

FEDERAL AGRICULTURAL MORTGAGE CORP  
Form 10-Q/A  
November 09, 2006

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As filed with the Securities and Exchange Commission on  
November 9, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q/A  
Amendment No. 1 to Form 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

Commission File Number 0-17440

**FEDERAL AGRICULTURAL MORTGAGE CORPORATION**  
(Exact name of registrant as specified in its charter)

Federally chartered instrumentality  
of the United States  
(State or other jurisdiction of  
incorporation or organization)

52-1578738  
(I.R.S. employer identification number)

1133 Twenty-First Street, N.W., Suite 600  
Washington, D.C.  
(Address of principal executive offices)

20036  
(Zip code)

(202) 872-7700  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

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As of May 2, 2006, the registrant had 1,030,780 shares of Class A Voting Common Stock, 500,301 shares of Class B Voting Common Stock and 9,555,548 shares of Class C Non-Voting Common Stock outstanding.

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**FEDERAL AGRICULTURAL MORTGAGE CORPORATION  
FORM 10-Q/A FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006**

**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-Q/A (the “Amendment”) to the Quarterly Report on Form 10-Q of the Federal Agricultural Mortgage Corporation (“Farmer Mac”) for the quarterly period ended March 31, 2006, initially filed with the Securities and Exchange Commission on May 10, 2006 (the “Original Filing”) is being filed to amend and restate financial and other information contained in Item 1 (Condensed Consolidated Financial Statements), Item 2 (Management’s Discussion and Analysis of Operating Results and Financial Condition), Item 3 (Quantitative and Qualitative Disclosures About Market Risk) and Item 4 (Controls and Procedures) of Part I, and Item 6 (Exhibits) of Part II of the Original Filing.

This Amendment restates the Corporation’s unaudited interim condensed consolidated financial statements as of March 31, 2006 and December 31, 2005 and for the three months ended March 31, 2006 and 2005. The Corporation is concurrently filing amendments to (1) its Form 10-K for the year ended December 31, 2005 to restate the Corporation’s consolidated financial statements as of December 31, 2005 and 2004, and for the years ended December 31, 2005, 2004 and 2003, and other financial information as of and for the years ended December 31, 2002 and 2001 and the quarterly unaudited data for 2005 and 2004 and (2) its Form 10-Q for the quarter ended June 30, 2006 to restate the quarterly unaudited interim consolidated financial statements and other financial information contained in that report. In this regard, investors should rely on the restated financial results for the years and each of the quarters in the years 2005, 2004, 2003, 2002 and 2001 and the first and second quarters of 2006 and, as the Corporation previously reported on Form 8-K on October 6, 2006, should not rely on the Corporation’s previously issued consolidated financial statements and other financial information for these reporting periods.

The Corporation, in light of SEC staff comments, has recently concluded a reassessment of its documentation and accounting treatment of financial derivative transactions under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”), interpretations of which have evolved. Based on the reassessment, while the transactions engaged in by the Corporation were highly effective economic hedges of interest rate risk, the Corporation has determined that it was not appropriately applying hedge accounting in accordance with SFAS 133. See “Note 6 - Restatement of Condensed Consolidated Financial Statements” in Item 1 of Part I and the discussion under the caption “Restatement of Previously Issued Quarterly Financial Statements” in Item 2 of Part I for further information related to the restatement with respect to the hedge accounting that had been employed and the effects of this treatment on the restated consolidated financial statements.

This Amendment also addresses management’s re-evaluation of disclosure controls and procedures and management’s report on internal control over financial reporting resulting from management’s reassessment and identification of a material weakness in internal control over financial reporting relating to Farmer Mac’s accounting for derivatives under SFAS 133. See Item 4 (Controls and Procedures) of Part I for further discussion. New certifications of the principal executive officer and principal financial officer are included as exhibits to this Amendment.

Except as described above, no attempt has been made in this Amendment to amend or update other disclosures presented in this Form 10-Q/A. Therefore, this Amendment does not reflect events occurring after the filing of the Original Filing or amend or update those disclosures, or related exhibits, affected by subsequent events. Accordingly, this Amendment should be read in conjunction with Farmer Mac's other filings with the SEC subsequent to the filing of the Original Filing.

**PART I - FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements

The following restated interim unaudited condensed consolidated financial statements of the Federal Agricultural Mortgage Corporation (“Farmer Mac” or the “Corporation”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). These interim unaudited condensed consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the financial condition and the results of operations and cash flows of Farmer Mac for the interim periods presented. Certain information and footnote disclosures normally included in annual consolidated financial statements have been condensed or omitted as permitted by SEC rules and regulations. The December 31, 2005 consolidated balance sheet presented in this report has been derived from the Corporation’s audited 2005 restated consolidated financial statements. Management believes that the disclosures are adequate to present fairly the condensed consolidated financial position, condensed consolidated results of operations and condensed consolidated cash flows as of the dates and for the periods presented. These interim unaudited condensed consolidated financial statements should be read in conjunction with the audited 2005 restated consolidated financial statements of Farmer Mac included in the Corporation’s Annual Report on Form 10-K/A for the year ended December 31, 2005. Results for interim periods are not necessarily indicative of those that may be expected for the fiscal year.

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

Condensed Consolidated Balance Sheets (as restated) as of March 31, 2006 and December 31, 2005	5
Condensed Consolidated Statements of Operations (as restated) for the three months ended March 31, 2006 and 2005	6
Condensed Consolidated Statements of Cash Flows (as restated) for the three months ended March 31, 2006 and 2005	7
Notes to Condensed Consolidated Financial Statements (as restated)	8

**FEDERAL AGRICULTURAL MORTGAGE CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(unaudited)*

	March 31, 2006 (As Restated)*	December 31, 2005 (As Restated)*
	<i>(in thousands)</i>	
Assets:		
Cash and cash equivalents	\$ 413,619	\$ 458,852
Investment securities	1,884,011	1,621,941
Farmer Mac Guaranteed Securities	1,297,401	1,330,976
Loans held for sale	39,477	41,956
Loans held for investment	747,778	762,436
Allowance for loan losses	(3,883)	(4,876)
Loans held for investment, net	743,895	757,560
Real estate owned	2,655	3,532
Financial derivatives	16,332	8,719
Interest receivable	43,344	67,509
Guarantee and commitment fees receivable	20,139	22,170
Deferred tax asset, net	2,906	3,223
Prepaid expenses and other assets	10,816	25,007
<b>Total Assets</b>	<b>\$ 4,474,595</b>	<b>\$ 4,341,445</b>
Liabilities and Stockholders' Equity:		
Liabilities:		
Notes payable:		
Due within one year	\$ 2,771,106	\$ 2,587,704
Due after one year	1,340,385	1,406,527
<b>Total notes payable</b>	<b>4,111,491</b>	<b>3,994,231</b>
Financial derivatives	24,280	29,162
Accrued interest payable	22,554	29,250
Guarantee and commitment obligation	16,998	17,625
Accounts payable and accrued expenses	45,089	21,371
Reserve for losses	2,931	3,777
<b>Total Liabilities</b>	<b>4,223,343</b>	<b>4,095,416</b>
Stockholders' Equity:		
Preferred stock:		
Series A, stated at redemption/liquidation value, \$50 per share, 700,000 shares authorized, issued and outstanding	35,000	35,000
Common stock:		
Class A Voting, \$1 par value, no maximum authorization, 1,030,780 shares issued and outstanding	1,031	1,031
Class B Voting, \$1 par value, no maximum authorization, 500,301 shares issued and outstanding	500	500
Class C Non-Voting, \$1 par value, no maximum authorization, 9,570,301 and 9,559,554 shares issued and outstanding as of March 31, 2006 and December 31, 2005, respectively	9,570	9,560
Additional paid-in capital	83,962	83,058
Accumulated other comprehensive income	6,336	15,247

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Retained earnings	114,853	101,633
Total Stockholders' Equity	251,252	246,029
Total Liabilities and Stockholders' Equity	\$ 4,474,595	\$ 4,341,445

See accompanying notes to condensed consolidated financial statements.

\* See Note 6 to the condensed consolidated financial statements

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**FEDERAL AGRICULTURAL MORTGAGE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

*(unaudited)*

*(in thousands, except per share amounts)*

	Three Months Ended	
	March 31, 2006	March 31, 2005
	(As Restated)*	(As Restated)*
Interest income:		
Investments and cash equivalents	\$ 26,698	\$ 12,587
Farmer Mac Guaranteed Securities	18,037	18,327
Loans	11,383	12,121
Total interest income	56,118	43,035
Interest expense	45,451	29,154
Net interest income	10,667	13,881
Recovery/(provision) for loan losses	1,013	584
Net interest income after recovery/(provision) for loan losses	11,680	14,465
Guarantee and commitment fees	5,049	4,956
Gains on financial derivatives and trading assets	11,700	9,866