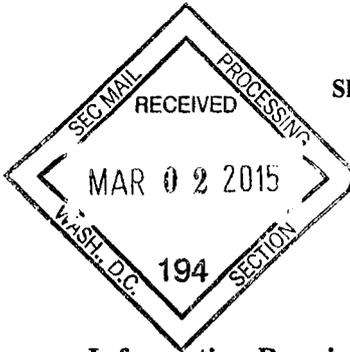


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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

OMB APPROVAL
OMB Number: 3235-0123
Expires: March 31, 2016
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SEC FILE NUMBER
8-50128

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/14 AND ENDING 12/31/2014
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: State Farm VP Management Corp

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Three State Farm Plaza, N 2

(No. and Street)

Bloomington

IL

61791-0001

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Mark Mikel

309-735-4791

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

One North Wacker Dr

Chicago

IL

60606-2807

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

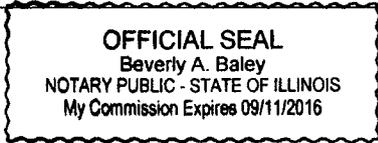
SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

CS/PA/S

OATH OR AFFIRMATION

I, Mark Mikel, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of State Farm VP Management Corp, as of December 31, 2014, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Mark Mikel
Signature

Vice President Financial & Secretary
Title

Beverly A. Bailey
Notary Public
State of Illinois, County of McLean

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

State Farm VP Management Corp.

(A wholly-owned subsidiary of State Farm
Investment Management Corp.)

**Financial Statements and
Supplemental Schedules**

December 31, 2014 and 2013

State Farm



State Farm VP Management Corp.
Index
December 31, 2014 and 2013



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Report of Independent Registered Public Accounting Firm

To the Board of Directors of State Farm VP Management Corp.

In our opinion, the accompanying statements of financial condition and the related statements of operations, changes in stockholder's equity and cash flows present fairly, in all material respects, the financial position of State Farm VP Management Corp. (the "Company") at December 31, 2014 and December 31, 2013, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The information on pages 15 and 16 is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. The supplemental information is the responsibility of the Company's management. The supplemental information has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the information on pages 15 and 16 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Company is a wholly-owned subsidiary of State Farm Investment Management Corp. and, as disclosed in the financial statements, has extensive transactions and relationships with State Farm Mutual Automobile Insurance Company and its affiliates. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

PricewaterhouseCoopers LLP

February 25, 2015

State Farm VP Management Corp.
Statements of Financial Condition
December 31, 2014 and 2013



	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Assets		
Cash and cash equivalents	\$ 46,376,625	\$ 46,162,242
Receivable from funds for 12b-1 fees	2,348,342	1,983,802
Receivable from Parent	3,856,987	2,805,191
Receivables from other affiliates and associated partnership	1,048,606	1,022,246
Receivable from distribution fees	1,288,554	1,095,003
Prepaid commissions expense	2,404,841	2,455,930
Deferred tax assets, net	21,206,690	21,288,270
Other assets	671	356
Total assets	<u>\$ 78,531,316</u>	<u>\$ 76,813,040</u>
Liabilities and Stockholder's Equity		
Liabilities		
Payable to affiliates	\$ 33,896,030	\$ 29,349,812
Other payables	270,253	109,233
Total liabilities	<u>\$ 34,166,283</u>	<u>\$ 29,459,045</u>
Stockholder's equity		
Common stock, \$1 par value; 20,000 shares authorized, 10,000 shares issued and outstanding	\$ 10,000	\$ 10,000
Additional paid-in capital	267,190,000	267,190,000
Accumulated deficit	(222,834,967)	(219,846,005)
Total stockholder's equity	<u>44,365,033</u>	<u>47,353,995</u>
Total liabilities and stockholder's equity	<u>\$ 78,531,316</u>	<u>\$ 76,813,040</u>

State Farm VP Management Corp.
Statements of Operations
Years Ended December 31, 2014 and 2013



	Year Ended December 31, 2014	Year Ended December 31, 2013
Revenue		
Commissions		
Retail funds	\$ 38,054,377	\$ 34,696,547
Variable Products funds	2,877,951	2,994,272
Phoenix Home Life	1,791,967	1,471,273
529 Plans	2,653,094	2,249,258
Income from distribution fees	4,872,736	4,024,051
12b-1 fees	24,526,547	21,449,324
Other income	5,291	6,107
Total revenue	<u>\$ 74,781,963</u>	<u>\$ 66,890,832</u>
Expenses		
Commissions		
Retail funds	\$ 30,649,252	\$ 27,679,043
Variable Products funds	2,370,367	2,438,576
Phoenix Home Life	524,922	558,292
529 Plans	1,337,136	1,134,014
Administrative expense - Insurance Placement Services, Inc.	1,266,766	909,890
Agency incentives and bonuses - Retail funds	9,569,905	12,830,756
Agency incentives and bonuses - Variable Products funds	507,584	555,696
Agency incentives and bonuses - Phoenix Home Life	279	3,091
Department salaries and benefits	17,302,146	23,212,278
Other allocated shared company expenses	5,285,390	5,306,197
Advertising and marketing	5,312,129	4,715,791
General and administrative and other	2,199,528	2,508,039
Office equipment and rent	835,306	1,473,906
Regulatory fees	2,440,724	2,455,488
Systems support and maintenance	629,753	397,926
Total expenses	<u>\$ 80,231,187</u>	<u>\$ 86,178,983</u>
Loss before income taxes	(5,449,224)	(19,288,151)
Income tax benefit	2,460,262	6,694,460
Net loss	<u>\$ (2,988,962)</u>	<u>\$ (12,593,691)</u>

State Farm VP Management Corp.
Statements of Changes in Stockholder's Equity
Years Ended December 31, 2014 and 2013



	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
Balance at December 31, 2012	\$ 10,000	\$ 267,190,000	\$ (207,252,314)	\$ 59,947,686
Net loss	-	-	(12,593,691)	(12,593,691)
Balance at December 31, 2013	\$ 10,000	\$ 267,190,000	\$ (219,846,005)	\$ 47,353,995
Net loss	-	-	(2,988,962)	(2,988,962)
Balance at December 31, 2014	\$ 10,000	\$ 267,190,000	\$ (222,834,967)	\$ 44,365,033

State Farm VP Management Corp.
Statements of Cash Flows
Years Ended December 31, 2014 and 2013



	<u>Year Ended December 31, 2014</u>	<u>Year Ended December 31, 2013</u>
Cash flows from operating activities		
Net loss	\$ (2,988,962)	\$ (12,593,691)
Adjustments to reconcile net loss to net cash provided by operating activities		
Increase in receivable from funds for 12b-1 fees	(364,540)	(323,634)
(Increase)/Decrease in receivable from Parent	(1,051,796)	213,526
(Increase)/Decrease in receivable from other affiliates and associated partnership	(26,360)	18,341
Increase in Receivable from distribution fees	(193,551)	(227,633)
Decrease in prepaid commission expense	51,089	76,911
Decrease/(Increase) in deferred tax asset	81,580	(958,504)
(Increase)/Decrease in other assets	(315)	81
Increase in payable to affiliates and other payables	4,707,238	2,736,065
Net cash provided by (used in) operating activities	<u>\$ 214,383</u>	<u>(11,058,538)</u>
Cash and cash equivalents		
Beginning of year	46,162,242	57,220,780
End of year	<u>\$ 46,376,625</u>	<u>\$ 46,162,242</u>
Supplementary Information		
Cash paid for taxes	<u>-</u>	<u>-</u>

1. General Information

State Farm VP Management Corp. (the “Company”) is a registered broker and dealer in securities under the Securities Exchange Act of 1934. The Company’s designated self-regulatory organization is the Financial Industry Regulatory Authority (“FINRA”). The Company is a wholly-owned subsidiary of State Farm Investment Management Corp. (“SFIMC”). SFIMC is a wholly-owned subsidiary of State Farm Mutual Automobile Insurance Company (“SFMAIC”).

The Company was formed for the purpose of underwriting and distributing certain securities products for SFMAIC and other affiliates. The Company sells and services its variable annuity and variable life products only through an independent contractor agency force of its affiliates; State Farm Life Insurance Company (“SFL”) and State Farm Life and Accident Assurance Company (“SFLAAC”), which are wholly-owned subsidiaries of SFMAIC. The Company ceased distribution of new variable annuities and variable life products for SFL and SFLAAC on October 1, 2008; however, the Company will continue to service these variable annuities and variable life products.

The Company also distributes retail mutual funds to the general public. The 15 mutual funds offered through the State Farm Retail Mutual Fund Trust (“SFMFT”) are: State Farm Equity Fund, State Farm Small/Mid Cap Equity Fund, State Farm International Equity Fund, State Farm S&P 500 Index Fund, State Farm Small Cap Index Fund, State Farm International Index Fund, State Farm Equity and Bond Fund, State Farm Bond Fund, State Farm Tax Advantaged Bond Fund, State Farm Money Market Fund, State Farm LifePath® Income Fund, State Farm LifePath 2020® Fund, State Farm LifePath 2030® Fund, State Farm LifePath 2040® Fund and State Farm LifePath 2050® Fund.

The Company has a sales agreement with Phoenix Home Life Mutual Insurance Company (“Phoenix Home Life”) and Insurance Placement Services, Inc. (“IPSI”) to sell Phoenix Home Life variable annuities and variable life products to investors. IPSI, a wholly owned subsidiary of SFMAIC, is an affiliate of the Company who provides administrative services for the variable annuity and life products. The Company ceased distribution of new variable annuities and variable life products for Phoenix Home Life on March 5, 2009; however, the Company will continue to service these variable annuities and variable life products.

The Company offers The State Farm College Savings Plan (the “Plan”). The Plan is sponsored by the State of Nebraska and administered by the Nebraska State Treasurer. The Plan is established in cooperation with the Company, and an associated partnership with OFI Private Investments (“OFIPI”), a subsidiary of Oppenheimer Funds Inc., and the State of Nebraska, pursuant to which the Company offers classes of shares in a series of accounts within the Nebraska Educational Savings Plan Trust (the “Trust”) that are managed and distributed by Oppenheimer Funds Distributor, Inc. (“OFDI” and together with OFIPI “Oppenheimer”). The Trust offers other accounts that are not affiliated with the Plan.

2. Significant Accounting Policies

The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP). Certain amounts applicable to the prior year have been reclassified to conform to the current year presentation. Significant accounting policies include:

- a. Cash and cash equivalents, which represent investments with original maturities of ninety days or less, are invested in a money market fund and are considered to approximate their fair value



2. Significant Accounting Policies - continued

due to their short-term nature and generally negligible credit losses.

- b. Fair value is defined as the price that the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy is used to classify fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in three broad levels as follows:
- Level 1 - Unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities.
 - Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, quoted prices for similar instruments in active markets, interest rates, yield curves and credit spreads. For assets or liabilities with a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
 - Level 3 - Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available. These inputs, based on the best information available in the circumstances, would include reasonably available information about the assumptions that a market participant would use in valuing the asset or liability and might include the Company's own data.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The company has no Level 3 investments in 2014 and 2013.

The inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assets measured at fair value on a recurring basis are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 12/31/2013</u>
Money Market Funds	\$46,162,242	-	-	\$46,162,242

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 12/31/2014</u>
Money Market Funds	\$46,376,625	-	-	\$46,376,625

Level 1 Measurements:

Level 1 assets include actively-traded short-term money market mutual funds valued at quoted net asset value.

The Company recognizes transfers between levels at the end of the reporting period. There were no transfers between levels for 2014 and 2013.

2. Significant Accounting Policies - continued

- c. Dividend income earned on the money market fund is recorded as income on the ex-dividend date on a daily basis.
- d. Commission revenue is recognized when earned and related expenses are recorded when incurred on variable annuity and life insurance sales and mutual fund sales. Class A and Legacy Class A shares of the SFMFT are sold with a front-end sales charge. This represents commission income to the Company, a significant portion of which is paid to the registered representative within the independent contractor agency force with the remaining retained by the Company. Class B, Legacy Class B, Class R-1, and Class R-2 shares of the Mutual Fund Trust are sold without a front-end sales charge. The appropriate commission is paid to the registered representative at the time of sale of the Class B, Legacy Class B, Class R-1 or Class R-2 shares; however, the commission expense is amortized over a six-year period to correlate with the additional revenue resulting from the larger 12b-1 fee that is assessed on these shares. For the Class B shares, the larger 12b-1 fee is only assessed for the first eight years. In addition, the Class B and Legacy Class B shares are subject to a Contingent Deferred Sales Charge ("CDSC"). The CDSC is collected when these shares are redeemed within the first six years of the purchase date and is recorded as commission revenue at that time.

Under the sales and servicing agreement with IPSI, commission income on the Phoenix Home Life products is paid to the registered representative within the independent contractor agency force, with the remaining remitted to IPSI as an administrative expense generating a zero net income effect in the Company's Statements of Operations. Under the sales and servicing agreement with the Life variable products affiliates, commission income on the variable annuity and variable life products is paid to the registered representative within the independent contractor agency force generating a zero net income effect in the Company's Statements of Operations.

Under the selling agent agreement with Oppenheimer, commission income on Oppenheimer 529 Plan products is paid to the registered representatives within the independent contractor agency force with the remaining remitted to the Company as commission fee income.

- e. The Company recognizes income for 12b-1 distribution fees on the shares in the retail mutual funds. Shares are charged 12b-1 fees at an annual percentage rate of the average daily net assets to compensate the Company for certain distribution and shareholder servicing expenses.
- f. Distribution fees are recognized as income when earned. Under the Distribution and Marketing Support Agreement between SFIMC and BlackRock Fund Advisors (BlackRock), BlackRock will pay the Company an annual fee of seven basis points on the total average daily net assets of the LifePath Funds for sales, marketing, and distribution support services related to State Farm LifePath Funds.
- g. The Company records federal tax accounts in accordance with the tax agreement with SFMAIC. The method of allocation for the federal current tax accounts, including deferred tax assets related to tax credit or loss carryovers ("tax attributes"), is based upon the Company's contribution to the consolidated tax liability, with current credit for losses. The method of allocation for the deferred tax accounts, excluding tax attributes but including any required valuation allowance, is based on the Company's contribution to the consolidated temporary difference for each item giving rise to a deferred tax asset or liability.

2. Significant Accounting Policies - continued

Federal Income Tax

The Company files a consolidated federal income tax return with the following companies:

State Farm Mutual Automobile Insurance Company
State Farm Fire and Casualty Company
State Farm General Insurance Company
State Farm Life Insurance Company
State Farm Life and Accident Assurance Company
State Farm Health Insurance Company
State Farm Lloyds
State Farm Indemnity Company
State Farm Guaranty Insurance Company
State Farm Florida Insurance Company
State Farm International Services, Inc.
State Farm Lloyds, Inc.
State Farm Investment Management Corp.
State Farm Bank, FSB
State Farm International Holding Company (previously State Farm Investor Services (Canada) Holding Company)
Plaza One Realty Company
Insurance Placement Services, Inc.
State Farm Realty Investment Company
Oglesby Reinsurance Company

The consolidated federal income tax liability is apportioned to each company in accordance with an agreement authorized by each Company's Board of Directors or Underwriters. The allocation is based upon separate return calculations after consolidating adjustments for regular and alternative minimum tax with current credit for net losses and tax credits used by the consolidated group. Intercompany federal income tax balances are settled as follows: 1) intercompany federal income tax receivables and payables which relate to the current tax year will be settled within ninety (90) days; 2) any refunds of federal income tax will be settled within thirty (30) days of receipt of the refund; and 3) any payments of federal income tax due will be settled within thirty (30) days of payment of the tax due.

The Company files state income tax returns in 46 states and the District of Columbia ("D.C."). In 23 of those states and D.C., SFVPMC is required to join affiliated companies in a combined/consolidated filing. In these combined/consolidated returns, SFVPMC records the hypothetical separate company expense in the current year. SFVPMC files separate company tax returns in the remaining 23 states.

In 2014, the Company entered into an agreement with SFMAIC and affiliates to allocate state income tax expense under the hypothetical separate company basis in consolidated or combined filings. The agreement ensures each company in the group incurs tax expense based on its individual performance without regard to the performance of other affiliates in the filing.

The method of allocation for the state tax account balances, including the assessment of the realizability of state deferred tax assets, is determined on a separate company basis. The Company weighs both the positive and negative evidence in determining whether it is more likely than not that the state net deferred tax asset will be realized.

2. Significant Accounting Policies - continued

During 2014, the Company was not profitable on a separate company basis and determined that it is more likely than not that the Company would not realize its entire state deferred tax asset. Therefore, as of December 31, 2014, the Company maintained a valuation allowance for the full amount of the state deferred tax asset (net of federal income taxes) of \$9,013,413 (2013: \$9,786,152). The Company is projecting that it will not generate sufficient taxable income within the statutory carryforward period to benefit from the loss carryforwards in certain states.

- h. Significant uncertain tax positions are considered under a two-step approach which includes a recognition component based upon the merits of the technical position and a measurement component related to the recognized tax benefit. The difference between the benefit recognized and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit (UTB). The Company recognizes income tax-related interest and penalties, if applicable, within the income tax provision. The Company has not recorded a UTB as of December 31, 2014. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of UTB will significantly change in the next twelve months.

The Company files a federal consolidated income tax return with SFMAIC and its affiliates. An administrative appeal for tax years 2000 through 2010 is currently pending. The anticipated resolution of the issues is not expected to have a material adverse effect on the equity of the Company.

The Company and its affiliates file various state income tax returns and those state returns remain subject to examination from 1996 to present in conjunction with the results of federal examinations, litigation, and appeals for those years.

Changes in prior year tax liability may result in reallocation of prior year tax.

- i. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- j. SFMAIC and its affiliates currently provide post-career benefits in the form of health care and life insurance. Eligible former employees, eligible former agents and their eligible dependents currently may participate in these plans. The Company is allocated a portion of the total post-career benefits provided by SFMAIC and its affiliates. The Company has no direct legal obligation for the benefits under the plan.

The Company's share of the net post-career benefit cost for the year ended December 31, 2014 was \$1,487,887. The net post-career benefit cost for the year ended December 31, 2013 was \$1,585,767. This expense includes paid benefits, the expected cost of the potential health care and life insurance benefits for newly eligible post-career associates, interest cost and amortization of the transition obligation. This is recognized as part of Salaries and Benefits expense in the Statements of Operations.

At December 31, 2014, the Company's share of the unfunded post-career benefit obligation attributable to the potential health care and life insurance benefits for post-career associates was

State Farm VP Management Corp.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013



2. Significant Accounting Policies - continued

\$12,660,112. The Company's share at December 31, 2013 was \$11,467,263. This is recognized as part of the Payable to affiliates in the Statements of Financial Condition.

3. Income Taxes

Components of the income tax benefit are as follows:

	<u>2014</u>	<u>2013</u>
Current income tax benefit (expense)		
Federal	\$ 2,581,567	\$ 5,769,984
State	(39,725)	(34,028)
	<u>2,541,842</u>	<u>5,735,956</u>
Deferred income tax benefit		
Federal	(81,580)	958,504
State	-	-
	<u>(81,580)</u>	<u>958,504</u>
Net income tax benefit	<u>\$ 2,460,262</u>	<u>\$ 6,694,460</u>

Deferred income taxes result from differences between the amount of assets and liabilities as measured for income tax return and for financial reporting purposes. The significant components of the deferred tax assets and liabilities at December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Deferred tax assets		
Operating losses carried forward for state income taxes, net of federal benefit	\$ 8,854,548	\$ 9,640,060
AMT Credits	14,078,138	14,081,086
Post retirement benefit	4,529,788	4,102,987
Federal net operating losses carried forward	-	651,794
Agency deferred compensation	1,006,617	904,304
Accrued vacation expense	807,419	852,268
Supplemental retirement benefit	716,035	621,890
Accrued self-insurance expense	176,517	174,467
Accrued legal expenses	51,041	24,688
2000-2004 federal income tax audit expense	-	11,308
National convention	-	9,570
Gross deferred tax assets	<u>30,220,103</u>	<u>31,074,422</u>
Valuation allowance	<u>(9,013,413)</u>	<u>(9,786,152)</u>
Net deferred tax assets	<u>\$ 21,206,690</u>	<u>\$ 21,288,270</u>
Change in Valuation Allowance		
Balance at January 1, net of federal benefit	\$ 9,786,152	\$ 9,478,290
(Decrease)/Increase in valuation allowance for operating losses carried forward for state income taxes	<u>(772,739)</u>	<u>307,862</u>
Balance at December 31, net of federal benefit	<u>\$ 9,013,413</u>	<u>\$ 9,786,152</u>

State Farm VP Management Corp.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013



3. Income Taxes - continued

A reconciliation of the provision for income taxes computed at the statutory rates compared to the provision for actual income taxes is as follows:

	2014		2013	
	Amount	%	Amount	%
Federal income tax benefit at statutory rate	\$ 1,907,228	35.00%	\$ 6,750,853	35.00%
(Decrease)/Increase resulting from:				
State income tax, net of federal benefit	(25,821)	(0.47%)	(22,118)	(0.11%)
Settlements of prior year tax exams	639,422	11.73%	17,382	0.09%
Other	(60,567)	(1.11%)	(51,657)	(0.27%)
Net income tax benefit	<u>\$ 2,460,262</u>	<u>45.15%</u>	<u>\$ 6,694,460</u>	<u>34.71%</u>

In 2014, the Company received \$983,726 of interest from the IRS related to tax years 1996-1999 and 2000-2004. The tax on the interest was \$344,304 resulting in a settlement of prior year tax exams of \$639,422. In 2013, the Company received a benefit of \$17,832 as a result of carryback of AMT credits and NOL as well as IRS activity for 2005-2010.

4. Transactions with Affiliates and Associated Partnership

	Expense incurred in 2014	Payable as of 12/31/2014	Expense incurred in 2013	Payable as of 12/31/2013
Affiliate Transactions:				
State Farm Mutual Auto Insurance Company	\$ 72,215,374	\$ 33,218,947	\$ 77,844,201	\$ 28,641,984
State Farm Indemnity	329,299	-	341,191	-
State Farm Life	2,877,951	644,732	2,994,272	672,468
State Farm IPSI	1,791,967	32,351	1,471,273	35,360
Total for all affiliates	<u>\$ 77,214,591</u>	<u>\$ 33,896,030</u>	<u>\$ 82,650,937</u>	<u>\$ 29,349,812</u>

At December 31, 2014 and 2013, the Company had amounts due to/from SFMAIC, affiliates and an associated partnership for commissions, agents' incentives, income taxes and general expenses resulting from the sales of variable annuity and variable life products and retail mutual fund products. The cost of Financial Service Advisors ("FSA"), Field Compliance Coordinators ("FCC") and Internal Sales Support ("ISS") are also included in these expenses. The FSAs provide training to agents on the sale of financial products and the FCCs perform reviews of agents' work products and procedures to ensure regulatory compliance. ISS assists agents with questions related to the sale of the retail mutual funds.

Many expenses appearing within the accompanying Statements of Operations are allocated from SFMAIC or other affiliates. The Company, SFMAIC, SFL and State Farm Indemnity Company ("SFIC") are parties to servicing agreements whereby SFMAIC, SFL and SFIC provide certain services and office space to the Company. The Company and these affiliates share certain administrative, occupancy, advertising and marketing expenses. The allocation of these expenses is determined through usage studies and is included in the accompanying Statements of Operations. The payable to Parent (SFMAIC) included in the accompanying Statements of Financial Condition represents expense allocations net of reimbursement to the Company for the use of its Net Operating Loss ("NOL"). Amounts due/to from SFMAIC, affiliates and an associated partnership settle

4. Transactions with Affiliates and Associated Partnership - continued

monthly. However, the payable to SFMAIC for the agents' incentives and bonuses is settled once per year, and the Company's share of the unfunded post-career benefit obligation remains outstanding and is recognized as part of the Payable to affiliates in the Statements of Financial Condition.

5. Indemnifications and Warranties

The Company maintains its cash balances in several accounts with various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014 and 2013 the Company's uninsured cash balance with these financial institutions was \$46,126,625 and \$45,912,242, respectively.

In the ordinary course of its business, the Company has entered into contracts or agreements with partners Phoenix and Assurant that contain indemnifications or warranties for variable annuity and variable life products that the Company sells and services through independent contractors. Future events could occur that lead to the execution of these provisions against the Company. The maximum exposure to the Company under these provisions is unknown as this would involve future claims that have not yet occurred. Pursuant to the terms of the agreements between the Company and its partners, the Company has the right to pursue collection or performance from its partners who do not perform under their contractual obligations. However, the Company has not had any prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

6. Securities and Exchange Commission Rule 15c3-3

The Company claims exemption from Rule 15c3-3 of the Securities Exchange Act of 1934 as provided by paragraph k(1). Accordingly, the Company is not required to submit a computation for the determination of reserve requirements or information relating to possession or control requirements.

7. Fidelity Bond

The Company maintains fidelity bond insurance with coverages for: fidelity, on premises, in transit, forgery or alteration, securities, and counterfeit currency. The aggregate loss limit is \$1,000,000.

8. Regulatory Net Capital Requirement

Pursuant to the Securities and Exchange Commission's Uniform Net Capital Rule ("Rule 15c3-1"), the Company is required to maintain minimum net capital and an allowable ratio of aggregate indebtedness to net capital as defined under this rule. The Company operates under the basic method, which requires minimum net capital, as defined, equal to the greater of \$25,000 or 6-2/3% of aggregate indebtedness. At December 31, 2014, the Company had net capital of \$15,559,599 which was \$13,281,847 in excess of its required minimum net capital. The ratio of aggregate indebtedness to net capital is 2.20 to 1, which is in excess of the minimum requirement.

9. Subsequent Events

Management has evaluated subsequent events for recognition or disclosure through February 25, 2015, the date these financial statements were available for issuance and determined there were no subsequent events that required disclosure.

SUPPLEMENTAL SCHEDULES

State Farm VP Management Corp.
Computations of Net Capital under Rule 15c3-1 of the
Securities and Exchange Commission
December 31, 2014

	<u>2014</u>
Total stockholder's equity	\$ 44,365,033
Deductions and/or charges	
Nonallowable assets	
Receivable from Parent	1,715,068
Receivables from other affiliates and associated partnership	50,195
Receivable from Distribution Fees	1,158,824
Receivable from funds for 12b-1 fees	1,342,284
Deferred tax asset	21,206,690
Prepaid commission expense	2,404,841
Miscellaneous Receivable	-
Total deductions and/or charges	<u>27,877,902</u>
Net capital before haircuts on securities positions	16,487,131
Haircuts on securities	
Other securities	927,532
Net capital	<u>\$ 15,559,599</u>
Aggregate indebtedness ("AI")	
Items included in statement of financial condition	<u>\$ 34,166,283</u>
Total aggregate indebtedness	<u>\$ 34,166,283</u>
Computation of basic net capital requirements	
Minimum net capital requirement (greater of 6 2/3% of AI or \$25,000)	<u>\$ 2,277,752</u>
Excess net capital	<u>\$ 13,281,847</u>
Ratio: Aggregate indebtedness to net capital	<u>2.2 to 1</u>

There were no material differences between the above computation of net capital and the corresponding computation submitted by the Company in Part IIA of their unaudited Form X-17a-5 as of December 31, 2014.

State Farm VP Management Corp.
Exemption Statement from Reserve Requirement under 15c3-3
December 31, 2014

The Company claimed an exemption from 17 C.F.R. § 240.15c3-3
under provisions of 17 C.F.R. § 240.15c3-3(k)(1).



Report of Independent Registered Public Accounting Firm

To the Board of Directors of State Farm VP Management Corp.

We have reviewed State Farm VP Management Corp. (the "Company") assertions, included in the accompanying Exemption Report: State Farm VP Management Corp., in which (1) the Company identified 17 C.F.R. § 240.15c3-3(k) (1) as the provision under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3 (the "exemption provision") and (2) the Company stated that it met the identified exemption provision throughout the period June 1, 2014 to December 31, 2014 except as described in Appendix A - "2014 Identified Exceptions – Exemption Report 15c3-3" to State Farm VP Management's Corp.'s Exception Report. The Company's management is responsible for the assertions and for compliance with the identified exemption provision throughout the period June 1, 2014 to December 31, 2014.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provision. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's assertions referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k) (1) of 17 C.F.R. § 240.15c3-3.

PricewaterhouseCoopers LLP

February 25, 2015

Exemption Report: State Farm VP Management Corp.

State Farm VP Management Corp. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

(1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provision of 17 C.F.R. § 240.15c3-3(k):(1)

(2) The Company met the identified exemption provision in 17 C.F.R. § 240.15c3-3(k)(1) throughout the period June 1, 2014 to December 31, 2014 except as described in Appendix A - "2014 Identified Exceptions - Exemption Report 15c3-3."

I, Mark Mikel, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.



Vice President Financial & Secretary
State Farm VP Management Corp.

February 25, 2015

Appendix A - 2014 Identified Exceptions - Exemption Report 15c3-3

State Farm VP Management Corp. ("SFVPMC" or the "Company") prohibits registered representatives (RR) from accepting cash for securities products. One legacy system allows the RR to enter cash as a payment method for variable policies only and is considered an exception in accordance with SEC Rule 15c3-3. The following are exceptions for the period June 1, 2014 to December 31, 2014.

Cash Received for Variable Products - June - December 2014

Payment Date	Payment Amount	Payment Date	Payment Amount	Payment Date	Payment Amount
6/2/2014	\$20.22	7/24/2014	\$50.00	10/3/2014	\$46.00
6/2/2014	\$20.22	7/24/2014	\$51.00	10/3/2014	\$35.00
6/2/2014	\$20.22	7/25/2014	\$170.00	10/6/2014	\$35.00
6/2/2014	\$101.11	7/25/2014	\$60.00	10/7/2014	\$20.69
6/4/2014	\$100.00	7/30/2014	\$27.00	10/10/2014	\$28.45
6/4/2014	\$40.00	7/31/2014	\$42.67	10/10/2014	\$25.00
6/10/2014	\$13.35	7/31/2014	\$63.33	10/11/2014	\$15.50
6/10/2014	\$46.00	8/6/2014	\$37.00	10/11/2014	\$20.50
6/10/2014	\$46.00	8/13/2014	\$110.00	10/16/2014	\$100.00
6/10/2014	\$35.00	8/14/2014	\$18.50	10/21/2014	\$33.51
6/17/2014	\$122.28	8/18/2014	\$44.00	10/21/2014	\$33.34
6/17/2014	\$15.50	8/21/2014	\$47.50	10/22/2014	\$110.50
6/17/2014	\$20.50	8/21/2014	\$67.00	10/22/2014	\$17.50
6/17/2014	\$65.25	8/25/2014	\$40.00	10/22/2014	\$17.50
6/17/2014	\$25.00	8/29/2014	\$55.00	10/23/2014	\$73.08
6/17/2014	\$20.50	9/2/2014	\$110.00	10/23/2014	\$76.93
6/20/2014	\$45.00	9/4/2014	\$107.00	10/27/2014	\$50.00
6/20/2014	\$103.03	9/9/2014	\$75.00	10/28/2014	\$14.00
6/23/2014	\$100.00	9/9/2014	\$20.00	10/30/2014	\$60.00
6/23/2014	\$105.00	9/11/2014	\$79.00	10/30/2014	\$16.00
6/23/2014	\$100.00	9/12/2014	\$55.50	10/31/2014	\$74.08
6/24/2014	\$40.00	9/15/2014	\$40.00	10/31/2014	\$81.25
6/25/2014	\$128.15	9/16/2014	\$50.00	11/3/2014	\$45.00
6/26/2014	\$53.50	9/18/2014	\$90.00	11/4/2014	\$29.65
6/27/2014	\$19.50	9/18/2014	\$40.00	11/4/2014	\$219.50
6/30/2014	\$50.00	9/18/2014	\$0.11	11/4/2014	\$602.50
7/1/2014	\$50.00	9/19/2014	\$43.64	11/5/2014	\$95.00
7/2/2014	\$22.75	9/20/2014	\$48.00	11/6/2014	\$0.20
7/2/2014	\$0.17	9/22/2014	\$100.00	11/7/2014	\$137.37
7/3/2014	\$18.50	9/22/2014	\$10.00	11/7/2014	\$152.63
7/3/2014	\$1.00	9/23/2014	\$21.00	11/10/2014	\$133.00
7/8/2014	\$297.50	9/23/2014	\$20.00	11/10/2014	\$15.00
7/11/2014	\$13.53	9/24/2014	\$100.00	11/10/2014	\$50.00
7/15/2014	\$95.50	9/24/2014	\$20.00	11/13/2014	\$30.00
7/16/2014	\$53.50	9/24/2014	\$20.42	11/14/2014	\$25.00
7/17/2014	\$20.00	9/25/2014	\$75.00	11/17/2014	\$26.63
7/18/2014	\$1.00	10/1/2014	\$2.00	11/18/2014	\$53.30
7/21/2014	\$28.45	10/2/2014	\$102.50	11/19/2014	\$17.50
7/23/2014	\$36.68	10/3/2014	\$46.00	11/19/2014	\$110.50

Appendix A - 2014 Identified Exceptions - Exemption Report 15c3-3

State Farm VP Management Corp. ("SFVPMC" or the "Company") prohibits registered representatives (RR) from accepting cash for securities products. One legacy system allows the RR to enter cash as a payment method for variable policies only and is considered an exception in accordance with SEC Rule 15c3-3. The following are exceptions for the period June 1, 2014 to December 31, 2014.

Cash Received for Variable Products - June - December 2014

Payment Date	Payment Amount
11/19/2014	\$17.50
11/20/2014	\$30.00
11/20/2014	\$100.00
11/21/2014	\$37.81
12/1/2014	\$137.24
12/1/2014	\$52.25
12/1/2014	\$15.50
12/3/2014	\$1.53
12/3/2014	\$1.73
12/5/2014	\$25.00
12/5/2014	\$25.00
12/8/2014	\$38.50
12/8/2014	\$22.00
12/8/2014	\$2.00
12/8/2014	\$148.00
12/8/2014	\$50.00
12/8/2014	\$15.00
12/10/2014	\$50.00
12/12/2014	\$21.00
12/12/2014	\$23.00
12/12/2014	\$21.00
12/12/2014	\$151.00
12/12/2014	\$20.00
12/15/2014	\$79.08
12/18/2014	\$100.00
12/19/2014	\$75.00
12/19/2014	\$75.00
12/19/2014	\$75.00
12/19/2014	\$90.25
12/23/2014	\$2.34
12/23/2014	\$3.18
12/23/2014	\$2.23
12/29/2014	\$56.20
12/31/2014	\$1.00
12/31/2014	\$1.00

Appendix A - 2014 Identified Exceptions - Exemption Report 15c3-3

Negotiable Instruments Payable to SFVPMC - June - December 2014

SFVPMC does not accept cash or checks made payable to the broker-dealer as it's the State Farm policy, in accordance with SEC Rule 15c3-3, to not accept or take custody of customer funds. The exceptions identified below are incidents of when SFVPMC accepted money orders made payable to the broker dealer in error during the period June 1, 2014 to December 31, 2014.

Date	Amount
7/28/2014	\$750.00
7/28/2014	\$750.00
7/28/2014	\$2,043.57
10/3/2014	\$10,582.13

Premium Fund Account Checks Received - June - December 2014

SFVPMC does not accept cash or take custody of customer funds. The exceptions identified are incidents of when a registered representative accepted cash or deposited checks from a customer into a premium fund account and wrote a check made payable to State Farm on behalf of the customer and considered exceptions in accordance with SEC Rule 15c3-3 during the period June 1, 2014 to December 31, 2014.

Date	Amount
7/14/2014	\$25,000.00
9/27/2014	\$50.00
9/27/2014	\$50.00
10/17/2014	\$1.00

Untimely Forwarding of Checks from Registered Representatives Office - June - December 2014

SFVPMC requires its registered representatives to forward checks received in their office by noon of the next business day. SFVPMC identified situations the registered representative did not forward payments received in his/her office in a timely manner, which may equate to SFVPMC's failure to promptly transmit all funds received in connection with its activities as a broker or dealer. This activity also may involve SFVPMC's holding customer's funds. As such, these instances are considered exceptions in accordance with SEC Rule 15c3-3 during the period June 1, 2014 to December 31, 2014.

Date	Order Number	Amount
7/24/2014	9324982	\$50.00
7/29/2014	9325494	\$100.00
8/6/2014	9326569	\$50.00
8/8/2014	9256570	\$3,500.00
8/15/2014	9043230	\$3,500.00
8/20/2014	9328276	\$50.00
8/26/2014	93219156	\$4,923.26
8/27/2014	72102422	\$2,017.38
8/27/2014	9329342	\$5,000.00
9/2/2014	9329818	\$2,000.00
9/3/2014	9325401	\$500.00
9/5/2014	9323985	\$300.00
9/12/2014	9329126	\$4,763.83
9/15/2014	9331675	\$18,485.57
9/23/2014	9332920	\$1,000.00
9/27/2014	9333716	\$50.00
9/27/2014	9333717	\$50.00
12/3/2014	9186556	\$19,174.15