

The Eleventh Farm Credit District Employees' Retirement Plan

**Financial Statements
December 31, 2008 and 2007**

LarsonAllen[®] LLP

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, 2008 and 2007, 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, 2008 and 2007, 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.

Larson Allen LLP
LarsonAllen LLP

Minneapolis, Minnesota
September 10, 2009



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The Eleventh Farm Credit District Employees' Retirement Plan
Statements of Net Assets Available for Benefits
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Investments, at fair value		
Short-term investment funds and cash	\$ 677,829	\$ 648,916
Plan interest in Master Trust investments	117,824,976	133,865,779
Total assets	<u>118,502,805</u>	<u>134,514,695</u>
Liabilities		
Administrative and other expenses payable	<u>22,101</u>	<u>4,105</u>
Net assets available for benefits	<u>\$ 118,480,704</u>	<u>\$ 134,510,590</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Net assets available for benefits, beginning of year	\$ 134,510,590	\$ 127,737,637
Net investment income (loss)		
Master Trust income (loss)	<u>(25,143,765)</u>	<u>10,045,409</u>
Contributions		
Employer	<u>20,645,000</u>	<u>4,519,320</u>
Deductions		
Benefits paid to participants	(11,382,625)	(7,723,580)
Administrative and other expenses	<u>(148,496)</u>	<u>(68,196)</u>
	<u>(11,531,121)</u>	<u>(7,791,776)</u>
Net increase (decrease)	(16,029,886)	6,772,953
Net assets available for benefits, end of year	<u><u>\$ 118,480,704</u></u>	<u><u>\$ 134,510,590</u></u>

See accompanying notes to the financial statements.

The Eleventh Farm Credit District Employees' Retirement Plan

Notes to Financial Statements

December 31, 2008 and 2007

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 closed 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. Effective January 1, 2008 The Eleventh Farm Credit District Employees' Retirement Plan was amended and restated. The Plan was restated to incorporate all amendments since the last IRS submission for a Determination Letter and was submitted to the IRS for their review as required to comply with the required resubmission period of Cycle C.

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 48 participating employers across 26 states with over 7500 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

The Eleventh Farm Credit District Employees' Retirement Plan

Notes to Financial Statements

December 31, 2008 and 2007

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.

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.

Fair Value of Financial Instruments

On January 1, 2008, the Plan adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for

The Eleventh Farm Credit District Employees' Retirement Plan

Notes to Financial Statements

December 31, 2008 and 2007

substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investment Valuation and Income Recognition

The Plan's investments are valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Plan's investments are valued at fair value according to SFAS 157. The fair value of the Plan's interest in the Master Trust is based on the beginning of year value of the Plan's interest in the trust plus actual contributions and allocated investment income or losses less actual distributions and allocated administrative expenses.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Purchases and sales of investments are recorded on a trade date basis. Interest income is accrued based on the terms of the underlying investment. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

3. 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. The Plan was restated effective January 1, 2008, and Plan management has applied for a new determination letter to the IRS.

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.

4. Investments

Interest in Master Trust

The Plan's investments are in a master trust which holds the investment assets of the Plan, Northwest Farm Credit Services Retirement Plan, AgriBank District Retirement Plan, Ninth Farm Credit District Pension Plan, and the Farm Credit Foundations Defined Contribution/401(k) 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

The Eleventh Farm Credit District Employees' Retirement Plan
Notes to Financial Statements
December 31, 2008 and 2007

Trust participates in securities lending. The Plan's interest in the Master Trust was approximately 7% at December 31, 2008, and 6% at December 31, 2007.

The following table presents the fair values of investments for the Master Trust as of December 31, 2008, and 2007:

	<u>2008</u>	<u>2007</u>
Mutual funds	\$ 585,712,163	\$ 1,467,175,486
Collective trust fund	407,807,924	1,029,136
Pooled separate account	226,228,282	189,293,116
Common stock	173,303,855	280,447,843
Investment insurance contracts	89,095,131	88,928,694
Money market	71,362,122	18,955,474
Limited partnership	56,574,951	74,204,482
Cayman Islands exempted company	18,384,641	-
Interest-bearing cash	10,918,928	7,301,517
Corporate bonds	1,012,679	192,122
Government securities	24,409	25,795
Participant loans	14,136,254	13,252,130
Securities lending cash collateral	43,146,644	126,600,316
Total investments held by master trust	<u>1,697,707,983</u>	<u>2,267,406,111</u>
Due to brokers for securities lending	(51,094,456)	(127,639,126)
Net investments held by master trust	<u>\$ 1,646,613,527</u>	<u>\$ 2,139,766,985</u>

Master Trust investment income for the years ending December 31, 2008 and 2007, is as follows:

	<u>2008</u>	<u>2007</u>
Net appreciation (depreciation) in fair value of investments:		
Mutual funds	\$ (260,055,273)	\$ 82,100,172
Collective trust fund	(167,549,067)	-
Pooled separate account	38,919,082	5,797,217
Common stock	(110,529,256)	6,284,941
Investment insurance contracts	4,913,142	3,291,243
Money market	(1,730,509)	-
Limited partnership	(277,548)	-
Cayman Islands exempted company	(4,015,359)	-
Corporate bonds	(474,061)	-
Government securities	(11,426)	-
Loss from securities lending	(6,909,002)	-
Total net appreciation (depreciation)	<u>(507,719,277)</u>	<u>97,473,573</u>
Interest and dividends	21,500,999	24,782,817
Less: investment management expenses	20,040	859,030
	<u>\$ (486,238,318)</u>	<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 Eleventh Farm Credit District Employees' Retirement Plan

Notes to Financial Statements

December 31, 2008 and 2007

The fair market value of the securities loaned to Wells Fargo Bank, N.A. was \$51,094,456 and \$127,639,126 at December 31, 2008, and 2007, respectively. The fair value of the collateral accepted by the Master Trust was \$43,146,644 and \$126,600,316 at December 31, 2008 and 2007, respectively. No collateral had been sold or repledged at December 31, 2008 and 2007.

5. 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, 2009, and 2008, are detailed in the following table:

Mortality	RP-2000 Combined Healthy Table (projected through the valuation year)
Interest rate	8.0 percent per annum
Compensation increases	5.0 percent per annum
Lump sum interest rate	8.0 percent per annum

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, 2008, and 2007, is summarized as follows:

	<u>2008</u>	<u>2007</u>
Actuarial present value of accumulated plan benefits		
Vested benefits		
Participants and beneficiaries currently receiving payments	\$ 73,590,910	\$ 67,170,200
Other participants	58,863,171	56,368,906
Total vested benefits	<u>132,454,081</u>	<u>123,539,106</u>
Nonvested benefits	10,322,386	10,556,071
Actuarial present value of accumulated plan benefits	<u>\$ 142,776,467</u>	<u>\$ 134,095,177</u>

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

The Eleventh Farm Credit District Employees' Retirement Plan
Notes to Financial Statements
December 31, 2008 and 2007

The change in actuarial present value of accumulated plan benefits for the years ended December 31, 2008, and 2007, is summarized as follows:

	<u>2008</u>	<u>2007</u>
Actuarial present value of accumulated plan benefits, beginning of year	\$ 134,095,177	\$ 126,709,924
Increase (decrease) during the year attributable to		
Interest	10,653,617	10,167,877
Benefits accumulated and experience changes	5,395,807	4,815,450
Plan amendments	2,285,379	125,506
Changes in actuarial assumptions	1,722,445	-
Benefits paid	<u>(11,375,958)</u>	<u>(7,723,580)</u>
Net increase	<u>8,681,290</u>	<u>7,385,253</u>
Actuarial present value of accumulated plan benefits, end of year	<u>\$ 142,776,467</u>	<u>\$ 134,095,177</u>

In 2008, the Plan was amended to change the benefit limits and early retirement window resulting in an increase in accumulated plan benefits of \$2,285,379. The mortality rates were also updated to better reflect actual experience and future expectations resulting in an increase in accumulated plan benefits of \$1,722,445.

In 2007, the Plan was amended to increase the IRS 415 limitation on benefits, resulting in an increase in accumulated plan benefits of \$125,506.

6. 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. Subsequent to December 31, 2008, there continues to be market volatility in the fair value of investments due to changes in market conditions and other factors.

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.

7. Related Party

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

The Eleventh Farm Credit District Employees' Retirement Plan
Notes to Financial Statements
December 31, 2008 and 2007

8. Fair Value of Financial Instruments

The Plan uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Plan measures fair value, refer to Note 2. The following table presents the fair value hierarchy for the balances of the assets of the Master Trust measured at fair value on a recurring basis as of December 31, 2008.

<u>Investment Assets at Fair Value as of December 31, 2008</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Mutual funds	\$ 585,712,163	\$ -	\$ -	\$ 585,712,163
Collective trust funds	-	407,807,924	-	407,807,924
Pooled separate account	-	226,228,282	-	226,228,282
Common stock	173,303,855	-	-	173,303,855
Investment insurance contracts	-	-	89,095,131	89,095,131
Money market	71,362,122	-	-	71,362,122
Limited partnership	-	-	56,574,951	56,574,951
Cayman Islands exempted company	-	-	18,384,641	18,384,641
Interest-bearing cash	10,918,928	-	-	10,918,928
Certificate of deposit	-	1,012,679	-	1,012,679
Government securities	-	24,409	-	24,409
Participant loans	-	14,136,254	-	14,136,254
Securities lending cash collateral	-	43,146,644	-	43,146,644
Total Investments at Fair Value	<u>\$ 841,297,068</u>	<u>\$ 692,356,192</u>	<u>\$ 164,054,723</u>	<u>\$ 1,697,707,983</u>

The following table presents changes in assets measured at fair value using Level 3 inputs on a recurring basis for the year ending December 31, 2008:

<u>Level 3 Investment Assets</u> <u>for the Year Ended December 31, 2008</u>				
	<u>Investment insurance contracts</u>	<u>Limited Partnership</u>	<u>Cayman Islands exempted company</u>	<u>Total</u>
Balance, Beginning of Year	\$ 88,895,218	\$ 74,204,482	\$ -	\$ 163,099,700
Interest	5,531,252	-	-	5,531,252
Realized Gains (Losses)	-	15,147,501	-	15,147,501
Unrealized gains (losses) relating to instruments still held at the reporting date	-	(15,425,049)	(4,015,359)	(19,440,408)
Expenses	(212,650)	-	-	(212,650)
Purchases, issuances and settlement	(5,118,689)	(17,351,983)	22,400,000	(70,672)
Balance, End of Year	<u>\$ 89,095,131</u>	<u>\$ 56,574,951</u>	<u>\$ 18,384,641</u>	<u>\$ 164,054,723</u>