted for using the acquisition method of accounting in which the Texas Land Bank, ACA, assets acquired and liabilities assumed by Lone Star, ACA are measured at fair value at the date of acquisition. For additional information related to the merger please see Note 1 – Organization and Significant Accounting Policies.

In December 2013, the pre-merged boards of Lone Star, ACA and Texas Land Bank, ACA, each declared a 100 basis point (1.0 percent) cash patronage to be paid in April of 2014, based on 2013 earnings. The patronage was paid to eligible borrowers based on their average outstanding loan balance for the year ending December 31, 2013. The combined patronage amount paid was \$11,951,813. The combined association's capital position has increased and is above 20 percent for the period ending June 2014.

For over 97 years, the association and its predecessors have continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

Total loans outstanding at June 30, 2014, including nonaccrual loans and sales contracts, were \$1,358,389,535 compared to \$841,974,808 at December 31, 2013, reflecting an increase of 61.3 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.9 percent at June 30, 2014, compared to 1.6 percent at December 31, 2013.

The association recorded \$25,825 in recoveries and \$90,230 in charge-offs for the quarter ended June 30, 2014, and \$67,521 in recoveries and \$309,240 in charge-offs for the same period in 2013. The association's allowance for loan losses was 0.5 percent and 0.8 percent of total loans outstanding as of June 30, 2014, and December 31, 2013, respectively.

Risk Exposure:

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

	June 30, 2014		December 31, 2013	
	Amount	%	Amount	%
Nonaccrual	\$ 12,586,127	90.8%	\$ 13,794,752	93.8%
90 days past due and still accruing interest	275,141	2.0%	-	0.0%
Formally restructured	48,097	0.4%	50,748	0.4%
Other property owned, net	941,087	6.8%	858,367	5.8%
Total	<u>\$ 13,850,452</u>	<u>100.0%</u>	<u>\$ 14,703,867</u>	<u>100.0%</u>

Results of Operations:

The association had net income of \$6,610,466 and \$13,190,674 for the three and six months ended June 30, 2014, as compared to net income of \$3,555,008 and \$9,247,174 for the same period in 2013, reflecting an increase of 86.0 and 42.7 percent, respectively. Net interest income was \$10,105,781 and \$20,521,377 for the three and six months ended June 30, 2014, compared to \$6,242,989 and \$13,228,852 for the same period in 2013.

	June 30, 2014		June 30, 2013	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 1,355,686,553	\$ 30,656,807	\$ 837,534,266	\$ 18,929,363
Total interest-earning assets	1,355,686,553	30,656,807	837,534,266	18,929,363
Interest-bearing liabilities	1,056,320,092	10,135,430	648,904,058	5,700,511
Impact of capital	<u>\$ 299,366,461</u>		<u>\$ 188,630,208</u>	
Net interest income		<u>\$ 20,521,377</u>		<u>\$ 13,228,852</u>
	2014		2013	
	Average Yield		Average Yield	
Yield on loans	4.56%		4.56%	
Total yield on interest-earning assets	4.56%		4.56%	
Cost of interest-bearing liabilities	1.93%		1.77%	
Interest rate spread	2.63%		2.79%	
Net interest income as a percentage of average earning assets	3.05%		3.19%	

Interest income for the three and six months ended June 30, 2014, increased by \$6,142,927 and \$11,727,444, or 67.8 and 62.0 percent, respectively, from the same period of 2013, primarily due to the merger with Texas Land Bank, ACA, which resulted in an increase in average loan volume. Interest expense for the three and six months ended June 30, 2014, increased by \$2,280,135 and \$4,434,919, or 80.7 and 77.8 percent, respectively, from the same period of 2013 due to an increase in average interest-bearing liabilities resulting from the merger. Average loan volume for the second quarter of 2014 was \$1,356,666,804, compared to \$841,866,572 in the second quarter of 2013. The average net interest rate spread on the loan portfolio for the second quarter of 2014 was 2.56 percent, compared to 2.59 percent in the second quarter of 2013.

	June 30, 2014 vs. June 30, 2013		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	\$ 11,710,862	\$ 16,582	\$ 11,727,444
Interest income - investments	-	-	-
Total interest income	11,710,862	16,582	11,727,444
Interest expense	3,579,027	855,892	4,434,919
Net interest income	<u>\$ 8,131,835</u>	<u>\$ (839,310)</u>	<u>\$ 7,292,525</u>

The association's return on average assets for the six months ended June 30, 2014, was 1.92 percent compared to 2.19 percent for the same period in 2013. The association's return on average equity for the six months ended June 30, 2014, was 8.48 percent, compared to 9.64 percent for the same period in 2013. The decrease in return on average assets and return on average equity is primarily due to one-time income events that occurred during the six months ended June 30, 2013, including interest on nonaccruals and gains on sale of acquired property.

Liquidity and Funding Sources:

The association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the bank), which obtains its funds through the issuance of Systemwide obligations and with lendable equity. The following schedule summarizes the association's borrowings.

	June 30, 2014	December 31, 2013
Note payable to the bank	\$ 1,063,540,840	\$ 642,361,465
Accrued interest on note payable	1,641,191	946,559
Total	<u>\$ 1,065,182,031</u>	<u>\$ 643,308,024</u>

The association operates under a general financing agreement (GFA) with the bank. The current GFA is effective through September 30, 2015. The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of \$1,063,540,840 as of June 30, 2014, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 1.85 percent at June 30, 2014. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by the general financing agreement. The increase in note payable to the bank and related accrued interest payable since December 31, 2013, correlates directly with the growth in association loan volume that resulted from the merger. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were \$295,345,077 at June 30, 2014. The maximum amount the association may borrow from the bank as of June 30, 2014, was \$1,354,440,747 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2015, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The liquidity policy of the association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2014. As borrower payments are received, they are applied to the association's note payable to the bank.

The association will continue to fund its operations through direct borrowings from the bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the association are sufficient to fund its operations for the coming year.

Capital Resources:

The association's capital position increased by \$118,687,063 at June 30, 2014, compared to December 31, 2013. The association's debt as a percentage of members' equity was 3.35:1 as of June 30, 2014, compared to 3.26:1 as of December 31, 2013.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The association's permanent capital ratio at June 30, 2014, was 20.8 percent, which is in compliance with the FCA's minimum permanent capital standard. The association's core surplus ratio and total surplus ratio at June 30, 2014, were 20.3 and 20.3 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In February 2013, the FASB issued guidance, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012, and for nonpublic entities for annual periods beginning after December 15, 2013. The association has adopted this guidance, which did not impact the financial condition or results of operations, but resulted in additional disclosures which are included in Note 6 – Employee Benefit Plans.

Relationship With the Farm Credit Bank of Texas:

The association's financial condition may be impacted by factors that affect the bank. The financial condition and results of operations of the bank may materially affect the stockholder's investment in the association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2013 Annual Report of Lone Star, ACA more fully describe the association's relationship with the bank.

The Texas Farm Credit District's (district) annual and quarterly stockholder reports, as well as those of the bank, are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. Copies of the district's quarterly and annual stockholder reports also can be requested by e-mail at fcf@farmcreditbank.com. The annual and quarterly stockholder reports for the bank and the district are also available on its website at www.farmcreditbank.com.

The association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Lone Star, ACA, 1612 Summit Avenue, Suite 300, Fort Worth, Texas, 76102 or calling (817)332-6565. Copies of the association's quarterly stockholder reports can also be requested by e-mailing selita.sprunger@lonestaragcredit.com. The association makes its annual and quarterly stockholder reports available on its website at www.lonestaragcredit.com.

LONE STAR, ACA

CONSOLIDATED BALANCE SHEET

	June 30, 2014 (unaudited)	December 31, 2013
<u>ASSETS</u>		
Cash	\$ 66,897	\$ 27,797
Loans	1,358,389,535	841,974,808
Less: allowance for loan losses	(6,301,299)	(6,879,823)
Net loans	<u>1,352,088,236</u>	<u>835,094,985</u>
Accrued interest receivable	8,545,618	4,568,095
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	21,401,990	13,436,625
Other	4,993,341	1,398,828
Other property owned, net	941,087	858,367
Premises and equipment, net	3,289,789	1,475,029
Other assets	1,375,725	640,534
Total assets	<u><u>\$ 1,392,702,683</u></u>	<u><u>\$ 857,500,260</u></u>
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 1,063,540,840	\$ 642,361,465
Accrued interest payable	1,641,191	946,559
Drafts outstanding	62,639	638,403
Dividends payable	-	7,400,000
Other liabilities	7,264,208	4,647,091
Total liabilities	<u><u>1,072,508,878</u></u>	<u><u>655,993,518</u></u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	6,440,735	3,716,310
Additional paid-in capital	91,343,553	-
Allocated retained earnings	11,610,745	-
Unallocated retained earnings	211,345,768	198,155,096
Accumulated other comprehensive income (loss)	(546,996)	(364,664)
Total members' equity	<u><u>320,193,805</u></u>	<u><u>201,506,742</u></u>
Total liabilities and members' equity	<u><u>\$ 1,392,702,683</u></u>	<u><u>\$ 857,500,260</u></u>

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

LONE STAR, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
<u>INTEREST INCOME</u>				
Loans	\$ 15,210,231	\$ 9,067,304	\$ 30,656,807	\$ 18,929,363
Total interest income	15,210,231	9,067,304	30,656,807	18,929,363
<u>INTEREST EXPENSE</u>				
Note payable to the Farm Credit Bank of Texas	5,104,447	2,824,290	10,135,422	5,700,476
Advance conditional payments	3	25	8	35
Total interest expense	5,104,450	2,824,315	10,135,430	5,700,511
Net interest income	10,105,781	6,242,989	20,521,377	13,228,852
<u>PROVISION FOR LOAN LOSSES</u>				
	(386,403)	345,096	(537,781)	(598,027)
Net interest income after provision for loan losses	10,492,184	5,897,893	21,059,158	13,826,879
<u>NONINTEREST INCOME</u>				
Income from the Farm Credit Bank of Texas:				
Patronage income	1,037,174	474,798	2,076,080	960,020
Loan fees	(241,198)	52,095	66,866	176,909
Financially related services income	2,939	2,042	28,011	4,248
Gain (loss) on other property owned, net	(10,560)	112,382	(19,892)	239,728
Other noninterest income	25,500	7,891	113,599	106,530
Total noninterest income	813,855	649,208	2,264,664	1,487,435
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits	2,760,279	1,676,616	6,026,527	3,439,855
Directors' expense	163,500	120,181	356,811	233,090
Purchased services	157,355	225,305	501,999	515,330
Travel	258,468	215,941	411,508	357,814
Occupancy and equipment	256,313	170,704	569,218	330,357
Communications	83,611	41,435	152,121	82,940
Advertising	198,711	62,012	429,869	135,642
Public and member relations	197,450	149,988	389,447	247,819
Supervisory and exam expense	110,410	74,524	220,551	149,048
Insurance Fund premiums	320,154	163,325	767,076	428,309
Provisions for acquired property losses	-	3,190	-	3,190
Other noninterest expense	208,016	76,961	340,601	119,750
Total noninterest expenses	4,714,267	2,980,182	10,165,728	6,043,144
Income before income taxes	6,591,772	3,566,919	13,158,094	9,271,170
Provision for (benefit from) income taxes	(18,694)	11,911	(32,580)	23,996
NET INCOME	6,610,466	3,555,008	13,190,674	9,247,174
Other comprehensive income:				
Change in postretirement benefit plans	(91,166)	(217,747)	(182,332)	(435,494)
Other comprehensive income, net of tax	(91,166)	(217,747)	(182,332)	(435,494)
COMPREHENSIVE INCOME	\$ 6,519,300	\$ 3,337,261	\$ 13,008,342	\$ 8,811,680

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

LONE STAR, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2012	\$ 3,772,180	\$ -	\$ -	\$ 185,512,981	\$ (870,990)	\$ 188,414,171
Comprehensive income	-	-	-	9,247,174	(435,494)	8,811,680
Capital stock/participation certificates and allocated retained earnings issued	251,745	-	-	-	-	251,745
Capital stock/participation certificates and allocated retained earnings retired	(292,265)	-	-	-	-	(292,265)
Balance at June 30, 2013	<u>\$ 3,731,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,760,155</u>	<u>\$ (1,306,484)</u>	<u>\$ 197,185,331</u>
Balance at December 31, 2013	\$ 3,716,310	\$ -	\$ -	\$ 198,155,096	\$ (364,664)	\$ 201,506,742
Comprehensive income	-	-	-	13,190,674	(182,332)	13,008,342
Capital stock/participation certificates and allocated retained earnings issued	3,126,355	-	-	-	-	3,126,355
Capital stock/participation certificates and allocated retained earnings retired	(401,930)	-	-	-	-	(401,930)
Equity issued or recharacterized upon merger	-	91,343,553	-	-	-	91,343,553
Patronage refunds:						
Capital stock/participation certificates and allocated retained earnings	-	-	11,610,745	-	-	11,610,745
Balance at June 30, 2014	<u>\$ 6,440,735</u>	<u>\$ 91,343,553</u>	<u>\$ 11,610,745</u>	<u>\$ 211,345,770</u>	<u>\$ (546,996)</u>	<u>\$ 320,193,807</u>

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

LONE STAR, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Lone Star, ACA (Agricultural Credit Association), referred to as the association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The association serves the counties of Bell, Borden, Bosque, Bowie, Burnet, Camp, Cass, Cooke, Coryell, Dallas, Delta, Denton, Eastland, Ellis, Erath, Falls, Fannin, Fisher, Freestone, Grayson, Hamilton, Hill, Hood, Johnson, Kent, Lamar, Lampasas, Limestone, McLennan, Milam, Mitchell, Morris, Navarro, Nolan, Palo Pinto, Parker, Red River, Scurry, Shackelford, Somerville, Stephens, Tarrant, Taylor, Throckmorton, Titus, Williamson, Wise and Young in the state of Texas.

Effective January 1, 2014, the association merged with Texas Land Bank, ACA. The primary reason for the merger was based on a determination that the combined organization would be financially and operationally stronger than either association on a stand-alone basis. The merger was accounted for under the acquisition method of accounting.

Since the association operates for the mutual benefit of its customer-owners and other customers and not for the benefit of any other equity investors, capital stock provides no significant interest in corporate earnings or growth. Specifically, due to restrictions in applicable regulations and their bylaws, the associations can issue stock only at its par value of \$5 per share, the stock is not tradable, and the stock can be retired only for the lesser of par value or book value. In these and other respects, the shares of stock in one association that were converted to shares of another association had identical rights and attributes. For this reason, the conversion of stock pursuant to the merger occurred at a one-for-one exchange ratio. Management believes that because the stock in each association is fixed in value, the stock issued pursuant to the merger provides no basis for estimating the fair value of the consideration transferred pursuant to the merger. In the absence of a purchase price determination, the acquiring association identified and estimated the acquisition date fair value of the net assets of the acquired association instead of the acquisition date fair value of the equity interests transferred as consideration. The fair value of the assets acquired, including specific intangible assets and liabilities assumed, were measured based on various estimates using assumptions that management believes are reasonable utilizing information currently available. This evaluation produced a fair value of identifiable assets acquired and liabilities assumed that was substantially equal to the fair value of the member interests transferred in the merger. The excess value received, by the acquiring association from the acquired association, over the par value of capital stock and participation certificates issued in the merger is considered to be additional paid-in capital.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2013 as contained in the 2013 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2013, as contained in the 2013 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2014. Descriptions of the significant accounting policies are included in the 2013 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012, and for nonpublic entities for annual periods beginning after

December 15, 2013. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures (See Note 6 – Employee Benefit Plans).

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management’s estimates. The results for the quarter ended June 30, 2014, are not necessarily indicative of the results to be expected for the year ended December 31, 2014. Certain amounts in the prior period’s financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	June 30, 2014 Amount	December 31, 2013 Amount
Production agriculture:		
Real estate mortgage	\$ 1,100,810,345	\$ 655,294,730
Production and intermediate term	95,207,831	66,322,143
Agribusiness:		
Loans to cooperatives	4,671,759	-
Processing and marketing	69,314,303	56,675,360
Farm-related business	8,517,848	3,854,580
Communication	5,647,069	2,152,156
Energy	51,087,571	43,829,876
Water and waste water	1,797,784	1,152,930
Rural residential real estate	21,335,025	12,693,033
Total	\$ 1,358,389,535	\$ 841,974,808

The association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at June 30, 2014:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 25,940,643	\$ 28,095,421	\$ -	\$ -	\$ 25,940,643	\$ 28,095,421
Production and intermediate term	36,431,857	3,795,801	-	-	36,431,857	3,795,801
Agribusiness	73,925,202	-	-	-	73,925,202	-
Communication	5,647,069	-	-	-	5,647,069	-
Energy	51,087,571	-	-	-	51,087,571	-
Water and waste water	1,797,784	-	-	-	1,797,784	-
Total	\$ 194,830,126	\$ 31,891,222	\$ -	\$ -	\$ 194,830,126	\$ 31,891,222

The association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the association on such balances. Balances of ACPs were \$8,482,923 and \$3,401,159 at June 30, 2014, and December 31, 2013, respectively.

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	June 30, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	\$ 11,796,042	\$12,347,950
Production and intermediate term	529,855	705,454
Agribusiness	39,625	504,913
Rural residential real estate	220,605	236,435
Total nonaccrual loans	<u>12,586,127</u>	<u>13,794,752</u>
Accruing restructured loans:		
Real estate mortgage	35,233	35,233
Production and intermediate term	12,864	15,515
Total accruing restructured loans	<u>48,097</u>	<u>50,748</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	275,141	-
Total accruing loans 90 days or more past due	<u>275,141</u>	<u>-</u>
Total nonperforming loans	12,909,365	13,845,500
Other property owned	941,087	858,367
Total nonperforming assets	<u>\$ 13,850,452</u>	<u>\$14,703,867</u>

One credit quality indicator utilized by the association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2014	December 31, 2013
Real estate mortgage		
Acceptable	95%	92%
OAEM	3%	4%
Substandard/doubtful	2%	4%
	100%	100%
Production and intermediate term		
Acceptable	99%	98%
OAEM	0%	1%
Substandard/doubtful	1%	1%
	100%	100%
Agribusiness		
Acceptable	99%	98%
OAEM	1%	1%
Substandard/doubtful	0%	1%
	100%	100%
Energy and water/waste water		
Acceptable	98%	100%
OAEM	0%	0%
Substandard/doubtful	2%	0%
	100%	100%
Communication		
Acceptable	78%	40%
OAEM	0%	0%
Substandard/doubtful	22%	60%
	100%	100%
Rural residential real estate		
Acceptable	92%	88%
OAEM	2%	3%
Substandard/doubtful	6%	9%
	100%	100%
Total loans		
Acceptable	96%	94%
OAEM	2%	3%
Substandard/doubtful	2%	3%
	100%	100%

The following tables provide an age analysis of past due loans (including accrued interest) as of:

<u>June 30, 2014</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Not Past Due or Less Than 30 Days Past Due</u>	<u>Total Loans</u>	<u>Recorded Investment >90 Days and Accruing</u>
Real estate mortgage	\$ 1,165,808	\$ 1,351,527	\$ 2,517,335	\$ 1,105,985,604	\$ 1,108,502,939	\$ 275,141
Production and intermediate term	-	482,251	482,251	95,266,793	95,749,044	-
Loans to cooperatives	-	-	-	4,682,087	4,682,087	-
Processing and marketing	-	-	-	69,351,458	69,351,458	-
Farm-related business	-	39,625	39,625	8,509,247	8,548,872	-
Communication	-	-	-	5,653,407	5,653,407	-
Energy	-	-	-	51,244,913	51,244,913	-
Water and waste water	-	-	-	1,798,345	1,798,345	-
Rural residential real estate	47,261	-	47,261	21,356,827	21,404,088	-
Total	\$ 1,213,069	\$ 1,873,403	\$ 3,086,472	\$ 1,363,848,681	\$ 1,366,935,153	\$ 275,141

<u>December 31, 2013</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Not Past Due or Less Than 30 Days Past Due</u>	<u>Total Loans</u>	<u>Recorded Investment >90 Days and Accruing</u>
Real estate mortgage	\$ 916,069	\$ 1,468,088	\$ 2,384,157	\$ 657,015,427	\$ 659,399,584	\$ -
Production and intermediate term	-	514,591	514,591	66,062,819	66,577,410	-
Loans to cooperatives	-	-	-	1,646	1,646	-
Processing and marketing	-	427,288	427,288	56,268,897	56,696,185	-
Farm-related business	-	77,625	77,625	3,785,265	3,862,890	-
Communication	-	-	-	2,152,190	2,152,190	-
Energy	-	-	-	43,968,613	43,968,613	-
Water and waste water	-	-	-	1,153,831	1,153,831	-
Rural residential real estate	868,313	-	868,313	11,862,241	12,730,554	-
Total	\$ 1,784,382	\$ 2,487,592	\$ 4,271,974	\$ 842,270,929	\$ 846,542,903	\$ -

Troubled Debt Restructuring: A restructuring of a debt constitutes a troubled debt restructuring 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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of June 30, 2014, the total recorded investment of troubled debt restructured loans was \$6,721,899, including \$6,673,802 classified as nonaccrual and \$48,097 classified as accrual, with specific allowance for loan losses of \$2,019,626. The specific allowance is determined quarterly through a net realizable value analysis for each individual loan asset. As of June 30, 2014, commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring were \$0 at period end and \$0 at December 31, 2013.

There were no loans with troubled debt restructuring designation that occurred during the six months ended June 30, 2014. All troubled debt restructurings in the loan portfolio were restructured prior to January 1, 2013.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). There were no restructurings where principal was forgiven that required a charge off, at the modification date, for the quarter ended June 30, 2014.

The predominate form of concession granted for troubled debt restructuring includes a delay in the repayment of principal. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

At June 30, 2014, the association had no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months of that year and for which there was a payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

Additional impaired loan information is as follows:

	June 30, 2014			December 31, 2013		
	Recorded Investment	Unpaid Principal Balance ^a	Related Allowance	Recorded Investment	Unpaid Principal Balance ^a	Related Allowance
Impaired loans with a related allowance for credit losses:						
Real estate mortgage	\$ 6,929,890	\$ 7,060,788	\$ 2,007,754	\$ 8,424,743	\$ 8,469,894	\$ 2,058,679
Production and intermediate term	46,495	495,541	36,662	149,029	149,029	62,910
Processing and marketing	-	-	-	208,470	460,570	139,257
Farm-related business	39,625	39,625	525	77,625	77,625	18,086
Energy and water/waste water	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-
Total	\$ 7,016,010	\$ 7,595,954	\$ 2,044,941	\$ 8,859,867	\$ 9,157,118	\$ 2,278,932
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	\$ 5,176,525	\$ 5,260,223	\$ -	\$ 3,958,441	\$ 4,026,499	\$ -
Production and intermediate term	496,224	553,362	-	571,940	1,029,052	-
Processing and marketing	-	-	-	218,818	218,818	-
Farm-related business	-	-	-	-	-	-
Energy and water/waste water	-	1,706,959	-	-	-	-
Rural residential real estate	220,605	220,798	-	236,434	236,435	-
Total	\$ 5,893,355	\$ 7,741,342	\$ -	\$ 4,985,633	\$ 5,510,804	\$ -
Total impaired loans:						
Real estate mortgage	\$ 12,106,415	\$ 12,321,011	\$ 2,007,754	\$ 12,383,184	\$ 12,496,393	\$ 2,058,679
Production and intermediate term	542,719	1,048,903	36,662	720,969	1,178,081	62,910
Processing and marketing	-	-	-	427,288	679,388	139,257
Farm-related business	39,625	39,625	525	77,625	77,625	18,086
Energy and water/waste water	-	1,706,959	-	-	-	-
Rural residential real estate	220,605	220,798	-	236,434	236,435	-
Total	\$ 12,909,365	\$ 15,337,296	\$ 2,044,941	\$ 13,845,500	\$ 14,667,922	\$ 2,278,932

^a Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2014		June 30, 2013		June 30, 2014		June 30, 2013	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	\$ 8,240,393	\$ 17,214	\$ 10,758,902	\$ 1,190	\$ 8,115,346	\$ 17,586	\$ 11,508,812	\$ 2,679
Production and intermediate term	104,673	266	1,874,514	-	57,395	85	2,164,874	-
Processing and marketing	96,696	-	-	-	-	-	-	-
Farm-related business	65,850	-	-	-	65,808	-	-	-
Communication	-	-	1,435,000	53,760	-	-	1,550,190	53,760
Rural residential real estate	6,142	-	44,557	-	-	-	45,437	-
Total	\$ 8,513,754	\$ 17,480	\$ 14,112,973	\$ 54,950	\$ 8,238,549	\$ 17,671	\$ 15,269,313	\$ 56,439
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	\$ 4,656,856	\$ 37,866	\$ 3,772,669	\$ 685	\$ 4,566,534	\$ 52,464	\$ 4,189,298	\$ 1,065
Production and intermediate term	547,768	108,857	744,402	1,596	592,435	109,003	768,159	3,260
Processing and marketing	107,898	-	517,193	2,506	-	-	527,886	-
Farm-related business	-	2,313	-	-	-	3,843	-	4,699
Communication	-	-	583,021	-	-	-	291,511	-
Rural residential real estate	227,845	-	293,784	171	227,823	-	297,929	512
Total	\$ 5,540,367	\$ 149,036	\$ 5,911,069	\$ 4,958	\$ 5,386,792	\$ 165,310	\$ 6,074,783	\$ 9,536
Total impaired loans:								
Real estate mortgage	\$ 12,897,249	\$ 55,080	\$ 14,531,571	\$ 1,875	\$ 12,681,880	\$ 70,050	\$ 15,698,110	\$ 3,744
Production and intermediate term	652,441	109,123	2,618,916	1,596	649,830	109,088	2,933,033	3,260
Processing and marketing	204,594	-	517,193	2,506	-	-	527,886	-
Farm-related business	65,850	2,313	-	-	65,808	3,843	-	4,699
Communication	-	-	2,018,021	53,760	-	-	1,841,701	53,760
Rural residential real estate	233,987	-	338,341	171	227,823	-	343,366	512
Total	\$ 14,054,121	\$ 166,516	\$ 20,024,042	\$ 59,908	\$ 13,625,341	\$ 182,981	\$ 21,344,096	\$ 65,975

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at							
March 31, 2014	\$ 6,130,642	\$ 131,179	\$ 274,848	\$ 23,196	\$ 125,753	\$ 66,488	\$ 6,752,106
Charge-offs	(26,339)	(52,113)	(8,005)	-	-	(3,773)	(90,230)
Recoveries	1,568	2,594	21,663	-	-	-	25,825
Provision for loan losses	(318,885)	63,817	(173,161)	(470)	(20,651)	62,948	(386,402)
Balance at							
June 30, 2014	<u>\$ 5,786,986</u>	<u>\$ 145,477</u>	<u>\$ 115,345</u>	<u>\$ 22,726</u>	<u>\$ 105,102</u>	<u>\$ 125,663</u>	<u>\$ 6,301,299</u>
Balance at							
December 31, 2013	\$ 6,234,650	\$ 134,781	\$ 299,381	\$ (36,789)	\$ 186,123	\$ 61,677	\$ 6,879,823
Charge-offs	(66,649)	(52,318)	(24,196)	-	(112)	(3,773)	(147,048)
Recoveries	2,352	41,644	54,100	-	8,209	-	106,305
Provision for loan losses	(383,367)	21,370	(213,940)	59,515	(89,118)	67,759	(537,781)
Balance at							
June 30, 2014	<u>\$ 5,786,986</u>	<u>\$ 145,477</u>	<u>\$ 115,345</u>	<u>\$ 22,726</u>	<u>\$ 105,102</u>	<u>\$ 125,663</u>	<u>\$ 6,301,299</u>
Ending Balance:							
Individually evaluated for impairment	\$ 2,007,754	\$ 36,662	\$ 525	\$ -	\$ -	\$ -	\$ 2,044,941
Collectively evaluated for impairment	<u>3,779,232</u>	<u>108,815</u>	<u>114,820</u>	<u>22,726</u>	<u>105,102</u>	<u>125,663</u>	<u>4,256,358</u>
Balance at							
June 30, 2014	<u>\$ 5,786,986</u>	<u>\$ 145,477</u>	<u>\$ 115,345</u>	<u>\$ 22,726</u>	<u>\$ 105,102</u>	<u>\$ 125,663</u>	<u>\$ 6,301,299</u>
Recorded Investments in Loans Outstanding:							
Ending Balance at							
June 30, 2014	<u>\$1,108,502,937</u>	<u>\$ 95,749,044</u>	<u>\$82,582,418</u>	<u>\$ 5,653,407</u>	<u>\$ 53,043,259</u>	<u>\$ 21,404,088</u>	<u>\$ 1,366,935,153</u>
Individually evaluated for impairment	<u>\$ 12,106,416</u>	<u>\$ 542,719</u>	<u>\$ 39,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,605</u>	<u>\$ 12,909,365</u>
Collectively evaluated for impairment	<u>\$1,096,396,521</u>	<u>\$ 95,206,325</u>	<u>\$82,542,793</u>	<u>\$ 5,653,407</u>	<u>\$ 53,043,259</u>	<u>\$ 21,183,483</u>	<u>\$ 1,354,025,788</u>

NOTE 3 — CAPITAL:

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

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

	<u>Before Tax</u>	<u>Deferred Tax</u>	<u>Net of Tax</u>
June 30, 2014			
Nonpension postretirement benefits	\$ (182,332)	\$ -	\$ (182,332)
Total	<u>\$ (182,332)</u>	<u>\$ -</u>	<u>\$ (182,332)</u>
June 30, 2013	<u>Before Tax</u>	<u>Deferred Tax</u>	<u>Net of Tax</u>
Nonpension postretirement benefits	\$ (435,493)	\$ -	\$ (435,493)
Total	<u>\$ (435,493)</u>	<u>\$ -</u>	<u>\$ (435,493)</u>

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) for the six months ended June 30:

	<u>2014</u>	<u>2013</u>
Accumulated other comprehensive income (loss) at January 1	\$ (364,664)	\$ (870,990)
Amortization of prior service (credit) costs included in salaries and employee benefits	141,019	201,888
Amortization of actuarial (gain) loss included in salaries and employee benefits	<u>(323,351)</u>	<u>(637,381)</u>
Other comprehensive income (loss), net of tax	<u>(182,332)</u>	<u>(435,493)</u>
Accumulated other comprehensive income at June 30	<u>\$ (546,996)</u>	<u>\$ (1,306,483)</u>

NOTE 4 — INCOME TAXES:

Lone Star, ACA and its subsidiary PCA are subject to federal and certain other income taxes. The associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During the six months ended June 30, 2014, the association did not participate in a patronage program. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. For the six months ended June 30, 2014, and 2013, net income for tax purposes the association carries a deferred tax asset of \$14,195,362 and \$13,260,154, respectively, with full valuation recorded against the asset each year.

The subsidiary, Lone Star, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2013 Annual Report to Stockholders for a more complete description.

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Other Financial Instrument Fair Value Measurements:

	<u>Valuation Technique(s)</u>	<u>Input</u>
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Other interest bearing liabilities	Carrying value	Par/principal and appropriate interest yield

Assets and liabilities measured at fair value on a recurring basis at June 30, 2014 and December 31, 2013 only include nonqualified benefit trusts. This Level 1 asset was \$188,261 and \$62,244 at June 30, 2014 and December 31, 2013, respectively.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

<u>June 30, 2014</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Loans*	\$ -	\$ -	\$ 4,971,069	\$ 4,971,069
Other property owned	-	-	941,087	941,087
<u>December 31, 2013</u>				
Assets:				
Loans*	\$ -	\$ -	\$ 6,580,306	\$ 6,580,306
Other property owned	-	-	858,367	858,367

*Represents the fair value of certain loans that were evaluated for impairment under authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Valuation Techniques

As more fully discussed in Note 2 to the 2013 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the association's assets and liabilities. For a more complete description, see Notes to the 2013 Annual Report to Stockholders.

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models that utilize observable inputs, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be

classified as Level 2. This would include certain mortgage-backed and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 include asset-based securities and certain mortgage-backed securities, including private label-FHA/VA securities and those issued by Farmer Mac.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended June 30:

	Other Benefits	
	2014	2013
Service cost	\$ 32,356	\$ 41,714
Interest cost	61,639	59,564
Amortization of prior service (credits) costs	(60,868)	(69,842)
Amortization of net actuarial (gain) loss	52,032	31,278
Net periodic benefit cost	<u>\$ 85,159</u>	<u>\$ 62,714</u>

The association’s liability for the unfunded accumulated obligation for these benefits at June 30, 2014, was \$4,139,389 and is included in “Other Liabilities” in the balance sheet.

The structure of the district’s defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The association recognizes its amortized annual contributions to the plan as an expense. The association previously disclosed in its financial statements for the year ended December 31, 2013, that it expected to contribute \$86,856 to the district’s defined benefit pension plan in 2014. As of June 30, 2014, \$43,428 of contributions have been made. The association presently anticipates contributing an additional \$43,428 to fund the defined benefit pension plan in 2014 for a total of \$86,856.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association.

NOTE 8 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through August 7, 2014, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 7, 2014.