

**Farm Credit Foundations  
Pre-409A Frozen Nonqualified Deferred  
Compensation Plan**

**Financial Statements  
December 31, 2008**

# LarsonAllen<sup>®</sup>

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## INDEPENDENT AUDITORS' REPORT

Farm Credit Foundations Trust Committee  
Farm Credit Foundations Pre-409A  
Nonqualified Deferred Compensation Plan  
St. Paul, Minnesota

We have audited the accompanying statement of net assets available for benefits of Farm Credit Foundations Pre-409A Nonqualified Deferred Compensation Plan as of December 31, 2008, 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Farm Credit Foundations Pre-409A Nonqualified Deferred Compensation Plan as of December 31, 2008, 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.

  
LarsonAllen LLP

Minneapolis, Minnesota  
September 10, 2009



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**Farm Credit Foundations**  
**Pre-409A Frozen Nonqualified Deferred Compensation Plan**  
**Statement of Net Assets Available for Benefits**  
**December 31, 2008**

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	2008
<b>Assets</b>	
Cash	\$ 1,113
Investments at fair value	
Mutual funds	<u>9,297,616</u>
Net assets available for benefits	<u>\$ 9,298,729</u>

See accompanying notes to the financial statements.

**Farm Credit Foundations**  
**Pre-409A Frozen Nonqualified Deferred Compensation Plan**  
**Statement of Changes in Net Assets Available for Benefits**  
**Year Ended December 31, 2008**

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	2008
<b>Net assets available for benefits, beginning of year</b>	\$ 12,620,867
<b>Net investment loss</b>	
Net depreciation in fair value of investments	(2,720,205)
Interest and dividend income	<u>307,528</u>
Total net investment loss	<u>(2,412,677)</u>
<b>Deductions</b>	
Benefits paid to participants	<u>(909,461)</u>
Net decrease	<u>(3,322,138)</u>
<b>Net assets available for benefits, end of year</b>	<u>\$ 9,298,729</u>

See accompanying notes to the financial statements.

# Farm Credit Foundations

## Pre-409A Frozen Nonqualified Deferred Compensation Plan

### Notes to Financial Statements

#### December 31, 2008

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#### 1. Description of the Plan

The following description of the Farm Credit Foundations Pre-409A Frozen Nonqualified Deferred Compensation 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 sponsored and maintained by AgriBank, FCB, and its affiliated Associations and U.S. AgBank, FCB, and its affiliated Associations who have executed a Participation Agreement in the Plan ("Employers") for the benefit of their eligible employees. The Plan is intended to be an unfunded nonqualified deferred compensation plan for tax purposes and is not intended to meet the qualification requirements of Code § 401(a). The employers' assets have been "set-aside" in a rabbi trust for the Plan Participants' by the participating employers.

The Plan resulted from the merger of (a) the Ninth Farm Credit District Nonqualified Deferred Compensation Plan, (the "Ninth District NQDC Plan"), (b) the Farm Credit Consolidated Supplemental Retirement Savings Plan (the "Consolidated Plan"), and (c) the Harvest Benefit Restoration Provisions of the Ninth Farm Credit District Nonqualified Benefit Restoration Plan (the "Harvest Plan Plus"), which took place effective January 1, 2007. Upon the merger of the three plans, the name was changed to the Farm Credit Foundations Pre-409A Frozen Nonqualified Deferred Compensation Plan. The Plan is considered an amendment and restatement of the three plans.

The purpose of this Plan is to provide benefits to former participants in the Harvest Plan Plus, the Ninth District NQDC Plan, and the Consolidated Plan, which benefits were earned and vested under those plans prior to January 1, 2005. Participants in this Plan are not permitted to accrue additional benefits under this Plan, other than earnings on the amounts that were earned and vested prior to January 1, 2005.

The Ninth District Benefit Restoration Plan (the "Benefit Restoration Plan") was established on July 1, 1996, by the Farm Credit Bank of Wichita (which later changed its name to U.S. AgBank, FCB). The Harvest Benefit Restoration Provisions of the Benefit Restoration Plan were frozen effective December 31, 2004. The Benefit Restoration Plan has been split, effective January 1, 2007, between this Plan, which plan includes the Harvest Plan Plus, and the U.S. AgBank District Pension Restoration Plan, which plan includes the pension restoration component of the Benefit Restoration Plan. Amounts that were earned and vested under the Harvest Plan Plus prior to January 1, 2005, (including earnings thereon) have been "grandfathered" under Code § 409A and have been transferred into the Harvest Plan Plus Accounts in this Plan. Amounts that were not earned and vested prior to January 1, 2005, (including earnings thereon) have been transferred into accounts in the Farm Credit Foundations NQDC Plan, effective January 1, 2007. The Ninth District NQDC Plan was established on July 1, 1996, by the Farm Credit Bank of Wichita (which later changed its name to U.S. AgBank, FCB). The Ninth District NQDC Plan has been split, effective January 1, 2007, between this Plan and the Farm Credit Foundations Nonqualified Deferred Compensation Plan (the "Farm Credit Foundations NQDC Plan"). Amounts that were earned and vested under the Ninth District NQDC Plan prior to January 1, 2005, (including earnings thereon) have been "grandfathered" under Code § 409A and have been transferred into the Ninth District NQDC Accounts in this Plan. Amounts that were not earned and vested prior to January 1, 2005, (including earnings thereon) have been transferred into accounts in the Farm Credit Foundations NQDC Plan, effective January 1, 2007.

The Consolidated Plan resulted from an earlier merger of (a) the AgAmerica District Supplemental Executive Retirement Plan, (b) the AgAmerica District Benefit Restoration Plan, and (c) The Eleventh Farm Credit District Supplemental Retirement Savings Plan, which merger took place effective January 1, 2003. The

# **Farm Credit Foundations Pre-409A Frozen Nonqualified Deferred Compensation Plan Notes to Financial Statements December 31, 2008**

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Consolidated Plan has been split, effective January 1, 2007, between this Plan and the Farm Credit Foundations NQDC Plan. Amounts that were earned and vested under the Consolidated Plan prior to January 1, 2005, (including earnings thereon) have been “grandfathered” under Code § 409A and have been transferred into the Consolidated Accounts in this Plan. Amounts that were not earned and vested prior to January 1, 2005, (including earnings thereon) have been transferred into accounts in the Farm Credit Foundations NQDC Plan, effective January 1, 2007.

It is the intent of the Participating Employers in this merged, amended, and restated Plan that the provisions of the Harvest Plan Plus, the Ninth District NQDC Plan, and the Consolidated Plan not be “materially modified,” as that term is defined in Code § 409A and the IRS guidance thereunder, by the adoption of this Plan. Therefore, pursuant to the IRS Treasury guidance issued under Code § 409A, provisions of the Harvest Plan Plus, the Ninth District NQDC Plan, and the Consolidated Plan that were in effect as of October 3, 2004, have not been “materially modified” as to amounts that were earned and vested in those plans prior to January 1, 2005.

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

## **Investment Direction**

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 Plan allocations of earnings or losses. Allocations are based on account balances. 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:

- A Participant shall be 100% vested and have a nonforfeitable interest in amounts credited to his/her Ninth District NQDC Account, Consolidated Account, and Harvest Plan Plus Account.

## **Payment of Benefits**

All amounts credited to a Participant’s Ninth District NQDC Account or Harvest Plan Plus Account under this Article shall be distributed to or with respect to the Participant only upon termination of the Participant’s employment with the Employer, as that term was defined in the NQDC Plan on October 3, 2004, for any reason, including death. (A) If the Participant’s balance does not exceed \$25,000 on the date of termination of employment, the total amount of the Participant’s balance will be distributed in a lump sum as soon as administratively practicable, but no later than ninety (90) days, after the Participant’s termination of employment. (B) If the Participant’s balance exceeds \$25,000 on the date of termination of employment, the

**Farm Credit Foundations**  
**Pre-409A Frozen Nonqualified Deferred Compensation Plan**  
**Notes to Financial Statements**  
**December 31, 2008**

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total amount of the Participant's balance will be distributed at the time and manner elected by the Participant, choosing from the alternatives determined by the Plan Administrator and provided in the Election of Time and Manner of Distribution form. (1) The distribution alternatives provided by the Plan Administrator shall include an option to receive the Participant's balance in substantially equal annual installments payable over a period not to exceed five (5) years. If the Participant's balance equals or exceeds \$250,000 on the date of termination of employment, the distribution alternatives provided by the Plan Administrator shall include an option to receive the Participant's balance in substantially equal annual installments payable over a period not to exceed ten (10) years.

Distribution of a Participant's Consolidated Account shall be made or commence to the Participant (or in the event of the Participant's death, to his/her Beneficiary) as soon as administratively practicable following the earlier of:

- (A) The Participant's termination of employment with the Employer, as that term was defined in the Consolidated Plan, as of October 3, 2004; or
- (B) The Participant's death.

Each Participant shall specify, on his/her initial deferral form for the Consolidated Plan, or subsequent election, the form of payment with respect to the Participant's Consolidated Account. In this regard, the following are the available choices for the form of payment of a Participant's Consolidated Account:

- (1) A single lump sum cash payment; or (2) Substantially equal annual installment cash payments over a period not exceeding ten (10) years, in accordance with the schedule below:

<b>Account Balance at Termination or Retirement</b>	<b>Number of Payments</b>
\$ 25,000.00 or less	1
\$ 25,001.00 - \$ 50,000.99	2
\$ 50,001.00 - \$150,000.99	4
\$150,001.00 - \$300,000.99	6
\$300,001.00 - \$500,000.99	8
\$500,001.00 or greater	10

The first installment payment shall be made in the January following the Participant's termination of employment with the Employer. Each subsequent installment will be made each following January. Upon the death of a Participant, the remaining balance of the Participant's Consolidated Account will be distributed to the Participant's beneficiary. In the event a Participant incurs an unforeseeable emergency, as defined in the Plan, the Participant may take a hardship withdrawal from his/her Harvest Plan Plus Account or Ninth District NQDC Account. The Plan Administrator may direct that payment of a Participant's consolidated account be accelerated and paid prior to the time the account would otherwise be payable. In the event of incapacity of a Participant, the Plan Administrator may cause payment to certain individuals the benefit of the Participant's Consolidated Account, as defined in the Plan.

**Regulatory Compliance**

Under the provisions of the Farm Credit Act of 1971, AgriBank, FCB, and US AgBank, FCB, are defined and declared to be an "instrumentality of the United States." For this reason, the Plan is intended to be a "governmental plan" as that term is defined in Code § 414(d). For the same reason, the Plan is also intended to be a "governmental plan" as that term is defined in ERISA § 3(32). As such, the Plan is not subject to the provisions of Title I of ERISA.

# **Farm Credit Foundations Pre-409A Frozen Nonqualified Deferred Compensation Plan Notes to Financial Statements December 31, 2008**

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## **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. The trustee supervises and administers all investments and related activities, including such functions as purchases, sales, reinvestment and collection of investment income. Wells Fargo is the custodian for the Plan assets.

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

## **Plan Termination**

The Plan Sponsor Committee may amend or terminate this Plan at any time in accordance with the Administrative Agreement. No amendment or termination shall cause a material modification pursuant to Code § 409A as to the amounts in the Consolidated Accounts, the Harvest Plan Plus Accounts, or the Ninth District NQDC 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.

### **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.

# **Farm Credit Foundations**

## **Pre-409A Frozen Nonqualified Deferred Compensation Plan**

### **Notes to Financial Statements**

#### **December 31, 2008**

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*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 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 mutual funds are determined by reference to the fund's underlying assets, which are principally marketable equity and fixed income securities.

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.

#### **Benefits and Expenses**

Benefit payments to participants are recorded when distributed. Administrative and other expenses of the Plan are paid by the participating Employers.

### **3. Income Tax Status**

The Trust qualifies as an irrevocable grantor trust under the guidelines of the Internal Revenue Code. Earnings of the Trust are allocated to participating employers. The participating employers are considered non-taxable entities. Contributions by participating employers to the Trust on behalf of the participants are not taxable to participants until the participant or beneficiary receives payment.

**Farm Credit Foundations**  
**Pre-409A Frozen Nonqualified Deferred Compensation Plan**  
**Notes to Financial Statements**  
**December 31, 2008**

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**4. Investments**

**Significant Investments**

The following table identifies the individual investments that represent 5 percent or more of the Plan's net assets at December 31, 2008:

Description	Fair Market Value
PIMCO Total Return Fund	\$ 2,806,090
Wells Fargo SMID	2,228,298
Vanguard Primecap Fund	1,762,837
Dodge and Cox Stock Fund	1,243,442
Dodge and Cox Balanced Fund	588,304
Artio International Equity Fund	479,312

**Depreciation of Investments**

The net depreciation 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. During 2008, the Plan's investments in mutual funds depreciated in value by \$2,720,205.

**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 participants' account balances and 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.

**6. Related Party**

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

**7. Fair Value**

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 present the fair value hierarchy for the assets of the Plan measured at fair value on a recurring basis as of December 31, 2008:

	Investment Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds	\$ 9,297,616	\$ -	\$ -	\$ 9,297,616
<b>Total Investments at Fair Value</b>	<b>\$ 9,297,616</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,297,616</b>