

The Eleventh Farm Credit District Employees' Retirement Plan

Financial Statements

December 31, 2007 and 2006



CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

Participants and Trust Committee
The Eleventh Farm Credit District Employees' Retirement Plan
St. Paul, Minnesota

We have audited the accompanying statements of net assets available for benefits of The Eleventh Farm Credit District Employees' Retirement Plan as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of The Eleventh Farm Credit District Employees' Retirement Plan as of December 31, 2007 and 2006, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.


LarsonAllen LLP

Minneapolis, Minnesota
October 2, 2008



LarsonAllen LLP is a member of Nexia International, a worldwide network of independent accounting and consulting firms.

The Eleventh Farm Credit District Employees' Retirement Plan
Statements of Net Assets Available for Benefits
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Investments		
Short-term investment funds and cash, at fair value	\$ 648,916	\$ 4,177,303
Plan interest in Master Trust investments	133,865,779	123,574,722
Total investments	<u>134,514,695</u>	<u>127,752,025</u>
Dividend, interest and other receivables	-	4,632
Total assets	<u>134,514,695</u>	<u>127,756,657</u>
Liabilities		
Administrative and other expenses payable	4,105	19,020
Total liabilities	<u>4,105</u>	<u>19,020</u>
Net assets available for benefits	<u>\$ 134,510,590</u>	<u>\$ 127,737,637</u>

See accompanying notes to the financial statements.

The Eleventh Farm Credit District Employees' Retirement Plan
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Net assets available for benefits, beginning of year	\$ 127,737,637	\$ 121,914,932
Net investment income		
Master Trust income	10,045,409	13,163,321
Interest	-	809,605
	<u>10,045,409</u>	<u>13,972,926</u>
Contributions		
Employer	<u>4,519,320</u>	<u>3,427,769</u>
Deductions		
Benefits paid to participants	(7,723,580)	(11,467,654)
Administrative and other expenses	(68,196)	(110,336)
	<u>(7,791,776)</u>	<u>(11,577,990)</u>
Net increase	6,772,953	5,822,705
Net assets available for benefits, end of year	<u>\$ 134,510,590</u>	<u>\$ 127,737,637</u>

See accompanying notes to the financial statements.

The Eleventh Farm Credit District Employees' Retirement Plan

Notes to Financial Statements

December 31, 2007 and 2006

1. Description of the Plan

The following description of The Eleventh Farm Credit District Employees' Retirement Plan (the "Plan") provides general information regarding the Plan. Refer to the Plan document for a complete description of plan provisions.

Plan Provisions

The Plan is a noncontributory defined benefit pension plan covering eligible employees of the former Western Farm Credit Bank and the Production Credit Associations, Federal Land Credit Associations and Agricultural Credit Associations of the former Eleventh Farm Credit District (collectively, the "Employers"). Employees eligible to participate in the Plan are those employees hired before January 1, 1998, who had completed five years of service or attained age 45 as of January 1, 1998, and who elected not to participate in the money purchase component of the Eleventh Farm Credit District's Retirement Savings Plan ("Savings Plan"). Employees hired after January 1, 1998, are not eligible to participate in the Plan, but are enrolled in the employer contribution component of the Farm Credit Foundations Defined Contribution / 401(k) Plan. The Plan was frozen on January 1, 1998. Since December 31, 1997, no new participants have joined the Plan; hence all Plan participants have completed five years of service and are fully vested in plan benefits they have earned based on current credited service.

Retirement benefits are paid from plan assets based upon a pre-defined formula which considers salary and credited service, subject to certain limitations. Several benefit payment options are available, as defined in the Plan document.

Plan Governance

The Farm Credit Foundations Plan Sponsor and Trust Committees provide consideration and oversight of the benefit plans offered by participating employers of the AgriBank District, U.S. AgBank District, and Northwest, FCS as defined by the Farm Credit Foundations Administrative Agreement. There are 49 participating employers across 26 states with over 6500 active employees. The governance committees are either elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for decisions regarding benefits at the direction of the participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Funding Policy

The Employers contribute amounts necessary on an actuarial basis to provide the Plan with sufficient assets to meet the benefits to be paid to participants. The plan's funding policy is to contribute amounts which represent normal cost, plus amortization of the unfunded accrued liability over 7 years, plus interest, subject to the full funding limitation or other IRS limitations for each plan.

Regulatory Compliance

The Department of Labor has determined the Plan to be a governmental plan; therefore, the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Plan Administration

The Plan provides that an employee of a participating employer who has adopted the Plan, and who has satisfied the Plan's eligibility requirements, will have rights to benefits under the Plan. The Farm Credit Foundation's Trust Committee serves as Plan Administrator under the Plan. The Trust Committee has primary responsibility for administration and interpretation of the Plan and investment of the Plan assets.

The Farm Credit Foundation's Trust Committee is the trustee for the Plan assets invested in the master trust. The trustee supervises and administers all investments and related activities,

The Eleventh Farm Credit District Employees' Retirement Plan

Notes to Financial Statements

December 31, 2007 and 2006

including such functions as purchases, sales, reinvestment and collection of investment income. Certain income and expense items of the investments in the master trust are recorded at the master trust level. These include investment expenses, interest income and dividends. Wells Fargo is the custodian for the Plan assets.

Plan Termination

In the event of Plan termination, the present value of benefits due to participants would be distributed to participants. Plan assets in excess of obligations would be returned to the Employers. Obligations and liabilities in excess of assets would be the responsibility of the Employers.

As the Plan is not subject to ERISA, the Plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the Plan's termination is contingent on the sufficiency of the Plan's net assets to provide benefits at that time.

2. Summary of Significant Accounting Policies

A description of the Plan's significant accounting policies follows:

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, income is recorded in the year earned and expenses are recorded in the year incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, disclosures of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are stated at fair market value as determined by the custodian, generally by reference to quoted prices in an active market. Master trust interests are valued at the accumulation unit value, which is calculated based on the fair market value of the underlying investments and other net assets of the master trust.

Purchases and sales of investments are recorded on a trade date basis. Interest income is accrued based on the terms of the underlying investment.

Benefits and Expenses

Benefit payments to participants are recorded upon distribution. All benefit payments and administrative expenses are paid from Plan assets. Administrative and other expenses of the Plan consist of legal, actuarial and auditing fees.

Income Tax Status

The Internal Revenue Service ("IRS") has issued a favorable determination letter regarding the Plan's current nontaxable status. The Plan received its latest determination letter in February 2006.

Plan management is of the opinion that the Plan continues to comply with the applicable sections of the Internal Revenue Code, and that the related trust, which forms a part of the Plan, is exempt from income tax. Accordingly, no provision has been made for federal or state income taxes.

The Eleventh Farm Credit District Employees' Retirement Plan
Notes to Financial Statements
December 31, 2007 and 2006

3. Investments

Interest in Master Trust

A significant portion of the Plan's investments are in a master trust which holds the investment assets of the Plan, The Northwest Farm Credit Services Retirement Plan, The Seventh Farm Credit District Retirement Plan, Ninth Farm Credit District Pension Plan, and The Farm Credit Foundations Defined Contribution/401(k) Plan. In 2006, the master trust only held the investment assets of the Plan, The Northwest Farm Credit Services Retirement Plan, and The Seventh Farm Credit District Retirement Plan. Each plan's share of the master trust is determined by the use of accumulation units, with each unit representing an undivided interest in the master trust. The plans are credited with units purchased and charged with units to be paid or forfeited at the monthly accumulation unit value. Net assets, net investment income, gains and losses and administrative expenses are allocated to the participating plans based upon the weighted average units held during the period. The master trust participates in securities lending. The Plan's interest in the master trust was approximately 6% at December 31, 2007, and 17% at December 31, 2006.

The following table presents the fair values of investments for the master trust as of December 31, 2007, and 2006:

	<u>2007</u>	<u>2006</u>
Mutual funds	\$ 1,467,175,486	\$ 316,684,311
Common stock	280,447,843	120,619,176
Pooled separate account	189,293,116	210,681,604
Investment insurance contracts	88,928,694	-
Limited partnership	74,204,482	-
Money market	18,955,474	-
Interest-bearing cash	7,301,517	-
Collective trust fund	1,029,136	-
Certificate of deposit	192,122	-
Government securities	25,795	-
Short-term investments	-	86,617,018
Participant loans	13,252,130	-
Securities lending cash collateral	126,600,316	-
Total investments held by master trust	<u>2,267,406,111</u>	<u>734,602,109</u>
Due to brokers for securities lending	(127,639,126)	-
Net investments held by master trust	<u>\$ 2,139,766,985</u>	<u>\$ 734,602,109</u>

Investment income during 2007 and 2006 for the master trust is as follows:

	<u>2007</u>	<u>2006</u>
Net appreciation in fair value of investments:		
Mutual funds	\$ 82,100,172	\$ 23,879,376
Common stocks	6,284,941	13,923,546
Pooled separate account	5,797,217	-
Investment insurance contracts	3,291,243	-
Collective funds	-	27,735,437
Total net appreciation	<u>97,473,573</u>	<u>65,538,359</u>
Interest and dividends	24,782,817	18,717,218
Less: investment management expenses	859,030	2,173,298
	<u>\$ 121,397,360</u>	<u>\$ 82,082,279</u>

The Eleventh Farm Credit District Employees' Retirement Plan
Notes to Financial Statements
December 31, 2007 and 2006

Unallocated Insurance Contract

In 1975, the Plan entered into a guaranteed interest group annuity contract ("annuity contract") with New York Life into which all contributions to the Plan through 1993 were deposited. New York Life maintained the contributions to the annuity contract in an unallocated fund to which it added interest at the greater of the guaranteed interest rate or the rate earned by its general fund. The guaranteed rate resets annually. The interest rate earned was 10.1 percent for 2006. This contract was terminated in December 2006.

Securities Lending

The Master Trust has a securities lending program with Wells Fargo Bank, N.A. The Master Trust requires collateral with a market value of at least 102% of the market value of the loaned securities at the time a loan is transacted. Collateral is provided by the borrower and may be held, invested, or reinvested in certain types of securities.

The fair market value of the securities loaned to Wells Fargo Bank, N.A. was \$127,639,126 at December 31, 2007. The fair value of the collateral accepted by the Master Trust was \$126,600,316 at December 31, 2007. No collateral had been sold or repledged at December 31, 2007.

4. Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, which are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries.

The actuarial present value of accumulated plan benefits is determined by the Plan's actuary by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment. The significant assumptions used in the valuations as of January 1, 2008, and 2007, are detailed in the following table:

Mortality	RP-2000 Combined Healthy Table
Interest rate	8.0 percent per annum
Compensation increases	5.0 percent per annum
Lump sum interest rate	8.0 percent per annum using 1994 UP mortality table

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial present value of accumulated plan benefits at December 31, 2007, and 2006, is summarized as follows:

	<u>2007</u>	<u>2006</u>
Actuarial present value of accumulated plan benefits		
Vested benefits		
Participants and beneficiaries currently receiving payments	\$ 67,170,200	\$ 67,016,955
Other participants	56,368,906	48,940,274
Total vested benefits	<u>123,539,106</u>	<u>115,957,229</u>
Nonvested benefits	10,556,071	10,752,695
Actuarial present value of accumulated plan benefits	<u>\$ 134,095,177</u>	<u>\$ 126,709,924</u>

The Eleventh Farm Credit District Employees' Retirement Plan
Notes to Financial Statements
December 31, 2007 and 2006

Vested benefits reflect benefits based on current credited service. Nonvested benefits reflect benefits based on credited service not yet earned and future events.

The change in actuarial present value of accumulated plan benefits for the years ended December 31, 2007, and 2006, is summarized as follows:

	<u>2007</u>	<u>2006</u>
Actuarial present value of accumulated plan benefits, beginning of year	\$ 126,709,924	\$ 121,626,891
Increase (decrease) during the year attributable to		
Interest	10,167,877	9,586,638
Benefits accumulated and experience changes	4,815,450	9,737,449
Plan amendments	125,506	(2,773,400)
Benefits paid	<u>(7,723,580)</u>	<u>(11,467,654)</u>
Net increase	<u>7,385,253</u>	<u>5,083,033</u>
Actuarial present value of accumulated plan benefits, end of year	<u>\$ 134,095,177</u>	<u>\$ 126,709,924</u>

The Plan was amended to increase the IRS 415 limitation on benefits, resulting in an increase in accumulated plan benefits of \$125,506 in 2007 and \$230,600 in 2006. The Plan was also amended in 2006 to offer a lump sum option to terminated vested participants. This amendment decreased accumulated plan benefits by \$3,004,000.

5. Risks and Uncertainties

The Plan provides for investment in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions and the actuarial present value of accumulated plan benefits are calculated based on certain assumptions pertaining to interest rates, inflation rates, long-term return on investments and mortality, all of which are subject to change. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that changes in these estimates in the near term would be material to the financial statements.

6. Related Party

AgriBank, FCB, paid expenses on behalf of the Plan and was reimbursed by the Plan for those expenses.