

Ninth Farm Credit District Pension Plan

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

DRAFT

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INDEPENDENT AUDITORS' REPORT

Participants and Trust Committee
Ninth Farm Credit District Pension Plan
St. Paul, Minnesota

We have audited the accompanying statements of net assets available for benefits of the Ninth Farm Credit District Pension 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 Ninth Farm Credit District Pension 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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**Ninth Farm Credit District Pension Plan
Statements of Net Assets Available for Benefits
December 31, 2008 and 2007**

	2008	2007
Assets		
Investments, at fair value		
Short-term investment funds and cash	\$ 304,733	\$ 300,036
Plan interest in Master Trust investments	<u>89,588,538</u>	<u>126,649,530</u>
Total assets	<u>89,893,271</u>	<u>126,949,566</u>
Liabilities		
Administrative and other expenses payable	<u>31,051</u>	<u>18,970</u>
Net assets available for benefits	<u><u>\$ 89,862,220</u></u>	<u><u>\$ 126,930,596</u></u>

See accompanying notes to the financial statements.

Ninth Farm Credit District Pension Plan
Statements of Changes in Net Assets Available for Benefits
Year Ended December 31, 2008 and 2007

	2008	2007
Net assets available for benefits, beginning of year	\$ 126,930,596	\$ 126,886,952
Net investment income (loss)		
Master trust income (loss)	<u>(29,972,626)</u>	<u>8,492,687</u>
Contributions		
Employer	<u>7,530,717</u>	<u>616,386</u>
Deductions		
Benefits paid to participants	(14,335,228)	(8,806,659)
Administrative and other expenses	<u>(291,239)</u>	<u>(258,770)</u>
	<u>(14,626,467)</u>	<u>(9,065,429)</u>
Net increase	(37,068,376)	43,644
Net assets available for benefits, end of year	<u><u>\$ 89,862,220</u></u>	<u><u>\$ 126,930,596</u></u>

See accompanying notes to the financial statements.

Ninth Farm Credit District Pension Plan

Notes to Financial Statements

December 31, 2008 and 2007

1. Description of the Plan

The following description of Ninth Farm Credit Services 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 U.S. AgBank, FCB, AgVantis, Inc. and Associations in the former Ninth Farm Credit District (collectively, the "Employers"). 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.

Effective July 1, 1998, the Plan was amended to include a cash balance benefit design. The design is referred to as the "Account Balance" provision. All employees hired after June 30, 1998 and all active participants with less than five years vesting service on June 30, 1998, will have their benefits determined under the "Account Balance" provisions of the Pension Plan only. Active participants with five or more years of vesting service on June 30, 1998, will receive the greater of the "Account Balance" versus the current final average pay design when the participant retires or terminates employment. This final average pay design is referred to as the "Traditional" provision of the Pension Plan. The initial balance for the "Account Balance" computed as of June 30, 1998 is the immediate lump sum value of the "Traditional" with a \$100 minimum value.

As of January 1, 2007, the Ninth Farm Credit District Pension Plan was closed to new participants. No contribution credits will be allocated to any participant's account for any quarter of the calendar year beginning after September 30, 2007. However, eligible participants' with accounts in the traditional pension plan who are involuntarily terminated, not for cause, or due to the death of an eligible participant will be allowed to accrue with contribution credits.

Effective January 1, 2007, the allocation of interest credits decreased to 1.25% (5% annualized, compounded quarterly) of a participant's account balance on the first day of the calendar quarter. All "account balance only" participants of the Plan transitioned to a new defined contribution plan effective October 1, 2007. Those participants who were active employees and who were accruing benefits under the "Account Balance" provisions of the Ninth District Plan (but not under the "traditional pension" provisions or the "best of either" provisions) as of September 30, 2007, were moved from the Plan into the Ninth Farm Credit District Spinoff Pension Plan (the "Spinoff Plan"), a feature of the Plan. Additionally, participants in the Plan who were entitled to a vested accrued benefit under the "account balance" provisions as of September 30, 2007, were moved into the Spinoff Plan feature. The Spinoff Plan feature was formally terminated, also on September 30, 2007. Following termination, the assets of the Spinoff Plan feature were distributed to the Participants in accordance with the provisions of the Spinoff Plan feature. All other participants in the remaining Plan continue to participate in the Plan, as of the effective date of the Spinoff Plan feature, in accordance with the terms and conditions of the Plan.

Effective January 1, 2008, the Ninth Farm Credit District Pension 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.

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

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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, 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

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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 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.

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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, auditing, recordkeeping, and custodial fees. Certain benefit payment provisions were amended effective July 1, 2007.

During 2007, those participants who were entitled to benefits only under the Account Balance Provisions of the Plan were spun off into a separate pension plan, the Spinoff Plan which was then terminated. Assets in both the Plan and the Spinoff Plan were held in the same trust. The Spinoff Plan provisions allowed for the distribution of accrued benefits for these participants to be rolled over to the Farm Credit Foundations Defined Contribution / 401(k) Plan or to a qualified retirement plan or individual retirement account of the participant's choice. As of April 30, 2007, all accrued benefits were distributed out of the Spinoff Plan.

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 March 2007. 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, The Eleventh Farm Credit District Employees' Retirement Plan, AgriBank District Retirement Plan, Northwest Farm Credit Services Retirement 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 Plan's interest in the Master Trust was approximately 5% at December 31, 2008, and 6% 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, 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 fair market value of the securities loaned to Wells Fargo Bank, N.A. was \$51,094,456 at December 31, 2008, and \$127,639,126 at December 31, 2007. The fair value of the collateral accepted by the Master Trust was \$43,146,644 at December 31, 2008, and \$126,600,316 at December 31, 2007. No collateral had been sold or repledged at December 31, 2008 and 2007.

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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 or 9.0 percent per annum if not retirement eligible

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	\$ 32,544,233	\$ 31,664,243
Other participants	<u>59,747,396</u>	<u>53,366,341</u>
Total vested benefits	92,291,629	85,030,584
Nonvested benefits	<u>11,034,343</u>	<u>12,453,972</u>
Actuarial present value of accumulated plan benefits	<u>\$ 103,325,972</u>	<u>\$ 97,484,556</u>

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

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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	\$ 97,484,556	\$ 91,340,046
Increase (decrease) during the year attributable to:		
Benefits accumulated and experience changes	4,731,008	6,606,240
Interest	7,798,764	7,307,204
Plan amendments	53,720	171,604
Changes in actuarial assumptions	89,587	866,121
Benefits paid	<u>(6,831,663)</u>	<u>(8,806,659)</u>
Net increase	<u>5,841,416</u>	<u>6,144,510</u>
Actuarial present value of accumulated plan benefits, end of year	<u>\$ 103,325,972</u>	<u>\$ 97,484,556</u>

The Plan was amended to increase the IRS 415 limitation on benefits, resulting in an increase in accumulated plan benefits of \$53,720 in 2008 and \$171,604 in 2007.

In 2008, the mortality rates were updated to better reflect actual experience and future expectations resulting in an increase in accumulated plan benefits of \$89,587.

In 2007, the assumed withdrawal rates were updated to better reflect actual experience and future expectations. Also, all current and future terminated vested participants are assumed to commence benefits at age 60 rather than age 65. These changes in actuarial assumptions resulted in an increase in accumulated plan benefits of \$866,121.

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.

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8. Fair Value of Financial Instruments

The Plan uses fair value measurements to record fair value adjustments to certain assets and liabilities 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>