



FINANCIAL REPORT
For the Year Ended December 31, 2013

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Financial Statements

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Independent Auditor's Report

To the Board of Directors and Members
of Farmer Mac II LLC:

We have audited the accompanying financial statements of Farmer Mac II LLC (the "Company"), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, of comprehensive (loss)/income, of members' equity and of cash flows for each of the three years in the period ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 3 to the financial statements, the Company has entered into significant transactions with the Federal Agricultural Mortgage Corporation, a related party. Our opinion is not modified with respect to this matter.

Peiwanatunhosee Cooper, LLP

March 27, 2014

FARMER MAC II LLC
BALANCE SHEETS

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
	<i>(in thousands)</i>	
Assets:		
Cash and cash equivalents	\$ 9,074	\$ 22,610
Farmer Mac Guaranteed USDA Securities:		
Available-for-sale, at fair value	20,891	26,036
USDA Securities:		
Available-for-sale, at fair value	1,553,669	1,486,595
Trading, at fair value	58,344	104,188
Total USDA Securities	<u>1,612,013</u>	<u>1,590,783</u>
Interest receivable	23,225	23,226
Other assets	205	277
Total Assets	<u>\$ 1,665,408</u>	<u>\$ 1,662,932</u>
Liabilities and Members' Equity:		
Liabilities:		
Intercompany borrowings	\$ 375,000	\$ 328,000
Accounts payable and accrued expenses	349	247
Total Liabilities	<u>375,349</u>	<u>328,247</u>
Members' Equity:		
Preferred stock, par value \$1,000 per share, 250,000 shares authorized and outstanding (redemption value \$250,000,000)	241,853	241,853
Common stock, no par value	1,020,168	1,020,168
Accumulated other comprehensive (loss)/income related to available-for-sale securities	(40,680)	20,341
Retained earnings	68,718	52,323
Total Members' Equity	<u>1,290,059</u>	<u>1,334,685</u>
Total Liabilities and Members' Equity	<u>\$ 1,665,408</u>	<u>\$ 1,662,932</u>

See accompanying notes to financial statements.

FARMER MAC II LLC
STATEMENTS OF OPERATIONS

	For the Year Ended December 31,		
	2013	2012	2011
	<i>(in thousands)</i>		
Interest income:			
USDA and Farmer Mac Guaranteed USDA Securities	\$ 50,536	\$ 47,529	\$ 48,140
Interest expense	<u>10,191</u>	<u>9,014</u>	<u>5,495</u>
Net interest income	<u>40,345</u>	<u>38,515</u>	<u>42,645</u>
Non-interest (loss)/income:			
(Losses)/gains on trading assets	(1,274)	44	3,119
Other income	613	579	283
Non-interest (loss)/income	<u>(661)</u>	<u>623</u>	<u>3,402</u>
Non-interest expense:			
General and administrative	1,102	1,040	944
Non-interest expense	<u>1,102</u>	<u>1,040</u>	<u>944</u>
Net income	38,582	38,098	45,103
Preferred stock dividends	<u>(22,187)</u>	<u>(22,187)</u>	<u>(22,187)</u>
Net income attributable to common stockholders	<u>\$ 16,395</u>	<u>\$ 15,911</u>	<u>\$ 22,916</u>

See accompanying notes to financial statements.

FARMER MAC II LLC
STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

	For the Year Ended		
	2013	2012	2011
	<i>(in thousands)</i>		
Net income	\$ 38,582	\$ 38,098	\$ 45,103
Other comprehensive (loss)/income:			
Unrealized holding (losses)/gains on securities	(61,021)	(15,610)	44,070
Comprehensive (loss)/income	\$ (22,439)	\$ 22,488	\$ 89,173

See accompanying notes to financial statements.

FARMER MAC II LLC
STATEMENTS OF MEMBERS' EQUITY

	For the Year Ended					
	2013		2012		2011	
	Shares	Amount	Shares	Amount	Shares	Amount
	<i>(in thousands)</i>					
Preferred stock:						
Balance, beginning of period	250	\$ 241,853	250	\$ 241,853	250	\$ 241,853
Balance, end of period	250	\$ 241,853	250	\$ 241,853	250	\$ 241,853
Common stock:						
Balance, beginning of period		\$ 1,020,168		\$ 1,020,168		\$ 1,020,168
Balance, end of period		\$ 1,020,168		\$ 1,020,168		\$ 1,020,168
Retained earnings:						
Balance, beginning of period		\$ 52,323		\$ 36,412		\$ 13,496
Net income		38,582		38,098		45,103
Preferred stock dividends		(22,187)		(22,187)		(22,187)
Balance, end of period		\$ 68,718		\$ 52,323		\$ 36,412
Accumulated other comprehensive (loss)/income:						
Balance, beginning of period		\$ 20,341		\$ 35,951		\$ (8,119)
Other comprehensive (loss)/income		(61,021)		(15,610)		44,070
Balance, end of period		\$ (40,680)		\$ 20,341		\$ 35,951
Total Members' Equity		<u>\$ 1,290,059</u>		<u>\$ 1,334,685</u>		<u>\$ 1,334,384</u>

See accompanying notes to financial statements.

FARMER MAC II LLC
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2013	2012	2011
	<i>(in thousands)</i>		
Cash flows from operating activities:			
Net income	\$ 38,582	\$ 38,098	\$ 45,103
Adjustments to reconcile net income to net cash provided by operating activities:			
Net amortization of premiums and discounts on USDA and Farmer Mac Guaranteed USDA Securities	2,877	9,307	8,601
Net change in fair value of trading securities	1,274	(44)	(3,119)
Net change in:			
Interest receivable	1	952	(1,489)
Other assets	72	45	76
Other liabilities	102	69	(459)
Net cash provided by operating activities	42,908	48,427	48,713
Cash flows from investing activities:			
Purchases of USDA and Farmer Mac Guaranteed USDA Securities	(361,894)	(479,324)	(404,836)
Proceeds from repayment of USDA and Farmer Mac Guaranteed USDA Securities	280,637	364,427	270,189
Net cash used in investing activities	(81,257)	(114,897)	(134,647)
Cash flows from financing activities:			
Dividends paid on preferred stock	(22,187)	(22,187)	(22,187)
Proceeds from intercompany borrowings	47,000	110,000	94,000
Net cash provided by financing activities	24,813	87,813	71,813
Net (decrease)/increase in cash and cash equivalents	(13,536)	21,343	(14,121)
Cash and cash equivalents at beginning of period	22,610	1,267	15,388
Cash and cash equivalents at end of period	<u>\$ 9,074</u>	<u>\$ 22,610</u>	<u>\$ 1,267</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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 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 periods presented.

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 USDA Guarantees program. Under the USDA Guarantees program, the Company purchases the portion of loans guaranteed by the United States Department of Agriculture (“USDA 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 Securities and Farmer Mac Guaranteed Securities that have Farmer Mac's guarantee of timely payment of principal and interest in addition to the USDA Guarantee (“Farmer Mac Guaranteed USDA Securities”), together referred to as “USDA and Farmer Mac Guaranteed USDA 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.

The Company has an uncommitted intercompany borrowing facility with Farmer Mac in the aggregate principal amount of up to \$500.0 million and pays an administrative fee to Farmer Mac in connection with each borrowing under the facility. As of December 31, 2013 and 2012, there were \$375.0 million and \$328.0 million, respectively, of borrowings outstanding under the facility. During 2013, the Company incurred interest expense of \$10.2 million for borrowings under this facility, compared to \$9.0 million for 2012 and \$5.5 million for 2011. Principal on loans under the facility is payable on the last business day of each calendar month but, with Farmer Mac approval, may be refinanced in whole or in part, on a month-by-month basis, provided that no event of default under the facility has occurred and is continuing. The interest rate on loans is Farmer Mac's estimated cost of funds plus a credit spread capped at 0.50 percent.

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. The cost of these services was \$0.7M during each of the years ended December 31, 2013, 2012 and 2011.

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 December 31, 2013 and 2012. Farmer Mac II LLC from time to time enters into or engages in various business transactions with Zions. Zions retained fees of \$0.3 million, netted out of interest income, in connection with the Administrator Agreement during the years ended December 31, 2013, 2012, and 2011.

Transactions between Farmer Mac II LLC and Farmer Mac are conducted on an arms-length basis.

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. There was no material non-cash activity for the years ended December 31, 2013, 2012 and 2011. Interest paid during the years ended December 31, 2013, 2012, and 2011 totaled \$10.2 million, \$9.0 million, and \$5.5 million, respectively.

Income Taxes

The Company is a multi-member LLC and is treated as a partnership for federal and state 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 makes no tax payments and has no accrual for income taxes. The Company, by virtue of its relationship with Farmer Mac, is exempt from state and local income taxes.

Fair Value Measurements

The Company accounts for all USDA and Farmer Mac Guaranteed USDA 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 USDA Securities by discounting the projected cash flows of these instruments. 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 December 31, 2013 and 2012, the Company classified all its assets measured at fair value as Level 3. 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.

5. USDA and Farmer Mac Guaranteed USDA Securities

The following table sets forth information about USDA and Farmer Mac Guaranteed USDA Securities as of December 31, 2013 and 2012:

	December 31, 2013			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
<i>(in thousands)</i>				
Available-for-sale:				
USDA Securities	\$ 1,595,018	\$ 2,753	\$ (44,102)	\$ 1,553,669
Farmer Mac Guaranteed USDA Securities	20,222	669	—	20,891
Total available-for-sale	<u>\$ 1,615,240</u>	<u>\$ 3,422</u>	<u>\$ (44,102)</u>	<u>\$ 1,574,560</u>
Trading:				
USDA Securities	60,345	193	(2,194)	58,344
Total USDA and Farmer Mac Guaranteed USDA Securities	<u>\$ 1,675,585</u>	<u>\$ 3,615</u>	<u>\$ (46,296)</u>	<u>\$ 1,632,904</u>
	December 31, 2012			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
<i>(in thousands)</i>				
Available-for-sale:				
USDA Securities	\$ 1,467,159	\$ 19,605	\$ (169)	\$ 1,486,595
Farmer Mac Guaranteed USDA Securities	25,131	909	(4)	26,036
Total available-for-sale	<u>\$ 1,492,290</u>	<u>\$ 20,514</u>	<u>\$ (173)</u>	<u>\$ 1,512,631</u>
Trading:				
USDA Securities	104,914	624	(1,350)	104,188
Total USDA and Farmer Mac Guaranteed USDA Securities	<u>\$ 1,597,204</u>	<u>\$ 21,138</u>	<u>\$ (1,523)</u>	<u>\$ 1,616,819</u>

The USDA 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 unrealized losses presented above are principally due to higher interest rates from the date of acquisition to December 31, 2013 and 2012, as applicable. The USDA and Farmer Mac Guaranteed USDA 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 December 31, 2013 and 2012. 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 did not sell any USDA and Farmer Mac Guaranteed USDA Securities during the years ended December 31, 2013, 2012 and 2011.

The amortized cost, fair value and weighted average yield of available-for-sale USDA and Farmer Mac Guaranteed USDA Securities by remaining contractual maturity as of December 31, 2013 are set forth below. The balances presented are based on their final maturities, although the actual maturities may differ due to prepayments of the underlying assets.

USDA and Farmer Mac Guaranteed USDA Securities Available-for-Sale as of December 31, 2013			
	Amortized Cost	Fair Value	Weighted- Average Yield
		<i>(dollars in thousands)</i>	
Due within one year	\$ 7,904	\$ 7,876	1.62%
Due after one year through five years	64,956	63,085	3.15%
Due after five years through ten years	111,851	109,597	2.51%
Due after ten years	1,430,529	1,394,002	3.20%
Total	\$ 1,615,240	\$ 1,574,560	3.14%

Farmer Mac II LLC did not own any held-to-maturity USDA and Farmer Mac Guaranteed USDA Securities as of December 31, 2013 and 2012. As of December 31, 2013, the Company owned trading USDA Securities with an amortized cost of \$60.3 million, a fair value of \$58.3 million and a weighted average yield of 5.60 percent. As of December 31, 2012, the Company owned trading USDA Guaranteed Securities with an amortized cost of \$104.9 million, a fair value of \$104.2 million and a weighted average yield of 5.77 percent.

6. Fair Value Disclosures

The following tables present information about the Company's securities measured at fair value on a recurring basis.

Level 3 Assets Measured at Fair Value for the Year Ended December 31, 2013

	Beginning Balance	Purchases	Settlements	Unrealized Losses included in Income	Unrealized Losses included in Other Comprehensive Income	Ending Balance
	<i>(in thousands)</i>					
Recurring:						
Assets:						
Farmer Mac Guaranteed USDA Securities:						
Available-for-sale	\$ 26,036	\$ —	\$ (4,909)	\$ —	\$ (236)	\$ 20,891
Total Farmer Mac Guaranteed USDA Securities	26,036	—	(4,909)	—	(236)	20,891
USDA Securities:						
Available-for-sale	1,486,595	361,894	(234,035)	—	(60,785)	1,553,669
Trading (1)	104,188	—	(44,570)	(1,274)	—	58,344
Total USDA Securities	1,590,783	361,894	(278,605)	(1,274)	(60,785)	1,612,013
Total Assets at fair value	\$ 1,616,819	\$ 361,894	\$ (283,514)	\$ (1,274)	\$ (61,021)	\$ 1,632,904

(1) Includes unrealized losses of \$0.5 million attributable to assets still held as of December 31, 2013 that are recorded in "(Losses)/gains on trading assets."

Level 3 Assets Measured at Fair Value for the Year Ended December 31, 2012

	Beginning Balance	Purchases	Settlements	Unrealized Gains included in Income	Unrealized Losses included in Other Comprehensive Income	Ending Balance
	<i>(in thousands)</i>					
Recurring:						
Assets:						
Farmer Mac Guaranteed USDA Securities:						
Available-for-sale	\$ 34,890	\$ —	\$ (8,834)	\$ —	\$ (20)	\$ 26,036
Total Farmer Mac Guaranteed USDA Securities	34,890	—	(8,834)	—	(20)	26,036
USDA Securities:						
Available-for-sale	1,279,546	479,324	(256,685)	—	(15,590)	1,486,595
Trading (1)	212,359	—	(108,215)	44	—	104,188
Total USDA Securities	1,491,905	479,324	(364,900)	44	(15,590)	1,590,783
Total Assets at fair value	\$ 1,526,795	\$ 479,324	\$ (373,734)	\$ 44	\$ (15,610)	\$ 1,616,819

(1) Includes unrealized gains of \$0.3 million attributable to assets still held as of December 31, 2012 that are recorded in "(Losses)/gains on trading assets."

Level 3 Assets Measured at Fair Value for the Year Ended December 31, 2011

	Beginning Balance	Purchases	Settlements	Unrealized Gains included in Income	Unrealized Gains included in Other Comprehensive Income	Ending Balance
	<i>(in thousands)</i>					
Recurring:						
Assets:						
Farmer Mac Guaranteed USDA Securities:						
Available-for-sale	\$ 36,117	\$ —	\$ (3,481)	\$ —	\$ 2,254	\$ 34,890
Total Farmer Mac Guaranteed USDA Securities	36,117	—	(3,481)	—	2,254	34,890
USDA Securities:						
Available-for-sale	1,005,679	404,836	(172,785)	—	41,816	1,279,546
Trading (1)	311,765	—	(102,525)	3,119	—	212,359
Total USDA Securities	1,317,444	404,836	(275,310)	3,119	41,816	1,491,905
Total Assets at fair value	\$ 1,353,561	\$ 404,836	\$ (278,791)	\$ 3,119	\$ 44,070	\$ 1,526,795

(1) Includes unrealized losses of \$1.8 million attributable on assets still held as of December 31, 2011 that are recorded in "(Losses)/gains on trading assets."

The following tables present information about the Company's securities measured at fair value on a recurring basis.

Financial Instruments	Fair Value as of December 31, 2013 <i>(in thousands)</i>	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Farmer Mac Guaranteed USDA Securities	\$ 20,891	Discounted cash flow	Discount rate	0.9% - 3.2% (1.9%)
			Constant prepayment rate	8% - 14% (11%)
USDA Securities	\$ 1,612,013	Discounted cash flow	Discount rate	1.2% - 5.3% (3.4%)
			Constant prepayment rate	0% - 23% (5%)
Financial Instruments	Fair Value as of December 31, 2012 <i>(in thousands)</i>	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Farmer Mac Guaranteed USDA Securities	\$ 26,036	Discounted cash flow	Discount rate	1.0% - 2.7% (2.0%)
			Constant prepayment rate	8% - 17% (15%)
USDA Securities	\$ 1,590,783	Discounted cash flow	Discount rate	1.4% - 5.3% (3.4%)
			Constant prepayment rate	0% - 26% (10%)

The significant unobservable inputs used in the fair value measurements of USDA and Farmer Mac Guaranteed USDA Securities are prepayment rates and discount rates commensurate with the risks involved. Typically, significant increases (decreases) in any of these inputs in isolation may result in materially lower (higher) fair value measurements. Generally, in a rising interest rate environment, Farmer Mac II LLC would expect average discount rates to increase and would likely expect a corresponding decrease in forecasted prepayment rates. Conversely, in a declining interest rate

environment, Farmer Mac II LLC would expect average discount rates to decrease and would likely expect a corresponding increase in forecasted prepayment rates.

The following table sets forth the estimated fair values and the carrying amounts for financial assets and liabilities as of December 31, 2013 and December 31, 2012:

	December 31, 2013		December 31, 2012	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
<i>(in thousands)</i>				
Financial assets:				
Cash and cash equivalents	\$ 9,074	\$ 9,074	\$ 22,610	\$ 22,610
Farmer Mac Guaranteed USDA Securities	20,891	20,891	26,036	26,036
USDA Securities	1,612,013	1,612,013	1,590,783	1,590,783
Financial liabilities:				
Intercompany Borrowings	375,000	375,000	328,000	328,000

The carrying amount of cash and cash equivalents is a reasonable estimate of their approximate fair value and is categorized as Level 1 in the fair value hierarchy. The Company believes that the carrying amount of the intercompany borrowings also is a reasonable estimate of their approximate fair value due to their thirty day maturity. This line item is categorized as Level 2 within the fair value hierarchy.

7. Members' Equity

As of December 31, 2013 and December 31, 2012, 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% up to but excluding the payment in first quarter 2020, then adjusts to its perpetual rate of three-month LIBOR plus 8.211%.

The following table presents the dividends declared on the preferred stock during 2012 and 2013:

Date Dividend Declared	Per Share Amount	For Period Beginning	For Period Ending	Date Paid
February 6, 2013	\$ 22.1875	December 30, 2012	March 29, 2013	April 1, 2013
June 5, 2013	22.1875	March 30, 2013	June 29, 2013	July 1, 2013
July 31, 2013	22.1875	June 30, 2013	September 29, 2013	September 30, 2013
December 4, 2013	22.1875	September 30, 2013	December 29, 2013	December 30, 2013
February 6, 2014	22.1875	December 30, 2013	March 29, 2014	*

* The dividend declared on February 6, 2014 is scheduled to be paid on March 31, 2014

The holders of the preferred stock generally have no voting rights; however, under certain circumstances, including non-payment of dividends for four quarterly periods, the holders of the preferred stock are entitled to elect a total of two of the five directors of Farmer Mac II LLC. There was \$1.0 billion of no-par value common stock outstanding as of December 31, 2013 and 2012. To date, no common stock dividends have been declared.

8. Quarterly Financial Information (Unaudited)

	2013 Quarter Ended			
	Dec. 31	Sept. 30	June 30	March 31
	<i>(in thousands)</i>			
Interest income:				
USDA and Farmer Mac Guaranteed USDA Securities	\$ 12,851	\$ 12,987	\$ 12,271	\$ 12,427
Interest expense	2,586	2,597	2,472	2,536
Net interest income	10,265	10,390	9,799	9,891
Non-interest (loss)/income:				
(Losses)/gains on trading assets	(145)	(695)	(448)	14
Other income	15	140	257	201
Non-interest (loss)/income	(130)	(555)	(191)	215
Non-interest expense:				
General and administrative	258	269	280	295
Non-interest expense	258	269	280	295
Net income	9,877	9,566	9,328	9,811
Preferred stock dividends	(5,546)	(5,547)	(5,547)	(5,547)
Net income attributable to common stockholders	\$ 4,331	\$ 4,019	\$ 3,781	\$ 4,264

	2012 Quarter Ended			
	Dec. 31	Sept. 30	June 30	March 31
	<i>(in thousands)</i>			
Interest income:				
USDA and Farmer Mac Guaranteed USDA Securities	\$ 8,340	\$ 13,172	\$ 12,999	\$ 13,018
Interest expense	2,377	2,357	2,189	2,091
Net interest income	5,963	10,815	10,810	10,927
Non-interest income/(loss):				
Gains/(losses) on trading assets	2,685	(492)	(3,109)	961
Other income	70	255	173	80
Non-interest income/(loss)	2,755	(237)	(2,936)	1,041
Non-interest expense:				
General and administrative	267	251	257	265
Non-interest expense	267	251	257	265
Net income	8,451	10,327	7,617	11,703
Preferred stock dividends	(5,546)	(5,547)	(5,547)	(5,547)
Net income attributable to common stockholders	\$ 2,905	\$ 4,780	\$ 2,070	\$ 6,156

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**
(unaudited)

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

Overview

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 ("USDA Securities"). Farmer Mac II LLC also holds USDA Securities that have Farmer Mac's guarantee of timely payment of principal and interest in addition to the USDA guarantee ("Farmer Mac Guaranteed USDA Securities"). During 2013, the Company purchased \$361.9 million of USDA Securities, compared to \$479.3 million during the same period in 2012. As of December 31, 2013, the Farmer Mac II LLC portfolio consisted of \$20.9 million in Farmer Mac Guaranteed USDA Securities and \$1.6 billion of USDA Securities, compared to \$26.0 million and \$1.6 billion, respectively, as of December 31, 2012.

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 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 to the financial statements.

Results of Operations

Net interest income was \$40.3 million for the year ended December 31, 2013, compared to \$38.5 million for 2012 and \$42.6 million for 2011. The increase in net interest income was due to higher volume, partially offset by lower rates on new and refinanced USDA Securities. As of December 31, 2013, Farmer Mac II LLC had outstanding borrowings of \$375.0 million under the uncommitted Farmer Mac borrowing facility, compared to \$328.0 million as of December 31, 2012. Interest expense for the year ended December 31, 2013 was \$10.2 million, compared to \$9.0 million and \$5.5 million for the years ended December 31, 2012 and 2011, respectively.

Farmer Mac II LLC had non-interest losses of \$0.7 million for the year ended December 31, 2013, compared to income of \$0.6 million for 2012 and \$3.4 million for 2011. The fluctuation in non-interest income for these periods was primarily due to changes in the fair value of USDA Securities classified as trading.

Non-interest expense was \$1.1 million for the year ended December 31, 2013, compared to \$1.0 million for 2012 and \$0.9 million for 2011. This expense primarily related to legal fees, independent accountant

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 USDA Guarantees program are the USDA Securities and Farmer Mac Guaranteed USDA Securities. During 2013, these assets increased by \$16.1 million due to the purchase of \$361.9 million of USDA Securities, partially offset by principal pay downs of \$280.6 million on USDA Securities and Farmer Mac Guaranteed USDA Securities, and net of adjustments for premium amortization and changes in fair value.

Liquidity and Capital Resources

The funding and liquidity needs of the USDA Guarantees line of 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 and net interest income earned from holding these securities on balance sheet. Farmer Mac II LLC also has access to a \$500.0 million uncommitted borrowing facility from Farmer Mac, against which the Company had \$375.0 million in outstanding borrowings as of December 31, 2013, compared to \$328.0 million as of December 31, 2012. Principal on loans under the facility is payable on the last business day of each calendar month but, with Farmer Mac approval, may be refinanced in whole or in part, on a month-by-month basis, provided that no event of default under the facility has occurred and is continuing. The interest rate on loans is Farmer Mac's estimated cost of funds plus a credit spread capped at 0.50 percent.

Farmer Mac II LLC had \$9.1 million in cash and cash equivalents as of December 31, 2013, compared to \$22.6 million as of December 31, 2012.

As of December 31, 2013 and December 31, 2012, 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.