2007 Annual Report

FARM CREDIT SERVICES OF COLUSA-GLENN

AGRICULTURAL CREDIT ASSOCIATION

FARM CREDIT SERVICES OF COLUSA-GLENN, ACA

2007 ANNUAL REPORT

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MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

For the Farm Credit Services of Colusa-Glenn, ACA, 2007 was another successful year. Financial performance was positive and average yearly loan volume for 2007 was 4% higher than 2006. Credit quality was maintained at a high level.

Overall, 2007 was a good year for our members. The final price for the 2006 rice crop was higher than that of 2005, and the price for the 2007 rice crop is expected to be higher than that of 2006. Rice yields were average. Increased production costs, particularly for petroleum-related inputs, have presented additional challenges. Almond growers have continued to benefit from prices which exceed historical levels. Adequate yields and prices for other crops, coupled with the federal farm program, contributed to generally satisfactory results for those commodities.

Although the costs of obtaining funds to lend increased during 2007, we were able to maintain the interest rates charged to our members at a competitive level. The average interest rates charged Association members during 2007 were 7.77% for commercial loans and 6.81% for mortgage loans. We intend to exert every effort to provide quality service and competitive interest rates to our members.

Association net income for 2007 was $4,395,613, which is $84,917 more than the net income of 2006. The major components of the increase in net income were the reversal of $44,726 of the allowance for loan losses and increased net interest income attributable to higher loan volume and higher earnings on the Association's owned funds. Patronage distributions from U.S. AgBank, FCB, received in the year 2007 totaled $879,522. Non-interest expenses increased by $280,045 during the year, compared to 2006.

One indicator of the Association's commitment to local agriculture is its emphasis on serving young, beginning and small farmers. Each year the Association's Board of Directors creates programs and sets goals to enhance opportunities for this group. The Association is a "Preferred Lender" with the local Farm Service Agency office, allowing express service access to loan guarantees and other FSA products geared toward young, beginning and small farmers. The Association also actively supports agricultural organizations and expositions and high school agriculture scholarship programs.

This report reviews the performance and financial condition of the Farm Credit Services of Colusa-Glenn, ACA. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this annual report for a complete discussion of financial performance.

In the opinion of management and the Board of Directors, the financial statements included in this report fairly present the financial position and results of operations for the Farm Credit Services of Colusa-Glenn, ACA.

We thank you for the continued support of your Association and wish you a prosperous year in 2008.

Jerry Southam
Chairman of the Board
FCS of Colusa-Glenn, ACA

James M. Vierra
President and
Chief Executive Officer

February 28, 2008

REPORT OF MANAGEMENT

The consolidated financial statements of the Association are prepared by management, which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. In the opinion of management, the accompanying consolidated financial statements fairly present the financial condition and results of operations of the Association, in conformity with accounting principles generally accepted in the United States of America and appropriate in the circumstances. Other financial information included in this annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. To monitor compliance, the Association's internal auditors and review staff perform audits of the accounting records, review accounting systems and internal controls, and recommend improvements, as appropriate. The financial statements are audited by PricewaterhouseCoopers, LLP, independent auditors, who also consider internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. Their report is located on page 22. The Association is also examined by the Farm Credit Administration, the Farm Credit System regulatory agency.

The Association's Board of Directors, composed of directors who are not employees, have overall responsibility for the Association's systems of internal controls and financial reporting. Four members of the Board of Directors serve as the Association's Audit Committee. The Board periodically receives reports from management, the internal auditors, and the independent auditors to review the manner in which these groups of individuals are performing their responsibilities and to carry out the Board's oversight role with respect to auditing, internal controls, and financial reporting matters. These auditors and independent auditors also have access to the Board of Directors and their individual members at any time.

The undersigned certify that the 2007 Annual Report has been prepared in accordance with all applicable statutory or regulatory requirements and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

The stockholder's investment in the Association is materially affected by the financial condition and the results of operation of U.S. AgBank, FCB. To obtain a copy of the District Annual Report to Shareholders or Quarterly Report, free of charge, please contact U.S. AgBank, FCB, P.O. Box 2940, Wichita, Kansas 67201-2940; or telephone (800) 322-9880.

Jerry Southam
Chairman

James M. Vierra
Chief Executive Officer

Kenneth P. Woods
Chief Financial Officer

AUDIT COMMITTEE REPORT

The Audit Committee (Committee) of the Farm Credit Services of Colusa-Glenn, ACA, (the Association) is composed of four members of the Association's Board of Directors. In 2007, four Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. In addition, the Committee approved the appointment of PricewaterhouseCoopers, LLP (PwC) as the Association's independent auditor for 2007. The Committee's responsibilities are described more fully in the Internal Control Policy and the Audit Committee Policy.

The fees paid for professional services rendered for the Association by its independent auditor, PwC, during 2007 were $46,190 for audit services and $5,100 for tax services.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's Quarterly Reports and audited financial statements for the year ended December 31, 2007 (the "Audited Financial Statements") with management. The Committee also reviews with PwC the matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance), and both PwC and the Association's internal auditors directly provide reports on significant matters to the Committee.

The Committee discussed with PwC its independence from the Association. The Committee also reviewed the non-audit services provided by PwC and concluded these services were not incompatible with maintaining the independent auditor's independence. The Committee has discussed with management and PwC such other matters and received such assurances from them as the Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Audited Financial Statements in the Association's Annual Report to Stockholders for the year ended December 31, 2007.

Greg Weber

Greg Weber
Chairman of the Audit Committee

Doug Parker, Audit Committee Member
Gar Rourke, Audit Committee Member
Brett Perry, Audit Committee Member

February 28, 2008

FARM CREDIT SERVICES OF COLUSA-GLENN, ACA
FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(Dollars in Thousands)

	December 31,				
	2007	2006	2005	2004	2003
Balance Sheets Data					
Loans	$234,111	$233,337	$217,506	$200,727	$192,350
Less: allowance for loan losses	(1,324)	(1,369)	(1,760)	(1,768)	(4,179)
Net loans	232,787	231,968	215,746	198,959	188,171
Investment in U.S. AgBank, FCB	6,704	6,514	5,609	4,664	4,195
Accrued interest receivable	4,420	4,119	2,984	1,966	1,860
Other property owned	615	2	3	8	13
Other assets	367	447	553	541	956
Total assets	$244,893	$243,050	$224,895	$206,138	$195,195
Obligations with maturities of one year or less	$187,513	$190,383	$177,385	$162,263	$157,292
Obligations with maturities longer than one year		235	229	336	229
Total liabilities	187,513	190,618	177,614	162,599	157,521
Capital stock and participation certificates	9,761	9,378	8,663	8,062	7,802
Unallocated retained earnings	47,619	43,224	38,913	35,702	30,005
Accumulated other comprehensive loss		(170)	(295)	(225)	(133)
Total shareholders' equity	57,380	52,432	47,281	43,539	37,674
Total liabilities and shareholders' equity	$244,893	$243,050	$224,895	$206,138	$195,195

	Year Ended December 31,				
	2007	2006	2005	2004	2003
Statement of Income Data					
Net interest income	$6,689	$6,070	$5,318	$5,879	$6,102
Patronage distribution from U.S. AgBank, FCB	880	719	573	374	265
Reversal of (provision for) loan losses	45	390	0	2,411	(100)
Noninterest expense, net	(2,568)	(2,391)	(2,201)	(2,018)	(2,199)
Provision for income taxes	(650)	(477)	(478)	(949)	(499)
Net income	$4,396	$4,311	$3,212	$5,697	$3,569
Key Financial Ratios					
For the Year					
Return on average assets	1.81%	1.86%	1.49%	2.84%	1.91%
Return on average shareholders' equity	8.01%	8.64%	7.07%	14.03%	10.08%
Net interest income as a percentage of average earning assets	2.88%	2.76%	2.56%	3.04%	3.40%
Net charge-offs (recoveries) as a percentage of average net loans	0.00%	0.00%	0.00%	0.00%	0.01%
At Year End					
Shareholders' equity as a percentage of total assets	23.43%	21.57%	21.02%	21.12%	19.30%
Debt as a ratio to shareholders' equity	3.27:1	3.64:1	3.76:1	3.73:1	4.18:1
Allowance for loan losses as a percentage of loans	0.57%	0.59%	0.81%	0.88%	2.17%
Permanent capital ratio	19.95%	17.68%	17.62%	17.30%	16.61%
Total surplus ratio	16.34%	14.10%	14.03%	13.56%	12.84%
Core surplus ratio	15.32%	14.01%	13.89%	13.38%	12.79%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion summarizes the financial position and results of operations of the Farm Credit Services of Colusa-Glenn, ACA, for the year ended December 31, 2007. Comparisons to prior years are included. We have emphasized material known trends, commitments, events, or uncertainties that have impacted or are reasonably likely to impact our financial condition and results of operation. You should read these comments along with the accompanying consolidated financial statements, footnotes and other sections of this report. The accompanying financial statements were prepared under the oversight of the audit committee. The Management's Discussion and Analysis includes the following sections:

- Business Overview
- Forward-Looking Information
- Critical Accounting Policies and Estimates
- Economic Overview
- Loan Portfolio
- Credit Risk Management
- Results of Operations
- Liquidity Risk Management
- Capital Resources
- Regulatory Matters
- Litigation
- Governance
- Customer Privacy

Our annual and quarterly reports to shareholders are available on our website, www.californiafarmcredit.com or may be obtained free of charge by calling 530-458-4978. Annual reports are available on our website within 75 days after year end and quarterly reports are available on our website within 40 days after the calendar quarter end.

BUSINESS OVERVIEW

Farm Credit System Structure and Mission

We are one of the more than 90 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for almost 90 years. The System mission is to provide sound and dependable credit to American farmers, ranchers, and producers or harvesters of aquatic products, and farm-related businesses through a member-owned cooperative system. This is done by making loans and providing financial services to credit-worthy individuals and businesses. The System continues to have the largest portfolios of agricultural loans of any lender in the United States. The Farm Credit Administration (FCA), is the System's independent safety and soundness federal regulator and was established to supervise, examine and regulate System institutions.

Our Structure and Focus

As a cooperative, we are owned by the members we serve. The territory served extends across a diverse agricultural region in the California counties of Colusa and Glenn. We make production and intermediate-term loans for agricultural production or operating purposes and long-term real estate mortgage loans to farmers, ranchers, rural residents and agribusinesses. Additionally, we provide other related services to our borrowers. Our success begins with our extensive agricultural experience and knowledge of the market and is dependent on the level of satisfaction we can provide to our borrowers.

We obtain the funding for our lending and operations from U.S. AgBank, FCB (AgBank). AgBank is a cooperative of which we are a member. AgBank, its related associations, and AgVantis, Inc. (AgVantis) are referred to as the District. We are materially affected by AgBank's financial condition and results of operations. The U. S. AgBank Annual Report to Shareholders, the U.S. AgBank District Annual Report to Shareholders and the AgBank and AgBank District's quarterly reports are available on AgBank's web site, www.usagbank.com, or may be obtained at no charge by calling 1-800-322-9880. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

We purchase web-site hosting services from AgVantis, which is a technology service corporation.

FORWARD-LOOKING INFORMATION

This discussion contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," and "will," or other variations of these terms are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and,
- actions taken by the Federal Reserve System in implementing monetary policy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because we have to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, see Note 2 of the accompanying financial statements. The following is a summary of certain critical policies.

Allowance for Loan Losses

The allowance for loan losses is our best estimate of the amount of probable losses existing in and inherent in our loan portfolio as of the balance sheet date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. We determine the allowance for loan losses based on a regular evaluation of the loan portfolio, which considers recent historic charge-off experience adjusted for relevant factors.

Loans are evaluated based on the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantor; and, if appropriate, the estimated net realizable value of any collateral. The allowance for loan losses attributable to these loans is established by a process that estimates the probable loss inherent in the loans, taking into account various historical and projected factors, internal risk ratings, regulatory oversight, and geographic, industry and other factors.

Changes in the factors we consider in the evaluation of losses in the loan portfolios could occur for various credit related reasons and could result in a change in the allowance for loan losses which would have a direct impact on the provision for loan losses and results of operations. See Notes 2 and 3 to the accompanying financial statements for detailed information regarding the allowance for loan losses.

ECONOMIC OVERVIEW

During 2007, economic conditions in our region were generally good to excellent. The final price for the 2006 rice crop was higher than that of 2005, and the price for the 2007 rice crop is expected to be higher than that of 2006. Rice yields for 2007 were average. Increased production costs, particularly for petroleum-related inputs, have presented additional challenges. Almond growers benefited from prices which have continued at a high level. For most other crops, yields and prices have been above average. The federal farm program provided a measure of stability for those commodities covered.

Water supplies were adequate in 2007 and are expected to be so for the near future. There are no other known environmental conditions likely to negatively impact local growers.

Except for a brief spike in the fall, interest rates were stable during most of 2007, declining during the last quarter of the year.

LOAN PORTFOLIO

Total loan volume was $234,110,907 at December 31, 2007, an increase of $774,026, or 0.33%, from loans at December 31, 2006, of $233,336,881, and an increase of $15,830,618, or 7.28%, from loans at December 31, 2005 of $217,506,263. The increase in loans from 2005 to 2006 was due in part to the financing of processing facilities and almond development loans. The principal component of the increase was the growth in production and intermediate-term loans attributable primarily to higher production costs and continued almond development. The types of loans outstanding at December 31 are reflected in the following table. Loan volume increased only modestly during 2007 due to the very profitable results achieved by many area farmers.

	2007		2006		2005	
	Volume	Percent of Total	Volume	Percent of Total	Volume	Percent of Total
Production agriculture:						
Real estate mortgage	$113,574,275	48.5%	$113,624,201	48.7%	$107,473,552	49.4%
Production and intermediate- term	91,700,882	39.2%	91,072,135	39.0%	84,265,977	38.7%
Agribusiness:						
Processing & marketing	18,849,339	8.1%	18,237,586	7.8%	14,939,834	6.9%
Farm related business	3,152,268	1.3%	3,020,788	1.3%	4,668,559	2.2%
Participations purchased	6,834,143	2.9%	7,382,171	3.2%	6,158,341	2.8%
Total	$234,110,907	100.00%	$233,336,881	100.00%	$217,506,263	100.00%

As explained on the previous page, in 2007 there were small increases for all loan types, except for participations purchased, which decreased due to repayments.

In 2006, real estate mortgage volume increased 5.7% compared with 2005 loan volume, primarily due to loans for land purchases and the development of almond orchards. These loans are used to finance the long-term needs of agricultural producers and have maturities ranging from five years to 40 years. Rural residential mortgage loans may also be made to non-farm rural homeowners. By law, real estate mortgage loans must be secured by first liens and may be made only in amounts up to 85 percent of the original appraised value of the property or up to 97 percent of appraised value if guaranteed by certain state, federal, or other governmental agencies. Refer to Note 3 of the Notes to the Financial Statements for more detail.

The production and intermediate-term loans increased in volume 8.1% compared with 2005 loan volume primarily due to reduced commodity prices, increased production costs and loans for the development of almond orchards. Production loans are used to finance the ongoing operating needs of agricultural producers. Production loans are most often written for a period of time that matches the borrower's normal production and marketing cycle, which is typically 12 months. Intermediate-term loans are typically used to finance depreciable capital assets of a farm or ranch. Intermediate-term loans are written for a specific term, 1 to 15 years with most loans not exceeding 10 years.

Loan Portfolio Diversification

While we make loans and provide financially related services to qualified borrowers in agricultural and rural sectors and to certain related entities, our loan portfolio is diversified by participations purchased and sold, geographic locations served and commodities financed, as illustrated in the following three tables.

We purchase participation interests in loans from other System entities to generate additional earnings and diversify risk related to existing commodities financed and our geographic area served. In addition, we sell a portion of certain large loans to other System entities to reduce risk and comply with lending limits we have established. The volume of participations purchased and sold as of December 31 follows.

	2007	2006	2005
Participations purchased	$6,834,143	$7,382,171	$6,158,341
Participations sold	$5,120,996	$4,955,891	$5,027,388

The participations purchased are production and long-term farm mortgage loans.

The geographic distribution of loans at December 31 follows. Participations purchased are not in the Association's territory and are included in other.

	2007	2006	2005
Colusa County	77.20%	77.23%	75.08%
Glenn County	9.42%	9.90%	10.98%
Sutter County	6.51%	6.10%	5.50%
Other	6.87%	6.77%	8.44%
Total	100.00%	100.00%	100.00%

Commodity and industry categories are based on the Standard Industrial Classification system published by the federal government. This system is used to assign commodity or industry categories based on the primary business of the customer. The following table shows the primary agricultural commodities produced by our borrowers based on Standard Industrial Codes (SIC) as of December 31.

	December 31,					
	2007		2006		2005	
Commodity	Amount	%	Amount	%	Amount	%
Rice	$ 87,169,379	37%	$ 92,431,271	40%	$ 92,013,008	42%
Orchard Crops	43,204,315	19%	37,857,466	16%	35,974,167	17%
Row Crops	19,673,103	8%	18,260,935	8%	16,241,033	7%
Landlords	32,472,762	14%	32,138,132	14%	27,673,694	13%
Processing / Marketing	18,849,339	8%	18,237,587	8%	14,939,834	7%
Other	32,742,009	14%	34,411,490	14%	30,664,527	14%
Total	$234,110,907	100%	$233,336,881	100%	$217,506,263	100%

Our loan portfolio contains a concentration of rice producers. Repayment ability of our borrowers is closely related to the production and the profitability of the commodities they raise. If a loan fails to perform, restructuring and / or other servicing alternatives are influenced by the underlying value of the collateral which is impacted by the industry economics. Diversification is achieved from loans to part-time farmers which typically derive most of their earnings from nonagricultural sources, and are less subject to agricultural cycles. These borrowers would be more affected by the strength of the general economy. While management is committed to maintaining sound credit quality, future performance would be negatively impacted by adverse agricultural conditions. The degree of the adverse impact would be correlated to the commodities impacted and the magnitude and duration of the adverse agricultural conditions. Additionally, approximately 28% of our loan volume is attributed to ten borrowers. The loss of any of these loans or the failure of any of these loans to perform would adversely affect the portfolio and our future operating results.

Small loans (less than $250 thousand) accounted for 26% of loan volume as of December 31, 2007. Credit risk on small loans, in many instances, is also reduced by non-farm income sources.

Credit Commitments

The following table summarizes the maturity distribution of unfunded credit commitments at December 31, 2007.

	Less than 1 year	1 - 3 years	3 – 5 years	Over 5 years	Total
Commitments to extend credit and letters of credit	$34,429,825	$35,188,322	$20,139,264	$4,755,647	$94,513,058

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their contractual amounts are not reflected on the Statement of Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and we apply the same credit policies to these commitments. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. No material losses are anticipated as a result of these transactions.

High Risk Assets

Nonperforming loan volume is comprised of nonaccrual loans, restructured loans, and loans 90 days past due still accruing interest and are referred to as impaired loans. High risk assets consist of impaired loans plus other property owned. Year-end comparative information by loan type regarding high risk asset in the portfolio including accrued interest, follows.

	2007	2006	2005
Nonaccrual loans:			
Production agriculture:			
Real estate mortgage loans		$296,771	$ 29,416
Production and intermediate-term loans		284,234	81,406
Total nonaccrual loans		$581,005	$110,822
Other property owned	$615,243	$ 1,748	$ 2,622
Total high risk assets	$615,243	$582,753	$113,444
Nonaccrual loans to total loans	0.00%	0.25%	0.05%
High risk assets to total loans	0.26%	0.25%	0.05%
High risk assets to total members' equity	1.07%	1.11%	0.24%

Note: No loans were classified as restructured or 90 days past due still accruing interest for the years presented.

The other properties owned which were acquired in 2007 were sold during January and February of 2008. The sales prices for the properties equaled the appraised values established at the time of acquisition.

Nonaccrual loans represent all loans where there is a reasonable doubt as to collection of principal and/or interest. Nonaccrual volume decreased $581,005 compared with December 31, 2006 due to repayments and a foreclosure. At December 31, 2007, there were no loans in nonaccrual status.

The following table provides additional information on nonaccrual loans as of December 31.

	2007	2006	2005
Nonaccrual loans current as to principal and interest	$0	$581,005	$110,822

Note: For the years presented, there were no cash basis nonaccrual loans and no restructured loans in nonaccrual status.

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure or other means. On the Statement of Condition, we had other property owned of $615,243 on December 31, 2007, compared to $1,748 on December 31, 2006, and $2,622 on December 31, 2005.

Total high risk assets increased $32,490, or 5.6%, to $615,243 compared with year-end 2006. High risk asset volume is not anticipated to change significantly in the near future. Through sales of acquired property, high risk assets will be substantially reduced early in 2008. In the second half of 2008, management projects that high risk assets will increase by $500,000 and remain at that level through 2009.

Credit Quality

We review the credit quality of the loan portfolio on an on-going basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System (UCS), which is used by all Farm Credit System institutions. Below are the classification definitions.

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.
- Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table shows loans and related accrued interest for the credit quality under the UCS at December 31.

	2007	2006	2005
Acceptable	97.07%	96.94%	98.02%
OAEM	.82%	.77%	.42%
Substandard	2.11%	2.29%	1.56%
Total	100.00%	100.00%	100.00%

Note: No loans were classified as Doubtful or Loss for the years presented.

During 2007, overall credit improved slightly. Loans classified as "Acceptable" or "OAEM" as a percentage of total loans and accrued interest receivable were 97.89% at December 31, 2007 and 97.71% at December 31, 2006. At December 31, 2007, there were two loans, with principal balances totaling $111,345, 60 days or more past due, and three loans, with principal balances totaling $750,619, 30 days past due.

Allowance for Loan Losses

The allowance for loan losses decreased $44,726 from December 31, 2006, to $1,324,224 at December 31, 2007. The decrease was determined based on assessments of probable losses in our loan portfolio taking into account the refinement of allowance for loan loss methodologies per FCA guidance. The major factor impacting the decline in allowance was the adoption, in accordance with U.S. AgBank's recommendations, of Moody's probability of default benchmark for computation of expected losses in the loan portfolio. There were no charge-offs in 2007.

	2007	2006	2005
Balance at beginning of the year	$1,368,950	$1,760,167	$1,768,371
Charge-offs:			
Production agriculture:			
Production and intermediate-term		(825)	(8,204)
Agribusiness			
Total charge-offs	$ 0	($ 825)	($ 8,204)
Recoveries:			
Production agriculture:			
Production and intermediate-term		$ 88	
Agribusiness			
Total recoveries	$ 0	$ 88	$ 0
Net charge-offs	$ 0	($ 737)	($ 8,204)
(Reversal of) Provision for loan losses	(44,726)	(390,480)	0
Balance at December 31	$1,324,224	$1,368,950	$1,760,167
Net charge-offs to average net loans	0%	0%	0%

The following table presents the allowance for loan losses by loan type as of December 31.

	2007	2006	2005
Production agriculture:			
Real estate mortgage	$ 219,280	$ 248,936	$ 832,110
Production and intermediate-term	1,090,417	1,100,249	796,774
Agribusiness	14,527	19,765	131,283
Total	$1,324,224	$1,368,950	$1,760,167

The allowance for loan losses as a percentage of loans outstanding and as a percentage of certain other credit quality indicators is shown below:

	2007	2006	2005
Allowance as a percentage of:			
Loans	0.57%	0.59%	0.81%
Total impaired loans	0	235.62%	1,588.28%
Nonaccrual loans	0	235.62%	1,588.28%
High risk assets	215.24%	234.91%	1,551.57%

The financial positions of our borrowers have generally strengthened during the past decade as net cash income in agriculture has been at a favorable level due, in part, to direct federal government payments and steady increases in land values over the period. With borrowers' strengthened financial positions and the continued emphasis on sound underwriting standards, the credit quality of our loan portfolio has remained strong.

Young, Beginning and Small Farmers and Ranchers Program

As a part of the Farm Credit System, we are committed to providing sound and constructive credit and related services to young, beginning and small (YBS) farmers and ranchers.

The FCA regulatory definitions for YBS farmers and ranchers are shown below.

- Young Farmer: A farmer, rancher or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- Beginning Farmer: A farmer, rancher or producer or harvester of aquatic products who had 10 years or less farming or ranching experience as of the date the loan was originally made.
- Small Farmer: A farmer, rancher or producer or harvester of aquatic products who normally generated less than $250 thousand in annual gross sales of agricultural or aquatic products at the date the loan was originally made.

Our YBS Mission Statement is "To fulfill the Farm Credit Services of Colusa-Glenn, ACA's, mission statement of being the leading lender in its territory, now and in the future, the Farm Credit Services of Colusa-Glenn, ACA, will make available financing and related financing programs to all eligible young, beginning and small farmer/operators, plus develop loan and loan related programs/services specifically targeting the young, beginning and small sector in its chartered territory."

The following table outlines the percentage of YBS loans in the loan portfolio (by number) as of December 31. The USDA column represents the percent of farmers and ranchers classified as YBS within our territory per the 2002 USDA agricultural census, which is the most current data available. A loan may be included in more than one category.

	2007	2006	2005	USDA
Young	21.85%	23.31%	23.74%	7.9%
Beginning	28.68%	29.31%	28.41%	26.6%
Small	38.79%	40.07%	41.06%	53.0%

We establish annual marketing goals to increase market share of loans to YBS framers and ranchers.

Qualitative goals include efforts to accomplish the following:

- Offer related services either directly or in coordination with others that are responsive to the needs of YBS farmers and ranchers in our territory;
- Take full advantage of opportunities for coordinating credit and services offered with other system institutions in the territory and other governmental and private sources of credit who offer credit and services to those who qualify as YBS farmers and ranchers in our territory; and,
- Implement effective outreach programs to attract YBS farmers and ranchers.

We are pursuing our YBS qualitative goals, as set forth above and in our Business Plan, with special emphasis on working with the Farm Service Administration to provide financing to young, beginning and small farmers.

Quarterly reports are provided to our Board of Directors detailing the number, volume and credit quality of our YBS customers. We have developed quantitative targets to monitor our progress. These targets are shown in the following tables:

YBS Goals as a Percentage of Outstanding Loans by Number and Volume as of December 31,

	2008		2009		2010		2011	
	Number	Volume	Number	Volume	Number	Volume	Number	Volume
Young	23%	19%	23%	19%	23%	19%	23%	19%
Beginning	28%	22%	28%	22%	28%	22%	28%	22%
Small	34%	9%	34%	9%	34%	9%	34%	9%

YBS Goals of a Percentage of New Loans by Number and Volume for the year.

	2008		2009		2010		2011	
	Number	Volume	Number	Volume	Number	Volume	Number	Volume
Young	26%	17%	26%	17%	26%	17%	26%	17%
Beginning	27%	16%	27%	16%	27%	16%	27%	16%
Small	33%	9%	33%	9%	33%	9%	33%	9%

With two exceptions, all quantitative goals for the year 2007 were met. The goal for new loans to young farmers was 23%, by number, of the total new loans outstanding at year-end. The actual result was 21.25%. The goal for new loans to small farmers was 30% by number. The actual result for 2007 was 28.92%.

All goals for the year 2008 are expected to be achieved.

To ensure that credit and services offered to our YBS farmers and ranchers are provided in a safe and sound manner and within our risk-bearing capacity, we utilize loan guarantee programs.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in our loan portfolio (including unfunded loan commitments and standby letters of credit). Credit risk is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies and procedures.

Underwriting standards are developed and utilized to determine an applicant’s operational, financial, and management resources available for repaying debt within the terms of the note or loan agreement. Underwriting standards include among other things, an evaluation of:

- character – borrower integrity and credit history;
- capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income;
- collateral – to protect the lender in the event of default and also serve as a secondary source of loan repayment;
- capital – ability of the operation to survive unanticipated risks; and,
- conditions – including use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds and subsequent loan servicing actions are established and followed. Underwriting standards vary by industry and are updated periodically to reflect market and industry conditions.

By regulation, we cannot have loan commitments to one borrower for more than 25% of our permanent capital. Through lending delegations, AgBank further restricts individual loan size limits to one borrower to 15% of permanent capital. Within these parameters, we set our own lending limits to manage loan concentration. We are allowed, on an exception basis and with subsequent notification to AgBank, to make loans which exceed the 15% limitation. Loans which may exceed the 25% limitation are required to be participated with other system institutions in order to ensure that the net volume retained is below 25% of permanent capital.

We have established internal lending delegations to control the loan approval process. Delegations to staff are based on our risk-bearing ability, loan size, complexity, type and risk, as well as the expertise of the credit staff members. Larger and more complex loans are typically approved by our loan committee with the most experienced and knowledgeable credit staff serving as members.

One method for managing concentration is through the use of participation programs with other System and non-System institutions. Buying and selling loan volume, within and outside the System, can help reduce concentrations and manage growth and capital positions while allowing for a sharing of credit expertise. Concentrations and credit risk are also managed through the utilization of government guarantee programs and Farmer Mac guarantee programs. We have further diversified concentrations in agricultural production by developing part-time farmer and agribusiness portfolios. Part-time farmers often derive a significant portion of earnings from nonagricultural sources, thus helping diversify repayment risk to sources other than agricultural production income.

The majority of our lending is first mortgage real estate lending which must be secured by a first lien. Production and intermediate-term lending accounts for most of the remaining volume and is also secured. Collateral evaluations are made within FCA and Uniform Standards of Professional Appraisal Practices requirements. All property is appraised at market value. All collateral evaluations must be performed by a qualified appraiser. Certain appraisals must be performed by individuals with a state certification or license.

We implemented a two-dimensional risk rating process in 2005. With this process, each retail loan is assigned a probability of default rating (1-14 scale) indicating the likelihood of a borrower defaulting in the next twelve months and a collateral rating which is based on an estimate of the anticipated loss on each loan, should the borrower default in the next 12 months. This process is also utilized in loan and portfolio management processes which include allowance for loan losses estimates. The process provides more risk granularity, particularly related to acceptable loans, than classifications under the Uniform Classification System (UCS).

RESULTS OF OPERATIONS

Earnings Summary

In 2007, we recorded net income of $4,395,613, compared with $4,310,696 in 2006, and $3,211,740 in 2005. The increase in net income in 2007, compared with 2006, was due to increased net interest income and other income, offset by increased expenses and income taxes and a reduced reversal of loan loss provision. The 2006 increase in net income was primarily due to the loan loss reversal of $390,480 recorded in 2006, and increased net interest income.

The following table presents the changes in the significant components of net income.

	2007 vs. 2006	2006 vs. 2005
Net income, prior year	$ 4,310,696	$ 3,211,740
Changes from prior year:		
Increased interest income	1,128,858	4,161,042
Increased interest expense	(509,358)	(3,409,815)
Increased net interest income	619,500	751,227
(Increased) / decreased loan loss reversal	(345,754)	390,480
Increased noninterest income	264,301	121,205
(Increased) / decreased noninterest expense	(280,045)	(165,800)
Decreased / (increased) provision for income taxes	(173,085)	1,844
Total (decrease) / increase in net income	84,917	1,098,956
Net income, current year	$ 4,395,613	$ 4,310,696

Due to slower earnings growth in 2007, return on average assets decreased to 1.81% from 1.86% in 2006 and return on average members' equity decreased to 8.01% from 8.64% in 2006.

Net Interest Income

Net interest income for 2007 was $6,688,909 compared with $6,069,409 for 2006 and $5,318,182 for 2005. The table below provides an analysis of the individual components of the change in net interest income during 2007 and 2006.

	2007 vs. 2006	2006 vs. 2005
Net interest income, prior year	$ 6,069,409	$ 5,318,182
(Decrease) / Increase in net interest income from changes in:		
Interest rates earned and paid	189,855	307,839
Volume of accruing assets / interest bearing liabilities	347,417	460,151
Interest income on nonaccrual loans	82,228	(16,763)
Increase / (Decrease) in net interest income	619,500	751,227
Net interest income, current year	$ 6,688,909	$ 6,069,409

The following table illustrates the relationship among the average interest rates on loans and debt cost, interest rate spread and net interest margin.

	For the Year Ended December 31		
	2007	2006	2005
Net interest margin	2.88%	2.76%	2.56%
Interest rate on:			
Average loan volume	7.17%	7.02%	5.65%
Average debt	5.35%	5.30%	3.81%
Interest rate spread	1.82%	1.72%	1.84%

The 2007 increase in net interest margin (net interest income as a percentage of average earning assets) resulted from increased interest rates on average loan volume, partially offset by increased debt cost. The 2006 increase in net interest margin resulted from a 137 basis points increase in interest rates on average loan volume. The 2006 decrease in interest rate spread resulted from a 149 basis points increase in interest rates on average debt. These increases reflect the general rate increases initiated by the Federal Reserve Board of Governors in 2006.

Provision for Loan Losses/(Loan Loss Reversals)

We review our loan portfolio on a regular basis to determine if any increase through provision for loan losses or decrease through a loan loss reversal in our allowance for loan losses is necessary based on our assessment of the probable losses in our loan portfolio. We recorded a net loan loss reversal of $44,726 for the year ended December 31, 2007, compared with loan loss reversals of $390,480 in 2006 and $0.00 in 2005. The loan loss reversal recorded in 2007 was primarily due to updated statistical information which is used for determining probability of default in the allowance for loan loss calculations. The loan loss reversal recorded during 2006 was primarily due to refinement of the allowance for loan losses methodology and payoff of two loans which, at December 31, 2006, were considered to have a high probability of default.

Noninterest Income

For the year ended December 31, 2007, we recorded noninterest income of $1,043,078 compared with $778,777 in 2006. Patronage distributions from AgBank are our primary source of noninterest income. The components of the patronage from AgBank are reflected in the following table.

	2007	2006	2005
Cash patronage	$ 879,522	$ 440,937	$ 370,024
Stock patronage		277,825	203,365
Total patronage from AgBank	$ 879,522	$ 718,762	$ 573,389

Noninterest income also includes loan fees, financially related services income and other noninterest income.

Noninterest Expense

Noninterest expense for the year ended December 31, 2007, increased $280,045, or 11.42%, to $2,731,368 compared with 2006. Significant components of noninterest expense are compared in the following table.

				Percent of Change	
	2007	2006	2005	2007 / 2006	2006 / 2005
Salaries & employee benefits	$1,480,082	$1,415,122	$1,347,845	4.59%	4.99%
Occupancy & equipment	79,260	74,640	95,390	6.19%	(21.75%)
Supervisory & examination costs	99,458	98,665	91,001	.80%	8.41%
Other	737,417	547,280	610,498	34.74%	(10.36%)
Total operating expense	2,396,217	2,135,707	2,144,734	12.20%	(.42%)
Farm Credit Insurance Fund premium	335,151	315,616	101,197	6.19%	211.88%
Financial Assistance Corporation debt assessment	0	0	39,592	0	(100.00%)
Total noninterest expense	$2,731,368	$2,451,323	$2,285,523	11.42%	7.25%

For the year ended December 31, 2007, operating expense increased $260,510, or 12.20%, compared to the year ended December 31, 2006, primarily due to higher costs for purchased services, salaries and employee benefits, and other non-interest expenses.

LIQUIDITY RISK MANAGEMENT

Liquidity is necessary to meet our financial obligations in an orderly manner. Obligations that require liquidity include paying our note with AgBank, funding loans and other commitments and funding operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction and liquidate nonearning assets. Our direct loan with AgBank, cash on hand and loan repayments provide adequate liquidity to fund our on-going operations and other commitments. We anticipate liquidity levels will be adequate to meet our obligations.

Funding Sources

Our primary source of liquidity is the ability to obtain funds for operations through a borrowing relationship with AgBank. Our note payable to AgBank is collateralized by a pledge to AgBank of substantially all of our assets. Substantially all cash received is applied to the note payable and all cash disbursements are drawn on the note payable. The indebtedness is governed by a General Financing Agreement (GFA). The GFA is subject to renewal at its expiration date of April 30, 2008 in accordance with normal business practices. The annual average principal balances of the note payable to AgBank were $177,065,501 in 2007, $173,043,415 in 2006 and $156,665,534 in 2005.

We plan to continue to fund lending operations through the utilization of our borrowing relationship with AgBank, retained earnings from current and prior years and from borrower stock investment. AgBank's primary source of funds is the ability to issue Systemwide Debt Securities to investors through the Federal Farm Credit Bank Funding Corporation. These funds are available through various AgBank loan products, provided our loan with AgBank is in good standing under the GFA.

Interest Rate Risk

The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with AgBank and allows for loans to be match-funded. Borrowings from AgBank match the pricing, maturity, and option characteristics of our loans to borrowers. AgBank manages interest rate risk through the direct loan pricing and asset/liability management processes. Although AgBank incurs and manages the primary sources of interest rate risk, we may still be exposed to interest rate risk through the impact of interest rate changes on earnings generated from our loanable funds.

Funds Management

We offer variable and fixed rate loans to borrowers. Our Board of Directors determines the interest rate charged based on the following factors: 1) the interest rate charged by AgBank; 2) our existing rates and spreads; 3) the competitive rate environment; and 4) our profitability objectives.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investment in new products and services. We believe a sound capital position is critical to our long-term financial success due to the volatility and cycles in agriculture.

Over the past several years, we have been able to build capital primarily through net income earned and retained. Members' equity at December 31, 2007 totaled $57,380,288, compared with $52,432,002 at December 31, 2006 and $47,281,142 at December 31, 2005. Capital includes stock purchased by our borrowers and retained earnings accumulated through net income. Our capital position is reflected in the following ratio comparisons.

	2007	2006	2005
Debt to members' equity	3.27:1	3.64:1	3.76:1
Members' equity as a percent of loans	24.51%	22.47%	21.74%
Members' equity as a percent of assets	23.43%	21.57%	21.02%

Debt to members' equity decreased, and members' equity as a percent of loans and of total assets increased from 2006 to 2007 primarily due to the net income recorded during 2007.

There are no trends, commitments, contingencies or events that are reasonably likely to have a material adverse effect upon the adequacy of available risk funds.

Retained Earnings

Our retained earnings increased $4,395,613 to $47,619,573 at December 31, 2007 from $43,223,960 at December 31, 2006. The increase was a result of net income of $4,395,613.

Stock

Our total stock and participation certificates increased $382,575 to $9,760,715 at December 31, 2007, from $9,378,140 at December 31, 2006. The increase was due to $1,712,575 of stock issuances, offset by $1,330,000 of retirements. We require a stock investment for each borrower loan. The current initial investment requirement is 3.00% of each borrower's outstanding balances of principal plus commitment for Production Credit Association borrowers. For Federal Land Credit Association borrowers, the requirement is 3.00% of each borrower's outstanding balance of principal.

Accumulated Other Comprehensive Income and Losses (OCI)

The Association reports other comprehensive income/(loss) in its Consolidated Statement of Changes in Members' Equity. As more fully described in Note 10, for the years ended December 31, 2006 and 2005, other comprehensive income or loss resulted from a change in the net minimum pension liability as a result of the funded status of the Pension Plan. During 2007, the Pension Plan's minimum liability and accumulated other comprehensive loss were transferred to the District combined financial statements.

Capital Plan and Regulatory Requirements

Our Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved by our Board of Directors. FCA Regulations require the plan consider the following factors in determining optimal capital levels:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance sheet liabilities and other conditions warranting additional capital.

FCA regulations establish minimum capital standards expressed as a ratio of capital to assets, taking into account relative risk factors for all System institutions. In general, the regulations provide for a relative risk weighting of assets and establish a minimum ratio of permanent capital, total surplus and core surplus to risk-weighted assets.

Our capital ratios as of December 31 and the FCA minimum requirements follow.

	2007	2006	2005	Regulatory Minimum
Permanent capital ratio	19.95%	17.68%	17.62%	7.00%
Total surplus ratio	16.34%	14.10%	14.03%	7.00%
Core surplus ratio	15.32%	14.01%	13.89%	3.50%

As of December 31, 2007, we exceeded the regulatory minimum and are expected to do so throughout 2008. However, the minimum ratios established were not meant to be adopted as the optimum capital level, so we have established goals in excess of the regulatory minimum. As of December 31, 2007, we met our permanent capital ratio and total surplus ratio goals. The total permanent capital ratio and surplus ratio goals established for December 31, 2008, correspond to loan volume projections.

REGULATORY MATTERS

There are no regulatory enforcement actions in effect for the Association.

LITIGATION

At December 31, 2007, there were no actions pending against the Association in which claims for monetary damages are asserted.

GOVERNANCE

Board Oversight

We are governed by a ten member board that oversees the management of our Association. Of these directors eight are elected by the stockholders and two are appointed by the elected directors. The Board of Directors represents the interests of our stockholders. The Board of Directors meets regularly to perform the following functions, among others:

- selects, compensates and evaluates the chief executive officer;
- establishes the strategic plan and annual operating plans and budget;
- oversees the lending operations;
- advises management on significant issues we face; and,
- oversees the financial reporting process, communications with stockholders and our legal and regulatory compliance.

Director Independence

All directors must exercise sound judgment in deciding matters in our interest. All our directors are independent from the perspective that none of our management or staff serve as Board members. However, we are a financial service cooperative, and the Farm Credit Act and FCA Regulations require our elected directors to have a loan relationship with us.

The elected directors, as borrowers, have a vested interest in ensuring our Association remains strong and successful. However, in some situations, our borrowing relationship could be viewed as having the potential to compromise the independence of an elected director. For this reason, the Board has established independence criteria to ensure that a loan relationship does not compromise the independence of our Board. Annually, in conjunction with our independence analysis and reporting on our loans to directors, each director provides financial information and any other documentation and/or assertions needed for the Board to determine the independence of each Board member.

Audit Committee

The Audit Committee is responsible for assisting the Board. The committee is composed of four members. During 2007, four meetings were held. The audit committee responsibilities include, but are not limited to:

- oversight of the financial reporting risk and the accuracy of the quarterly and annual shareholder reports;
- the oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;
- the review and assessment of the impact of accounting and auditing developments on the financial statements; and,
- the establishment and maintenance of procedures for the receipt, retention and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls and auditing matters.

Executive Loan Committee

The Executive Loan Committee is responsible for the oversight of credit risk, including lending and underwriting standards. The committee also assesses the conditions that may materially impact the loan portfolio. The committee consists of five members.

Other Governance

The Board has monitored the requirements of public companies under the Sarbanes-Oxley Act. While we are not subject to the requirements of this law, we are striving to implement steps to strengthen governance and financial reporting. We have implemented the following actions:

- a system for the receipt and treatment of whistleblower complaints,
- a code of ethics for our President/CEO, Chief Financial Officer and Chief Operating Officer
- open lines of communication between the independent auditors, management, and the Audit Committee,
- "plain English" disclosures,
- officer certification of accuracy and completeness of the financial statements, and
- information disclosure through our website.

CUSTOMER PRIVACY

FCA regulations require that borrower information be held in confidence by Farm Credit institutions, their directors, officers and employees. FCA regulations specifically restrict Farm Credit institution directors and employees from disclosing information not normally contained in published reports or press releases about the institution or its borrowers or members. These regulations also provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic information.

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Report of Independent Auditors

To the Board of Directors and Stockholders of
Farm Credit Services of Colusa-Glenn, ACA and Subsidiaries

In our opinion, the accompanying consolidated statements of condition and the related consolidated statements of income, of changes in members' equity, and of cash flows present fairly, in all material respects, the financial position of Farm Credit Services of Colusa-Glenn, ACA and subsidiaries (the Association) at December 31, 2007, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 28, 2008

FARM CREDIT SERVICES OF COLUSA-GLENN, ACA
CONSOLIDATED STATEMENT OF CONDITION

	December 31, 2007	2006	2005
ASSETS			
Loans	$234,110,907	$233,336,881	$217,506,263
Allowance for loan losses	(1,324,224)	(1,368,950)	(1,760,167)
Net loans	232,786,683	231,967,931	215,746,096
Cash	9,121	15,853	64,048
Accrued interest receivable	4,419,898	4,119,012	2,983,953
Investment in U.S. AgBank, FCB	6,703,965	6,513,735	5,609,115
Premises and equipment	182,865	179,004	143,878
Other property owned	615,243	1,748	2,622
Deferred tax asset	54,794	123,014	163,492
Other assets	120,465	130,028	181,974
Total assets	$244,893,034	$243,050,325	$224,895,178
LIABILITIES			
Note payable to U.S. AgBank, FCB	$177,391,652	$183,824,506	$172,783,541
Advance conditional payments	8,576,745	4,942,453	3,295,666
Accrued interest payable	730,721	845,592	655,419
Other liabilities	813,628	1,005,772	879,410
Total liabilities	187,512,746	190,618,323	177,614,036
Commitments and contingent liabilities			
MEMBERS' EQUITY			
Capital stock and participation certificates	9,760,715	9,378,140	8,663,055
Unallocated retained earnings	47,619,573	43,223,960	38,913,264
Accumulated other comprehensive loss		(170,098)	(295,177)
Total members' equity	57,380,288	52,432,002	47,281,142
Total liabilities and members' equity	$244,893,034	$243,050,325	$224,895,178

The accompanying notes are an integral part of these consolidated financial statements.

FARM CREDIT SERVICES OF COLUSA-GLENN, ACA
CONSOLIDATED STATEMENT OF INCOME

	For the Year Ended December 31,		
	2007	2006	2005
INTEREST INCOME			
Loans	$16,676,622	$15,547,764	$11,386,722
INTEREST EXPENSE			
Note payable to U.S. AgBank, FCB	9,510,763	9,171,345	5,965,130
Advance conditional payments	476,950	307,010	103,410
Total interest expense	9,987,713	9,478,355	6,068,540
Net interest income	6,688,909	6,069,409	5,318,182
Loan loss reversal	(44,726)	(390,480)	
Net interest income after loan loss reversal	6,733,635	6,459,889	5,318,182
NONINTEREST INCOME			
Patronage distribution from U.S. AgBank, FCB	879,522	718,762	573,389
Fees for financially related services	60,985	22,967	25,349
Other noninterest income	102,571	37,048	58,834
Total noninterest income	1,043,078	778,777	657,572
NONINTEREST EXPENSE			
Salaries and employee benefits	1,480,082	1,415,122	1,347,845
Occupancy and equipment	79,260	74,640	95,390
Purchased services	313,114	210,278	276,023
Insurance fund premium	335,151	315,616	101,197
Supervisory and examination expense	99,458	98,665	91,001
Intra-system financial assistance expense			39,592
Other noninterest expense	424,303	337,002	334,475
Total noninterest expense	2,731,368	2,451,323	2,285,523
Income before income taxes	5,045,345	4,787,343	3,690,231
Provision for income taxes	649,732	476,647	478,491
Net income	$4,395,613	$4,310,696	$3,211,740

The accompanying notes are an integral part of these consolidated financial statements.

FARM CREDIT SERVICES OF COLUSA-GLENN, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2004	$8,062,405	$35,701,524	($224,927)	$43,539,002
Comprehensive income				
Net income		3,211,740		
Minimum pension liability adjustment			(96,904)	
Income tax benefits related to other comprehensive loss			26,654	
Total comprehensive income				3,141,490
Stock issued	1,856,485			1,856,485
Stock retired	(1,255,835)			(1,255,835)
Balance at December 31, 2005	8,663,055	38,913,264	(295,177)	47,281,142
Comprehensive income				
Net income		4,310,696		
Minimum pension liability adjustment			172,537	
Income tax benefits related to other comprehensive loss			(47,458)	
Total comprehensive income				4,435,775
Stock issued	2,264,870			2,264,870
Stock retired	(1,549,785)			(1,549,785)
Balance at December 31, 2006	9,378,140	43,223,960	(170,098)	52,432,002
Comprehensive income				
Net income		4,395,613		
Minimum pension liability adjustment			234,637	
Income tax benefits related to other comprehensive loss			(64,539)	
Total comprehensive income				4,565,711
Stock issued	1,712,575			1,712,575
Stock retired	(1,330,000)			(1,330,000)
Balance at December 31, 2007	$9,760,715	$47,619,573	$0	$57,380,288

The accompanying notes are an integral part of these consolidated financial statements.

FARM CREDIT SERVICES OF COLUSA-GLENN, ACA
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended December 31,		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$4,395,613	$4,310,696	$3,211,740
Adjustments to reconcile net income to net cash provided by/(used in) operating activities			
Depreciation	50,076	44,873	48,851
Loan loss reversal	(44,726)	(390,480)	
Patronage Stock from U.S. AgBank, FCB		(277,825)	(203,365)
Gain on acquisition of acquired property	(87,759)		
Memo interest recognized on acquisition of acquired property	(56,415)		
Change in assets and liabilities			
Decrease/(Increase) in deferred tax asset	3,681	(6,980)	44,913
Increase in accrued interest receivable	(300,886)	(1,135,059)	(1,018,193)
Decrease in other assets	9,563	51,946	(29,214)
(Decrease)/Increase in accrued interest payable	(114,871)	190,173	295,463
Increase in other liabilities	42,493	288,653	99,753
Net cash provided by operating activities	3,896,769	3,075,997	2,449,948
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in loans, net	(1,244,221)	(15,821,109)	(16,786,847)
Increase in investment in U.S. AgBank, FCB	(190,230)	(626,795)	(741,500)
Purchases of premises and equipment	(53,937)	(79,999)	(24,763)
Proceeds from sales of other property owned	874	874	5,154
Net cash used in investing activities	(1,487,514)	(16,527,029)	(17,547,956)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayment of)/draw on note payable to U.S. Bank, FCB	(6,432,854)	11,040,965	16,501,247
Increase (decrease) in advance conditional payments	3,634,292	1,646,787	(1,952,011)
Capital stock and participation certificates retired	1,712,575	2,264,870	1,856,485
Capital stock and participation certificates issued	(1,330,000)	(1,549,785)	(1,255,835)
Net cash provided by financing activities	(2,415,987)	13,402,837	15,149,886
Net (decrease)/increase in cash	(6,732)	(48,195)	51,878
Cash at beginning of year	15,853	64,048	12,170
Cash at end of year	$9,121	$15,853	$64,048
SUPPLEMENTAL CASH INFORMATION:			
Cash paid during the year for:			
Interest	$10,102,584	$9,288,182	$5,773,077
Income taxes	$600,000	$426,651	$476,600
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Loans transferred to other property owned	$470,195		
Net charge-offs		$737	$8,204

The accompanying notes are an integral part of these consolidated financial statements.

FARM CREDIT SERVICES OF COLUSA-GLENN, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND OPERATIONS

A. Organization: Farm Credit Services of Colusa-Glenn, ACA and subsidiaries, Farm Credit Services of Colusa-Glenn, PCA, and Farm Credit Services of Colusa-Glenn, FLCA, (collectively called "the Association") is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Colusa and Glenn in the state of California.

The Association is a lending institution of the Farm Credit System (the System), a nationwide system of cooperatively owned banks and associations, which was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act). The most recent significant amendment of the Farm Credit Act was the Agricultural Credit Act of 1987. At December 31, 2007, the System was comprised of four Farm Credit Banks, one Agricultural Credit Bank and more than 90 Associations.

U.S. AgBank, FCB (AgBank), its related associations and AgVantis, Inc. (AgVantis) are collectively referred to as the District. AgBank provides the majority of funding to associations within the District and is responsible for supervising certain activities of the District associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to AgBank and certain associations. On December 31, 2007, the District consisted of AgBank, 26 Agricultural Credit Association (ACA) parent companies, which each have two wholly owned subsidiaries, (a FLCA and a PCA), three FLCAs and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and the PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System Banks and associations. The FCA examines the activities of the associations and certain actions by the associations are subject to the prior approval of the FCA and/or AgBank.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected stock at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary use by the Insurance Corporation in providing assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank is required to pay premiums into the Insurance Fund based on its annual average loan principal outstanding until the monies in the Insurance Fund reach the “secure base amount,” which is defined in the Farm Credit Act as two percent of the aggregate insured obligations (Systemwide debt obligations) or such other percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines is actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums, but it still must ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount. AgBank passes this premium expense through to the Association based on the Association’s annual average loan volume.

B. Operations: The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services which can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association also serves as an intermediary in offering credit life insurance.

The Association's financial condition may be impacted by factors affecting AgBank. Certain District expenses are allocated to the associations. Disclosure of certain accounting policies related to these costs is included in District's Annual Report. The AgBank District Annual Report to Shareholders (District's Annual Report) is available on its web site, www.usagbank.com; or upon request, Association shareholders will be provided with a copy of the District's Annual Report, which includes the combined financial statements of AgBank and its related associations, and AgVantis. The District's Annual Report discusses the material aspects of the District's financial condition, changes in financial condition, and results of operations. In addition, the District's Annual Report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Corporation.

The lending and financial services offered by AgBank are described in Note 1 of AgBank's Annual Report and also available on AgBank's website or upon inquiry.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates are discussed in these footnotes as applicable. Actual results may differ from these estimates. Certain amounts in prior years' financial statements have been reclassified to conform to current financial statement presentation.

The consolidated financial statements include the accounts of the Farm Credit Services of Colusa-Glenn, PCA, and the Farm Credit Services of Colusa-Glenn, FLCA. All significant inter-company transactions have been eliminated in consolidation.

A. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans made for agricultural production or operating purposes have maturities of ten years or less. Loans are carried at their principal amount outstanding less unearned income. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately collateralized and in the process of collection) or circumstances indicate that collection of principal and / or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) and / or included in the recorded investment asset balance (if accrued in prior years).

When loans are in nonaccrual status, loan payments are generally applied against the recorded investment in the loan asset. Nonaccrual loans may, at times, be maintained on a cash basis. Generally, cash basis refers to the recognition of interest income from cash payments received on certain nonaccrual loans for which the collectibility of the recorded investment in the loan is no longer in doubt and the loan does not have a remaining unrecovered charge-off associated with it. Nonaccrual loans may be returned to accrual status when all contractual principal and interest payments are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected and the loan is not classified Doubtful or Loss.

Loans are charged-off, wholly or partially, as appropriate, at the time they are determined to be uncollectible.

Loan origination fees and direct loan origination costs on long-term real estate mortgage loans are capitalized and the net fee or cost is amortized over the life of the related loan as an adjustment to yield.

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition and prior loan loss experience. It is based on estimates, appraisals and evaluations of loans which, by their nature, contain elements of uncertainty and imprecision. The possibility exists that changes in the economy and its impact on borrower repayment capacity will cause these estimates, appraisals and evaluations to change.

B. Cash: Cash, as included in the financial statements, represents cash on hand and on deposit at banks.

C. Investment in AgBank: The Association's investment in AgBank is in the form of Class A Stock. The minimum required investment in AgBank is 5.00 percent of average direct loan volume, net of excess investment. During March 2007, AgBank issued preferred stock and reduced the required investment in AgBank from 6.25 percent to 5.00 percent effective April 2007. The Association did not receive a cash redemption for this transaction; however, the then excess investment in AgBank was transferred from required investment to excess investment, both of which are included in Investment in AgBank on the Consolidated Statement of Condition. The required investment will be adjusted on a quarterly basis to reflect changes in direct loan volume. The required investment may consist of AgBank surplus attributed to the Association, patronage based stock and purchased stock.

D. Other Property Owned: Other property owned, consisting of real and personal property acquired through a collection action, is recorded at fair value less estimated selling costs upon acquisition. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. During 2007, the Association recorded a $65,763 gain (net of $21,996 in costs subsequent to acquisition) on other property owned in other noninterest income.

E. Premises and Equipment: Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense and improvements are capitalized.

F. Other Assets and Other Liabilities: Other assets are comprised primarily of accounts receivable and prepaid expenses. Significant components of other liabilities primarily include accounts payable.

G. Advance Conditional Payments: The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. Such payments are presented as liabilities in the accompanying Consolidated Statement of Condition. Advance payments are not insured. The Association pays interest on such accounts.

H. Employee Benefit Plans: Substantially all employees of the Association participate in the Eleventh District Defined Benefit Retirement Plan (Defined Benefit Plan) and / or the Farm Credit Foundations Defined Contribution / 401(k) Plan (Defined Contribution Plan). The Defined Benefit Plan is a noncontributory plan. Benefits are based on salary and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. Detailed financial information for the Defined Benefit Plan may be found in the U.S. AgBank District Annual Report. The Defined Benefit Plan was closed to new participants beginning January 1, 1998.

The Defined Contribution Plan has two components. Employees who do not participate in the Defined Benefit Plan may receive benefits through the Employer Contribution portion of the Defined Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee’s salary. Employees may also participate in the Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employees hired on or after January 1, 1998 are eligible to participate only in the Defined Contribution Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also provides certain health and life insurance benefits to eligible current and retired employees through the Farm Credit Foundation Retiree Medical and Retiree Life Plans. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee’s active service.

I. Income Taxes: As previously described, the ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term real estate mortgage lending activities are operated through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short-and intermediate-term lending activities are operated through a wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries have been eliminated in consolidation. The ACA, along with the wholly-owned PCA subsidiary, is subject to income tax. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state or local laws.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts reflected in the financial statements and tax bases of assets and liabilities. In addition, a valuation allowance may be provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings.

For California tax purposes, the Association can exclude from taxable income all patronage sourced income. Therefore, the provision for state income taxes is made only on non-patronage sourced earnings.

Deferred income taxes have not been provided by the Association on pre-1993 patronage distributions received from AgBank when management's intent is 1) to permanently invest these and other undistributed earnings in AgBank, thereby indefinitely postponing their conversion to cash, or 2) to pass through any distributions related to pre-1993 earnings to Association borrowers through qualified patronage allocations.

The Association has not provided deferred income taxes on amounts allocated to the Association which relate to AgBank's post-1992 earnings to the extent that such earnings will be passed through to Association borrowers through qualified patronage allocations. Additionally, deferred income taxes have not been provided on AgBank's post-1992 unallocated earnings. AgBank currently has no plans to distribute unallocated AgBank earnings and does not contemplate circumstances that, if distributions were made, would result in taxes being paid at the Association level.

J. Patronage Distribution from AgBank: Patronage distributions are made by AgBank the month following quarter-end. The Association records patronage distributions from AgBank upon receipt of the distribution.

K. Other Comprehensive Income/Loss: Other comprehensive income or loss refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of members' equity but are excluded from net income. As more fully described in Note 10, for the years ended December 31, 2006 and 2005, other comprehensive income or loss resulted from a change in the net minimum pension liability as a result of the funded status of the Pension Plan. During 2007, the Pension Plan's minimum liability and accumulated other comprehensive loss were transferred to the District combined financial statements.

L. Recently Issued Accounting Pronouncements: On September 30, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 – Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. The Standard, which is effective in two phases, requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position to recognize changes in that funded status in the year in which the changes occur through comprehensive income and to measure plan assets and obligations as of year end. The Standard further requires the recognition of actuarial gains and losses, prior service costs or credits, and transition assets and obligations as a component or other comprehensive income for the fiscal year ended December 31, 2007. The requirement to measure the funded status as of the fiscal year-end is effective for the District for fiscal years ending after December 15, 2008. Currently, the District uses a measurement date of September 30.

In September 2006, the FASB also issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about value fair measurements. As a result, there is now a common definition of fair value to be used throughout generally accepted accounting principles. The FASB believes that the new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. This Statement clarifies that the term fair value is intended to mean a market-based measure, not an entity-specific measure. In measuring fair value for a financial statement item, the Statement sets forth a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The highest priority is given to quoted prices in active markets and the lowest priority to unobservable inputs. Additional disclosure requirements will be required for the lowest priority level. The Statement became effective as of January 1, 2008. The Association is still assessing the impact on the financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, Fair Value Option for Financial Assets and Financial Liabilities. The Standard permits entities to choose on an instrument-by-instrument basis, at specified election dates, to measure financial assets and liabilities and certain other items at fair value (the “fair value option”). Unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. This Standard became effective January 1, 2008. The Association has not made any elections under the fair value option; thus there is no impact of the adoption of this Standard.

NOTE 3 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

	December 31,		
	2007	2006	2005
Real estate mortgage	$113,574,275	$113,624,201	$107,473,552
Production and intermediate-term	91,700,882	91,072,135	84,265,977
Agribusiness:			
Processing and marketing	18,849,339	18,237,586	14,939,834
Farm related business	3,152,268	3,020,788	4,668,559
Participations purchased	6,834,143	7,382,171	6,158,341
Total loans	$234,110,907	$233,336,881	$217,506,263

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

	December 31,					
	2007		2006		2005	
Commodity	Amount	%	Amount	%	Amount	%
Rice	$ 87,169,379	37%	$ 92,431,271	40%	$ 92,013,008	42%
Orchard Crops	43,204,315	19%	37,857,466	16%	35,974,167	17%
Row Crops	19,673,103	8%	18,260,935	8%	16,241,033	7%
Landlords	32,472,762	14%	32,138,132	14%	27,673,694	13%
Processing / Marketing	18,849,339	8%	18,237,587	8%	14,939,834	7%
Other	32,742,009	14%	34,411,490	14%	30,664,527	14%
Total	$234,110,907	100%	$233,336,881	100%	$217,506,263	100%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate mortgage loans are secured by first liens on the underlying real property. Federal regulations state that long-term real estate mortgage loans are not to exceed 85% (97% if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms. The following table presents information relating to impaired loans including accrued interest, if any.

	December 31,		
	2007	2006	2005
Non-accrual loans;			
Current as to principal and interest	$ 0	$ 581,005	$ 110,822
Total impaired loans	$ 0	$ 581,005	$ 110,822

There were no loans classified as nonaccrual, accruing restructured, or accruing 90 days or more past due at December 31, 2007.

Interest income is recognized as cash payments are applied on nonaccrual impaired loans as described in Note 2. The following table presents interest income recognized on impaired loans and average impaired loans:

	For the Year Ended December 31,		
	2007	2006	2005
Interest income recognized on nonaccrual loans	$ 67,633	$ 27,166	$ 3,155
Interest income on impaired accrual loans	9,950	19,552	0
Interest income recognized on impaired loans	$ 77,583	$ 46,718	$ 3,155
Average impaired loans	$ 470,859	$ 192,392	$ 162,503

The following table presents information concerning impaired loans:

	For the Year Ended December 31,		
	2007	2006	2005
Impaired loans with no related allowance	$ 0	$ 581,005	$ 110,822

There were no loans classified as accruing restructured for the years presented.

Interest income on nonaccrual loans which would have been recognized under the original terms of the loans was $34,570, $21,761 and $11,123 for the years 2007, 2006 and 2005, respectively.

A summary of the changes in the allowance for loan losses follows:

	For the Year Ended December 31,		
	2007	2006	2005
Balance at beginning of year	$1,368,950	$1,760,167	$1,768,371
Loan loss reversal	(44,726)	(390,480)	0
Charge-offs:			
Production and intermediate-term		(825)	(8,204)
Recoveries:			
Production and intermediate-term	0	88	0
Net charge-offs	0	(737)	(8,204)
Balance at end of year	$1,324,224	$1,368,950	$1,760,167
Ratio of net charge-offs during the period to average loans outstanding during the Period	0.00%	.0003%	.004%

A breakdown of the allowance for loan losses follows:

	December 31,					
	2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent
Production agriculture:						
Real estate mortgage	$ 219,280	17%	$ 248,936	18%	$ 832,110	47%
Production and intermediate-term	1,090,417	82%	1,100,249	80%	796,774	45%
Agribusiness	14,527	1%	19,765	2%	131,283	8%
Total	$1,324,224	100%	$1,368,950	100%	$1,760,167	100%

NOTE 4 - INVESTMENT IN AGBANK

The Association's investment in AgBank may consist of AgBank surplus attributed to the Association, patronage based stock and purchased stock. The Association's stock investment in AgBank is in the form of Class A Stock. The Association is required to maintain an investment in AgBank equal to 5.00 percent of average direct loan volume, net of excess investment. During March 2007, AgBank issued preferred stock and reduced the required investment in AgBank from 6.25 percent to 5.00 percent effective April 2007. The Association did not receive a cash redemption to this transaction; however, the then excess investment in AgBank was transferred from required investment to excess investment, both of which are included in Investment in AgBank on the Consolidated Statement of Condition. The investment in AgBank will be adjusted on a quarterly basis to reflect changes in direct loan volume, attributed surplus and stock investment balances. If needed to meet capital adequacy requirements, AgBank may require the Association to purchase at-risk stock subject to a limit of one percent of the Association's average Direct Loan Volume in a twelve-month period.

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment consist of the following:

	December 31,		
	2007	2006	2005
Land	$ 12,600	$ 12,600	$ 12,600
Buildings and improvements	409,918	378,483	381,269
Furniture and equipment	239,463	243,423	242,560
Automobiles	141,346	141,346	125,892
Premises and equipment at cost	803,327	775,852	762,321
Less: accumulated depreciation	(620,462)	(596,848)	(618,443)
Total	$ 182,865	$ 179,004	$ 143,878

NOTE 6 - NOTE PAYABLE TO AGBANK

The Association's indebtedness to AgBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a General Financing Agreement (GFA) which provides for a $225 million line of credit. The GFA and promissory note are subject to periodic renewals in the normal course of business. The Association was in compliance with the terms and conditions of the GFA as of December 31, 2007. Substantially all borrower loans are match-funded with AgBank. Payments and disbursements are made on the note payable to AgBank on the same basis the Association collects payments from and disburses on borrower loans. The interest rate may periodically be adjusted by AgBank based on the terms and conditions of the borrowing. The weighted average interest rate was 4.88 percent for the year ended December 31, 2007. The line of credit expires on April 30, 2008, however the Association expects renewal of the line of credit. Upon expiration of the line of credit, undisbursed amounts available under the line of credit expire. Provided however, so long as the Association is not in material default under the GFA, AgBank will continue to make advances (that do not exceed the amount payable under the promissory note) for undisbursed outstanding commitments on borrower loans which are not in default. The note payable to AgBank will continue until it has been fully discharged.

Under the Farm Credit Act, the Association is obligated to borrow only from AgBank, unless AgBank gives approval to borrow elsewhere. AgBank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2007, the Association's notes payable are within the specified limitations.

NOTE 7 - MEMBERS' EQUITY

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities is provided below.

A. Capital Stock and Participation Certificates

In accordance with the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. Capitalization bylaws allow stock requirements to range from the lesser of one thousand dollars or 2.00 percent of the amount of the loan to 10.00 percent of the loan. The Board of Directors has the authority to change the minimum required stock level of a shareholder as long as the change is within this range. Currently, for Production Credit Association borrowers, the Association has a stock requirement of 3.00 percent of each borrower's outstanding balances of principal plus commitment. For Federal Land Credit Association borrowers, the Association has a stock requirement of 3.00 percent of each borrower's outstanding balance of principal.

The borrower acquires ownership of the stock or participation certificates at the time the loan is made, but usually does not make a cash investment; the aggregate par value is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan cannot automatically result in retirement of the corresponding stock.

B. Regulatory Capitalization Requirements and Restrictions

FCA's capital adequacy regulations require the Association to maintain permanent capital of 7.00 percent of risk-adjusted assets and off-balance-sheet commitments. Failure to meet this requirement can initiate certain mandatory and possibly additional discretionary actions by FCA that, if undertaken, could have a direct material effect on the Association's financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to shareholders unless prescribed capital standards are met. The FCA regulations also require that additional minimum standards for capital be achieved. These standards require all System institutions to achieve and maintain ratios of total surplus as a percentage of risk-adjusted assets of 7.00 percent and of core surplus (generally unallocated surplus) as a percentage of risk-adjusted assets of 3.50 percent. At December 31, 2007, the Association's permanent capital was 19.95 percent, core surplus was 15.32 percent and the total surplus ratios was 16.34 percent.

An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

C. Description of Equities

Each owner of Class C capital stock is entitled to a single vote. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock.

At December 31, 2007, the Association has 1,730,239 shares of class C common stock and 221,904 participation certificates outstanding, all at a par value of $5.00 per share.

The Association has the authority to issue other classes of stock, no shares of which are outstanding. The voting rights, duties and liabilities of such classes of stock are similar to those discussed above.

Losses that result in impairment of capital stock and participation certificates will be allocated to the classes of equity described above on a pro-rata basis. Upon liquidation of the Association, any assets remaining after the settlement of all liabilities will be distributed first to redeem the par value of protected equities and then to redeem the par value of unprotected equities. Any assets remaining after such distribution will be shared pro-rata by all stock and certificate holders of record immediately before the liquidation distribution.

D. Dividends

The Association generally does not pay cash dividends. Amounts not distributed in cash are held as unallocated retained earnings.

E. Other Comprehensive Income (Loss)

The Association reports other comprehensive income/(loss) in its Consolidated Statement of Changes in Members' Equity. As more fully described in Note 10, for the years ended December 31, 2006 and 2005, other comprehensive loss resulted from a minimum pension liability as a result of the funded status of the Pension Plan. During 2007, the Pension Plan's minimum liability and accumulated other comprehensive loss were transferred to the District combined financial statements. There were no other items affecting comprehensive income or loss.

NOTE 8 - PATRONAGE DISTRIBUTION FROM AGBANK

The patronage distribution from AgBank follows.

	2007	2006	2005
Cash	$879,522	$440,937	$370,024
Stock		277,825	203,365
Total	$879,522	$718,762	$573,389

NOTE 9 - INCOME TAXES

The provision for income taxes follows:

	Year Ended December 31,		
	2007	2006	2005
Current tax provision			
Federal	$ 644,451	$ 482,006	$ 431,978
State	1,600	1,621	1,600
Deferred tax provision (reversal)			
Federal	3,681	(6,980)	44,913
Total provision for income taxes	$ 649,732	$ 476,647	$ 478,491

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	Year Ended December 31,					
	2007		2006		2005	
Federal tax at statutory rate	$1,715,418	34%	$1,627,697	34%	$1,254,679	34%
State tax, net	1,600	0%	1,621	0%	1,600	0%
Effect of non-taxable FLCA subsidiary	(1,067,909)	(21%)	(1,153,515)	(24%)	(782,194)	(21%)
Other	623	0%	844	0%	4,406	0%
Provision for income taxes	$ 649,732	13%	$ 476,647	10%	$ 478,491	13%

Deferred tax assets and liabilities result from the following at:

	December 31,		
	2007	2006	2005
Gross deferred tax asset			
Allowance for loan losses	$372,365	$376,996	$291,068
Annual leave	27,553	28,323	26,787
Postretirement benefits other than pensions	23,182	21,657	19,782
Other	59,666	124,010	159,366
Gross deferred tax asset	482,766	550,986	497,003
Gross deferred tax liability			
AgBank patronage allocations	(427,972)	(427,972)	(333,511)
Net deferred tax asset	$ 54,794	$123,014	$163,492

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings.

The Association adopted the provisions of the Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," on January 1, 2007. As a result of the implementation, the Association had no uncertain tax positions to be recognized upon adoption of FIN 48 during the first quarter of 2007 or during 2007.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The employees of the Association may participate in a defined benefit pension plan (Pension Plan). The Pension Plan is noncontributory and covers a significant number of employees. Benefits are based on salary and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. As a participant in the District's defined benefit plan, the Association funded $68,535 for 2007, $57,483 for 2006, and $46,706 for 2005, through its note payable to AgBank. Pension Plan expenses included in salaries and employee benefits expense were $65,542 for 2007, $99,294 for 2006, and $112,081 for 2005. Additional financial information for the Pension Plan may be found in the U.S. AgBank District Annual Report.

During 2007, the Pension Plan's minimum liability and accumulated other comprehensive income were transferred to the District combined financial statements because of implementation of SFAS 158 and changes to the district-wide allocation methodology at the AgBank District level. At December 31, 2006 and 2005, the Association recognized a minimum pension liability in the amount of $234,637 and $407,174, respectively. The offsetting impact was recorded to deferred tax assets and accumulated other comprehensive loss, net of tax, in the statement of condition. As a result, there was no income statement impact.

Postretirement benefits other than pensions are also provided through the Farm Credit Foundations Retiree Medical and Retiree Life Plans to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are accrued during the period of the employee's active service. Postretirement benefits (primarily health care benefits and life insurance) included in salaries and employee benefits expense were $7,210 for 2007, $7,717 for 2006 and $7,585 for 2005. Additional financial information for this plan may be found in the U.S. AgBank District Annual Report.

The Association also participates in the Farm Credit Foundations Defined Contribution/401(k) Plan (Contribution Plan). The Contribution Plan has two components. Employees who do not participate in the Pension Plan may receive benefits through the Employer Contribution portion of the Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employer contributions to these plans were $79,575, $69,256, and $63,084 for the years ended December 31, 2007, 2006 and 2005, respectively.

NOTE 11 – INTRA-SYSTEM FINANCIAL ASSISTANCE

The Farm Credit Act provided for capital assistance to System institutions experiencing severe financial stress through the issuance, prior to October 1, 1992, by the Financial Assistance Corporation of U.S. Treasury-guaranteed 15-year bonds, of which $1.261 billion in principal amount was originally issued. The last remaining Financial Assistance Corporation bonds matured and were repaid on June 10, 2005.

Pursuant to the Farm Credit Act, the U.S. Treasury paid $440 million, on behalf of the System, in interest costs on $844 million of the Financial Assistance Corporation bonds issued for purposes other than funding Capital Preservation Agreement accruals. The Banks had irrevocably set aside funds, including interest earned, that totaled the $440 million needed to repay the interest advanced by the U.S. Treasury. On June 10, 2005, the Banks repaid the U.S. Treasury the interest advanced. The Financial Assistance Corporation was dissolved effective as of December 31, 2006.

NOTE 12 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The Association has a policy that loans to directors and senior officers must be maintained at an Acceptable or Other Assets Especially Mentioned (OAEM) credit classification. If the loan falls below the OAEM credit classification, corrective action must be taken and the loan brought back to either Acceptable or OAEM within a year. If not, the director or senior officer must resign from the Board or employment.

Loan information to such persons at December 31 is shown below. (Dollars in thousands)

	2007	2006	2005
New loans	$16,930	$25,538	$14,571
Repayments	$17,506	$17,967	$13,956
Ending balance	$22,613	$23,189	$15,616

In the opinion of management, none of these loans outstanding at December 31, 2007 involved more than a normal risk of collectibility.

The Association also has business relationships with certain other System entities. The Association paid $300 to AgVantis for technology services during 2007.

NOTE 13 - REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities.

The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest-rate risk. These financial instruments include commitments to extend commercial letters of credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2007, $94.3 million of commitments to extend credit and $200,000 of commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Statement of Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management’s credit evaluation of the borrower. If not drawn upon, the letters of credit outstanding at December 31, 2007, will expire December 6, 2009.

NOTE 15 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Association’s financial instruments at December 31, 2007, 2006 and 2005. The fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Quoted market prices are generally not available for certain System financial instruments, as described below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The estimated fair values of the Association's financial instruments follows.

	December 31,					1
	2007		2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:						
Loans	$234,110,907	$234,410,285	$233,336,881	$232,515,174	$217,506,263	$216,656,338
Allowance for loan losses	$ 1,324,224	$ 0	$ 1,368,950	$ 0	$ 1,760,167	$ 0
Loans, net	$232,786,683	$234,410,285	$231,967,931	$232,515,174	$215,746,096	$216,656,338
Cash	$ 9,121	$ 9,121	$ 15,853	$ 15,853	$ 64,048	$ 64,048
Financial liabilities:						
Note payable to AgBank	$177,391,652	$178,354,795	$183,524,506	$183,840,101	$172,783,541	$172,511,785
Advance conditional payments	$ 8,576,745	$ 8,576,745	$ 4,942,453	$ 4,942,453	$ 3,295,666	$ 3,295,666

A description of the methods and assumptions used to estimate the fair value of each class of the Association's financial instruments for which it is practicable to estimate the value follows.

A. Loans: Because no active market exists for the Association's loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. Since the discount rates are based on the Association's loan rates as well as management estimates, management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale.

   For purposes of determining fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

   Fair value of loans in a nonaccrual status is estimated as described above, with appropriately higher interest rates, which reflect the uncertainty of continued cash flows.

B. Cash: The carrying value is a reasonable estimate of fair value.

C. Notes payable to AgBank: The notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets), which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current interest rate that would be charged for borrowings. For purposes of this estimate, it is assumed the cash flow on the notes payable is equal to the principal payments on the Association's loan receivables plus accrued interest on the notes payable.

D. Advance conditional payments: The carrying value is a reasonable estimate of fair value.

NOTE 16 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly results of operations for the years ended December 31, 2007, 2006 and 2005, follow.

	2007				
	First	Second	Third	Fourth	Total
Net interest income	$1,484,741	$1,560,880	$1,739,295	$1,903,993	$6,688,909
(Loan loss reversal)					
Provision for loan losses	(274,463)	271,691	40,535	(82,489)	(44,726)
Noninterest expense, net	580,383	483,162	630,878	643,599	2,338,022
Net income / (loss)	$1,178,821	$ 806,027	$1,067,882	$1,342,883	$4,395,613

	2006				
	First	Second	Third	Fourth	Total
Net interest income	$1,357,967	$1,504,933	$1,621,878	$1,584,631	$6,069,409
(Loan loss reversal)					
Provision for loan losses		(446,848)	8,831	47,537	(390,480)
Noninterest expense, net	487,365	444,195	578,596	639,037	2,149,193
Net income / (loss)	$ 870,602	$1,507,586	$1,034,451	$ 898,057	$4,310,696

	2005				
	First	Second	Third	Fourth	Total
Net interest income	$1,083,574	$1,267,719	$1,473,823	$1,493,066	$5,318,182
Noninterest expense, net	505,301	493,928	540,191	567,022	2,106,442
Net income / (loss)	$ 578,273	$ 773,791	$ 933,632	$ 926,044	$3,211,740

FARM CREDIT SERVICES OF COLUSA-GLENN, ACA

DISCLOSURE INFORMATION
(Unaudited)

DESCRIPTION OF BUSINESS

The description of the territory served, persons eligible to borrow, types of lending activities engaged in and financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the financial statements, "Organization and Operations", included in this annual report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conduct of the business, seasonal characteristics, and concentrations of assets, if any, required to be disclosed in this section is incorporated herein by reference from “Management's Discussion and Analysis of Financial Condition and Results of Operations” included in this annual report to shareholders.

DESCRIPTION OF PROPERTY

The following sets forth certain information regarding properties of the Association:

Location	Description
310 Sixth Street Colusa, California	Owned Office Building
605 Jay Street Colusa, California	Owned Office Building
201-B North Tehama Street Willows, California	Jointly owned Office Building (50%) with Northern California Farm Credit, ACA

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

There are no legal actions pending against the Association in which claims for money damages are asserted.

There are no enforcement actions pending against the Association.

DESCRIPTION OF CAPITAL STRUCTURE

Information required to be disclosed in this section is incorporated herein by reference from Note 7 to the financial statements, "Members’ Equity," included in this annual report to shareholders.

DESCRIPTION OF LIABILITIES

The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 6 to the financial statements, "Note Payable to AgBank," included in this annual report to shareholders.

The description of contingent liabilities and intra-system financial assistance rights and obligations required to be disclosed in this section is incorporated herein by reference from Notes 11 and 14 to the financial statements, "Intra-System Financial Assistance" and “Commitments and Contingencies” included in this annual report to shareholders.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2007 required to be disclosed in this section is incorporated herein by reference from the "Five-Year Summary of Selected Consolidated Financial Data" included on page 4 of this annual report to shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears on pages 5 through 21 of this annual report to shareholders and is required to be disclosed in this section, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS, INCLUDING COMPENSATION

Farm Credit Administration (FCA) regulations require the disclosure of directors' business experience for the last five years, other entities on whose board the director serves, compensation received as an Association director, and certain other information. The following represents these disclosures for the directors of the Farm Credit Services of Colusa-Glenn, ACA:

Jerry Southam, Director and Chairman of the Board
Term of Office expires in 2008
Mr. Southam has been involved in farming for the past five years. Presently he serves on the Board of Directors of Jerry and Carole Farms, Inc., a family owned farming operation, Southam Walnut Dryer, a commercial walnut drying facility, and a Director for the Provident Irrigation District. Mr. Southam was paid $8,150.00 for serving 10 days at Board meetings and 40 days in other official activities on behalf of the Board.

Michael F. Doherty, Director and Vice Chairman of the Board
Term of Office expires in 2008
Mr. Doherty has been engaged in farming for the past five years. He currently serves as Vice President of the Arbuckle Revitalization Committee, Director on the Arbuckle-College City Fire Protection District, Colusa County Farm Bureau and Colusa County Farm Supply, and on the Executive Board of Cortina Hulling & Shelling, LLC. Mr. Doherty served 11 days at Board meetings and 45 days in other official activities on behalf of the Board, for which he was compensated $9,000.00.

Herbert Holzapfel, Director
Term of Office expires in 2010
Mr. Holzapfel has been involved in farming for the past five years. Presently, he serves as Chairman on the Farmers Rice Cooperative Board of Directors. Mr. Holzapfel was paid $4,350.00 for serving 9 days at Board meetings and 17 days in other official activities on the Board's behalf.

Terrill Knight, Director
Term of Office expires in 2009
Mr. Knight has been involved in farming for the past five years. Presently, he serves on the Provident Irrigation District Board and is also a Director of T.K. Enterprises, Inc., a family owned farming operation. Mr. Knight served 11 days at Board meetings and 22 days in other official activities on behalf of the Board, for which he was compensated $5,300.00.

George Costa, Director
Term of Office expires in 2009
Mr. Costa has been engaged in farming for the past five years. He currently serves on the Colusa Basin Drain District Board and the Board of Directors for Ridgetop Rice Dryer. He is also a Trustee of the Maxwell School Board. Mr. Costa served 11 days at Board meetings and 41 days in other official activities on behalf of the Board, for which he was compensated $7,300.00.

Greg Weber, Director
Term of Office expires in 2010
Mr. Weber has been engaged in farming for the past five years. He currently serves on the Board of Directors and is CEO of Messick’s Ace Hardware, Inc. Mr. Weber served 12 days at Board meetings and 13 days in other official activities on behalf of the Board, for which he was compensated $4,650.00.

Doug Parker, Director
Term of Office expires in 2010
Mr. Parker has been involved in farming for the past five years. Presently, he serves as a Director of the Colusa County Farm Bureau. Mr. Parker served 10 days at Board meetings and 10 days in other official activities on behalf of the Board, for which he was compensated $4,350.00.

Brett Perry, Director
Term of Office expires in 2008
Mr. Perry has been involved in farming for the past five years. Presently, he serves on the Board of Directors of DePue Warehouse, Inc., Central Valley Rice Growers and is the past President of the Maxwell School Board. He is also a member of the Farm Service Agency County Committee. Mr. Perry served 8 days at Board meetings and 6 days in other official activities on behalf of the Board, for which he was compensated $2,550.00.

Gar Rourke, Director
Term of Office expires in 2009
Mr. Rourke has been involved in financial counseling and life insurance sales for the past five years. Mr. Rourke is currently the City Treasurer for the City of Colusa. Mr. Rourke served 11 days at Board meetings and 8 days in other official activities for which he was compensated $3,450.00.

Elizabeth Olivera, Director
Term of Office expires in 2009
Mrs. Olivera has been involved in the practice of law for the past five years. Mrs. Olivera serves on no other Board of Directors. Mrs. Olivera served 11 days at Board meetings and 8 days in other official activities for which she was compensated $5,250.00.

Directors are compensated for their services based on daily honoraria of $150 and $300. Directors are also reimbursed for mileage, as well as documented business expenses while serving in an official capacity. Reimbursement for travel, subsistence and related expenses for all directors as a group amounted to $23,313.12 in 2007, $17,425.74 in 2006, and $19,480.18 in 2005. The total compensation and reimbursement for travel paid directors for 2007, as described above, amounted to $77,663.12.

FCA regulations also require the following disclosure of the business experience for the last five years for each senior officer, as well as the aggregate amount of compensation paid to senior officers as a group:

James M. Vierra
Mr. Vierra has served as President/Chief Executive Officer/Chief Credit Officer of the Association since February 2001. He has been employed by the Association since March, 1982.

Dick Cowin
Mr. Cowin serves in the capacity of Vice President/Chief Operations Officer/Internal Audit Officer/Secretary and has been employed by the Association since January, 1984.

Kenneth P. Woods
Mr. Woods presently serves as Chief Financial Officer/Treasurer and has been employed by the Association since February, 1990.

Vincent Wurm
Mr. Wurm serves as Regional Vice President and has been employed by the Association since October, 1984.

A summary compensation table for senior officers follows:

CEO	Year	Salary	Annual Bonus	Deferred / Perquisites (1)	Other	Total
James M. Vierra	2007	$ 124,872	$ 507	$ 4,995	$ 0	$ 130,374
James M. Vierra	2006	$ 118,920	$ 815	$ 4,757	$ 0	$ 124,492
James M. Vierra	2005	$ 104,500	$ 815	$ 4,180	$ 2,489	$ 111,984
Aggregate No. of Senior Officers	**Year**	**Salary**	**Annual Bonus**	**Deferred / Perquisites (1)**	**Other**	**Total**
Five	2007	$ 445,428	$ 2,789	$ 31,633	$ 0	$ 479,850
Five	2006	$ 429,240	$ 4,107	$ 30,490	$ 2,489	$ 466,326
Five	2005	$ 377,080	$ 4,119	$ 13,083	$ 2,904	$ 399,186

(1) Deferred Compensation - Each senior officer is a participant in the Eleventh Farm Credit District deferred compensation plan as described in Note 10 to the financial statement.

Disclosure of compensation paid during the last fiscal year to any senior officer, or to any other employee included in the aggregate, whose compensation exceeds $50,000 is available to shareholders upon request.

TRAVEL, SUBSISTENCE AND OTHER RELATED EXPENSES

The travel, subsistence, and other related expenses of the Association Board of Directors and senior officers are covered by the Association's policies under which members of these two groups will be reimbursed for reasonable costs of essential travel, subsistence, and other related expenses. A copy of this policy is available to shareholders upon request.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

The Association's policies on loans to and transactions with its senior officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 12 to the financial statements, "Related Party Transactions," included in this annual report to shareholders.

No loans to directors or senior officers, their immediate families, and affiliated organizations involved more than a normal risk of collectibility during 2007.

INVOLVEMENT OF DIRECTORS AND OFFICERS IN CERTAIN LEGAL PROCEEDINGS

There were no matters which came to the attention of management or the Board of Directors regarding involvement of current directors or senior officers in specified legal proceedings which are required to be disclosed in this section.

RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

There were no changes in independent public accountants since the prior annual report to shareholders and there were no material disagreements with our independent public accountants on any matter of accounting principles or financial statement disclosure during this period.

BORROWER PRIVACY

Your privacy is important to us. We want you to know that we hold your financial and other personal information in strict confidence. Since 1972, Farm Credit Administration regulations have forbidden the directors and employees of Farm Credit institutions from disclosing personal borrower information to others without your consent. We do not sell or trade our customers' personal information to marketing companies or information brokers.

FCA rules allow us to disclose customer information to others only in these situations:

- ♦ We may give it to another Farm Credit institution that you do business with.
- ♦ We can be a credit reference for you with other lenders and provide information to a credit bureau or other consumer reporting agency.
- ♦ We can provide information in certain types of legal or law enforcement proceedings.
- ♦ We may provide information to auditors for the purpose of confirming loan balances and terms.
- ♦ FCA and other third-party examiners may review loan files during regular examinations of our association.
- ♦ If one of our employees applies to become a licensed real estate appraiser, we may give copies of real estate appraisal reports to the State agency that licenses appraisers when required. We will first remove as much personal information from the appraisal report as possible.

As a member/owner of this institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs.

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 28, 2008 and "Management's Discussion and Analysis of Financial Condition and Results of Operations," appearing on pages 5 through 21 of this 2007 annual report to shareholders, are incorporated herein by reference.

U.S. AGBANK 2007 ANNUAL REPORT

The stockholder's investment in the Association is materially affected by the financial condition and the results of operation of U.S. AgBank. Upon request, stockholders of the Association will be provided with an Annual Report to Stockholders, which includes the combined financial statements of the AgBank and Associations. Copies of the report are available, free of charge. To obtain copies of the 2007 Annual Report or 2007 Quarterly Report to Shareholders, please contact U.S. AgBank, 245 North Waco, Wichita, Kansas 67201, or call 1-800-322-9880. Website address is www.usagbank.com.

RELATIONSHIP WITH U.S. AGBANK

The Association's statutory obligation to borrow from the AgBank is discussed in Note 6.

The AgBank's ability to access the capital of the Association is discussed in Note 4.

The AgBank's role in mitigating the Association's exposure to interest rate risk is described in the Liquidity and Funding Sources section of "Management's Discussion & Analysis of Financial Condition and Results of Operations."

BOARD OF DIRECTORS

Jerry Southam, Chairman	Colusa
Michael F. Doherty, Vice Chairman	Williams-Arbuckle-Grimes
Greg Weber	Colusa
George Costa	Maxwell-Delevan-Princeton
Brett Perry	Maxwell-Delevan-Princeton
Doug Parker	Williams-Arbuckle-Grimes
Herbert Holzapfel	Willows-Bayliss-Artois
Terrill Knight	Willows-Bayliss-Artois
Gar Rourke	Colusa
Elizabeth Olivera	Colusa

ADMINISTRATIVE STAFF

James M. Vierra	Association President / CEO / CCO
Richard W. Cowin	Vice President / COO / Secretary & Internal Audit Officer
Kenneth P. Woods	Treasurer / Chief Financial Officer
Barbara Walker	Operations Support Specialist
Karen Cabral	Corporate Secretary
Mark Heidrick	Accounting Assistant

COLUSA STAFF

Vincent S. Wurm	Regional Vice President
Steve Neader	Assistant Secretary / Loan Officer
Katie Clipper	Loan Officer
William Rohde	Loan Officer
Jennifer Bowen	Loan Officer
Jonathan VanTol	Loan Officer
Nita Lang	Sr. Loan Documentation Specialist
Tara Thompson	Loan Documentation Specialist
Sue Wells	Accounting Specialist
Linda Olson	Accounting Assistant
Rua Newgard	Branch Secretary

WILLOWS STAFF

William A. Berg	Branch Manager
Vicci Seeman	Accounting Assistant

2008 NOMINATING COMMITTEE

Regular Members	**Area**
Francis Hickel	Colusa
Matt Southam	Maxwell-Delevan-Princeton
Joseph Marsh	Williams-Arbuckle-Grimes
Dennis Clark	Willows-Bayliss-Artois

Alternate Members	**Area**
Woody Yerxa	Colusa
Ben Gordon	Maxwell-Delevan-Princeton
Don Traynham	Williams-Arbuckle-Grimes
Roy Holzapfel	Willows-Bayliss-Artois

MAIN OFFICE

605 JAY STREET, COLUSA, CALIFORNIA

COLUSA BRANCH OFFICE

310 SIXTH STREET

WILLOWS BRANCH OFFICE

201-B N. TEHAMA STREET