FEDERAL AGRICULTURAL MORTGAGE CORP
Form 4
June 11, 2007

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
BRACK DENNIS L

(Last) (First) (Middle)

6184 BATH SPRINGS ROAD

(Street)

LIBERTY, IN 47353

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FEDERAL AGRICULTURAL MORTGAGE CORP [AGM]

3. Date of Earliest Transaction (Month/Day/Year)
06/07/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	$ 29.33	06/07/2007		A		6,000		(1)	06/07/2012	Class C Non-Voting Common Stock	6,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BRACK DENNIS L 6184 BATH SPRINGS ROAD LIBERTY, IN 47353	X			

Signatures

Dennis L. Brack	06/08/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The option is exercisable beginning May 31, 2008 with respect to 2,000 shares, beginning May 31, 2009 with respect to 2,000 shares and beginning May 31, 2010 with respect to 2,000 shares.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ="background:#DAEEF3;padding:0in 5.4pt 0in 5.4pt;">

0

N/A

Options Exercisable as of June 30, 2012

0

N/A

The summary of Plan activity for the six months ended June 30, 2012, with respect to our restricted stock, was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2011	0	
Plan Awards	-	
Vested	-	
Forfeited	-	
Balance as of June 30, 2012	**0**	**N/A**

Plan Activity after End of Second Quarter

On August 13, 2012, the company granted restricted stock to its officers and non-qualified stock options ("options") to its independent trustees and officers. The term of each option is 10 years. Both the restricted stock and options vest over the service period as follows: 33 1/3% on the first-year anniversary of the grant, 33 1/3% on the second-year anniversary of the grant and 33 1/3% on the third-year anniversary of the grant.

The following is a summary of this post-quarter Plan issuance activity:

- Options to acquire 166,000 shares of common stock were granted to officers and independent trustees
- 30,000 shares of restricted stock were granted to officers

The company accounts for share-based payments using the fair value method. We recognize all share-based payments in our financial statements based on their grant date fair values and market closing price, calculated using the binomial option pricing model. Restricted stock is valued based on the market price of common stock on the grant date.

The following assumptions were made to estimate fair value:

Expected Volatility	21.38%
Expected Dividend Yield	4.99%
Expected Term (in years)	6.0
Risk Free Rate	0.79%
Estimate of Forfeiture Rate	10.0%

The company uses historical data to estimate dividend yield and volatility and the "simplified approach" as described in the SEC Staff Accounting Bulletin #107 and #110 to determine the expected term. The risk-free interest rate for the expected term of the options is based on the U.S. treasury yield curve on the grant date. The company does not have historical data of forfeiture, and as a policy, has used an appropriate estimate of the forfeiture rate in calculating unrecognized share-based compensation expense. Compensation expenses may be adjusted if the actual forfeiture rate differs from this assumption.

As of June 30, 2012 and the date of this report, there was approximately $0 and $320,000 of total unrecognized share-based compensation expense, respectively, related to outstanding restricted stock and options granted under the Plan. The unrecognized compensation cost will be recognized through 2015, equating to a weighted average amortization period of 2.0 years.

The Trust does not currently have a policy regarding the repurchase of shares on the open market related to equity awards and does not currently intend to acquire shares on the open market.

5. <u>Litigation with Norfolk Southern Corporation and</u> <u>Additional Rent owed to P&WV</u>

Power REIT and its wholly-owned subsidiary, P&WV, is currently in litigation with NSC (and its sub-lessee) regarding, among other things, certain sales of P&WV property by NSC and its sub-lessee, reimbursement of P&WV's legal expenses related thereto (as additional rent under the lease), the interpretation of several lease provisions and whether or not the lease is in default. P&WV is actively seeking to protect its contractual rights under the lease including the right to amounts owed to it from NSC. NSC is seeking to protect the historical status quo and historical treatment of certain transactions and has continued to make the base rent payment during the pendency of the litigation. P&WV believes that its primary exposure to the litigation is the cost of the litigation which P&WV believes is recoverable under the terms of the lease.

P&WV believes NSC is required to pay additional rent to P&WV, which additional rent includes P&WV's legal expenses during the first six months of 2012 incurred in defending its contractual rights under the lease. This amount is in addition to other amounts that are in dispute with NSC related to the interpretation of the lease. Due to the uncertainty of the current litigation, we have expensed the litigation costs and not recorded other amounts that P&WV believes may be recoverable pending a resolution of the litigation. Due to the uncertainties and risk related to litigation, there can be no assurance that the litigation will result in a favorable outcome to P&WV. The litigation was previously disclosed on Power REIT's annual report filed on Form 10-K with the SEC on March 28, 2012 and on current report filed on Form 8-K with the SEC on February 16, 2012.

Item 2. Management's Discussion and Analysis of Financial Condition and Result of Operations

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words "believe," "expect," "will," "anticipate," "intend," "estimate," "project," "plan," "assume" or other similar expressions, or negatives of those expressions, although not all forward-looking statements contain these identifying words. All statements contained in this report regarding our future strategy, future operations, projected financial position, estimated future revenues, projected costs, future prospects, the future of our industries and results that might be obtained by pursuing management's current or future plans and objectives are forward-looking statements.

You should not place undue reliance on any forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and speak only as of the date of the filing of this report. New risks and uncertainties arise from time to time, and it is impossible for us to predict these matters or how they may affect us. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our security holders. Our forward-looking statements contained herein speak only as of the date hereof, and we make no commitment to update or publicly release any revisions to forward-looking statements in order to reflect new information or subsequent events, circumstances or changes in expectations.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

Power REIT (the "Trust") is a Maryland real-estate investment trust that is seeking to acquire real-estate related to energy and transportation infrastructure assets. Its business plan builds upon its current ownership of its wholly-owned subsidiary, the Pittsburgh & West Virginia Railroad ("P&WV").

P&WV owns railroad property in Pennsylvania, West Virginia and Ohio that is leased to Norfolk Southern Corporation ("NSC") with a 99-year lease term, with unlimited renewals on the same terms, absent a default by NSC. Base cash rental is a fixed amount of $915,000 per year, paid quarterly, with no provision for increase in such base rent during the term of the lease and any renewal periods. Under the terms of the lease, NSC incurs various indebtedness obligations to P&WV. Historically, indebtedness has increased by (i) an amount equal to the amount of deductions allowable to P&WV, for tax purposes, for depreciation and amortization and (ii) the extent to which the lessee elects to receive the proceeds of sales of P&WV's excess property. The amount, term and character of the indebtedness owed to P&WV is in dispute (See Part II, Item 1. Legal Proceedings). According to records maintained by NSC, at December 31, 2011 and 2010, the principal balance of indebtedness owed to P&WV by Norfolk Southern was $16,236,809 and $15,882,651, respectively. Because of the indeterminate amount, term and character of the indebtedness, no values have been reported in the accompanying financial statement.

Although Power REIT currently derives 100% of its revenue and cash-flow from its ownership of P&WV, Power REIT is seeking to diversify its investment portfolio and is actively seeking to acquire additional investments. During the first quarter, Power REIT placed a $15,000 deposit on a parcel of land that is intended to be developed as an energy park. If acquired and fully developed, the energy park is expected to increase cash-flow available to the Registrant. In addition, Power REIT placed a $25,000 deposit with a bank related to a line of credit, which could be used to finance additional acquisitions. There can be no assurance that such financing will be consummated.

In comparing the second quarter of 2012 with the preceding first quarter of 2012 and the second quarter of 2011, revenues totaled $229,000, $229,000, and $229,000, respectively. Net income was $(98,000), $47,000 and $127,000 respectively. When adjusting for non-recurring legal expenses incurred in the second and first quarters of 2012 related to the litigation with Norfolk Southern Corporation, non-GAAP net income was $43,000, $130,000 and $127,000 during the second quarter of 2012, the preceding first quarter of 2012 and the second quarter of 2011, respectively. Power REIT believes the Non-GAAP presentation of net income is useful information, as the litigation expense incurred in the first and second quarters of 2012 is non-recurring in nature and does not accurately capture the expected recurring financial performance of the company. Although, the company may incur additional non-recurring litigation expenses in subsequent periods, which will impact GAAP results in those future periods, Power REIT believes that the litigation expenses are reimbursable under the lease as additional rent (See Part II, Item 1: LEGAL PROCEEDINGS).

The Trust's cash outlays, other than dividend payments, are for general and administrative (G&A) expenses, which includes, among other things, professional fees, consultants, and trustee's fees. PWV's property is maintained entirely at NSC's expense pursuant to the lease. The Trust's expenses increased during the second quarter of 2012 compared to the first quarter of 2012 and second quarter of 2011 primarily due to: (i) non-recurring litigation expenses of $141,000 in the second quarter; (ii) extra expenses related to the annual meeting resulting from a proxy challenge; and (iii) increased G&A and expenses related to the expansion of the Trust's business.

RECONCILIATION OF GAAP TO NON-GAAP NET INCOME

(Dollars in Thousands)

(Unaudited)

	Six Months Ended June 31, 2012	2011
NON-GAAP NET INCOME RECONCILIATION		
Net Income (GAAP)	$(51)	$ 295
Add Back:		
Non-Recurring Litigation Expense	224	-
Non-GAAP Net Income	**173**	**295**
Fully Diluted, Per Share:		
Non-GAAP Net Income	$ 0.11	$ 0.19
Weighted Average Number of Shares Outstanding	1,623,250	1,576,623

Amounts may not add due to rounding.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Management is responsible for establishing and maintaining effective disclosure controls and procedures. As of the end of the period covered by this report, the Registrant carried out an evaluation under the supervision and with the participation of the Registrant's management, including the Chief Executive Officer and Secretary-Treasurer, of the effectiveness of the design and operation of the disclosure controls and procedures pursuant to Rule 13a-15 under the Securities and Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and Secretary-Treasurer have concluded that the Registrant's disclosure controls and procedures are adequate and effective to ensure that information required to be disclosed in the Registrant's required SEC filings is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

There have been no significant changes in the Registrant's internal controls or in other factors that that could significantly affect internal controls subsequent to the date the Registrant carried out its evaluation.

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect the transactions of the Registrant and that our policies and procedures are followed. There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonable likely to materially affect such controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Power REIT and its wholly-owned subsidiary, P&WV, is currently in litigation with NSC (and its sub-lessee) regarding, among other things, certain sales of P&WV property by NSC and its sub-lessee, reimbursement of P&WV's legal expenses related thereto (as additional rent under the lease), the interpretation of several lease provisions and whether or not the lease is in default. P&WV is actively seeking to protect its contractual rights under the lease including the right to amounts owed to it from NSC. NSC is seeking to protect the historical status quo and historical treatment of certain transactions and has continued to make the base rent payment during the pendency of the litigation. P&WV believes that its primary exposure to the litigation is the cost of the litigation which P&WV believes is recoverable under the terms of the lease.

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Item 1A. Risk Factors

The Registrant's results of operations and financial condition are subject to numerous risks and uncertainties described in its definitive registration statement on Form S-3/A dated May11, 2012, which risk factors are incorporated herein by reference. You should carefully consider these risk factors in conjunction with the other information contained in this report. Should any of these risks materialize, the Registrant's business, financial condition and future prospects could be negatively impacted.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

On June 1, 2012, the Trust formed a Nominating Committee, whose members consist of Patrick R. Haynes, III, William S. Susman, and Virgil E. Wenger. Mr. Haynes is the chairperson of the Nominating Committee. All three members of the Nominating Committee are considered to be independent trustees pursuant to the NYSE MKT LLC Company Guide. The Nominating Committee Charter is attached hereto as Exhibit 99.1.

On August 13, 2012, the Compensation Committee met and determined that it was in the Trust's long-term interest to compensate its management team and trustees through long-term compensation arrangements. The Compensation Committee further noted that the Trust's CEO, Mr. Lesser, has not received salary for 18 months. It therefore authorized the following awards pursuant to the Trust's 2012 Equity Incentive Plan:

- To Mr. David H. Lesser, the Trust's CEO and Chairman, a non-qualified option to acquire 100,000 common shares of the Trust and 20,000 shares of restricted common stock with voting and dividend rights
- To Caravan Partners LLC, Mr. Mittal's consulting firm through which he provides business development and other services to the Trust, a non-qualified option to acquire 60,000 common shares of the Trust and 10,000 shares of restricted common stock with voting and dividend rights
- To each of the independent trustees, a non-qualified option to acquire 2,000 common shares of the Trust

Each of the non-qualified stock options and restricted stock will vest annually at a rate of 33 1/3% and the non-qualified stock options have a term of 10-years and a strike price that is the closing price on August 13, 2012. The form of Non-Qualified Option Agreement and form of Restricted Stock Agreement are attached as exhibits 10.1 and 10.2, respectively.

Section 7.21 of the Trust's declaration of trust limits an individual's constructive ownership and beneficial ownership in the Trust to 9.9% of the outstanding shares for compliance with REIT tax rules on concentrated ownership ("Ownership Limit"). The Trust has determined that Mr. Lesser's constructive ownership and beneficial ownership, after giving effect to the restricted stock grants described above, is 116,843 common shares and that Mr. Lesser is in compliance with the Ownership Limit. In making this determination, the Trust concluded that 99.8% of the 51,760 shares owned by HBP PW LLC ("HBP"), a limited liability company managed by Mr. Lesser, is attributed to a third-party investor who is not affiliated with Mr. Lesser. This determination was made solely for the purposes of compliance with the Ownership Limit and not for SEC ownership disclosure purposes.

On August 14, 2012, the Trust changed its address to 301 Winding Road, Old Bethpage, NY 11804. All communication should be addressed to the Trust's new address.

Item 6. Exhibits

Exhibit Number

Exhibit 1.1 The Trust's Reports on Form 8-K filed on February 16, 2012, March 9, 2012, April 13, 2012, May 7, 2012, May 15, 2012 and June 14, 2012 are incorporated by reference.

Exhibit 1.2 The Trust's Annual Report on Form 10-K filed on March 28, 2012 is incorporated by reference.

Exhibit 1.3 The Trust's Form S-3/A filed with the SEC on May 11, 2012 is incorporated by reference.

Exhibit 10.1 Form of Non-Qualified Option Agreement

Exhibit 10.2 Form of Restricted Stock Agreement

Exhibit 31.1 Section 302 Certification for David H. Lesser

Exhibit 31.2 Section 302 Certification for Arun Mittal

Exhibit 32.1 Section 906 Certification for David H. Lesser and Arun Mittal.

Exhibit 99.1 Nominating Committee Charter

Exhibit 101 Interactive data files pursuant to Rule 405 of Regulation S-T, for the quarter ended June 30, 2012: (i) Consolidated Statement of Income, (ii) Consolidated Balance Sheet, (iii) Consolidated Statement of Cash Flows, and (iv) Notes to the unaudited Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POWER REIT

/s/David H. Lesser

David H. Lesser

Chairman of the Board &

Chief Executive Officer

Date: August 15, 2012

/s/Arun Mittal

Arun Mittal

VP Business Development,

Secretary & Treasurer

Date: August 15, 2012