

FARMER MAC II LLC

FINANCIAL REPORT

QUARTER ENDED JUNE 30, 2010

TABLE OF CONTENTS

Condensed Financial Statements

The following information concerning Farmer Mac II LLC's interim unaudited condensed financial statements is included in this report beginning on the pages listed below:

Condensed Balance Sheets as of June 30, 2010 and December 31, 2009	3
Condensed Statements of Operations for the three and six months ended June 30, 2010	4
Condensed Statements of Members' Equity for the six months ended June 30, 2010	5
Condensed Statements of Cash Flows for the six months ended June 30, 2010	6
Notes to Condensed Financial Statements	7

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview	15
Critical Accounting Policies and Estimates	15
Results of Operations	15
Balance Sheet Analysis	16
Liquidity and Capital Resources	16

FARMER MAC II LLC
CONDENSED BALANCE SHEETS
(unaudited)

	June 30, 2010	December 31, 2009
	<i>(in thousands)</i>	
Assets:		
Cash and cash equivalents	\$ 5,084	\$ 10
Farmer Mac Guaranteed Securities:		
Available-for-sale, at fair value	38,589	-
Total Farmer Mac Guaranteed Securities	38,589	-
USDA Guaranteed Securities:		
Available-for-sale, at fair value	880,424	-
Trading, at fair value	386,496	-
Total USDA Guaranteed Securities	1,266,920	-
Interest receivable	16,744	-
Other assets	478	-
Total Assets	\$ 1,327,815	\$ 10
Liabilities and Members' Equity:		
Liabilities:		
Intercompany borrowings	\$ 46,000	\$ -
Accounts payable and accrued expenses	92	-
Total Liabilities	46,092	-
Members' Equity:		
Preferred stock, par value \$1,000 per share, 250,000 shares authorized, issued and outstanding as of June 30, 2010	241,853	-
Common stock, no par value	1,020,168	10
Accumulated other comprehensive income	7,992	-
Retained earnings	11,710	-
Total Members' Equity	1,281,723	10
Total Liabilities and Members' Equity	\$ 1,327,815	\$ 10

See accompanying notes to condensed financial statements.

FARMER MAC II LLC
CONDENSED STATEMENT OF OPERATIONS
(unaudited)

	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2010
	<i>(in thousands)</i>	
Interest income:		
USDA and Farmer Mac Guaranteed Securities	\$ 10,157	\$ 18,073
Interest expense	204	204
Net interest income	9,953	17,869
Non-interest income:		
Gains on trading assets	5,657	4,139
Other income	1	2
Non-interest income	5,658	4,141
Non-interest expense:		
General and administrative	324	686
Non-interest expense	324	686
Net income	15,287	21,324
Preferred stock dividends	(5,546)	(9,614)
Net income available to common stockholders	\$ 9,741	\$ 11,710

See accompanying notes to condensed financial statements.

FARMER MAC II LLC
CONDENSED STATEMENT OF MEMBERS' EQUITY
(unaudited)

	For the Six Months Ended June 30, 2010	
	Shares	Amount
	<i>(dollars in thousands)</i>	
Preferred stock:		
Balance, beginning of period	-	\$ -
Issuance of preferred stock	250	241,853
Balance, end of period	250	\$ 241,853
Common stock:		
Balance, beginning of period		\$ 10
Issuance of common stock		1,020,158
Balance, end of period		\$ 1,020,168
Retained earnings:		
Balance, beginning of period		\$ -
Net income		21,324
Preferred stock dividends		(9,614)
Balance, end of period		\$ 11,710
Accumulated other comprehensive income:		
Balance, beginning of period		\$ -
Change in unrealized gain on available-for-sale securities		7,992
Balance, end of period		\$ 7,992
Total Members' Equity		\$ 1,281,723
Comprehensive income:		
Net income		\$ 11,710
Changes in accumulated other comprehensive income		7,992
Comprehensive income		\$ 19,702

See accompanying notes to condensed financial statements.

FARMER MAC II LLC
CONDENSED STATEMENT OF CASH FLOWS
(unaudited)

	For the Six Months Ended June 30, 2010
	<i>(in thousands)</i>
Cash flows from operating activities:	
Net income	\$ 21,324
Adjustments to reconcile net income to net cash provided by operating activities:	
Net amortization of premiums and discounts on USDA and Farmer Mac Guaranteed Securities	4,044
Net change in fair value of trading securities	(4,139)
Decrease in interest receivable	1,268
Decrease in other assets	590
Decrease in other liabilities	(880)
Net cash provided by operating activities	22,207
Cash flows from investing activities:	
Purchases of USDA and Farmer Mac Guaranteed Securities	(174,908)
Proceeds from repayment of USDA and Farmer Mac Guaranteed Securities	118,564
Net cash used in investing activities	(56,344)
Cash flows from financing activities:	
Issuance costs of preferred stock	(7,238)
Proceeds from issuance of common stock	10,000
Dividends paid on preferred stock	(9,551)
Proceeds from intercompany borrowings	46,000
Net cash provided by financing activities	39,211
Net increase in cash and cash equivalents	5,074
Cash and cash equivalents at beginning of period	10
Cash and cash equivalents at end of period	\$ 5,084

See accompanying notes to condensed financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS *(unaudited)*

1. Basis of Presentation

The accounting and reporting policies of Farmer Mac II LLC (the “Company”) conform to accounting principles generally accepted in the United States of America (“generally accepted accounting principles” or “GAAP”). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. These interim unaudited condensed financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the financial position and the results of operations and cash flows of Farmer Mac II LLC for the interim periods presented. The December 31, 2009 condensed balance sheet presented in this report has been derived from the Company’s audited 2009 financial statements. Certain information and footnote disclosures normally included in the annual financial statements have been condensed or omitted. The Company initiated business operations in January 2010. As such, no comparative statements of operations, members’ equity or cash flows are presented in the accompanying financial statements. Results for interim periods are not necessarily indicative of those that may be expected for the fiscal year.

2. Description of the Business

On December 10, 2009, Farmer Mac II LLC was formed as a Delaware limited liability company. The Company was established to operate the Farmer Mac II Program. Under the Farmer Mac II Program, the Company purchases the portion of loans guaranteed by the United States Department of Agriculture (the “USDA Guaranteed Securities”) pursuant to the Consolidated Farm and Rural Development Act (7 U.S.C. §§ 1921 et. seq.). The Company’s principal source of revenue is net interest income earned on the portfolios of USDA Guaranteed Securities and Farmer Mac Guaranteed Securities, together referred to as “USDA and Farmer Mac Guaranteed Securities.”

3. Related Party Transactions

Farmer Mac II LLC is an operating subsidiary of the Federal Agricultural Mortgage Corporation (“Farmer Mac”). In December 2009, the Company issued common stock to Farmer Mac, the sole Member of the Company as of December 31, 2009, in exchange for cash, as the initial transaction after formation of the Company. On January 25, 2010, Farmer Mac transferred substantially all of the Farmer Mac II program business, in excess of \$1.1 billion, to Farmer Mac II LLC in exchange for all of the preferred stock and \$1.0 billion of additional common stock in the Company. Farmer Mac simultaneously sold the preferred stock to third party investors.

The Company entered into an uncommitted intercompany borrowing facility with Farmer Mac in the aggregate principal amount of up to \$300.0 million and will pay an administrative fee to

Farmer Mac in connection with each borrowing under the facility. As of June 30, 2010, there were \$46.0 million of borrowings outstanding under the facility. During the three and six months ended June 30, 2010, the Company incurred interest expense of \$0.2 million for borrowings under this facility. Pursuant to a Secondment Agreement and a Management and Administrative Services Agreement, Farmer Mac provides various services to the Company, including management of the day-to-day business and marketing, administrative, accounting and reporting, risk management and other activities of the Company, including access to and use of office space within Farmer Mac's corporate offices and information technology services. During the three and six months ended June 30, 2010, the cost of these services was \$0.2 million and \$0.3 million, respectively.

The Company has agreed to reimburse Farmer Mac for all expenses reasonably incurred by or on its behalf by Farmer Mac in the course of the performance by Farmer Mac employees under the Secondment and Management and Administrative Services Agreements, subject to certain caps. The Company has agreed to indemnify Farmer Mac and its respective officers, directors, and employees against any and all out of pocket liabilities, losses, damages, costs and expenses incurred by them arising out of a claim against any of them to the extent that it directly results from the provision under the Secondment or Management and Administrative Services Agreements.

The Company has an Administrator Agreement with Zions First National Bank ("Zions"). Zions is the largest holder of Farmer Mac's outstanding Class A voting stock and a large holder of Farmer Mac's outstanding Class C non-voting common stock as of June 30, 2010. Farmer Mac from time to time enters into or engages in various business transactions with Zions.

4. Significant Accounting Policies

Cash and cash equivalents and Statement of Cash Flows

The Company considers highly liquid investment securities with original maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents is a reasonable estimate of their approximate fair value. Changes in the balance of cash and cash equivalents are reported in the statement of cash flows. Non-cash activity for the six months ended June 30, 2010 included the transfer, at fair value, of \$1.3 billion of USDA and Farmer Mac Guaranteed Securities and related accrued interest from Farmer Mac in exchange for Company common and preferred stock. Interest paid during the six months ended June 30, 2010 totaled \$0.2 million.

Income Taxes

The Company has elected to be treated as a partnership for income tax purposes. As such, the taxable income that results from the Company's operations is passed through to its members who are responsible for paying the taxes on that income. Accordingly, the Company has made no accrual for income taxes as of June 30, 2010.

Fair Value Measurements

The Company accounts for all USDA and Farmer Mac Guaranteed Securities at fair value on a recurring basis. The Company categorizes these securities into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the security. The three levels used to classify fair value measurements are described as follows:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2	Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.
Level 3	Prices or valuations that require unobservable inputs that are significant to the fair value measurement.

The Company estimates the fair value of its USDA and Farmer Mac Guaranteed Securities by discounting the projected cash flows of these instruments at projected interest rates. The fair values are based on the present value of expected cash flows using management's best estimate of certain key assumptions, which include prepayment speeds, forward yield curves and discount rates commensurate with the risks involved. As of June 30, 2010, the Company classifies all its assets measured at fair value as level 3 because there is limited market activity and therefore little or no price transparency. On a sample basis, the Company corroborates the fair value of its securities by obtaining a secondary valuation from an independent third party pricing service.

New Accounting Standards

Accounting for Transfers of Financial Assets

On December 23, 2009, the FASB issued an Accounting Standards Update ("ASU") that codifies recent accounting guidance related to transfers of financial assets. The new guidance eliminates the concept of a QSPE, changes the requirements for derecognizing financial assets and enhances information reported to financial statement users by increasing the transparency or disclosures about transfers of financial assets and an entity's continuing involvement with transferred financial assets. The Company adopted the ASU on January 1, 2010 and the impact of adoption was not material to its financial position, results of operations or cash flows.

Variable Interest Entities ("VIEs")

On December 23, 2009, the FASB issued an ASU, which codifies recent accounting guidance on consolidation of VIEs. The new guidance replaces the quantitative-based risks-and-rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a VIE with an approach focused on identifying which reporting entity has (1) the power to direct the activities of a VIE that most significantly affect the entity's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity. The ASU requires additional disclosures about a reporting entity's involvement with VIEs and about any significant changes in risk exposure as a result of that involvement. The Company adopted this ASU on January 1, 2010.

The Company's involvement in VIEs is limited to beneficial interests in Farmer Mac Guaranteed Securities trusts that are on the Company's condensed balance sheet, effective with the transfer of assets on January 25, 2010. The Company evaluated the conditions for consolidation and determined that it did not have the power to direct the activities that most significantly affect the economic performance of the trust because it does not control default mitigation decisions. Therefore, the Company did not consolidate any VIEs under the new accounting guidance. The maximum exposure to loss related to its involvement in the VIEs is the carrying amount of Farmer Mac Guaranteed Securities on the condensed balance sheet; however, because of the USDA guarantee, the Company does not expect losses and does not expect to provide an allowance for losses. The assets of Farmer Mac II LLC would be available to creditors of Farmer Mac only after all obligations owed to creditors of and preferred equity holders in Farmer Mac II LLC had been satisfied.

Fair Value Measurements and Disclosures

On January 21, 2010, the FASB issued an ASU that amends FASB guidance on fair value measurements and disclosures to add new requirements for disclosures about transfers into and out of levels 1 and 2 and separate disclosures about purchases, sales, issuance, and settlements relating to level 3 measurements. The new standard also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The ASU was effective for first quarter 2010 reporting except for the level 3 activity disclosures, which are effective in first quarter 2011. Adoption of the new accounting guidance did not have a significant impact on the Company's fair value disclosures.

Loan Modifications When the Loan Is Part of a Pool That Is Accounted for as a Single Asset

On April 29, 2010, the FASB issued ASU 2010-18, *Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset*, which established that modifications of loans that are accounted for within a pool under the guidance for acquisitions of credit-impaired loans do not result in the removal of those loans from the pool, even if the modification of those loans would otherwise be considered a troubled debt restructuring. Loans accounted for individually under the guidance for acquisitions of credit-impaired loans continue to be subject to the accounting provisions for troubled debt restructurings. The ASU is effective for third quarter 2010 reporting. Adoption of ASU 2010-18 will not have a material effect on Farmer Mac II LLC's financial position, results of operations or cash flows.

Credit Quality of Financing Receivables and the Allowance for Credit Losses

On July 21, 2010, the FASB issued ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which requires more robust and disaggregated disclosures to assist financial statement users in understanding more clearly an entity's credit risk exposures to finance receivables and the related allowance for credit losses. The new and amended disclosure requirements focus on five areas: nonaccrual and past due loans; allowance for credit losses; impaired loans; credit quality information; and modifications. The disclosures that relate to information as of the end of a reporting period will be effective for periods ending on or after December 15, 2010 and information related to activity that occurs during a reporting period will be effective for the first interim or annual period beginning after December 15, 2010. Since ASU 2010-20 only requires additional disclosures, it will not have an impact on Farmer Mac II LLC's financial position, results of operations or cash flows.

5. USDA and Farmer Mac Guaranteed Securities

The following table sets forth information about USDA and Farmer Mac Guaranteed Securities as of June 30, 2010.

	June 30, 2010		
	Available- for-Sale	Trading	Total
USDA Guaranteed Securities	\$ 880,424	\$ 386,496	\$ 1,266,920
Farmer Mac Guaranteed Securities	38,589	-	38,589
Total	<u>\$ 919,013</u>	<u>\$ 386,496</u>	<u>\$ 1,305,509</u>
Amortized cost	\$ 911,021	\$ 382,357	\$ 1,293,378
Unrealized gains	9,471	4,369	13,840
Unrealized losses	(1,479)	(230)	(1,709)
Fair value	<u>\$ 919,013</u>	<u>\$ 386,496</u>	<u>\$ 1,305,509</u>

The USDA Guaranteed Securities classified as trading relate to securities for which the fair value option was elected by Farmer Mac prior to transfer of the securities to the Company. Farmer Mac II LLC maintained the fair value option election for these securities.

The temporary unrealized losses presented above are principally due to changes in interest rates from the date of transfer of the assets contributed by Farmer Mac to June 30, 2010. The USDA and Farmer Mac Guaranteed Securities are backed by the full faith and credit of the United States. Therefore, Farmer Mac II LLC has concluded that none of the unrealized losses on its available-for-sale securities represents other-than-temporary impairment as of June 30, 2010. Farmer Mac II LLC does not intend to sell these securities and it is not more likely than not that Farmer Mac II LLC will be required to sell the securities before recovery of the amortized cost basis. Farmer Mac II LLC realized no gains or losses from the sale of USDA and Farmer Mac Guaranteed Securities for the three and six months ended June 30, 2010.

The table below presents a sensitivity analysis for the Company's USDA and Farmer Mac Guaranteed Securities as of June 30, 2010.

	<u>June 30, 2010</u>	
	<i>(dollars in thousands)</i>	
Fair value of beneficial interests retained in USDA and Farmer Mac Guaranteed Securities	\$	1,305,509
Weighted-average remaining life (in years)		3.6
Weighted-average prepayment speed (annual rate)		13.7%
Effect on fair value of a 10% adverse change	\$	(1,184)
Effect on fair value of a 20% adverse change	\$	(2,288)
Weighted-average discount rate		4.2%
Effect on fair value of a 10% adverse change	\$	(9,225)
Effect on fair value of a 20% adverse change	\$	(18,805)

These sensitivities are hypothetical. Changes in fair value based on 10 percent or 20 percent variations in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In fact, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which might amplify or counteract the sensitivities.

6. Fair Value Disclosures

The following tables present additional information about the Company's securities measured at fair value on a recurring basis. Net transfers reflect the contribution of the securities by Farmer Mac at fair value on the date of transfer.

Level 3 Assets and Liabilities Measured at Fair Value for the Three Months Ended June 30, 2010

	Beginning Balance	Purchases and Repayments, net	Unrealized Gains included in Income	Unrealized Gains included in Other Comprehensive Income	Net Transfers In	Ending Balance
Recurring:						
Assets:						
Farmer Mac Guaranteed Securities:						
Available-for-sale	\$ 36,742	\$ 1,607	\$ -	\$ 240		\$ 38,589
Total Farmer Mac Guaranteed Securities	36,742	1,607	-	240	-	38,589
USDA Guaranteed Securities:						
Available-for-sale	781,823	84,682	-	13,919		880,424
Trading (1)	407,844	(27,005)	5,657	-		386,496
Total USDA Guaranteed Securities	1,189,667	57,677	5,657	13,919	-	1,266,920
Total Assets at fair value	\$ 1,226,409	\$ 59,284	\$ 5,657	\$ 14,159	\$ -	\$ 1,305,509

(1) Unrealized gains are attributable to assets still held as of June 30, 2010 and are recorded in Gains on trading assets.

Level 3 Assets and Liabilities Measured at Fair Value for the Six Months Ended June 30, 2010

	Beginning Balance	Purchases and Repayments, net	Unrealized Gains included in Income	Unrealized Gains/(Losses) included in Other Comprehensive Income	Net Transfers In	Ending Balance
Recurring:						
Assets:						
Farmer Mac Guaranteed Securities:						
Available-for-sale	\$ -	\$ 1,332	\$ -	\$ (373)	\$ 37,630	\$ 38,589
Total Farmer Mac Guaranteed Securities	-	1,332	-	(373)	37,630	38,589
USDA Guaranteed Securities:						
Available-for-sale	-	115,946	-	8,365	756,113	880,424
Trading (1)	-	(38,922)	4,139	-	421,279	386,496
Total USDA Guaranteed Securities	-	77,024	4,139	8,365	1,177,392	1,266,920
Total Assets at fair value	\$ -	\$ 78,356	\$ 4,139	\$ 7,992	\$ 1,215,022	\$ 1,305,509

(1) Unrealized gains are attributable to assets still held as of June 30, 2010 and are recorded in Gains on trading assets.

The following table sets forth the estimated fair values and the carrying amounts for financial assets and liabilities as of June 30, 2010 in accordance with FASB guidance on disclosures about fair value of financial instruments.

	June 30, 2010	
	Fair Value	Carrying Amount
Financial assets:		
Cash and cash equivalents	\$ 5,084	\$ 5,084
Farmer Mac Guaranteed Securities	38,589	38,589
USDA Guaranteed Securities	1,266,920	1,266,920
Interest receivable	16,744	16,744
Financial liabilities:		
Intercompany borrowings	\$ 46,000	\$ 46,000

The carrying amount of cash and cash equivalents, interest receivable and intercompany borrowings is a reasonable estimate of their approximate fair value. The Company estimates the fair value of its USDA and Farmer Mac Guaranteed Securities by discounting the projected cash flows of these instruments at projected interest rates. The fair values are based on the present value of expected cash flows using management's best estimate of certain key assumptions, which include prepayment speeds, forward yield curves and discount rates commensurate with the risks involved.

7. Members' Equity

As of June 30, 2010, there were 250,000 shares of preferred stock issued and outstanding. The preferred stock is non-cumulative perpetual preferred stock. The dividend rate is 8.875% per annum up to but excluding the payment in first quarter 2015, adjusts at that time to 10.875% to but excluding the payment in first quarter 2020, then adjusts to its perpetual rate of three-month LIBOR plus 8.211%. On March 10, 2010, Farmer Mac II LLC's board of directors declared a dividend of \$16.02 per share, which represented 8.875% per annum on the liquidation preference of \$1,000 per share from and including January 25, 2010 to but excluding March 30, 2010 (on the basis of a 360-day year comprised of twelve 30-day months), which was paid on March 30, 2010. On June 2, 2010, the board of directors declared a dividend of \$22.1875 per share, which represented 8.875% per annum on the liquidation preference of \$1,000 per share from and including March 30, 2010 to but excluding June 30, 2010, which was paid on June 30, 2010. On August 5, 2010, the board of directors declared a dividend of \$22.1875 per share, which represented 8.875% per annum on the liquidation preference of \$1,000 per share from and including June 30, 2010 to but excluding September 30, 2010, which is payable on September 30, 2010.

There was \$1.0 billion and \$10,000 of no-par value common stock outstanding as of June 30, 2010 and December 31, 2009, respectively.

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

This discussion and analysis of financial condition and results of operations should be read together with the interim unaudited condensed financial statements and related notes that appear elsewhere in this report. The discussion below is not necessarily indicative of future results.

Overview

In January 2010, Farmer Mac II LLC initiated operations upon the issuance of its preferred stock and common stock to Farmer Mac as consideration for the contribution by Farmer Mac to Farmer Mac II LLC of substantially all of the assets, in excess of \$1.1 billion, comprising the Farmer Mac II program business. Through its Farmer Mac II program, Farmer Mac II LLC purchases USDA-guaranteed portions of farm ownership loans, farm operating loans, business and industry loans, community facilities loans and other portions of loans that are fully guaranteed as to principal and interest by the USDA. During the period from initiation of operations through June 30, 2010, the Company purchased \$174.9 million of USDA Guaranteed Securities. As of June 30, 2010, the Farmer Mac II LLC portfolio consisted of \$38.6 million in Farmer Mac Guaranteed Securities and \$1.3 billion of USDA Guaranteed Securities. The Farmer Mac Guaranteed Securities have Farmer Mac's guarantee of timely payment of principal and interest.

Critical Accounting Policies and Estimates

The preparation of Farmer Mac II LLC's financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the amounts reported in the condensed financial statements and related notes for the periods presented. Actual results could differ from those estimates. The critical accounting policy that is both important to the portrayal of Farmer Mac II LLC's financial condition and results of operations and requires complex, subjective judgments is the accounting policy for fair value measurement. For a discussion of Farmer Mac II LLC's accounting policy on fair value measurement, see note 4 in the Notes to Condensed Financial Statements.

Results of Operations

Net interest income was \$10.0 million and \$17.9 million for the three and six months ended June 30, 2010. As of June 30, 2010, Farmer Mac II LLC had not issued debt and there was \$46.0 million outstanding under the uncommitted Farmer Mac borrowing facility. Interest expense for the three and six months ended June 30, 2010 was \$0.2 million.

Non-interest income was \$5.7 million and \$4.1 million for the three and six months ended June 30, 2010, respectively, primarily due to the increase in the fair value of USDA Guaranteed Securities classified as trading.

Non-interest expense was \$0.3 million and \$0.7 million for the three and six months ended June 30, 2010, respectively, primarily related to legal fees and contract services provided by Farmer Mac under secondment and management and administrative services agreements.

Balance Sheet Analysis

The primary assets related to the Farmer Mac II line of business are the USDA and Farmer Mac Guaranteed Securities. From January 25, 2010 when the assets were transferred from Farmer Mac, the amount of these securities increased by \$90.5 million to \$1.3 billion as of June 30, 2010.

Liquidity and Capital Resources

The funding and liquidity needs of the Farmer Mac II program business are driven by the purchase and retention of USDA Guaranteed Securities. The primary sources of funds to meet these needs are principal and interest payments received on those securities. Farmer Mac II LLC also has access to an uncommitted borrowing facility from Farmer Mac.

Farmer Mac II LLC had \$5.1 million in cash and cash equivalents as of June 30, 2010, compared to \$10,000 as of December 31, 2009.

As of June 30, 2010, Farmer Mac II LLC had members' equity of \$1.3 billion comprised primarily of \$241.9 million of preferred stock and \$1.0 billion of common stock.