

**Farm Credit Foundations
Defined Contribution / 401(k)
Plan**

Financial Statements
December 31, 2007 and 2006

LarsonAllen[®] LLP

CPAs, Consultants & Advisors
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INDEPENDENT AUDITORS' REPORT

Participants and Trust Committee
Farm Credit Foundations Defined Contribution / 401(k) Plan
St. Paul, Minnesota

We have audited the accompanying statement of net assets available for benefits of Farm Credit Foundations Defined Contribution / 401(k) Plan as of December 31, 2007, and the related statement of changes in net assets available for benefits for the year 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 audit. The financial statements of Ninth Farm Credit District 401(k) Thrift Plan as of December 31, 2006 were audited by other auditors whose report dated August 20, 2007, expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 6 to the financial statements, the Plan has restated its 2006 financial statements during the current year to reflect an adjustment from fair value to contract value for a fully benefit-responsive investment. The other auditors reported on the 2006 financial statements before the restatement.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007, and the changes in its net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Luan Allen CP
LarsonAllen LLP

Minneapolis, Minnesota
October 2, 2008



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Farm Credit Foundations Defined Contribution / 401(k) Plan
Statements of Net Assets Available for Benefits
Years Ended December 31, 2007 and 2006

	2007	2006 Restated
Assets		
Investments at fair value		
Plan interest in Master Trust investments	\$ 1,237,200,822	-
Mutual funds	-	125,139,857
Common/collective trusts	-	18,450,643
Participant loans	-	2,254,390
Total investments	<u>1,237,200,822</u>	<u>145,844,890</u>
Receivables		
Employer contributions	<u>801,611</u>	<u>-</u>
Total assets	<u>1,238,002,433</u>	<u>145,844,890</u>
Liabilities		
Accrued expenses	18,300	-
Total liabilities	<u>18,300</u>	<u>-</u>
Net assets available for benefits at fair value	<u>1,237,984,133</u>	<u>145,844,890</u>
Adjustment from fair value to contract value for interest in Master Trust	1,290,760	-
Adjustment from fair value to contract value for common/collective trusts	-	177,544
Net assets available for benefits	<u><u>\$ 1,239,274,893</u></u>	<u><u>\$ 146,022,434</u></u>

See accompanying notes to the financial statements.

Farm Credit Foundations Defined Contribution / 401(k) Plan
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2007 and 2006

	2007	2006 Restated
Net assets available for benefits, beginning of year	\$ 146,022,434	\$ 125,284,134
Net investment income		
Master Trust income	58,493,588	-
Net appreciation in fair value of investments	8,753,605	9,506,487
Interest and dividend income	1,487,564	8,569,015
	<u>68,734,757</u>	<u>18,075,502</u>
Contributions		
Participant	48,025,065	5,711,679
Employer	26,667,696	2,179,258
	<u>74,692,761</u>	<u>7,890,937</u>
Deductions		
Benefits paid to participants	(76,340,037)	(5,223,610)
Administrative expenses	(319,530)	(4,529)
	<u>(76,659,567)</u>	<u>(5,228,139)</u>
Net increase prior to transfer of assets from another Plan	66,767,951	20,738,300
Transfer of assets from another Plan	1,026,484,508	-
Net increase	<u>1,093,252,459</u>	<u>20,738,300</u>
Net assets available for benefits, end of year	<u>\$ 1,239,274,893</u>	<u>\$ 146,022,434</u>

See accompanying notes to the financial statements.

Farm Credit Foundations Defined Contribution / 401(k) Plan

Notes to Financial Statements

December 31, 2007 and 2006

1. Description of the Plan

The following description of the Farm Credit Foundations Defined Contribution / 401(k) Plan (the "Plan") provides general information regarding the Plan. Refer to the Plan document for a complete description of Plan provisions.

General

The Plan is a defined contribution plan which contains a cash or deferred arrangement intended to satisfy the requirements of Section 401(k) of the Internal Revenue Code. The Plan is available to the employees the AgriBank District, Northwest, FCS, and U.S. AgBank, FCB (the "Employers"). In general, all full-time and part-time employees of the Employers are eligible to participate in the Plan.

Effective January 1, 2007, the Farm Credit Consolidated Benefit Plan – 401(k) and Employer Contribution merged into the Ninth Farm Credit District 401(k) Thrift Plan. The name of the Plan was changed to Farm Credit Foundations Defined Contribution / 401(k) Plan. The Plan became available to all employees of the AgriBank District, Northwest, FCS, and Affiliated Associations hired after January 1, 2007.

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 employer. The Trust Committee is responsible for fiduciary and plan administrative functions.

Contributions

The provisions of the Plan are summarized below:

- Participants may contribute up to 75 percent of the eligible earnings on a pre-tax basis and up to 75 percent of eligible earnings on a post-tax basis. Total participant contributions may not exceed 75 percent of eligible earnings. In addition, Roth 401(k) contributions are also available.
- Employer matching contributions are equal to 100 percent of total participant contributions, up to 6 percent of eligible earnings.
- For employees hired prior to January 1, 2007, and who participate in their employer's frozen defined benefit retirement plan the employer matching contributions are equal to 100% of employee contributions up to 2% of eligible pay; plus 50% of the next 4% of eligible pay. (maximum 4% total employer match)
- Any eligible employee of the AgriBank District, U.S. AgBank District, and Northwest, FCS, beginning January 1, 2007, AgriBank, FCB and the AgriBank Farm Credit District Associations that is not participating in the defined benefit plan receives additional Employer contributions each pay period. For qualified employees, contributions are made at a rate of 3 percent of compensation.

Grandfathered provisions for certain employee groups:

- For qualified employees of an employer of the AgriBank District who began participation prior to January 1, 1991, contributions were up to a maximum of 13 percent of earnings.

Farm Credit Foundations Defined Contribution / 401(k) Plan

Notes to Financial Statements

December 31, 2007 and 2006

- All employees of Northwest, FCS, an employer of the AgriBank District, and employers of the former Eleventh District Association hired prior to January 1, 2007, who do not participate in their employer's defined benefit plan, receive an additional 2% employer contribution in the Nonqualified Deferred Compensation plan plus an Integrated Contribution on salary that exceeds the Social Security taxable wage base for the year will receive an additional employer-paid contribution equal to 5% of excess pay.
 - The Integrated Additional Contribution is credited to participants' 401(k) accounts beginning with the pay period that their benefit's eligible wages exceed the social security wage base.
- Certain employers of the former Eleventh District Associations (those who have Internal Revenue Service private letter rulings) are allowed to make paid-leave contributions to participant accounts. In general, paid-leave contributions are made in an amount equal to the dollar value of paid-leave accrued at December 31 in excess of the paid-leave that can be carried forward under the employers' paid-leave policy.

All participant and employer contributions are subject to limits set forth by the Internal Revenue Code. Participants may also contribute amounts representing eligible roll-over distributions from other qualified plans.

Participants in the Plan may direct employee and employer contributions in 1 percent increments to any of the Plan's investment options. The Plan's investments in each fund/option are maintained under the direction of the participants.

Participant Accounts

Each participant's account is credited with the participant's contribution, related employer contributions, and Plan allocations of earnings. Allocations are based on participant earning or account balances, as defined. The benefit to which a participant is entitled is the vested portion of the participant's account. Participant accounts are valued on a daily basis.

Vesting

The vesting provisions of the Plan are as follows:

- Participants are immediately vested in participant contributions, paid-leave contributions, and investment income earned thereon.
- Participants vest 100 percent in employer matching contributions and employer contribution plan contributions after four years of service. Participants with less than four years of service vest in the employer contributions at a rate of 25 percent for each full year of service.
- Participants are immediately vested upon death, disability or retirement.

Participants in the Plan prior to January 1, 2007, are immediately vested in their contributions plus actual earnings thereon. Participants are also fully vested in the Company's contribution portion of their accounts at the date of participation.

Participant Loans

The Plan allows participants to borrow a portion of their account balance subject to limitations set forth by the Plan and the Internal Revenue Code. Loans are secured by the balance in the participants' accounts and generally bear interest at the prime rate. Repayment of participant loans, including monthly interest charges, is made semi-monthly in the form of payroll withholding. Loans are generally made for a term of five years or less, except for loans for a principal residence, which may be made for a term of up to 25 years.

Farm Credit Foundations Defined Contribution / 401(k) Plan

Notes to Financial Statements

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Payment of Benefits

Upon termination, the value of the participant's accounts will be distributed to the participant. The Plan participants may elect to receive distributions in the form of a lump sum payment, fixed dollar monthly payment or variable installment payments (payments on a monthly, quarterly, semi-annual or annual basis over a period of up to 20 years). All distributions will be paid in the form of a check drawn on the trust. In the case of death, distributions will be made to the designated beneficiary.

The Plan allows for in-service withdrawals upon financial hardship, as defined in the Plan, or upon attainment of age 59 1/2. The Plan also allows for in-service withdrawals of post-tax, rollover, or deductible employee contributions and certain matching contributions, as defined in the Plan.

Forfeited Accounts

Nonvested, employer contributions are forfeited by terminating participants. Forfeited amounts are held in an account at New York Life until used to either pay Plan administrative expenses or to reduce employer contributions. The amount of the forfeitures was \$161,812 at December 31, 2007. Forfeited dollars were used to offset administrative expenses of \$290,324 during 2007. In addition, forfeited dollars were used to reduce employer contributions by \$4,418 during 2007.

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 that has adopted the Plan who has satisfied the Plan's eligibility requirements will have rights to benefits under the plan. AgriBank, FCB 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, 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.

New York Life Trust Company is the third-party administrator for the Plan.

Plan Termination

Although there has been no expression of intent to do so, the participating employers have the right under the Plan to discontinue contributions at any time and to terminate the Plan subject to the plan provisions. In the event of Plan termination, participants will become 100% vested in their accounts.

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.

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Accounting Pronouncement

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the American Institute of Certified Public Accountants (AICPA) Investment Company Audit Guide and Defined-Contribution Health and Welfare and Pension Plans* (the "FSP"), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the statements of assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit responsive investment contracts from fair value to contract value. The statements of changes in net assets available for benefits are prepared on a contract value basis.

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 held in trust are stated at fair value, generally by reference to quoted prices in an active market. Securities traded on a national exchange are valued at their last reported sales price. Securities not traded on a national exchange are valued at the last reported bid price. Mutual fund investments are valued at the published net asset value of the fund. The investments in the pooled separate accounts are valued based on the market prices of the underlying investments in the account at year end.

At December 31, 2007, the Plan invests in the New York Life Insurance Anchor Account III, a pooled separate account (PSA) which is held in the Master Trust. This PSA primarily invests in fully benefit-responsive investment contracts issued by insurance companies and other financial institutions and is subject to the new reporting requirements under the FSP which requires the PSA to be reported at fair value in the Plan's financial statements. The FSP also provides that an investment contract is generally valued at contract value, rather than fair value, to the extent it is fully benefit-responsive. As a result, the New York Life Insurance Anchor Account III is included in Investments on the Statements of Net Assets Available for Benefits at fair value. The difference between the fair value and contract value of the fully benefit-responsive contracts held by the PSA is presented separately in the Statement of Net Assets Available for Benefits.

At December 31, 2006, the Plan invested in the Vanguard Retirement Savings Trust, a common/collective trust (CCT) fund. This CCT primarily invests in fully benefit-responsive investment contracts issued by insurance companies and other financial institutions and is subject to the new reporting requirements under the FSP which requires the CCT to be reported at fair value in the Plan's financial statements. The FSP also provides that an investment contract is generally valued at contract value, rather than fair value, to the extent it is fully benefit-responsive. As a result, the Vanguard Retirement Savings Trust is included in Investments on the Statements of Net Assets Available for Benefits at fair value. The difference between the fair value and the contract value of the fully benefit-responsive contracts held by the CCT is presented separately in the Statement of Net Assets Available for Benefits.

Participant loans are valued at the unpaid principal balance, which approximates fair value.

Farm Credit Foundations Defined Contribution / 401(k) Plan
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Purchases and sales of investments are recorded on a trade date basis. Interest income is accrued based on the terms of the underlying instrument and dividend income is recorded on the ex-dividend date.

Benefits and Expenses

Benefit payments to participants are recorded when distributed. Administrative and other expenses of the Plan are paid from the Plan assets to the extent of forfeited employer contributions. Expenses in excess of forfeitures are either paid from Plan assets or directly by the Employers.

Income Tax Status

The Internal Revenue Service has issued a favorable determination letter dated March 24, 2004 regarding the Farm Credit Consolidated Benefit Plan – 401(k) and Employer Contribution's nontaxable status. The Internal Revenue Service has issued a favorable determination letter dated July 10, 2002 regarding the Ninth Farm Credit District 401(k) Thrift Plan's nontaxable status. Plan management is in the process of requesting an updated determination letter for the merged Plan.

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.

Reclassification

Certain amounts in the 2006 financial statements have been reclassified to conform with the 2007 presentation. These reclassifications do not affect net assets available for benefits as previously reported.

3. Investments

Interest in Master Trust

Effective January 1, 2007, a significant portion of the Plan's investments are in a master trust which holds the investment assets of the Plan, The Seventh Farm Credit District Retirement Plan, The Eleventh Farm Credit District Employees' Retirement Plan, The Northwest Farm Credit Services Retirement Plan, The Ninth Farm Credit District Pension Plan, and The Farm Credit Consolidated Benefit Plan – 401(k) and Employer Contribution. 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 Plan's interest in the master trust was approximately 58% at December 31, 2007.

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

	<u>2007</u>
Mutual funds	\$ 1,467,175,486
Common stock	280,447,843
Pooled separate account	189,293,116
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
Participant loans	13,252,130
Securities lending cash collateral	126,600,316
Total investments held by master trust	<u>2,267,406,111</u>
Due to brokers for securities lending	(127,639,126)
Net investments held by master trust	<u>\$ 2,139,766,985</u>

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

	<u>2007</u>
Net appreciation in fair value of investments:	
Mutual funds	\$ 82,100,172
Common stocks	6,284,941
Pooled separate account	5,797,217
Investment insurance contracts	3,291,243
Total net appreciation	<u>97,473,573</u>
Interest and dividends	24,782,817
Less: investment management expenses	859,030
	<u>\$ 121,397,360</u>

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.

Farm Credit Foundations Defined Contribution / 401(k) Plan
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Significant Investments

The following table identifies the individual investments that represent 5 percent or more of the Plan's net assets at December 31, 2006:

Description	Fair Market Value	Percent of	
		Total Plan Assets	Net Assets Available for Benefits
2006			
Vanguard Wellington Fund*	\$ 29,335,539	20.1%	20.1%
Vanguard Windsor II Fund*	28,588,443	19.6%	19.6%
Vanguard PRIMECAP Fund*	22,813,724	15.6%	15.6%
Vanguard Retirement Savings Trust* **	18,628,187	12.8%	12.8%
Vanguard Index 500 Portfolio*	10,812,950	7.4%	7.4%
Vanguard International Growth Portfolio*	10,149,583	7.0%	7.0%
Loomis Sayles Small Cap Value Fund	8,556,006	5.9%	5.9%

* Represents a related party.

** At contract value.

Appreciation of Investments

During 2006, the Plan's investments consisted of mutual funds. The net appreciation in fair value of investments includes the realized gains and losses on investments that were sold during the year and the increase or decrease in unrealized appreciation or depreciation on investments held at year-end. As of December 31, 2007 and 2006, these funds appreciated by \$8,753,605 and \$9,506,487, respectively.

4. 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 participants' account balances and the amounts reported in the statement of net assets available for benefits.

5. Related Party

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

6. Restatement

The accompanying statement of net assets available for benefits as of December 31, 2006, and the accompanying statement of changes in net assets available for benefits for the year ended December 31, 2006, have been restated to include \$177,544 of adjustment from fair value to contract value which had been incorrectly excluded as a Plan asset. Net appreciation in fair value of investments has been increased in total by \$177,544 for the effect of the restatement.