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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 001-35795

GLADSTONE LAND CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

54-1892552
(I.R.S. Employer
Identification No.)

1521 WESTBRANCH DRIVE, SUITE 200
MCLEAN, VIRGINIA
(Address of principal executive offices)

22102
(Zip Code)

(703) 287-5800
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

The number of shares of the registrant's Common Stock, \$0.001 par value per share, outstanding as of October 28, 2013, was 6,530,264.

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FORM 10-Q FOR THE QUARTER ENDED
SEPTEMBER 30, 2013
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GLADSTONE LAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
ASSETS		
Real estate, at cost	\$ 44,866,476	\$ 39,678,968
Less: accumulated depreciation	(2,978,718)	(2,535,084)
Total real estate, net	41,887,758	37,143,884
Lease intangibles, net	182,232	208,060
Cash and cash equivalents	39,377,937	873,474
Short-term investments	680,272	679,717
Deferred financing costs, net	294,005	304,150
Deferred offering costs	—	1,006,095
Other assets	3,279,177	770,468
TOTAL ASSETS	<u>\$ 85,701,381</u>	<u>\$ 40,985,848</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Mortgage note payable	\$ 29,489,165	\$ 30,717,880
Borrowings under line of credit	100,000	100,000
Accounts payable and accrued expenses	669,066	913,649
Due to related parties ⁽¹⁾	64,183	104,782
Deferred tax liability	743,676	743,676
Other liabilities	310,102	269,135
TOTAL LIABILITIES	<u>31,376,192</u>	<u>32,849,122</u>
Commitments and Contingencies ⁽²⁾		
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value; 20,000,000 shares authorized; 6,530,264 and 2,750,000 shares issued and outstanding at September 30, 2013, and December 31, 2012, respectively	6,530	2,750
Additional paid in capital	51,326,261	—
Retained earnings	2,992,398	8,133,976
TOTAL STOCKHOLDERS' EQUITY	<u>54,325,189</u>	<u>8,136,726</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 85,701,381</u>	<u>\$ 40,985,848</u>

(1) Refer to Note 4, "Related-Party Transactions," for additional information

(2) Refer to Note 8, "Commitments and Contingencies," for additional information

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

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
OPERATING REVENUES:				
Rental income	\$ 996,096	\$ 848,461	\$2,860,435	\$ 2,473,837
Total operating revenues	<u>996,096</u>	<u>848,461</u>	<u>2,860,435</u>	<u>2,473,837</u>
OPERATING EXPENSES:				
Depreciation and amortization	171,751	120,511	509,110	306,257
Management fee(1)	19,485	132,396	103,786	220,571
Incentive fee(1)	—	—	41,037	—
Administration fee(1)	39,562	66,215	135,402	125,261
Professional fees	140,147	40,079	389,303	202,644
Acquisition-related expenses	59,970	103,314	81,107	119,523
Property operating expenses	24,564	64,568	72,031	101,743
General and administrative	192,001	15,759	506,179	39,170
Operating expenses before credits from Adviser	<u>647,480</u>	<u>542,842</u>	<u>1,837,955</u>	<u>1,115,169</u>
Credits to fees(1)	—	—	(41,037)	—
Total operating expenses, net of credits to fees	<u>647,480</u>	<u>542,842</u>	<u>1,796,918</u>	<u>1,115,169</u>
OPERATING INCOME	<u>348,616</u>	<u>305,619</u>	<u>1,063,517</u>	<u>1,358,668</u>
OTHER INCOME (EXPENSE):				
Interest income	17,594	404	43,039	1,258
Other income	—	244	—	4,166
Interest expense	(276,044)	(246,585)	(832,490)	(719,517)
Total other expense	<u>(258,450)</u>	<u>(245,937)</u>	<u>(789,451)</u>	<u>(714,093)</u>
Net income before income taxes	90,166	59,682	274,066	644,575
Income tax provision	(85,406)	(19,251)	(191,433)	(287,167)
NET INCOME	<u>\$ 4,760</u>	<u>\$ 40,431</u>	<u>\$ 82,633</u>	<u>\$ 357,408</u>
EARNINGS PER COMMON SHARE:				
Basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.13</u>
Distributions per common share	<u>0.36</u>	<u>—</u>	<u>0.80</u>	<u>—</u>
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING—basic and diluted	<u>6,530,264</u>	<u>2,750,000</u>	<u>6,108,165</u>	<u>2,750,000</u>

(1) Refer to Note 4, “Related-Party Transactions,” for additional information

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

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 82,633	\$ 357,408
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	509,110	306,257
Amortization of deferred financing fees	22,375	52,217
Amortization of deferred rent assets and liabilities, net	(52,956)	(16,791)
Deferred income taxes	—	(47,022)
Changes in operating assets and liabilities:		
Other assets	(2,314,283)	(355,962)
Accounts payable, accrued expenses, and due to related parties	(144,641)	246,744
Other liabilities	93,923	(10,565)
Net cash (used in) provided by operating activities	(1,803,839)	532,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of new real estate	(4,587,930)	(7,499,646)
Capital expenditures on existing real estate	(460,011)	—
Purchase of certificate of deposit	—	(679,549)
Purchase of U.S. Treasuries	(19,994,981)	—
Maturity of U.S. Treasuries	20,000,000	—
Deposits on future acquisitions	(200,000)	(200,000)
Deposits refunded	—	200,000
Net cash used in investing activities	(5,242,922)	(8,179,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of equity, net of costs	52,016,380	—
Borrowings from mortgage notes payable	—	8,707,000
Repayments on mortgage notes payable	(1,228,715)	(917,120)
Borrowings from line of credit	1,600,000	3,100,000
Repayments on line of credit	(1,600,000)	(3,905,000)
Financing fees	(12,230)	(136,028)
Distributions paid	(5,224,211)	—
Net cash provided by financing activities	45,551,224	6,848,852
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,504,463	(798,057)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	873,474	2,003,854
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 39,377,937	\$ 1,205,797
NON-CASH OPERATING, INVESTING AND FINANCING INFORMATION		
Accrued additions to real estate	\$ 179,215	\$ —

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

GLADSTONE LAND CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BUSINESS AND ORGANIZATION

Business

Gladstone Land Corporation, (the “Company,” “we,” “us” or “our”) was re-incorporated in Maryland on March 24, 2011, having been previously re-incorporated in Delaware on May 25, 2004, and having been originally incorporated in California on June 14, 1997. We exist primarily for the purpose of engaging in the business of owning and leasing farmland. Subject to certain restrictions and limitations, our business is managed by Gladstone Management Corporation (the “Adviser”), a Delaware corporation.

Organization

We conduct substantially all of our operations through a subsidiary, Gladstone Land Limited Partnership (the “Operating Partnership”), a Delaware limited partnership and a subsidiary of ours. As we currently own, directly or indirectly, all of the general and limited partnership interests of the Operating Partnership, the financial position and results of operations of the Operating Partnership are consolidated with those of the Company.

Gladstone Land Partners, LLC (“Land Partners”), a Delaware limited liability company and a subsidiary of ours, was organized to engage in any lawful act or activity for which a limited liability company may be organized in Delaware. Land Partners is the general partner of the Operating Partnership and has the power to make and perform all contracts and to engage in all activities necessary in carrying out the purposes of the Company, as well as all other powers available to it as a limited liability company. As we currently own all of the membership interests of Land Partners, the financial position and results of operations of Land Partners are consolidated with those of the Company.

Gladstone Land Advisers, Inc. (“Land Advisers”), a Delaware corporation and a subsidiary of ours, was created to collect any non-qualifying income related to our real estate portfolio. We have elected for Land Advisers to be taxed as a taxable real estate investment trust subsidiary (“TRS”). It is currently anticipated that this income will predominately consist of fees we receive related to the leasing of real estate. We may also provide ancillary services to farmers through this subsidiary, though there have been no such fees earned to date. Since we currently own 100% of the voting securities of Land Advisers, the financial position and results of operations of Land Advisers are consolidated with those of the Company.

All subsequent references in this report to the “Company,” “we,” “us” and “our” refer, collectively, to Gladstone Land Corporation, the Operating Partnership and the Company’s and the Operating Partnership’s subsidiaries, unless the context otherwise requires or where otherwise indicated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information

Our interim financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (the “U.S.”) (“GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q in accordance with Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of our management, all adjustments, consisting solely of normal recurring accruals, necessary for the fair presentation of financial statements for the interim period have been included. The results of the interim period reported herein are not indicative of the results to be expected for the full year. The interim financial statements and accompanying notes should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on March 27, 2013.

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Revision of Previously-Issued Financial Statements

During 2013, we identified the following error:

- The 2012 income tax provision was misstated as a result of the omission of additional depreciation prescribed under Section 168(k) of the Internal Revenue Code. The effect of this error was an understatement of income taxes receivable and deferred tax liability of approximately \$485,000 as of December 31, 2012. This error had no effect on our consolidated statements of operations, including our reported net income or earnings per share.

With respect to the error noted above, we assessed its materiality on the financial statements in connection with previously-filed periodic reports in accordance with ASC 250 (SEC's Staff Accounting Bulletin No. 99, "Materiality") and concluded that at such time the error was not material to any prior annual or interim periods. Accordingly, we have reviewed the guidance in ASC 250 (SEC Staff Accounting Bulletin No. 108, "Considering the Effects of the Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements") and have elected to revise the December 31, 2012, balance sheet. The following are selected line items from our balance sheet as of December 31, 2012, illustrating the effect of the adjustments to revise the balance sheet:

	Consolidated Balance Sheet as of December 31, 2012		
	As Previously Reported	Adjustment	As Revised
Other assets ⁽¹⁾	\$ 285,521	\$ 484,947	\$ 770,468
Total assets	40,500,901	484,947	40,985,848
Deferred tax liability	(258,729)	(484,947)	(743,676)
Total liabilities	(32,364,175)	(484,947)	(32,849,122)

(1) As previously reported, Other assets included \$234,891 of income taxes receivable as of December 31, 2012.

In addition, the footnote disclosure which delineates the current and deferred portions of the income tax provision was impacted as follows:

	For the Year Ended December 31, 2012		
	As Previously Reported	Adjustment	As Revised
Current portion	\$ 216,591	\$ (484,947)	\$(268,356)
Deferred portion	83,728	484,947	568,675
Total income taxes	300,319	—	300,319

As shown above, the amount had no net effect on the income tax provision as originally presented.

Out of Period Adjustment

During the three months ended September 30, 2013, we recorded adjustments to our income tax provision and to other assets in connection with our 2011 and 2012 provision reconciliation. As a result of the correction of these errors, we understated net income by \$30,800 for the three and nine months ended September 31, 2013. We concluded that these adjustments were not material to the 2011, 2012 or 2013 results of operations. As such, these adjustments were recorded during 2013.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates.

Reclassifications

Certain line items on the *Condensed Consolidated Balance Sheet* as of December 31, 2012, and the *Condensed Consolidated Statement of Operations* for the nine months ended September 30, 2012, have been reclassified to conform to the current-year presentation. These reclassifications had no effect on previously-reported stockholders' equity or net income.

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Real Estate and Lease Intangibles

Our investments in real estate consist of farmland and improvements made to the farmland, consisting of buildings; irrigation and drain systems; coolers, which are storage facilities used for cooling crops; and horticulture acquired in connection with the land purchase, which currently consists solely of blueberry bushes. We record investments in real estate at cost and capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. We expense costs of repairs and maintenance as such costs are incurred. We compute depreciation using the straight-line method over the shorter of the estimated useful life or 39 years for buildings and improvements, the estimated useful life for horticulture acquired in connection with the purchase of farmland, 5 to 7 years for equipment and fixtures and the shorter of the useful life or the remaining lease term for tenant improvements and leasehold interests.

Certain of our acquisitions involve sale-leaseback transactions with newly-originated leases, which we account for as asset acquisitions under Accounting Standards Codification (“ASC”) 360, “Property, Plant and Equipment.” In the case of an asset acquisition, we will capitalize the transaction costs incurred in connection with the acquisition. Other of our acquisitions involve the acquisition of farmland that is already being operated as rental property and has a lease in place that we assume at the time of acquisition, which we will generally consider to be a business combination under ASC 805, “Business Combinations.” When an acquisition is considered a business combination, ASC 805 requires that the purchase price of real estate be allocated to the acquired tangible assets and liabilities, consisting of land, building, tenant improvements and long-term debt; and identifiable intangible assets and liabilities, typically the value of above-market and below-market leases, in-place leases, unamortized lease origination costs and tenant relationships, based in each case on their fair values. ASC 805 also requires that all expenses related to the acquisition be expensed as incurred, rather than capitalized into the cost of the acquisition.

Whether our acquisitions are treated as an asset acquisition under ASC 360 or a business combination under ASC 805, the fair value of the purchase price is allocated to the assets. Management’s estimates of fair value are made using methods similar to those used by independent appraisers (e.g., a discounted cash flow analysis). Factors considered by management in its analysis include an estimate of carrying costs during hypothetical, expected lease-up periods, taking into consideration current market conditions and costs to execute similar leases. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets and liabilities acquired. In estimating carrying costs, management also includes real estate taxes, insurance and other operating expenses and estimates of lost rental income at market rates during the hypothetical, expected lease-up periods, which primarily range from 3 to 12 months, depending on specific local market conditions. Management also estimates costs to execute similar leases, including leasing commissions, legal and other related expenses, to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

We allocate purchase price to the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. The “as-if-vacant” value is allocated to land, building, tenant improvements and horticulture, based on management’s determination of the fair values of these assets. Real estate depreciation expense on these tangible assets was \$160,533, and \$443,635 for the three and nine months ended September 30, 2013, respectively, and \$105,070 and \$277,212 for the three and nine months ended September 30, 2012, respectively.

Above-market and below-market in-place lease values for acquired properties are recorded based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. When determining the non-cancelable term of the lease, we evaluate if fixed-rate renewal options, if any, should be included. Prior to our acquisitions in 2012, discussed in Note 3, “*Real Estate and Intangible Assets*,” all acquired leases were determined to be at market. In connection with our 2012 acquisitions, we allocated \$98,808 of the purchase price to below-market lease values. The fair value of capitalized below-market leases, included in the accompanying *Condensed Consolidated Balance Sheets* as part of Other liabilities, are amortized into rental income over the remaining non-cancelable terms of the respective leases.

The total amount of the remaining intangible assets acquired, which consists of in-place lease values, unamortized lease origination costs and customer relationship intangible values, are allocated based on management’s evaluation of the specific characteristics of each tenant’s lease and our overall relationship with that respective tenant. Characteristics to be considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant’s credit quality and our expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

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The value of in-place leases and unamortized lease origination costs are amortized to expense over the remaining terms of the respective leases, which range from 1 to 15 years. The value of customer relationship intangibles, which is the benefit to us resulting from the likelihood of an existing tenant renewing its lease at the existing property or entering a lease at a different property owned by us, are amortized to expense over the remaining lease term and any anticipated renewal periods in the respective leases. Should a tenant terminate its lease, the unamortized portion of the above-market and below-market lease values, in-place lease values, lease origination costs and customer relationship intangibles will be immediately charged to the related income or expense.

Total amortization expense related to these intangible assets, in aggregate, was \$11,218 and \$65,475 for the three and nine months ended September 30, 2013, respectively, and \$15,441 and \$29,045 for the three and nine months ended September 30, 2012, respectively.

Impairment of Real Estate Assets

We account for the impairment of real estate, including intangible assets, in accordance with ASC 360-10-35, "Property, Plant, and Equipment," which requires us to periodically review the carrying value of each property to determine whether circumstances indicate impairment of the carrying value of the investment exists or if depreciation periods should be modified. If circumstances support the possibility of impairment, we prepare a projection of the undiscounted future cash flows, without interest charges, of the specific property and determine whether the carrying value of the investment in such property is recoverable. In performing the analysis, we consider such factors as the tenants' payment history and financial condition, the likelihood of lease renewal, agricultural and business conditions in the regions in which our farms are located and whether there are indications that the fair value of the real estate has decreased. If the carrying amount is more than the aggregate undiscounted future cash flows, we would recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property.

We evaluate our entire property portfolio each quarter for any impairment indicators and perform an impairment analysis on those select properties that have an indication of impairment. We concluded that none of our properties were impaired as of September 30, 2013, and will continue to monitor our portfolio for any indicators of impairment. There have been no impairments recognized on real estate assets since our inception.

Short-term Investments

We consider short-term investments to consist of any short-term, highly-liquid securities that have an original maturity of less than one year, but greater than three months, at the time of purchase. At both September 30, 2013, and December 31, 2012, our short-term investments were classified as held-to-maturity and were recorded at their amortized costs on the *Condensed Consolidated Balance Sheets*. As of September 30, 2013, and December 31, 2012, short-term investments consisted of approximately \$0.7 million held in a certificate of deposit ("CD"). The CD matured on September 6, 2013; however, upon maturity, the balance was rolled into a new, 12-month CD with a maturity date of September 6, 2014. Due to the short-term nature of the CD, the amortized cost of the security was deemed to approximate its fair value at both September 30, 2013, and December 31, 2012. During the nine months ended September 30, 2013, we also held \$20.0 million of short-term U.S. Treasury Bills that matured on June 27, 2013, and were subsequently invested in a money-market deposit account. Total income earned on these short-term investments is included in Interest income on the accompanying *Condensed Consolidated Statements of Operations* and totaled \$213 and \$5,575 for the three and nine months ended September 30, 2013, respectively. There was no interest income related to these short-term investments recorded during the nine months ended September 30, 2012.

Deferred Financing Costs

Deferred financing costs consist of costs incurred to obtain financing, including legal fees, origination fees and administrative fees. These costs are deferred and amortized over the term of the related financing using the straight-line method, which, for costs incurred related to our mortgage note payable, approximates the effective interest method. Upon early extinguishment of any borrowings, the unamortized portion of the related deferred financing costs will be immediately charged to expense. Total amortization expense related to deferred financing costs is included in Interest expense on the accompanying *Condensed Consolidated Statements of Operations*. During the three months ended June 30, 2012, we wrote off \$35,511 of unamortized deferred financing costs associated with a line of credit that was terminated on May 31, 2012. Accumulated amortization of deferred financing costs was \$56,499 and \$34,124 as of September 30, 2013, and December 31, 2012, respectively.

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Deferred Offering Costs

We account for deferred offering costs in accordance with SEC Staff Accounting Bulletin (“SAB”), Topic 5.A, which states that incremental costs directly attributable to a proposed or actual offering of securities may properly be deferred and charged against the gross proceeds of the offering. Accordingly, we record costs incurred related to public offerings of equity securities on our *Condensed Consolidated Balance Sheet* and pro-ratably apply these amounts to the proceeds of equity as stock is issued. The deferred offering costs on our *Condensed Consolidated Balance Sheet* as of December 31, 2012, were applied to the proceeds of equity in connection with our initial public offering (“IPO”) in January 2013.

Other Assets

As of September 30, 2013, and December 31, 2012, Other assets consisted primarily of prepaid expenses, income taxes receivable, deferred rent, accounts receivable and, at September 30, 2013, only, a one-time \$2.1 million income tax prepayment in the form of a cash bond paid to the Internal Revenue Service (the “IRS”). The balance of income taxes receivable represents expected refunds related to prior tax years. The \$2.1 million income tax prepayment represents income taxes on a deferred intercompany gain relating to a prior-year land transfer that will be recognized upon our election to be taxed as a real estate investment trust (“REIT”) for federal income tax purposes. See “— *Income Taxes*” below for more information. Furthermore, as discussed under “— *Revision of Previously-Issued Financial Statements*” above, the balance sheet as of December 31, 2012, was revised to reflect additional income taxes receivable.

Revenue Recognition

Rental revenue includes rents that each tenant pays in accordance with the terms of its respective lease, reported evenly over the non-cancelable term of the lease. Some of our leases contain rental increases at specified intervals; we recognize such revenues on a straight-line basis to the extent collectability is reasonably assured. Deferred rent receivable, included in Other assets on the accompanying *Condensed Consolidated Balance Sheets*, includes the cumulative difference between rental revenue, as recorded on a straight-line basis, and rents received from the tenants in accordance with the lease terms. Capitalized above-market leases and capitalized below-market leases are included in Other assets and Other liabilities, respectively, on the accompanying *Condensed Consolidated Balance Sheets*, the value of which is amortized into rental income over the life of the respective leases. In addition, we determine, in our judgment, to what extent the deferred rent receivable applicable to each specific tenant is collectable. We periodically review deferred rent receivable, as it relates to straight-line rents, and take into consideration the tenant’s payment history, the financial condition of the tenant, business conditions of the industry in which the tenant operates and economic conditions in the geographic area in which the property is located. In the event that the collectability of deferred rent with respect to any given tenant is in doubt, we record an allowance for uncollectable accounts or record a direct write-off of the specific rent receivable. No such reserves or direct write-offs have been recorded to date.

Income Taxes

Beginning with our tax year ending December 31, 2013, we intend to operate in a manner that will allow us to qualify and elect to be taxed as a REIT for federal income tax purposes and, accordingly, will not be subject to federal income taxes on amounts that we distribute to our stockholders (except income from any foreclosure property), provided that, on an annual basis, we distribute at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding net capital gains) to our stockholders and meet certain other conditions. To the extent that we satisfy the annual distribution requirement but distribute less than 100% of our taxable income, we will be subject to an excise tax on our undistributed taxable income. However, as such election has not yet been made, our net income is currently taxed at regular corporate tax rates for both federal and state income tax purposes.

We account for such income taxes in accordance with the provisions of ASC 740, “Income Taxes.” Under ASC 740-10-25, we account for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In estimating future tax consequences, we consider all future events, other than changes in tax laws or rates. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized as income or expense in the period of enactment.

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In addition, ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, we may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not (defined as a likelihood of more than 50%) that the tax position, based on the technical merits of the position, will be sustained upon examination by taxing authorities, including resolutions of any related appeals or litigation processes. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater-than-fifty-percent likelihood of being realized upon ultimate settlement. If a tax position does not meet the more-likely-than-not recognition threshold, despite our belief that the filing position is supportable, the benefit of that tax position is not recognized in the statements of operations. ASC 740 also provides guidance on derecognition, classification, interest and penalties on income taxes, as well as accounting in interim periods, and requires increased disclosures. We recognize interest and penalties, as applicable, related to unrecognized tax benefits as General and administrative expense on the *Condensed Consolidated Statements of Operations*. We recognize unrecognized tax benefits in the period that the uncertainty is eliminated by either affirmative agreement of the uncertain tax position by the applicable taxing authority or by expiration of the applicable statute of limitation. We have performed a review of our tax positions and determined that, as of September 30, 2013, and December 31, 2012, we had no material uncertain tax positions.

In connection with intercompany transfers of the farmland now held by San Andreas Road Watsonville, LLC (“San Andreas”), a wholly-owned subsidiary of ours, in 2002 and again in 2004 and of the farmland currently held by West Gonzales Road Oxnard, LLC (“West Gonzales”), a wholly-owned subsidiary of ours, in 2002, we created deferred intercompany gains that are taxable for both federal and state income tax purposes upon the occurrence of certain triggering events. These deferred intercompany gains are generally equal to the excess of the fair market value of the property over the tax basis of the property (determined as of the time that the deferred intercompany gain was created). Deferred intercompany gains are indefinitely deferred until a triggering event occurs (such as REIT conversion), generally when the transferee or the transferor leaves the consolidated group, as defined by the relevant tax law, or the property is sold to a third party. In the case of a transfer of built-in gain property between members of a consolidated group, there are deferred intercompany gains to the transferring entity, and the receiving entity’s tax basis is the fair market value at the date of transfer. Thus, a deferred tax liability is created related to the deferred intercompany gain to the transferring entity, and an offsetting deferred tax asset is created representing the basis difference from the new tax basis of the receiving entity. As a result, the deferred tax assets and liabilities offset one another and there is no net impact to us. In accordance with ASC 740 and ASC 810, no tax impact is recognized in the condensed consolidated financial statements as a result of transfers of assets between members of a consolidated group.

As a result of the transfers mentioned above, the related federal and state deferred tax assets and liabilities each total approximately \$2.2 million as of September 30, 2013. With respect to the federal amount of approximately \$2.1 million, this amount will become payable upon our making a REIT election, and, as a REIT, we will no longer be able to obtain the benefit of the related deferred tax asset. As such, in March 2013, we made a tax prepayment of \$2.1 million in the form of a cash bond submitted to the IRS to cover this amount once it becomes due. As a result, we will reverse the deferred tax asset through our income tax provision once we have completed all significant actions necessary to qualify as a REIT and are committed to the course of action for this to occur. The REIT election does not have the same impact on the state tax amount of approximately \$0.1 million, and, therefore, this amount will continue to be deferred. We currently intend to qualify and elect to be taxed as a REIT for federal income tax purposes, beginning with our tax year ending December 31, 2013.

At the time of transfer of San Andreas in February 2004 from SC Land, Inc. (“SC Land”), a deferred intercompany stock account (“DISA”), was created at the state income tax level. The DISA is calculated based upon the fair market value of the property at the time of distribution, and the resulting tax liability was approximately \$98,000. SC Land was formally liquidated in June 2010; however, we have concluded that SC Land was de facto liquidated in May 2009, when it transferred its remaining existing assets to the parent company, since the business operations of SC Land were effectively terminated as of that date. The state income taxes of \$98,000 related to the DISA became payable at the time of the de facto liquidation in May 2009 and are being remitted by us in equal installments over a five-year period, the final installment of which will be made in 2014.

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We transferred West Gonzales from SC Land into the parent company in May 2009. As stated in the paragraph above, we have concluded that SC Land was de facto liquidated in May 2009, and, as a result, we will not be subject to a tax on the transfer similar to that discussed in the paragraphs above related to the 2002 and 2004 transfers.

Under California state law, through our fiscal and tax years ended December 31, 2012, we and our Adviser were presumed to be unitary entities and are therefore required to report our income on a combined basis because David Gladstone was the sole shareholder of both entities, which is no longer the case after our IPO in January 2013. The combined reporting application resulted in refunds related to previous income tax years, all of which have been received.

A reconciliation between the U.S., statutory federal income tax rate and our effective income tax rate for the nine months ended September 30, 2013 and 2012 is provided in the following table:

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012 ⁽¹⁾
U.S. statutory federal income tax rate	34.0%	34.0%
State taxes, net of U.S. federal income tax benefit ⁽²⁾	23.6%	10.2%
Other adjustments ⁽³⁾	12.2%	0.4%
Effective tax rate	69.8%	44.6%

- (1) Based on the effective tax rate for the year ended December 31, 2011, as that rate represents our best estimate of the effective tax rate in effect as of September 30, 2012, based on the information available at the time.
- (2) From 2010 to 2012, California state tax returns were filed on a unitary basis with our Adviser. In 2011, we began filing state tax returns in Florida, and, for 2013, we will also begin filing state tax returns in Michigan and Oregon. The overall state tax rate is higher due to the deferred intercompany gain mentioned above, which is a fixed amount due to the state of California and is not based on the amount of income apportioned to the state.
- (3) Adjustment made in 2013 income taxes related to prior-year adjustments.

The provision for income taxes recorded for the nine months ended September 30, 2013, is expected to be reversed once we complete all significant actions necessary to qualify as a REIT and become committed to the course of action for this to occur.

The deferred tax liability in the accompanying balance sheets represents the basis difference in our real estate as it relates to depreciation, as well as differences relating to rents received in advance, straight-line rents and other prepaid expenses. The deferred tax liability reflected on the *Condensed Consolidated Balance Sheets* will be reversed upon our qualifying and electing to be treated as a REIT for federal income tax purposes. Our permanent differences relate to federal and state income taxes. Furthermore, as discussed under “— Revision of Previously-Issued Financial Statements” above, the balance sheet as of December 31, 2012, was revised to reflect an increase in the deferred tax liability.

Also, beginning with our tax year ending December 31, 2013, we intend for Land Advisers to be treated as a wholly-owned TRS and to be subject to federal and state income taxes. Though Land Advisers has had no activity to date, we would account for any future income taxes in accordance with the provisions of ASC 740, “Income Taxes.”

Comprehensive Income

For the three and nine months ended September 30, 2013 and 2012, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying condensed consolidated financial statements.

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NOTE 3. REAL ESTATE AND INTANGIBLE ASSETS

All of our properties are wholly-owned on a fee-simple basis. The following table provides certain summary information about our 14 farms as of September 30, 2013:

Property Name	Location	Date Acquired	Encumbrances	Net Cost Basis ⁽¹⁾	Number of Farms	Number of Leases	Farmable Acres	Total Acres	Lease Expiration Date
San Andreas	Watsonville, CA	6/16/1997	\$ 100,000 ⁽²⁾	\$ 4,874,836	1	1	237	306	12/31/2014
West Gonzales	Oxnard, CA	9/15/1998	13,473,792	12,501,855	1	2	501	653	6/30/2020
West Beach	Watsonville, CA	1/3/2011	5,068,800	8,328,475	3	1	195	198	10/31/2014
Dalton Lane	Watsonville, CA	7/7/2011	2,587,853	2,730,527	1	1	70	72	10/31/2015
Keysville Road	Plant City, FL	10/26/2011	1,152,000	1,230,758	2	1	50	59	7/1/2016
Colding Loop	Wimauma, FL	8/9/2012	3,366,720	3,992,932	1	1	181	219	6/14/2018
Trapnell Road	Plant City, FL	9/12/2012	3,840,000	3,854,554	3	1	110	124	6/30/2017
38th Avenue	Covert, MI	4/5/2013	—	1,362,134	1	1	89	119	4/4/2020
Sequoia Street	Brooks, OR	5/31/2013	—	3,193,919	1	1	206	209	5/31/2028
			\$ 29,589,165	\$42,069,990	14	10	1,639	1,959	

- (1) Consists of the initial acquisition price (including the costs allocated to both tangible and intangible assets) plus subsequent improvements and other capitalized costs associated with the properties and adjusted for depreciation and amortization accumulated through September 30, 2013.
- (2) Represents borrowings outstanding on our line of credit as of September 30, 2013, under which San Andreas is pledged as collateral.

Real Estate

The following table sets forth the components of our investments in tangible real estate assets as of September 30, 2013, and December 31, 2012:

	As of September 30, 2013	As of December 31, 2012
Real estate:		
Land	\$ 33,969,564	\$ 30,828,325
Building	1,641,120	1,311,027
Cooler	4,963,243	4,963,243
Drain system	3,845,514	2,576,373
Horticulture	447,035	—
Real estate, gross	44,866,476	39,678,968
Accumulated depreciation	(2,978,718)	(2,535,084)
Real estate, net	\$ 41,887,758	\$ 37,143,884

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New Real Estate Activity

2013 New Real Estate Activity

During the nine months ended September 30, 2013, we acquired two farms in two separate transactions, which are summarized in the table below.

Property Name	Property Location	Acquisition Date	Total Acreage	Number of Farms	Primary Crop	Lease Term	Renewal Options	Total Purchase Price	Acquisition Expenses	Annualized Straight-line Rent ⁽¹⁾
38th Avenue	Covert, MI	4/5/2013	119	1	Blueberries	7 Years	1 (7 years)	\$1,341,000	\$ 40,133 ⁽²⁾	\$ 87,286
Sequoia Street	Brooks, OR	5/31/2013	209	1	Blueberries	15 Years	3 (5 years each)	3,100,000	106,797 ⁽²⁾	193,617
			328	2				\$4,441,000	\$ 146,930	\$ 280,903

- (1) Annualized straight-line amount is based on the minimum rental payments required per the lease.
- (2) Transaction accounted for as an asset acquisition under ASC 360 instead of a business combination under ASC 805; therefore, related costs associated with the acquisition were capitalized and included as part of the fair value allocation of the identifiable tangible assets acquired.

Both of the acquisitions in the table above were purchased using proceeds from our January 2013 IPO; thus, no additional debt was issued to finance either transaction.

As noted in the above table, both acquisitions during the nine months ended September 30, 2013, were accounted for as asset acquisitions in accordance with ASC 360, as there was not a lease in place on the property that we assumed upon acquisition. Accordingly, all acquisition-related costs were capitalized and allocated pro-ratably to the fair value of all identifiable tangible assets. In addition, none of the purchase price was allocated to intangible assets; however, the costs we incurred in connection with originating the new leases on the properties were capitalized.

We determined the fair value of acquired assets and liabilities assumed related to the properties acquired during the nine months ended September 30, 2013, to be as follows:

Property Name	Land	Building	Drain System	Horticulture ⁽¹⁾	Leasing Commissions ⁽²⁾	Total Purchase Price
38th Avenue	\$ 647,431	\$ 42,720	\$240,105	\$ 447,035	\$ 3,842	\$1,381,133
Sequoia Street	2,493,809	279,372	424,081	—	9,535	3,206,797
	\$3,141,240	\$322,092	\$664,186	\$ 447,035	\$ 13,377	\$4,587,930

- (1) Horticulture acquired on 38th Avenue consists of various types of high-bush variety blueberry bushes.
- (2) None of the purchase price was allocated to any intangibles; leasing commissions above represent direct costs incurred in connection with originating new leases on the properties.

2012 New Real Estate Activity

During the nine months ended September 30, 2012, we acquired four farms in two separate transactions, which are summarized in the table below:

Property Name	Property Location	Acquisition Date	Total Acreage	Number of Farms	Primary Crop	Lease Term	Renewal Options	Total Purchase Price	Acquisition Expenses	Annualized Straight-line Rent ⁽¹⁾	Debt Issued
Colding Loop	Wimauma, FL	8/9/2012	219	1	Strawberries	0.9 Years ⁽²⁾	None ⁽²⁾	\$3,400,836	\$ 31,879	\$ 141,274 ⁽²⁾	\$3,507,000
Trapnell Road	Plant City, FL	9/12/2012	124	3	Strawberries	4.8 Years	1 (5 Years)	4,000,000	82,412	241,630	4,000,000
			343	4				\$7,400,836	\$ 114,291	\$ 382,904	\$7,507,000

- (1) Annualized straight-line amount is based on the minimum rental payments required per the lease.
- (2) The original lease that was assumed upon acquisition of Colding Loop expired on June 14, 2013; thus, the rental income reflected in the table above is the straight-line rent recognized over remaining ten-month term of the lease, which translated to \$166,205 on an annual basis. On May 28, 2013, we executed a new, five-year lease on Colding Loop, commencing June 15, 2013. The new lease has one five-year renewal option and provides for minimum annualized straight-line rent of \$125,400.

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In accordance with ASC 805, we determined the fair value of acquired assets and liabilities assumed related to the properties acquired during the nine months ended September 30, 2012, as follows:

Property Name	Land	Cooler	Drain System	Lease In-place	Leasing Commissions	Customer Relationships	Below-Market Leases	Total Purchase Price
Colding Loop	\$2,513,696	\$ —	\$ 909,490	\$ 43,989	\$ 1,676	\$ 30,793	\$(98,808)	\$3,400,836
Trapnell Road	2,198,728	686,578	970,761	60,627	45,543	37,763	—	4,000,000
	<u>\$4,712,424</u>	<u>\$686,578</u>	<u>\$1,880,251</u>	<u>\$104,616</u>	<u>\$ 47,219</u>	<u>\$ 68,556</u>	<u>\$(98,808)</u>	<u>\$7,400,836</u>

Below is a summary of the total revenue and earnings recognized on the properties acquired during the nine months ended September 30, 2012:

Property Location	Acquisition Date	For the Three and Nine Months Ended September 30, 2012	
		Rental Revenue	Earnings (1)
Colding Loop	8/9/2012	\$ 24,007	\$ 5,838
Trapnell Road	9/12/2012	12,554	6,192

- (1) Earnings are calculated as net income less interest expense, if debt was issued to acquire the property, income taxes and any acquisition-related costs that are required to be expensed if the acquisition is treated as a business combination under ASC 805.

Pro-Forma Financials

We acquired two farms during the nine months ended September 30, 2013, both of which were treated as asset acquisitions under ASC 360, and four farms during the nine months ended September 30, 2012, all of which were treated as business combinations under ASC 805. For those acquisitions treated as business combinations, the following table reflects pro-forma condensed consolidated statements as if the assets were acquired at the beginning of the previous period. The table below does not reflect pro-forma financials for the two farms acquired during the nine months ended September 30, 2013, that were treated as asset acquisitions.

	For the Nine Months Ended September 30,	
	2013	2012
Operating Data:		
Total operating revenue	\$ 2,841,846	\$ 2,712,548
Total operating expenses	(1,784,688)	(1,182,885)
Other expenses	(777,585)	(873,454)
Net income before income taxes	279,573	656,209
Provision for income taxes	(195,280)	(292,350)
Net income	<u>\$ 84,293</u>	<u>\$ 363,859</u>
Share and Per Share Data:		
Weighted average common shares outstanding—basic and diluted	6,108,165	2,750,000
Earnings per share of common stock—basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.13</u>

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Acquired Intangibles and Liabilities

As mentioned above, there was no purchase price allocated to any intangible assets related to the two acquisitions made during the nine months ended September 30, 2013, as they were both accounted for as asset acquisitions. However, the costs we incurred in connection with setting up new leases on the properties were capitalized over the lives of the respective leases. The weighted-average amortization period, in years, for the intangible assets acquired and liabilities assumed during the nine months ended September 30, 2013 and 2012, is shown in the table below:

Intangible Assets and Liabilities	2013	2012
In-place leases	—	3.1
Leasing commissions	12.7	4.7
Customer relationships	—	5.8
Below-market leases	—	0.8
All intangible assets and liabilities	12.7	3.2

Existing Real Estate Activity

On May 28, 2013, we executed a lease with a new tenant to occupy Colding Loop that commenced on June 15, 2013, as the lease term with the previous tenant on the property expired on June 14, 2013. The new lease term is for five years, through June 2018, and the tenant has one option to extend the lease for an additional five-year term. The lease provides for prescribed rent escalations over the life of the lease, with minimum annualized, GAAP straight-line rental income of \$125,400. In connection with this agreement, we are required to install new irrigation equipment on part of the property, and we may be required to install additional irrigation equipment on the total acreage of the property. We estimate commitments in connection with this agreement may cost up to \$900,000, of which \$573,000 has been expended or accrued for as of September 30, 2013. See Note 8, "Commitments and Contingencies," for further discussion on this commitment.

On August 30, 2013, we extended the lease with the tenant occupying West Gonzales, which was originally set to expire in December 2013. The lease was extended for an additional 6.5 years, through June 2020, and provides for prescribed rent escalations over the life of the lease, with annualized, GAAP straight-line rental income of approximately \$2.4 million, representing an 11.2% increase over that of the previous lease.

On September 11, 2013, we extended the lease with the tenant occupying West Beach, which was originally set to expire in October 2013. The lease was extended for an additional year, through October 2014, and provides for GAAP straight-line rental income of approximately \$448,000, representing a 5.7% increase over that of the previous lease. In connection with this extension, we have agreed to incur the costs of upgrading the drainage system on the property, which we estimate will cost between \$250,000 and \$300,000 and will take place over the course of the next year. See Note 8, "Commitments and Contingencies," for further discussion on this commitment.

Future Lease Payments

Future operating lease payments from tenants under all non-cancelable leases, excluding tenant reimbursement of expenses, for the remainder of 2013 and each of the five succeeding fiscal years and thereafter as of September 30, 2013, are as follows:

Period	Tenant Lease Payments	
For the remaining three months ending December 31:	2013	\$ 880,645
For the fiscal years ending December 31:	2014	3,796,267
	2015	3,166,142
	2016	3,142,955
	2017	2,975,351
	2018	2,703,066
	Thereafter	5,728,667

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In accordance with the lease terms, substantially all operating expenses are required to be paid by the tenant; however, we would be required to pay real estate property taxes on the respective parcels of land in the event the tenants fail to pay them. The aggregate annual real estate property taxes for all parcels of land owned by us as of September 30, 2013, are approximately \$321,000.

Intangible Assets

The following table summarizes the carrying value of intangible assets and the accumulated amortization for each intangible asset class as of September 30, 2013, and December 31, 2012:

	September 30, 2013		December 31, 2012	
	Lease Intangibles	Accumulated Amortization	Lease Intangibles	Accumulated Amortization
In-place leases	\$286,975	\$ (225,556)	\$286,975	\$ (186,843)
Leasing commissions	103,285	(28,060)	63,638	(17,627)
Customer relationships	93,187	(47,599)	93,187	(31,270)
	\$483,447	\$ (301,215)	\$443,800	\$ (235,740)

The aggregate amortization expense for the remainder of 2013 and each of the five succeeding fiscal years and thereafter is as follows:

Period	Estimated Amortization Expense
For the remaining three months ending December 31: 2013	\$ 11,251
For the fiscal years ending December 31:	
2014	45,494
2015	43,783
2016	32,776
2017	21,207
2018	7,255
Thereafter	20,466

Portfolio Diversification and Concentrations

Diversification

The following table summarizes the geographic locations of our properties with leases in place as of September 30, 2013 and 2012:

State	As of and For the Nine Months Ended September 30, 2013						As of and For the Nine Months Ended September 30, 2012					
	Number of Farms	Number of Leases	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue	Number of Farms	Number of Leases	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue
California	6	5	1,229	62.7%	\$2,408,110	84.2%	6	5	1,229	75.4%	\$2,386,024	96.5%
Florida	6	3	402	20.5%	345,113	12.1%	6	3	402	24.6%	87,813	3.5%
Michigan	1	1	119	6.1%	42,673	1.5%	0	0	0	0.0%	—	0.0%
Oregon	1	1	209	10.7%	64,539	2.2%	0	0	0	0.0%	—	0.0%
	14	10	1,959	100.0%	\$2,860,435	100.0%	12	8	1,631	100.0%	\$2,473,837	100.0%

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Concentrations

Credit Risk

Two of our ten leases are with a single tenant, Dole Food Company (“Dole”). As of September 30, 2013, 959 acres was leased to Dole, representing 49.0% of the total acreage we owned. Furthermore, these farms accounted for approximately \$2.0 million, or 68.6%, of the rental income recorded during the nine months ended September 30, 2013. Rental income from Dole accounted for 78.5% of the total rental income recorded during the nine months ended September 30, 2012. If Dole fails to make rental payments or elects to terminate any of its leases, and the land cannot be re-leased on satisfactory terms, there would be a material adverse effect on our financial performance and ability to continue operations. However, the parent company of Dole has guaranteed the required rental payments for both of the leases. The financial statements of Dole can be found on the U.S. Securities and Exchange Commission’s (the “SEC”) website at www.sec.gov. No other individual tenant represented greater than 7.8% of the total rental income recorded during the nine months ended September 30, 2013.

Geographic Risk

Six of our fourteen farms owned as of September 30, 2013, are located in California. As of September 30, 2013, our farmland in California accounted for 1,229 acres, or 62.7% of the total acreage we owned. Furthermore, these farms accounted for approximately \$2.4 million, or 84.2%, of the rental income recorded by us during the nine months ended September 30, 2013. Rental income from our farms in California accounted for 96.5% of the total rental income recorded by us during the nine months ended September 30, 2012. Our other farms, located in Florida, Michigan and Oregon, were purchased between October 2011 and May 2013. Should an unexpected natural disaster occur where our properties are located, there could be a material adverse effect on our financial performance and ability to continue operations.

NOTE 4. RELATED-PARTY TRANSACTIONS

We are externally managed pursuant to contractual arrangements with our Adviser and Gladstone Administration, LLC (the “Administrator”), which collectively employ all of our personnel and pay their salaries, benefits and general expenses directly. We had an advisory agreement with our Adviser that was in effect through January 31, 2013 (the “Prior Advisory Agreement”), which we and our Adviser amended, effective February 1, 2013 (the “Amended Advisory Agreement”). We also had an administration agreement with our Administrator that was in effect through January 31, 2013 (the “Prior Administration Agreement”), which we and our Administrator amended, effective February 1, 2013 (the “Amended Administration Agreement”). The management and administrative services and fees under both of these agreements are described below.

Prior Advisory and Administration Agreements

Prior Advisory Agreement

We entered into the Prior Advisory Agreement with our Adviser in 2004, pursuant to which the Adviser was responsible for managing us on a day-to-day basis and for identifying, evaluating, negotiating and consummating investment transactions consistent with our criteria. In exchange for such services, we paid the Adviser a management advisory fee, which consisted of the reimbursement of certain expenses of the Adviser. We reimbursed our Adviser for our pro-rata share of our Adviser’s payroll and related benefit expenses on an employee-by-employee basis, based on the percentage of each employee’s time devoted to our matters in relation to the time such employees devoted to all affiliated funds, collectively, advised by our Adviser. We also reimbursed the Adviser for general overhead expenses multiplied by the ratio of hours worked by the Adviser’s employees on Company matters to the total hours worked by the Adviser’s employees. We compensated our Adviser through reimbursement of our portion of the Adviser’s payroll, benefits and general overhead expenses. This reimbursement was generally subject to a combined annual management advisory fee limitation of 2.0% of our average invested assets for the year, with certain exceptions. Reimbursement for overhead expenses was only required up to the point that reimbursed overhead expenses and payroll and benefits expenses, on a combined basis, equaled 2.0% of our average invested assets for the year, and general overhead expenses were required to be reimbursed only if the amount of payroll and benefits reimbursed to the Adviser was less than 2.0% of our average invested assets for the year. However, payroll and benefits expenses were required to be reimbursed by us to the extent that they exceed the overall 2.0% annual management advisory fee limitation. To the extent that overhead expenses payable or reimbursable by us exceeded this limit and our independent directors determined that the excess expenses were justified based on unusual and nonrecurring factors which they deemed sufficient, we were permitted to reimburse the Adviser in future years for the full amount of the excess expenses, or any portion thereof, but only to the extent that the reimbursement would not have caused our overhead expense reimbursements to exceed the 2.0% limitation in any one year. Since inception, the management advisory fee had never exceeded the annual cap.

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Prior Administration Agreement

We entered into the Prior Administration Agreement with our Administrator, effective January 1, 2010, as amended on June 1, 2011, pursuant to which we paid for our allocable portion of our Administrator's overhead expenses in performing its obligations to us, including, but not limited to, rent and the salaries and benefits of our chief financial officer and treasurer, chief compliance officer, internal counsel and their respective staffs. We compensated our Administrator through reimbursement of our portion of the Administrator's payroll, benefits and general overhead expenses.

Amended and Restated Advisory and Administration Agreements

On February 1, 2013, we entered into each of the Amended Advisory Agreement and the Amended Administration Agreement.

Amended Advisory Agreement

Base Management Fee

Under the terms of the Amended Advisory Agreement that went into effect on February 1, 2013, we pay an annual base management fee during 2013 equal to 1.0% of our total stockholders' equity, less the recorded value of any preferred stock we may issue and, for 2013 only, any uninvested cash proceeds of the IPO, which we refer to as our adjusted stockholders' equity. Beginning in 2014, we will pay an annual base management fee equal to 2.0% of our adjusted total stockholders' equity, which will no longer exclude any uninvested cash proceeds of the IPO, and an additional incentive fee based on our pre-incentive fee FFO.

Incentive Fee

For purposes of calculating the incentive fee, our funds from operations ("FFO") before giving effect to any incentive fee (our "Pre-Incentive Fee FFO") will include any realized capital gains or losses, less any distributions paid on our preferred stock, but will not include any unrealized capital gains or losses. The incentive fee will reward our Adviser if our Pre-Incentive Fee FFO for a particular calendar quarter exceeds a hurdle rate of 1.75%, or 7% annualized, of our total stockholders' equity at the end of the quarter. Our Adviser will receive 100% of the amount of the Pre-Incentive Fee FFO for the quarter that exceeds the hurdle rate but is less than 2.1875% of our adjusted stockholders' equity at the end of the quarter, or 8.75% annualized, and 20% of the amount of our Pre-Incentive Fee FFO that exceeds 2.1875% for the quarter.

For the three months ended March 31, 2013, we paid an incentive fee to our Adviser of \$41,037; however, during the three months ended June 30, 2013, our Adviser issued a one-time, irrevocable waiver equal to the full amount of the incentive fee paid for the three months ended March 31, 2013, and such fee was credited to us during the three months ended June 30, 2013. There was no incentive fee earned by our Adviser for the three or six months ended September 30, 2013, as our Pre-Incentive Fee FFO did not exceed the hurdle rate. There was no incentive fee earned by our Adviser for the three or nine months ended September 30, 2012, as there was no agreement in place during those periods by which to incur an incentive fee.

Amended Administration Agreement

Under the terms of the Amended Administration Agreement that went into effect on February 1, 2013, we pay separately for our allocable portion of the Administrator's overhead expenses in performing its obligations, including rent and our allocable portion of the salaries and benefits expenses of our chief financial officer and treasurer, chief accounting officer, chief compliance officer, internal counsel and their respective staffs. Unlike the Prior Administration Agreement, which provided that our allocable portion of these expenses be based on the percentage of time that our Administrator's personnel devoted to our affairs, under the Amended Administration Agreement, our allocable portion of these expenses is generally derived by multiplying the Administrator's total allocable expenses by the percentage of our total assets at the beginning of each quarter in comparison to the total assets of all companies for whom our Administrator provides services.

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The following table summarizes the management fees, incentive fees and associated credits and the administration fees reflected in our accompanying *Condensed Consolidated Statements of Operations*:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Management Fee:				
Allocated payroll and benefits	\$ —	\$ 124,208	\$ 38,668	\$ 189,026
Allocated overhead expenses	—	8,188	7,538	31,545
Prior management advisory fee ⁽¹⁾	—	132,396	46,206	220,571
Amended base management fee ⁽²⁾	19,485	—	57,580	—
Total management fee⁽³⁾	\$ 19,485	\$ 132,396	\$ 103,786	\$ 220,571
Incentive Fee:				
Incentive Fee ⁽³⁾	\$ —	\$ —	\$ 41,037	\$ —
Credit from voluntary, irrevocable waiver by Adviser's board of directors ⁽³⁾⁽⁴⁾	—	—	(41,037)	—
Net incentive fee	\$ —	\$ —	\$ —	\$ —
Administration Fee:				
Allocated payroll and benefits	\$ —	\$ 55,863	\$ 14,034	\$ 100,076
Allocated overhead expenses	—	10,352	4,498	25,185
Prior administration fee ⁽¹⁾	—	66,215	18,532	125,261
Amended administration fee ⁽²⁾	39,562	—	116,870	—
Total administration fee⁽³⁾	\$ 39,562	\$ 66,215	\$ 135,402	\$ 125,261

- (1) Pursuant to the Prior Advisory and Administration Agreements, respectively, as defined and described in further detail above, both of which were terminated on January 31, 2013.
- (2) Pursuant to the Amended Advisory and Administration Agreements, respectively, as defined and described in further detail above, both of which became effective on February 1, 2013.
- (3) Reflected as a line item on our accompanying *Condensed Consolidated Statements of Operations*.
- (4) An incentive fee of \$41,037 was paid to our Adviser for the three months ended March 31, 2013; however, during the three months ended June 30, 2013, our Adviser issued a one-time, irrevocable waiver equal to the full amount of the incentive fee due and payable to the Adviser for the three months ended March 31, 2013.

Related Party Fees Due

Amounts due to related parties on our accompanying *Condensed Consolidated Balance Sheets* were as follows:

	As of September 30, 2013	As of December 31, 2012
Management fee due to Adviser	\$ 19,485	\$ 46,710
Other due to Adviser ⁽¹⁾	5,136	2,934
Total due to Adviser	24,621	49,644
Administration fee due to Administrator	39,562	55,138
Total due to Administrator	39,562	55,138
Total due to related parties⁽²⁾	\$ 64,183	\$ 104,782

- (1) Other fees due to related parties primarily relate to miscellaneous general and administrative expenses paid by our Adviser on our behalf.
- (2) Reflected as a line item on our accompanying *Condensed Consolidated Balance Sheets*.

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NOTE 5. MORTGAGE NOTE PAYABLE AND LINE OF CREDIT

Our mortgage note payable and line of credit as of September 30, 2013, and December 31, 2012, are summarized below:

Issuer	Type of Issuance	Date of Issuance	Initial Commitment	Maturity Date	As of September 30, 2013			As of December 31, 2012		
					Principal Outstanding	Stated Interest Rate	Remaining Availability	Principal Outstanding	Stated Interest Rate	Remaining Availability
MetLife	Mortgage Note Payable	12/30/2010	45,200,000	1/5/2026	\$ 29,489,165	3.50%	\$13,565,000	\$ 30,717,880	3.50%	\$13,565,000
MetLife	Line of Credit	5/31/2012	4,785,000	4/5/2017	100,000	3.27%	4,685,000	100,000	3.35%	4,685,000
Totals:					\$ 29,589,165		\$18,250,000	\$ 30,817,880		\$18,250,000

The weighted-average effective interest rate charged on all of our borrowings, excluding the impact of deferred financing costs, was 3.63% for both the three and nine months ended September 30, 2013, respectively, as compared to 3.68% and 3.67% for the three and nine months ended September 30, 2012, respectively.

Mortgage Note Payable

On December 30, 2010, we executed a loan agreement with Metropolitan Life Insurance Company (“MetLife”) in an amount not to exceed \$45.2 million, pursuant to a long-term note payable. The note currently accrues interest at a rate of 3.50% per year, and the interest rate is subject to adjustment on January 5, 2014, and every three years thereafter to then-current market rates. The note is scheduled to mature on January 5, 2026, and we may not repay the note prior to maturity, except on one of the four interest rate adjustment dates. The loan originally provided for three disbursements, which were drawn in 2011, and it was amended in December 2011 to provide for three additional disbursements, two of which were drawn prior to an additional amendment in December 2012. In connection with the December 2011 amendment, we also incur a commitment fee of 0.20% on undrawn amounts, effective January 5, 2012. As amended in December 2012, the loan agreement provides for up to three additional future disbursements by December 2013, none of which have been drawn to date.

As of September 30, 2013, \$29.5 million was outstanding under this loan. The remaining three disbursements may not exceed \$13.6 million, in aggregate, and must be used solely to fund acquisitions of new property. The interest rate for future disbursements will be based on prevailing market rates, and at the time of such disbursements, the interest rate on the loan will adjust to reflect the rate on the new disbursement blended with the existing rate on the then-outstanding loan amount. If we have not drawn such funds for the acquisition of new properties by December 14, 2013, MetLife has the option to be relieved of its obligation to disburse the additional funds to us under this loan. We have begun discussions with MetLife to extend the period in which we are able to draw the remaining disbursements; however, there is no guaranty that we will be able to extend this draw period at rates favorable to us, or at all.

The fair value of the mortgage note payable outstanding as of September 30, 2013, was \$30.1 million, as compared to a carrying value of \$29.5 million. The fair value of the mortgage note payable is valued using Level 3 inputs under the hierarchy established by ASC 820, “Fair Value Measurements and Disclosures,” and is calculated based on a discounted cash flow analysis, using interest rates based on management’s estimates of market interest rates on long-term debt with comparable terms.

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Scheduled principal payments of the mortgage note payable for the remainder of 2013 and each of the five succeeding fiscal years and thereafter are as follows:

Period		Scheduled Principal Payments
For the remaining three months ending December 31:	2013	\$ —
For the fiscal years ending December 31:	2014	1,179,567
	2015	1,132,384
	2016	1,087,088
	2017	1,043,605
	2018	1,001,861
	Thereafter	24,044,660
		<u>\$ 29,489,165</u>

All of the properties owned as of September 30, 2013, with the exception of San Andreas, 38th Avenue and Sequoia Street have been pledged as collateral under this mortgage note payable.

Line of Credit

In November 2002, we entered into a \$3.3 million revolving line of credit facility with Rabo Agrifinance (the "Prior Credit Facility"), which was scheduled to mature on December 1, 2017, secured by San Andreas. In May 2012, we repaid the outstanding balance, in full, under the Prior Credit Facility and obtained a new, \$4.8 million revolving line of credit with MetLife that matures on April 5, 2017 (the "Credit Facility"). Our obligations under the Credit Facility are secured by a mortgage on San Andreas. The interest rate charged on the advances under the Credit Facility is equal to the three-month LIBOR in effect at the beginning of each calendar quarter plus 3.00%, with a minimum annualized rate of 3.25%. We may use advances under the Credit Facility for both general corporate purposes and the acquisition of new properties.

As of both September 30, 2013, and December 31, 2012, there was \$0.1 million outstanding under the Credit Facility, which is the minimum balance required, and approximately \$4.7 million of availability from which we could draw. Due to the short-term and revolving nature of a line of credit, the carrying value of our Credit Facility of \$0.1 million at both September 30, 2013, and December 31, 2012, is deemed to approximate fair value.

NOTE 6. STOCKHOLDERS' EQUITY

The following table summarizes the changes in our stockholders' equity for the nine months ended September 30, 2013:

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Number of Shares	Par Value			
Balance at December 31, 2012	<u>2,750,000</u>	<u>\$ 2,750</u>	<u>\$ —</u>	<u>\$ 8,133,976</u>	<u>\$ 8,136,726</u>
Net income	—	—	—	82,633	82,633
Proceeds from issuance of common stock, net	3,780,264	3,780	51,326,261	—	51,330,041
Distributions	—	—	—	(5,224,211)	(5,224,211)
Balance at September 30, 2013	<u>6,530,264</u>	<u>\$ 6,530</u>	<u>\$51,326,261</u>	<u>\$ 2,992,398</u>	<u>\$54,325,189</u>

Initial Public Offering

On January 28, 2013, we priced our IPO of 3,333,334 shares of our common stock at a public offering price of \$15.00 per share, which closed on January 31, 2013. Gross proceeds totaled \$50.0 million, and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately \$45.1 million. In connection with the offering, the underwriters exercised their option to purchase an additional 446,930 shares at the IPO price to cover over-allotments, which resulted in additional gross proceeds of \$6.7 million and net proceeds, after deducting underwriting

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discounts, of \$6.2 million. We intend to continue to use the net proceeds from the IPO and the underwriters' exercise of the over-allotment primarily to buy farms and farm-related properties, as well as for other general corporate purposes. As of September 30, 2013, \$4.6 million of these proceeds have been invested in new property acquisitions, and \$0.6 million has been expended or accrued for capital improvements on existing properties.

Distributions

Our Board of Directors declared and paid the following monthly distributions to common stockholders during the nine months ended September 30, 2013:

Declaration Date	Record Date	Payment Date	Distribution per Common Share
February 5, 2013	February 15, 2013	February 28, 2013	\$ 0.04
February 5, 2013	March 15, 2013	March 28, 2013	0.04
April 9, 2013	April 22, 2013	April 30, 2013	0.12
April 9, 2013	May 20, 2013	May 31, 2013	0.12
April 9, 2013	June 19, 2013	June 28, 2013	0.12
July 9, 2013	July 19, 2013	July 31, 2013	0.12
July 9, 2013	August 21, 2013	August 30, 2013	0.12
July 9, 2013	September 18, 2013	September 30, 2013	0.12
Total:			\$ 0.80

A portion of the distributions paid during the nine months ended September 30, 2013, relate to the \$9.6 million of accumulated earnings and profits from prior years to be paid out by the end of the year for which we elect to be taxed as a REIT, as explained further below. We will provide information related to the federal income tax characterization of our 2013 distributions in an IRS Form 1099-DIV, which will be issued to our stockholders in January 2014.

No distributions were declared or paid during the nine months ended September 30, 2012.

REIT Election and Accumulated Earnings and Profits

We intend to be taxed as a REIT for federal income tax purposes beginning with our taxable year ending December 31, 2013. To qualify as a REIT, we are required to distribute our non-REIT accumulated earnings and profits by December 31 of the year for which we first elect REIT status. As of December 31, 2012, we estimated that our non-REIT accumulated earnings and profits were approximately \$9.6 million. This amount includes approximately \$4.0 million of net earnings and profits associated with a deferred intercompany gain resulting from land transfers, described elsewhere in this Form 10-Q, that we will recognize immediately prior to the beginning of the initial taxable year for which we elect to be taxed as a REIT.

NOTE 7. EARNINGS PER SHARE OF COMMON STOCK

The following table sets forth the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2013 and 2012. Earnings per share is computed using the weighted average number of shares outstanding during the respective periods.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 4,760	\$ 40,431	\$ 82,633	\$ 357,408
Weighted average shares of common stock outstanding—basic and diluted	6,530,264	2,750,000	6,108,165	2,750,000
Basic & diluted earnings per common share	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.13

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NOTE 8. COMMITMENTS AND CONTINGENCIES

In connection with the execution of a new lease on Colding Loop in May 2013, we are required to install new wells and irrigation equipment on 121 of the 181 total farmable acres on the property. The installation of the new wells and irrigation equipment on these acres is substantially complete, and, as of September 30, 2013, we have expended or accrued approximately \$573,000 related to the installation. In addition, if the tenant notifies us of their intention to fully utilize the remaining 60 acres of the property, we will be required to install a new well and irrigation equipment to cover the additional 60 acres, which is estimated to cost approximately \$300,000.

Coinciding with the extension of the lease on West Beach, we entered into an agreement with the tenants on the farm to provide oversight on certain capital improvements that will serve to protect the property against future flooding. The cost of these improvements, which we expect to be between \$200,000 and \$250,000, will be borne by us and will take place over the next year. In addition, under the terms of the agreement with our tenants, we are required to pay them \$46,000 for their oversight role, to be paid in two equal installments over the course of the next year. These capital improvements have not yet begun, and, as of September 30, 2013, we have not expended or accrued any related costs.

NOTE 9. SUBSEQUENT EVENTS

Distributions

On October 8, 2013, our Board of Directors declared the following monthly cash distributions to common stockholders:

<u>Record Date</u>	<u>Payment Date</u>	<u>Distribution per Common Share</u>
October 22, 2013	October 31, 2013	\$ 0.12
November 14, 2013	November 29, 2013	0.12
December 16, 2013	December 31, 2013	0.12
	Total:	\$ 0.36

A portion of the distributions declared for the three months ended December 31, 2013, relates to the \$9.6 million of accumulated earnings and profits from prior years to be paid out by the end of 2013, as mentioned above. We will provide information related to the federal income tax characterization of our 2013 distributions in an IRS Form 1099-DIV, which will be issued to our stockholders in January 2014.

Investment Activity

On October 21, 2013, we acquired one farm comprised of 166 acres of farmland near Salinas, California, for an aggregate purchase price of approximately \$7.3 million. The property is currently being farmed for vegetables and berries. We funded this acquisition with the net proceeds from our IPO in January 2013. At closing, we were assigned the existing triple-net lease, which has two years remaining on the term. The lease provides for annualized, GAAP straight-line rents of \$360,000.

In addition, we also executed a nine-year, follow-on lease that begins at the end of the two-year lease assumed at acquisition. Under the terms of the follow-on lease, the tenant has one option to extend the lease for an additional five-year term. This nine-year lease will provide for prescribed rent escalations over the life of the lease, with annualized, GAAP straight line rents of approximately \$413,476.

We will account for this acquisition as a business combination in accordance with ASC 805; however, the initial accounting for this transaction is not yet complete, making certain disclosures unavailable at this time.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All statements contained herein, other than historical facts, may constitute "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 (the "Exchange Act"). These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely" or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our business, financial condition, liquidity, results of operations, funds from operations or prospects to be materially different from any future business, financial condition, liquidity, results of operations, funds from operations or prospects expressed or implied by such forward-looking statements and include, but are not limited to:

- Our ability to successfully deploy the remaining net proceeds from our initial public offering (our "IPO");
- Changes in our industry, interest rates or the general economy;
- Natural disasters or climactic changes impacting the regions in which our tenants operate;
- The degree and nature of our competition;
- Changes in our business strategy; and
- Loss of our key personnel.

For further information about these and other factors that could affect our future results, please see the captions titled "Risk Factors" in this report and in our Annual Report on Form 10-K for the year ended December 31, 2012. We caution readers not to place undue reliance on any such forward-looking statements, which are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q, except as required by law.

All references to "we," "our," "us" and the "Company" in this Quarterly Report mean Gladstone Land Corporation and its consolidated subsidiaries, except where it is made clear that the term refers only to Gladstone Land Corporation.

OVERVIEW

General

We are an externally-managed real estate company that currently owns 15 farms: 7 in California, 6 in Florida, 1 in Michigan and 1 in Oregon. These farms are currently leased to 11 separate tenants that are either corporate or independent farmers. We intend to acquire more farmland that is or will be leased to farmers, and we expect that most of our future tenants will be medium-sized independent farming operations or large corporate farming operations that are unrelated to us. We may also acquire property related to farming, such as cooling facilities, freezer buildings, packing houses, box barns, which are facilities used for storage and assembling boxes, silos, storage facilities, green houses, processing plants, packing buildings and distribution centers. We generally lease our properties under triple-net leases, an arrangement under which the tenant maintains the property while paying the related taxes, maintenance and insurance costs, as well as rent to us. We may also elect to sell farmland at certain times, such as when the land could be developed by others for urban or suburban uses.

To a lesser extent, we may provide senior secured first-lien mortgages to farmers for the purchase of farmland and properties related to farming. We expect that any mortgages we make would be secured by farming properties that have been in operation for over five years with a history of crop production and profitable farming operations. We have not currently identified any properties for which to make loans secured by properties.

We were incorporated in 1997, primarily for the purpose of operating strawberry farms through our former subsidiary, Coastal Berry Company, LLC ("Coastal Berry"), a company that provided growing, packaging, marketing and distribution of fresh berries and other agricultural products. We operated Coastal Berry as our primary business until 2004, when it was sold to Dole Food Company ("Dole").

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Since 2004, our operations have consisted solely of leasing our farms. We also lease a small parcel on our farm near Oxnard, California (“West Gonzales”) to an oil company. We do not currently intend to enter into the business of growing, packing or marketing farmed products; however, if we do so in the future, we expect that it would be through a taxable real estate investment trust subsidiary (“TRS”).

We intend to continue to use the net proceeds from our IPO, which closed on January 31, 2013, primarily to purchase more farmland, as well as for other general corporate purposes. We intend to continue to lease our farm properties to corporate farmers or independent farmers that sell their products through national corporate marketers-distributors. We currently have no plans to make mortgage loans on farms, but we may use a small portion of the net proceeds from the IPO to make mortgage loans on farms and farm-related properties. We expect to earn rental and interest income from our investments.

Gladstone Management Corporation (our “Adviser”) manages our real estate portfolio, and Gladstone Administration, LLC (our “Administrator”) provides us with administrative services. Our Adviser and our Administrator collectively employ all of our personnel and pay their salaries, benefits and general expenses directly.

We conduct substantially all of our investment activities through, and all of our properties are held, directly or indirectly, by, Gladstone Land Limited Partnership (the “Operating Partnership”). We control our Operating Partnership as its sole general partner, and we also currently own, directly or indirectly, all limited partnership units (“Units”) of our Operating Partnership. We expect to offer equity ownership in our Operating Partnership by issuing Units from time to time in exchange for agricultural real property. By structuring our acquisitions in this manner, the sellers of the real estate will generally be able to defer the realization of gains until they redeem the Units or sell the Units for cash. Persons who receive Units in our Operating Partnership in exchange for real estate or interests in entities that own real estate will be entitled to redeem these Units for cash or, at our election, shares of our common stock on a one-for-one basis at any time after holding the Units for one year.

We intend to qualify and elect to be taxed as a real estate investment trust (“REIT”) for federal tax purposes beginning with our taxable year ending December 31, 2013. If we qualify and elect to be taxed as a REIT, we generally will not be required to pay federal and state income taxes on the distributions we make to our stockholders. Any TRS through which we may conduct operations will be required to pay federal and state income taxes on its taxable income, if any, at the then-applicable corporate rates. To the extent we do not qualify or elect to be taxed as a REIT for federal income tax purposes, we will be subject to regular corporate income tax on our taxable income.

Objectives and Strategies

Our principal business objective is to maximize stockholder returns through a combination of: (1) monthly cash distributions to our stockholders; (2) sustainable long-term growth in cash flows from increased rents, which we hope to pass on to stockholders in the form of increased distributions; (3) appreciation of our land; and (4) capital gains derived from the sale of our properties. Our primary strategy to achieve our business objective is to invest in a diversified portfolio of net leased farmland and properties related to farming operations.

We expect that most of our future tenants will be medium-sized independent farming operations or large corporate farming operations that are unrelated to us. We intend to lease our properties under triple-net leases, an arrangement under which the tenant maintains the property while paying the related taxes, maintenance and insurance costs, as well as rent to us. We are actively seeking and evaluating other farm properties to potentially purchase with the remaining net proceeds received from our IPO. All potential acquisitions will be subject to due diligence procedures, and there can be no assurance that we will be successful in identifying or acquiring additional properties in the future.

Leases

We anticipate that most of our agricultural leases for properties growing row crops will have initial terms of two to five years, often with options to extend the lease further, and will be payable semi-annually, at a fixed rate, with one-half due at the beginning of the year and the other half due later in the year. We anticipate that most of our agricultural leases for properties growing long-term plants, such as trees, bushes and vines, will have longer-term leases with similar payment terms. Leases will generally be on a triple-net basis, which means that, generally, the tenant will be required to pay taxes, insurance (including drought insurance for properties that depend upon rain water for irrigation), water costs, maintenance and other operating costs. We expect that leases with longer terms, such as for five or more years, would contain provisions, often

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referred to as escalation clauses, that provide for annual increases in the amounts payable by the tenants. The escalation clause may be a fixed amount each year, or it may be variable based on standard cost of living figures. In addition, some long-term leases may require a regular survey of comparable land rents, with an adjustment to reflect the current rents. We do not expect to enter into leases that include variable rent based on the success of the harvest each year. All of our current leases are on a triple-net basis with original lease terms ranging from 1 to 15 years.

We monitor our tenants' credit quality on an ongoing basis by, among other things, conducting site visits of the properties to ensure farming operations are taking place and to assess the general maintenance of the properties. To date, no changes to credit quality of our tenants have been identified and all tenants continue to pay pursuant to the terms of their respective leases.

Lease Expirations

Farm leases are generally short-term in nature, so in any given year we expect to have multiple leases up for renewal or extension. We had three leases expiring in 2013; however, all three have been extended. We have two leases expiring in 2014: one on 306 acres of farmland near Watsonville, California ("San Andreas") and one on 198 acres of farmland consisting of three farms near Watsonville, California ("West Beach"). Collectively, these leases accounted for approximately 25.7% of the total acreage owned as of September 30, 2013, and 22.5% of the rental income recorded during the nine months ended September 30, 2013. The current rental rate on San Andreas was negotiated in 2010, while the current rental rate on West Beach was negotiated in 2013. Because the rental rates on both of these leases have been recently negotiated, we anticipate being able to renew each of these leases prior to their expiration in 2014 at the same, if not higher, rental rates. While we have begun discussions with the tenants regarding the respective leases, there can be no assurance that we will be able to renew the leases at rates favorable to us, if at all. However, we do not believe that average rental rates for other farms in the regions where our current properties are located have declined since we entered into our leases for those properties.

Mortgages

We may also make loans to farmers for the purchase of farmland and other properties related to farming, not to exceed 5.0% of the fair value of our total assets, over time. These loans would be secured by mortgages on the property. In the event that we make any such loans, we expect that the typical mortgage would carry a fixed interest rate over a term of three to five years and would require interest-only payments with no amortization of the principal until maturity. We expect that the mortgage would be set up to have the senior claim on the property but would not require the owner to guarantee the mortgage personally. If we make mortgage loans, we intend to provide borrowers with a conditional put option giving them the right to sell the property to us at a predetermined fair market value, and we also may have a call option to buy the property from the borrower.

REIT Election and Accumulated Earnings and Profits

We intend to be taxed as a REIT for federal income tax purposes beginning with our taxable year ending December 31, 2013. To qualify as a REIT, we are required to distribute our non-REIT accumulated earnings and profits by December 31 of the year for which we first elect REIT status. As of December 31, 2012, we estimated that our non-REIT accumulated earnings and profits were approximately \$9.6 million. This amount includes approximately \$4.0 million of net earnings and profits associated with a deferred intercompany gain resulting from land transfers, described elsewhere in this Form 10-Q, that we will recognize immediately prior to the beginning of the initial taxable year for which we elect to be taxed as a REIT. Furthermore, in March 2013, we made a \$2.1 million income tax prepayment in the form of a cash bond paid to the Internal Revenue Service (the "IRS") for federal income taxes of approximately \$2.1 million related to the aforementioned gain that will become due upon our making a REIT election.

Business Environment

The United States (the "U.S.") continues to see signs of a sustainable recovery from the recession that began in late 2007. Notwithstanding the recent U.S. government shutdown, we are seeing improvements in the labor market, as the unemployment rate continues its downward trajectory over the last several years. The housing market has also picked up, as construction starts and housing prices are on the rise, and foreclosure and delinquency rates are declining. However, various signs of weaknesses are still present in the economy. Interest rates remain near their historic lows, leading to increased

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competition for new acquisitions and causing cap rate compression, and uncertainty over rising mortgage interest rates still persist. In addition, recent U.S. budget deficit concerns and the budget impasse that resulted in the partial shutdown of the U.S. government in October 2013 had wide-ranging effects on the economy, as it slowed economic growth, damaged consumer confidence and led to uncertain conditions for many businesses. Furthermore, the possibility of U.S. default still looms, and the uncertainty surrounding these conditions could result in ratings agencies lowering the long-term sovereign credit rating of the U.S., as one of the ratings agencies did in 2011. These developments, and the government's credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access both the debt and equity markets on favorable terms. Unfavorable economic conditions and uncertainty of legislation related to agriculture could also have a material, adverse effect on one or more of our tenants, as well as on our business, financial condition and results of operations.

Land values across the majority of the U.S. have seen a steady increase over the past decade. More specifically, values of U.S. farm real estate and croplands have each seen close to double-digit appreciation over the past couple of years. We believe that certain trends continue to make farmland a compelling investment. Domestic and global population growth is a major driver behind the increased demand for farmland, as more food is needed to feed the growing population. In addition, more and more agricultural land is being developed for urban, suburban and industrial purposes. While increased development and changing patterns of use may increase the land values and rents in our portfolio, it could also result in upward pressure on prices for farms that we seek to acquire.

Recent Developments

Initial Public Offering of Our Common Stock

On January 28, 2013, we priced our IPO of 3,333,334 shares of our common stock at a public offering price of \$15.00 per share, which closed on January 31, 2013. Including the underwriters' option to cover over-allotments, which was exercised on February 19, 2013, we issued a total of 3,780,264 shares, resulting in gross proceeds of \$56.7 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, of approximately \$51.3 million. We intend to continue to use the net proceeds from the IPO and the underwriters' exercise of the over-allotment primarily to buy farms and farm-related properties, as well as for other general corporate purposes. To date, we have invested \$11.9 million of the net proceeds received in connection with our IPO into new property acquisitions, and an additional \$0.6 million has been expended or accrued for capital improvements on existing properties.

Investment and Leasing Activity

During the nine months ended September 30, 2013, the following significant events occurred with regard to our properties:

- On April 5, 2013, we acquired a property comprised of 119 acres of farmland near Covert, Michigan ("38^h Avenue"), for an aggregate purchase price of approximately \$1.3 million. The property is currently farmed for blueberries. We funded this acquisition with the net proceeds received from our IPO in January 2013. At closing, we executed a new, triple-net lease on the property for a term of seven years. The tenant has one option to extend the lease for an additional seven-year term. The lease provides for prescribed rent escalations over the life of the lease, with annualized, GAAP straight-line rents of \$87,286.
- On May 28, 2013, we executed a lease with a new tenant to occupy the property near Wimauma, Florida ("Colding Loop"), commencing June 15, 2013, as the lease term with the previous tenant on the property expired on June 14, 2013. The new lease term is for five years, through June 2018, and the tenant has one option to extend the lease for an additional five-year term. The lease provides for prescribed rent escalations over the life of the lease, with minimum annualized, GAAP straight-line rental income of \$125,400. In connection with this agreement, we are required to install new irrigation equipment on part of the property, and we may be required to install additional irrigation equipment on the total acreage of the property. We estimate commitments in connection with this agreement may cost up to \$900,000, of which \$573,000 has been expended or accrued for as of September 30, 2013. See Note 8, "*Commitments and Contingencies*," located elsewhere in this Form 10-Q, for further discussion on this commitment.
- On May 31, 2013, we acquired a property comprised of 209 acres of farmland near Brooks, Oregon ("Sequoia Street"), for an aggregate purchase price of approximately \$3.1 million. The property will be farmed for blueberries. We funded this acquisition with the net proceeds received from our IPO in January 2013. At closing, we executed a

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new, triple-net lease on the property for a term of fifteen years. The tenant has three five-year renewal options to extend the lease for a potential total extension period of fifteen years. The lease provides for prescribed rent escalations over the life of the lease, with minimum annualized, GAAP straight-line rents of \$193,617.

- On August 30, 2013, we extended the lease with the tenant occupying West Gonzales, which was originally set to expire in December 2013. The lease was extended for an additional 6.5 years, through June 2020, and provides for prescribed rent escalations over the life of the lease, with annualized, GAAP straight-line rental income of approximately \$2.4 million, representing an 11.2% increase over that of the previous lease.
- On September 11, 2013, we extended the lease with the tenant occupying West Beach, which was originally set to expire in October 2013. The lease was extended for an additional year, through October 2014, and provides for, GAAP straight-line rental income of approximately \$448,000, representing a 5.7% increase over that of the previous lease. In connection with this extension, we have agreed to incur the costs of upgrading the drainage system on the property, which we estimate will cost between \$250,000 and \$300,000 and will take place over the course of the next year. See Note 8, “*Commitments and Contingencies*,” for further discussion on this commitment.
- On October 21, 2013, we acquired one farm comprised of 166 acres of farmland near Salinas, California, for an aggregate purchase price of approximately \$7.3 million. The property is currently being farmed for vegetables and berries. We funded this acquisition with the net proceeds from our IPO in January 2013. At closing, we were assigned the existing triple-net lease, which has two years remaining on the term. The lease provides for annualized, GAAP straight-line rents of \$360,000. In addition, at closing, we also executed a nine-year, follow-on lease that begins at the end of the two-year lease assumed at acquisition. Under the terms of the follow-on lease, the tenant has one option to extend the lease for an additional five-year term. This nine-year lease will provide for prescribed rent escalations over the life of the lease, with annualized, GAAP straight line rents of \$413,476.

Our Adviser and Administrator

Advisory and Administration Agreements

Since 2004, we have been externally managed pursuant to a contractual investment advisory arrangement with our Adviser, under which our Adviser has directly employed certain of our personnel and paid their payroll, benefits and general expenses directly. Prior to January 1, 2010, the advisory agreement also covered the administrative services we received from Gladstone Administration, LLC (our “Administrator”), which, until January 1, 2010, was a wholly-owned subsidiary of our Adviser. Since January 1, 2010, our Administrator has provided administrative services to us pursuant to a separate administration agreement with our Administrator. Upon the closing of our IPO, on January 31, 2013, we entered into amended and restated versions of each of the advisory and administration agreements.

Prior Advisory and Administration Agreements

Prior Advisory Agreement

Under our advisory agreement in effect until January 31, 2013 (the “Prior Advisory Agreement”), we were required to reimburse our Adviser for our pro-rata share of our Adviser’s payroll and benefits expenses on an employee-by-employee basis, based on the percentage of each employee’s time devoted to our matters in relation to the time such employees devoted to all of our affiliated funds advised by the Adviser. Until January 1, 2010, this payment arrangement also extended to administrative services provided to us by our Administrator.

Under our Prior Advisory Agreement, we were also required to reimburse our Adviser for our pro-rata portion of all other expenses of our Adviser not reimbursed under the arrangements described above, which we refer to as overhead expenses, equal to the total overhead expenses of our Adviser multiplied by the ratio of hours worked by our Adviser’s (and until January 1, 2010, our Administrator’s) employees on our projects to the total hours worked by our Adviser’s (and until January 1, 2010, our Administrator’s) employees. However, we were only required to reimburse our Adviser for our portion of its overhead expenses if the amount of payroll and benefits we reimbursed to our Adviser was less than 2.0% of our average invested assets for the year. Additionally, we were only required to reimburse our Adviser for overhead expenses up to the point that reimbursed overhead expenses and payroll and benefits expenses, on a combined basis, equaled 2.0% of our average invested assets for the year. Our Adviser was required to reimburse us annually for the amount by which amounts billed to and paid by us exceed this 2.0% limit during a given year. These amounts never exceeded the 2.0% limit, and, therefore, we never received or qualified for any such reimbursement.

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Prior Administration Agreement

From January 1, 2010, through January 31, 2013, we were required to reimburse our Administrator for our pro-rata portion of its payroll and benefits expenses on an employee-by-employee basis, based on the percentage of each employee’s time devoted to our matters. We were also required to reimburse our Administrator for our pro-rata portion of its overhead expenses, equal to the total overhead expenses of our Administrator multiplied by the ratio of hours worked by our Administrator’s employees on our projects to the total hours worked by our Administrator’s employees.

Amended and Restated Advisory and Administration Agreements

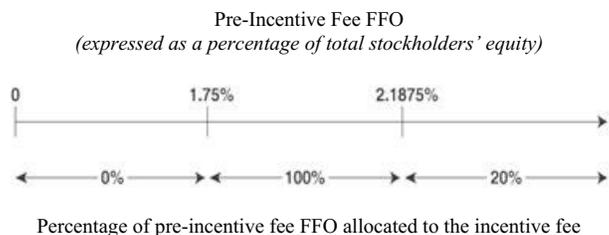
Amended Advisory Agreement

Under the terms of the Amended Advisory Agreement that went into effect on February 1, 2013, we pay an annual base management fee equal to 1.0% of our total stockholders’ equity, less the recorded value of any preferred stock we may issue and, for 2013 only, any uninvested cash proceeds from the IPO, which we refer to as our adjusted stockholders’ equity. Beginning in 2014, we will pay an annual base management fee equal to 2.0% of our adjusted total stockholders’ equity, which will no longer exclude any uninvested cash proceeds from the IPO, and an additional incentive fee based on our Pre-Incentive Fee FFO. If the Amended Advisory Agreement had been in place during the three and nine months ended September 30, 2012, we estimate that our base management fee for those periods would have been approximately \$20,000 and \$59,000, respectively, as compared to the actual management advisory fee incurred during those periods per the Prior Advisory Agreement of \$132,396 and \$220,571, respectively.

For purposes of calculating the incentive fee, our funds from operations (“FFO”) before giving effect to any incentive fee (our “Pre-Incentive Fee FFO”) will include any realized capital gains or losses, less any distributions paid on any preferred stock we may issue, but will not include any unrealized capital gains or losses. The incentive fee will reward our Adviser if our Pre-Incentive Fee FFO for a particular calendar quarter exceeds a hurdle rate of 1.75%, or 7% annualized, of our total stockholders’ equity at the end of the quarter. We pay our Adviser an incentive fee with respect to our Pre-Incentive Fee FFO quarterly, as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee FFO does not exceed the hurdle rate of 1.75% (7% annualized);
- 100% of the amount of the pre-incentive fee FFO that exceeds the hurdle rate, but is less than 2.1875% in any calendar quarter (8.75% annualized); and
- 20% of the amount of our pre-incentive fee FFO that exceeds 2.1875% in any calendar quarter (8.75% annualized).

Quarterly Incentive Fee Based on FFO



If the Amended Advisory Agreement had been in place during the three and nine months ended September 30, 2012, we estimate that we would have incurred an incentive fee for those periods of approximately \$64,000 and \$193,000, respectively. Prior to the Amended Advisory Agreement becoming effective on February 1, 2013, there was no agreement in place by which to incur an incentive fee.

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Amended Administration Agreement

Under the terms of the Amended Administration Agreement that went into effect on February 1, 2013, we pay separately for our allocable portion of the Administrator's overhead expenses in performing its obligations, including rent and our allocable portion of the salaries and benefits expenses of our chief financial officer and treasurer, chief accounting officer, chief compliance officer, internal counsel and secretary, and their respective staffs. Unlike our Prior Administration Agreement, which provided that our allocable portion of these expenses be based on the percentage of time that our Administrator's personnel devoted to our affairs, under the Amended Administration Agreement, our allocable portion of these expenses is generally derived by multiplying the Administrator's total allocable expenses by the percentage of our total assets at the beginning of each quarter in comparison to the total assets of all affiliated funds for whom our Administrator provides services. If the Amended Administration Agreement had been in place during the three and nine months ended September 30, 2012, we estimate that our administration fee for those periods would have been approximately \$17,000 and \$56,000, respectively, as compared to the actual administration fee incurred during those periods of \$66,215 and \$125,261, respectively.

Emerging Growth Company

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. In particular, Section 107 of the JOBS Act provides that an emerging growth company may choose to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards, meaning that the company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Additionally, we are eligible to take advantage of certain other exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, an exemption from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. We have elected to take advantage of this extended transition period, and, as a result, we will comply with new or revised accounting standards on the dates on which adoption of such standards is required for private companies for as long as we maintain our emerging company status. Accordingly, the accounting standards that we apply while we remain an emerging growth company may differ materially from the accounting standards applied by other similar public companies, including emerging growth companies that have not elected to opt into of this extended transition period. This election could have a material impact on our financial statements and the comparability of our financial statements to the financial statements of similar public companies.

Critical Accounting Policies

The preparation of our financial statements in accordance with generally accepted accounting principles in the U.S. ("GAAP") requires management to make judgments that are subjective in nature in order to make certain estimates and assumptions. Application of these accounting policies involves the exercise of judgment regarding the use of assumptions as to future uncertainties, and, as a result, actual results could materially differ from these estimates. A summary of all of our significant accounting policies is provided in Note 2 to our *Condensed Consolidated Financial Statements* included elsewhere in this Form 10-Q, and a summary of these critical accounting policies is below. We consider these policies critical because they involve estimates and assumptions that require complex, subjective or significant judgments in their application and that materially affect our results of operations.

As described further in Note 2 to our *Condensed Consolidated Financial Statements* under "— Revision of Previously-Issued Financial Statements," we identified the following error during 2013:

- The 2012 income tax provision was misstated as a result of the omission of additional depreciation prescribed under Section 168(k) of the Internal Revenue Code. The effect of this error was an understatement of income taxes receivable and deferred tax liability of approximately \$485,000 as of December 31, 2012. This error had no effect on our consolidated statements of operations, including our reported net income or earnings per share.

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With respect to the error noted above, we assessed its materiality on the financial statements in connection with previously-filed periodic reports and concluded that at such time the error was not material to any prior annual or interim periods. Accordingly, we have elected to revise the December 31, 2012, balance sheet, as included in the Annual Report on Form 10-K.

Investments in Real Estate

We will record investments in real estate at cost and will capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. In a triple-net lease, the tenant generally provides repairs and maintenance; however, to the extent that we undertake repairs or maintenance, we will expense these costs of repairs and maintenance as they are incurred. We will compute depreciation using the straight-line method over the shorter of the estimated useful life or 39 years for buildings and improvements, including horticulture acquired in connection with the purchase of farmland, and 5 to 7 years for equipment.

We will be required to make subjective assessments as to the useful lives of our properties for purposes of determining the amount of depreciation to record on an annual basis with respect to our investments in real estate. These assessments will have a direct impact on our net income because, if we were to shorten the expected useful lives of our investments in real estate, we would depreciate these investments over fewer years, resulting in more depreciation expense and lower net income on an annual basis.

Purchase Price Allocation

When we acquire real estate, we allocate the purchase price to: (i) the acquired tangible assets and liabilities, consisting of land, building, tenant improvements, horticulture and long-term debt, and, if the acquisition is a business combination, (ii) the identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, in-place leases, unamortized lease origination costs, tenant relationships and capital lease obligations, based, in each case, on their fair values.

Certain of our acquisitions involve sale-leaseback transactions with newly-originated leases, which we account for as asset acquisitions under Accounting Standards Codification (“ASC”) 360, “Property, Plant and Equipment.” Other of our acquisitions involve the acquisition of farmland that is already being operated as rental property and has a lease in place that we assume at the time of acquisition, which we will generally consider to be a business combination under ASC 805, “Business Combinations.” In the case of an asset acquisition, we will capitalize the transaction costs incurred in connection with the acquisition, whereas in the case of a business combination, we will expense these transaction costs as incurred. When we account for an acquisition as a business combination, we may also record above-market and below-market in-place lease values for owned properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be paid pursuant to the in-place leases and management’s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. If present, we will amortize the capitalized above-market lease values as a reduction of rental income over the remaining, non-cancelable terms of the respective leases, and we will amortize the capitalized below-market lease values, included in Other liabilities on the accompanying *Condensed Consolidated Balance Sheets*, as an increase to rental income over the remaining, non-cancelable terms of the respective leases. Since our strategy will, to a large degree, involve sale-leaseback transactions with newly-originated leases at market rates, we do not expect that the above-market and below-market in-place lease values will be significant for many of the transactions we will ultimately enter into.

We will measure the aggregate value of other intangible assets acquired based on the difference between the property valued with existing in-place leases adjusted to market rental rates and the property valued as if vacant. Our Adviser will estimate values using methods similar to those used by independent appraisers, such as discounted cash flow analyses. Factors to be considered by management in its analysis will include an estimate of carrying costs during hypothetical, expected lease-up periods, considering current market conditions and costs to execute similar leases. Our Adviser will also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, management will also include real estate taxes, insurance and other operating expenses and estimates of lost rental income at market rates during the hypothetical, expected lease-up periods, which we expect will primarily range from 6 to 18 months, depending on specific local market conditions.

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Our Adviser will also estimate costs to execute similar leases, including leasing commissions, legal and other related expenses, to the extent such costs are not already incurred in connection with a new lease origination as part of the transaction.

The total amount of other intangible assets acquired will be further allocated to in-place lease values and customer relationship intangible values based on our Adviser's evaluation of the specific characteristics of each tenant's lease and our overall relationship with that respective tenant. Characteristics to be considered by our Adviser in allocating these values include the nature and extent of our existing business relationship with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and management's expectations of lease renewals, including those existing under the terms of the current lease agreement, among other factors. We will amortize the value of in-place leases to expense over the initial term of the respective leases, which we primarily expect to range from two to five years for properties growing row crops, with longer terms for properties growing long-term plants such as trees, bushes and vines. The value of customer relationship intangibles will be amortized to expense over the initial term and any renewal periods in the respective leases. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and customer relationship intangibles would be charged to expense.

A change in any of the subjective assumptions above could have a material impact on our results of operations.

Asset Impairment Evaluation

We will periodically review the carrying value of each property to determine if circumstances that indicate impairment in the carrying value of the investment exist or that depreciation periods should be modified. In determining if impairment exists, our Adviser will consider such factors as our tenants' payment history, the financial condition of our tenants, including calculating the current leverage ratios of tenants, the likelihood of lease renewal, business conditions in the industries in which our tenants operate and whether the carrying value of our real estate has decreased. If any of the factors above indicate the possibility of impairment, we will prepare a projection of the undiscounted future cash flows, without interest charges, of the specific property and determine if the investment in such property is recoverable. In preparing the projection of undiscounted future cash flows, we will estimate the holding periods of the properties and cap rates using information we obtain from market comparability studies and other comparable sources. If impairment is indicated, the carrying value of the property will be written down to its estimated fair value based on our best estimate of the property's discounted future cash flows using assumptions from market participants. Any material changes to the estimates and assumptions used in this analysis could have a significant impact on our results of operations, as the changes would impact our determination of whether impairment is deemed to have occurred and the amount of impairment loss we would recognize.

Income Taxes

Our financial results generally will not reflect provisions for current or deferred income taxes for taxable years beginning with the year for which we first elect to be taxed as a REIT, which is currently contemplated to be our taxable year ending December 31, 2013. Management believes that we will be organized and will operate in a manner that will allow us to qualify to be taxed as a REIT, and, as a result, we do not expect to pay substantial corporate-level income taxes for taxable years for which we qualify and elect to be taxed as a REIT for federal income tax purposes. Many of the requirements for REIT qualification are highly technical and complex. If we were to fail to meet any of those requirements, we would be subject to federal corporate income tax, which could have a material, adverse impact on our results of operations and amounts available for distributions to our stockholders. Our TRS will pay taxes on its taxable income, if any, at the then-current corporate rates.

In connection with intercompany transfers of San Andreas and West Gonzales in 2002 and of San Andreas again in 2004, we created deferred intercompany gains that are taxable for both federal and state income tax purposes. These deferred intercompany gains are generally equal to the excess of the fair market value of the property over the tax basis of the property (determined as of the time that the deferred intercompany gain was created). Deferred intercompany gains are indefinitely deferred until a triggering event occurs (such as a REIT conversion), generally when the transferee or the transferor leaves the consolidated group, as defined by the relevant tax law, or the property is sold to a third party. In the case of a transfer of built-in gain property between members of a consolidated group, there are deferred intercompany gains to the transferring entity, and the receiving entity's tax basis is the fair market value at the date of transfer. Thus, a deferred tax liability is created related to the deferred intercompany gain to the transferring entity, and an offsetting deferred tax asset is created representing the basis difference created by the new tax basis of the receiving entity. As a result, the deferred tax assets and liabilities offset one another and there is no net impact to us. In accordance with ASC 740 and ASC 810, no tax impact is recognized in the condensed consolidated financial statements as a result of transfers of assets between members of a consolidated group.

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As a result of the transfers mentioned above, the related federal and state deferred tax assets and liabilities each total approximately \$2.2 million as of September 30, 2013. With respect to the federal amount of approximately \$2.1 million, this amount will become payable upon our making a REIT election, and, as a REIT, we will no longer be able to obtain the benefit of the related deferred tax asset. As such, in March 2013, we made a tax prepayment of \$2.1 million in the form of a cash bond submitted to the IRS to cover this amount once it becomes due. As a result, we will reverse the deferred tax asset through our income tax provision once we have completed all significant actions necessary to qualify as a REIT and are committed to a course of action for this to occur. The REIT election does not have the same impact on the state tax amount of approximately \$0.1 million, and, therefore, this amount will continue to be deferred. In addition, the Deferred tax liability reflected on the *Condensed Consolidated Balance Sheets*, which relates to temporary tax differences, and the Provision for income taxes reflected on the *Condensed Consolidated Statements of Operations* will also be reversed upon election of REIT status. We currently intend to qualify and elect to be taxed as a REIT for federal income tax purposes beginning with our tax year ending December 31, 2013.

In connection with our acquisition of San Andreas in February 2004 from SC Land, Inc. ("SC Land"), we created a deferred intercompany stock account ("DISA") at the state income tax level that was based upon the fair market value of the property at the time of that transfer. The resulting tax liability to us was approximately \$98,000. We determined that the state income taxes of \$98,000 related to the DISA became payable in 2009, and we are paying that amount over a five-year period that will conclude in 2014.

In addition, we acquired West Gonzales in May 2009 from SC Land. SC Land was formally liquidated in June 2010; however, we have concluded that SC Land was de facto liquidated in May 2009, since the business operations of SC Land were effectively terminated as of that date. As a result, we will not be subject to a similar tax on the transfer of West Gonzales in 2009, as resulted from the 2002 and 2004 transfers discussed in the paragraphs above.

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Results of Operations

A comparison of our operating results for the three and nine months ended September 30, 2013 and 2012 is below:

	For the Three Months Ended September 30,		\$ Change	% Change
	2013	2012		
Operating revenues:				
Rental income	\$ 996,096	\$ 848,461	\$ 147,635	17.4%
Total operating revenues	996,096	848,461	147,635	17.4%
Operating expenses:				
Depreciation and amortization	171,751	120,511	51,240	42.5%
Management fee	19,485	132,396	(112,911)	-85.3%
Incentive fee	—	—	—	NM
Administration fee	39,562	66,215	(26,653)	-40.3%
Professional fees	140,147	40,079	100,068	249.7%
Acquisition-related expenses	59,970	103,314	(43,344)	-42.0%
Property operating expense	24,564	64,568	(40,004)	-62.0%
General and administrative	192,001	15,759	176,242	1118.4%
Operating expenses before credits from Adviser	647,480	542,842	104,638	19.3%
Credits to fees	—	—	—	NM
Total operating expenses	647,480	542,842	104,638	19.3%
Operating income	348,616	305,619	42,997	14.1%
Other income (expense)				
Interest and other income	17,594	648	16,946	2615.1%
Interest expense	(276,044)	(246,585)	(29,459)	11.9%
Total other expense	(258,450)	(245,937)	(12,513)	5.1%
Net income before income taxes	90,166	59,682	30,484	51.1%
Income tax provision	(85,406)	(19,251)	(66,155)	343.6%
Net income	\$ 4,760	\$ 40,431	\$ (35,671)	-88.2%

NM = Not Meaningful

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	For the Nine Months Ended		\$ Change	% Change
	September 30,			
	2013	2012		
Operating revenues:				
Rental income	\$2,860,435	\$2,473,837	\$ 386,598	15.6%
Total operating revenues	2,860,435	2,473,837	386,598	15.6%
Operating expenses:				
Depreciation and amortization	509,110	306,257	202,853	66.2%
Management fee	103,786	220,571	(116,785)	-52.9%
Incentive fee	41,037	—	41,037	NM
Administration fee	135,402	125,261	10,141	8.1%
Professional fees	389,303	202,644	186,659	92.1%
Acquisition-related expenses	81,107	119,523	(38,416)	-32.1%
Property operating expense	72,031	101,743	(29,712)	-29.2%
General and administrative	506,179	39,170	467,009	1192.3%
Operating expenses before credits from Adviser	1,837,955	1,115,169	722,786	64.8%
Credits to fees	(41,037)	—	(41,037)	NM
Total operating expenses, net of credits to fees	1,796,918	1,115,169	681,749	61.1%
Operating income	1,063,517	1,358,668	(295,151)	-21.7%
Other income (expense)				
Interest and other income	43,039	5,424	37,615	693.5%
Interest expense	(832,490)	(719,517)	(112,973)	15.7%
Total other expense	(789,451)	(714,093)	(75,358)	10.6%
Net income before income taxes	274,066	644,575	(370,509)	-57.5%
Income tax provision	(191,433)	(287,167)	95,734	-33.3%
Net income	\$ 82,633	\$ 357,408	\$(274,775)	-76.9%

NM = Not Meaningful

Operating Revenues

Rental income increased for both the three and nine months ended September 30, 2013, as compared to the respective prior-year periods, primarily as a result of six additional farms acquired since August 2012.

Operating Expenses

Depreciation and amortization expenses increased for both the three and nine months ended September 30, 2013, as compared to the respective prior-year periods, as a result of the additional farms acquired, as mentioned above, as well as site improvements made on existing properties subsequent to September 30, 2012.

The management fee decreased for both the three and nine months ended September 30, 2013, as compared to the respective prior-year periods, primarily as a result of efforts expended by our Adviser's employees in the prior-year periods in connection with the preparation and filing of a registration statement with the U.S. Securities and Exchange Commission (the "SEC") for our IPO in January 2013, as well as due to the Amended Advisory Agreement with our Adviser, which is discussed below. For the nine months ended September 30, 2013, this decrease was partially offset by an increase in the number of hours our Adviser's employees spent on matters related to due diligence on potential and new acquisitions.

For the three and nine months ended September 30, 2012, and for January 2013, the management fee consisted of the reimbursement of expenses, including direct allocation of employee salaries and benefits, as well as general overhead expense, to our Adviser in accordance with the terms of the Prior Advisory Agreement. For the three and eight months ended September 30, 2013, the management fee was calculated pursuant to the terms of the Amended Advisory Agreement, which went into effect on February 1, 2013. For the nine months ended September 30, 2013, our management advisory fee under

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the Prior Advisory Agreement, which was terminated on January 31, 2013, was \$46,206, while the base management fee under the Amended Advisory Agreement, which became effective on February 1, 2013, was \$57,580. The calculation of the management fees is described in further detail above, under “—*Advisory and Administration Agreements.*”

For the three months ended March 31, 2013, we paid an incentive fee to our Adviser of \$41,037; however, during the three months ended June 30, 2013, our Adviser issued a one-time, irrevocable waiver equal to the full amount of the incentive fee paid for the three months ended March 31, 2013, and such fee was credited to us during the three months ended June 30, 2013. There was no incentive fee earned by our Adviser for the three or six months ended September 30, 2013, nor was there one earned for the three or nine months ended September 30, 2012, as there was no agreement in place during fiscal year 2012 by which to incur an incentive fee. The calculation of the incentive fee is described in further detail above, under “—*Advisory and Administration Agreements.*”

The administration fee decreased for the three months ended September 30, 2013, and increased for the nine months ended September 30, 2013, as compared to the respective prior-year periods. The decrease in the administration fee is a result of the new agreement with our Administrator, which agreement allocates expenses based on the ratio of our total assets in relation to the total assets of other affiliated funds managed by our Adviser. However, this decrease was offset during the nine months ended September 30, 2013, due to the increased number of hours our Administrator’s employees spent on our matters, which were higher during the month of January 2013 as a result of efforts expended in connection with the preparation and filing of the registration statement with the SEC for our IPO.

For the three and nine months ended September 30, 2012, and for January 2013, the administration fee consisted of the reimbursement of expenses, including direct allocation of employee salaries and benefits, as well as general overhead expense, to our Administrator in accordance with the terms of the Prior Administration Agreement. For the three and eight months ended September 30, 2013, the administration fee was calculated pursuant to the terms of the Amended Administration Agreement, which went into effect on February 1, 2013. For the nine months ended September 30, 2013, our administration fee under the Prior Administration Agreement, which was terminated on January 31, 2013, was \$18,532, while the administration fee under the Amended Administration Agreement, which became effective on February 1, 2013, was \$116,870. The administration fee is described in further detail above, under “—*Advisory and Administration Agreements.*”

Professional fees, consisting primarily of legal and accounting fees, increased for both the three and nine months ended September 30, 2013, as compared to the respective prior-year periods, primarily as a result of additional legal and accounting costs associated with the quarterly reporting requirements of being a public company. Additional fees were also incurred during the three and nine months ended September 30, 2013, for tax research and preparatory work related to the steps necessary to qualify as a REIT.

Acquisition-related expenses generally consist of legal fees and fees incurred for third-party reports prepared in connection with potential acquisitions and the related due diligence analyses. Acquisition-related expenses decreased for both the three and nine months ended September 30, 2013, as compared to the respective prior-year periods, primarily due to costs incurred in the prior-year periods related to the acquisition of four farms during the three months ended September 30, 2012. In addition, during the nine months ended September 30, 2013, we capitalized \$146,930 of acquisition-related expenses associated with the acquisition of two properties during the quarter ended June 30, 2013, that were treated as asset acquisitions under ASC 360.

Property operating expenses consist primarily of real estate taxes, franchise taxes, insurance expense and other overhead expenses paid for certain of our properties. Property operating expenses decreased for both the three and nine months ended September 30, 2013, as compared to the respective prior-year periods, primarily due to additional real estate taxes due on certain of our properties and limited liability company fees paid to the State of California during the prior-year periods, partially offset by miscellaneous filing fees incurred during the current-year periods associated with the additional farm acquisitions. While we held more properties at September 30, 2013, than at September 30, 2012, the properties acquired subsequent to September 30, 2012, resulted in minimal incremental operating expenses being incurred.

General and administrative expenses increased for both the three and nine months ended September 30, 2013, as compared to the respective prior-year periods, primarily due to increases in stockholder-related expenses and overhead insurance premiums related to becoming a public company in January 2013, as well as the payment of directors’ fees, which were not incurred during 2012 as a private company.

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Interest and Other Income (Expense)

Interest and other income increased for both the three and nine months ended September 30, 2013, as compared to the respective prior-year periods, primarily due to the interest earned on the net proceeds from our IPO, a portion of which was invested in short-term U.S. Treasuries during the nine months ended September 30, 2013. These U.S. Treasuries matured on June 27, 2013, and, as of September 30, 2013, all uninvested proceeds from the IPO were held in a money-market deposit account.

Interest expense increased for both the three and nine months ended September 30, 2013, as compared to the respective prior-year periods, primarily due to increased borrowings under our mortgage note payable with Metropolitan Life Insurance Company (“MetLife”). The weighted-average balance of our aggregate borrowings for the three and nine months ended September 30, 2013, was \$29.6 million and \$29.8 million, respectively, as compared to \$26.1 million and \$24.2 million for the respective prior-year periods. The overall, effective interest rate charged on our aggregate borrowings, excluding the impact of deferred financing costs, was 3.6% for each of the three and nine months ended September 30, 2013, as compared to 3.7% for each of the respective prior-year periods.

Income Tax Provision

Net income before income taxes increased for the three months ended September 30, 2013, and decreased for the nine months ended September 30, 2013, as compared to the respective prior-year periods, due to the reasons discussed above. As a result, the provision for income taxes also changed in a corresponding manner for each of the three and nine months ended September 30, 2013, when compared to the respective prior-year periods. However, our effective tax rate increased for both the three and nine months ended September 30, 2013, primarily due to a deferred intercompany gain on past land transfers that generated a tax due to the State of California, payable over a five-year period, as well as adjustments recorded in the current year that related to prior tax periods. Additionally, the provision for income taxes recorded for both the three and nine months ended September 30, 2013, is expected to be reversed once we complete all significant actions necessary to qualify as a REIT and become committed to the course of action for this to occur, which we expect to take place during the fourth quarter of 2013. For additional information, please refer to Note 2, “*Summary of Significant Accounting Policies—Income Taxes.*”

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LIQUIDITY AND CAPITAL RESOURCES

Overview and Future Capital Needs

To date, we have invested \$11.9 million of the \$51.3 million of net proceeds received in connection with our IPO in January 2013 into new property acquisitions, and an additional \$0.6 million has been expended or accrued for capital improvements on existing properties. During the nine months ended September 30, 2013, we also invested \$20.0 million of the net proceeds received from our IPO in six-month U.S. Treasuries, which matured on June 27, 2013. As of September 30, 2013, all uninvested proceeds from the IPO were held in a money-market deposit account.

We intend to use the capital we acquired as a result of our IPO and the proceeds of any indebtedness that we may incur in the future to purchase additional farms and farm-related properties, as well for other general corporate purposes. We are actively seeking and evaluating acquisitions of additional farm properties that satisfy our investment criteria, and we currently have four properties under signed purchase and sale agreements for an aggregate purchase price of approximately \$16.0 million. All potential acquisitions will be subject to our due diligence investigation of such properties, and there can be no assurance that we will be successful in identifying or acquiring any properties in the future.

Our current sources of funds are primarily the net proceeds received in connection with our IPO, operating cash flows and borrowings, including our current line of credit that matures in April 2017. We believe that these cash resources will be sufficient to fund our distributions to stockholders, pay the debt service cost on our existing long-term mortgage and fund our current operating costs in the near term. We further believe that our cash flows from operations, coupled with the financing capital available to us in the future, are sufficient to fund our long-term liquidity needs.

The following table summarizes total cash flows for operating, investing and financing activities for the nine months ended September 30, 2013 and 2012:

	For the Nine Months Ended September 30,		Change (\$)	Change (%)
	2013	2012		
Net cash (used in) provided by operating activities	\$ (1,803,839)	\$ 532,286	\$ (2,336,125)	-438.9%
Net cash used in investing activities	(5,242,922)	(8,179,195)	2,936,273	-35.9%
Net cash provided by financing activities	45,551,224	6,848,852	38,702,372	565.1%
Change in Cash and Cash Equivalents	\$38,504,463	\$ (798,057)	\$39,302,520	NM

NM = Not Meaningful

Operating Activities

The majority of cash from operating activities is generated from the rental payments we receive from our tenants, which is utilized to fund our property-level operating expenses, with any excess cash being primarily used for debt and interest payments on our mortgage note payable, management fees to our Adviser, administrative fees to our Administrator, income taxes and other corporate-level expenses. The decrease in net cash provided by operating activities during the nine months ended September 30, 2013, was primarily a result of a tax prepayment of \$2.1 million, in the form of a cash bond, made to the IRS in anticipation of taxes we will owe in connection with the recognition of a deferred gain on a land transfer that will occur upon our election to be taxed as a REIT.

Investing Activities

The decrease in net cash used in investing activities during the nine months ended September 30, 2013, was primarily due to the farms acquired during the respective prior-year period being of a larger transaction size than those acquired during the nine months ended September 30, 2013.

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Financing Activities

The increase in net cash provided by financing activities during the nine months ended September 30, 2013, was primarily due to the net proceeds received from our IPO in January 2013, partially offset by net borrowings on our mortgage note payable in the prior-year period and distributions paid to stockholders during the current-year period.

Borrowings

MetLife Mortgage Loan

On December 30, 2010, we entered into a loan agreement with MetLife in an amount not to exceed \$45.2 million, pursuant to a long-term note payable. The note currently accrues interest at a rate of 3.50% per year, and the interest rate is subject to adjustment on January 5, 2014, and every three years thereafter to then-current market rates. The note is scheduled to mature on January 5, 2026, and we may not repay the note prior to maturity, except on one of the four interest rate adjustment dates. The loan originally provided for three disbursements, which were drawn in 2011, and was amended in December 2011 to provide for three additional disbursements, two of which were drawn prior to the December 2012 amendment. In connection with the December 2011, amendment, we also incur a commitment fee of 0.20% on undrawn amounts, effective January 5, 2012. As amended in December 2012, the loan agreement provides for up to three additional future disbursements by December 2013, none of which have been drawn to date.

As of September 30, 2013, \$29.5 million was outstanding under this loan. The three remaining disbursements may not exceed \$13.6 million, in aggregate, and must be used solely to fund the acquisition of new properties. The interest rate for future disbursements will be based on prevailing market rates, and, at the time of such disbursements, the interest rate on the loan will adjust to reflect the rate on the new disbursement blended with the existing rate on the then-outstanding loan amount. If we have not drawn such funds for the acquisition of new properties by December 14, 2013, MetLife has the option to be relieved of its obligation to disburse the additional funds to us under this loan. We have begun discussions with MetLife to extend the period in which we are able to draw the remaining disbursements; however, there is no guarantee that we will be able to extend this draw period at rates favorable to us, or at all.

MetLife Line of Credit

In November 2002, we entered into a \$3.3 million revolving line of credit with Rabo Agrifinance (“Rabo”), which was scheduled to mature on December 1, 2017, secured by a mortgage on San Andreas. In May 2012 we repaid the outstanding balance under the Rabo line of credit in full and obtained a new, \$4.8 million revolving credit facility with MetLife that matures on April 5, 2017 (the “Credit Facility”). Our obligations under the Credit Facility are secured by a mortgage on San Andreas. The interest rate charged on the advances under the Credit Facility is equal to the three-month LIBOR in effect at the beginning of each calendar quarter plus 3.00%, with a minimum annualized rate of 3.25%. We may use the advances under the Credit Facility for both general corporate purposes and the acquisition of new investments. As of September 30, 2013, there was \$0.1 million outstanding under the Credit Facility, which is the minimum balance required under the facility.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2013.

NON-GAAP FINANCIAL MEASURES

Funds from Operations and Pre-Tax Funds from Operations

The National Association of Real Estate Investment Trusts (“NAREIT”) developed FFO as a relative non-GAAP supplemental measure of operating performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the same basis determined under GAAP. FFO, as defined by NAREIT, is net income (computed in accordance with GAAP), excluding gains or losses from sales of property and impairment losses on property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. We define pre-tax funds from operations (“Pre-tax FFO”) as FFO plus the provision for income taxes. As we expect to reverse all income tax provisions related to fiscal year 2013 once we complete all significant actions necessary to qualify as a REIT, which we expect to take place during the fourth quarter of 2013, we believe it is beneficial for investors to view our results of operations excluding the impact of income taxes.

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FFO and Pre-tax FFO do not represent cash flows from operating activities in accordance with GAAP, which, unlike FFO and Pre-tax FFO, generally reflects all cash effects of transactions and other events in the determination of net income, and should not be considered an alternative to net income as an indication of our performance or to cash flows from operations as a measure of liquidity or ability to make distributions. Comparisons of FFO and Pre-tax FFO, using the NAREIT definition for FFO and the definition above for Pre-tax FFO, to similarly-titled measures for other REITs may not necessarily be meaningful due to possible differences in the definitions used by such REITs.

Pre-tax FFO available to common stockholders is Pre-tax FFO, adjusted to subtract distributions made to holders of preferred and senior common stock. We believe that net income available to common stockholders is the most directly comparable GAAP measure to Pre-tax FFO available to common stockholders.

Basic pre-tax funds from operations (“Basic Pre-tax FFO”) per share and diluted pre-tax funds from operations (“Diluted Pre-tax FFO”) per share are Pre-tax FFO available to common stockholders divided by the number of weighted average shares of common stock outstanding and Pre-tax FFO available to common stockholders divided by the number of weighted average shares of common stock outstanding on a diluted basis, respectively, during a period. We believe that Pre-tax FFO available to common stockholders, Basic Pre-tax FFO per share and Diluted Pre-tax FFO per share are useful to investors because they provide investors with a further context for evaluating our Pre-tax FFO results in the same manner that investors use net income and earnings per share (“EPS”) in evaluating net income available to common stockholders. In addition, because most REITs provide FFO available to common stockholders, Basic FFO and Diluted FFO per share information to the investment community, we believe these are useful supplemental measures when comparing us to other REITs. We believe that net income is the most directly comparable GAAP measure to FFO and Pre-tax FFO, Basic EPS is the most directly comparable GAAP measure to Basic Pre-tax FFO per share, and diluted EPS is the most directly comparable GAAP measure to Diluted Pre-tax FFO per share.

The following table provides a reconciliation of our FFO and Pre-tax FFO for the three and nine months ended September 30, 2013 and 2012, to the most directly comparable GAAP measure, net income, and a computation of basic and diluted Pre-tax FFO per weighted average share of common stock:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 4,760	\$ 40,431	\$ 82,633	\$ 357,408
Add: Real estate and intangible depreciation and amortization	171,751	120,511	509,110	306,257
FFO	176,511	160,942	591,743	663,665
Add: Income tax provision	85,406	19,251	191,433	287,167
Pre-tax FFO available to common stockholders	\$ 261,917	\$ 180,193	\$ 783,176	\$ 950,832
Weighted average common shares outstanding—basic & diluted	6,530,264	2,750,000	6,108,165	2,750,000
Pre-tax FFO per weighted average common share—basic and diluted	\$ 0.04	\$ 0.07	\$ 0.13	\$ 0.35

Net Asset Value Calculation

Real estate companies are required to record real estate using the historical cost basis of the real estate, and, as a result, the carrying value of the real estate does not change as the fair value of the assets change. Reporting the carrying value of assets in this way makes it difficult for stockholders to determine if the fair value of the assets has increased or decreased. For this reason, we believe that determining the fair value of our real estate assets on a periodic basis is useful to our stockholders.

For the quarters ended March 31, 2013, and June 30, 2013, we have estimated the fair value of our farm properties, expressed in terms of net asset value per share, and disclosed these estimates to our stockholders. However, due to the need for updated valuations on several of our properties, we have decided to forego this disclosure in the current Form 10-Q and will instead provide an updated net asset value per share in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. We believe that the primary risk to which we are and will be exposed is interest rate risk. While none of our existing leases contain escalations based on market interest rates, the interest rates on our existing borrowings are variable, and, in the case of the mortgage note payable to MetLife, the interest rate adjusts once every three years. Although we seek to mitigate this risk by structuring such provisions of our leases to contain escalation rates or the rent adjustments to prevailing market rent at two- to three-year intervals, these features do not eliminate this risk. To date, we have not entered into any derivative contracts to attempt to manage our exposure to interest rate fluctuations.

There have been no material changes in the quantitative and qualitative market risk disclosures for the nine months ended September 30, 2013, from that disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, as filed with the SEC on March 27, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of September 30, 2013, our management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, management, including the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective as of September 30, 2013, in providing a reasonable level of assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, including providing a reasonable level of assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of necessarily achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three or nine months ended September 30, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Neither we nor any of our subsidiaries are currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or our subsidiaries.

Item 1A. Risk Factors

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. For a discussion of these risks, please review the risk below and refer to the section captioned “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012, filed by us with the Securities and Exchange Commission on March 27, 2013.

The failure of U.S. lawmakers to reach an agreement on the national debt ceiling or a budget could have a material adverse effect on our business, financial condition and results of operations.

On October 16, 2013, the U.S. Congress passed legislation to reopen the government through January 15, 2014, and effectively suspend the debt ceiling through February 7, 2014, to permit broader negotiations over budget issues. In the event U.S. lawmakers fail to reach a viable agreement on the national debt ceiling or a budget, the U.S. could default on its obligations, which could negatively impact the trading market for U.S. government securities. This may, in turn, negatively affect our ability to obtain financing for our investments. As a result, it may materially adversely affect our business, financial condition and results of operations.

On August 5, 2011, Standard & Poor’s downgraded its long-term sovereign credit rating on the U.S. to AA+ for the first time due to the U.S. Congress’ inability to reach an effective agreement on the national debt ceiling and a budget in a timely manner. The current U.S. debt ceiling and budget deficit concerns have increased the possibility of the credit-rating agencies further downgrading the U.S. credit rating. On October 15, 2013, Fitch Ratings Service placed the U.S. credit rating on negative watch, warning that a failure by the U.S. Government to honor interest or principal payments on U.S. treasury securities would impact its decision on whether to downgrade the U.S. credit rating. Fitch also stated that the manner and duration of an agreement to raise the debt ceiling and resolve the budget impasse, as well as the perceived risk of such events occurring in the future, would weigh on its ratings.

The impact of any further downgrades to the U.S. government’s sovereign credit rating, or its perceived creditworthiness, and deteriorating sovereign debt conditions in Europe, is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. There can be no assurance that governmental or other measures to aid economic recovery will be effective. These developments, and the government’s credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, the decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our stock price. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

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

Initial Public Offering

On January 28, 2013, we priced our IPO of 3,333,334 shares of our common stock, par value \$0.001 per share, at a public offering price of \$15.00 per share, which closed on January 31, 2013. Including the underwriters’ option to cover over-allotments, which was exercised in February 2013, a total of 3,780,264 shares were issued, resulting in gross proceeds of \$56.7 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, of approximately \$51.3 million. We intend to continue to use the net proceeds from the IPO and the underwriters’ exercise of the over-allotment primarily to buy farms and farm-related properties, as well as for other general corporate purposes. As of September 30, 2013, we have invested approximately \$11.9 million of these proceeds in new property acquisitions, and an additional \$0.6 million has been expended or accrued for capital improvements on existing properties. During the nine months ended September 30, 2013, we also invested \$20.0 million of the net proceeds received from our IPO in six-month U.S. Treasuries, which matured on June 27, 2013. As of September 30, 2013, all uninvested proceeds from the IPO were held in a money-market deposit account.

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Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On July 8, 2013, we entered into a purchase and sale agreement with a California general partnership (the “July Agreement”) providing for the purchase of a 106-acre farm in Monterey County, California, at a purchase price of \$4.1 million. We terminated the July Agreement within the due diligence phase because we believed that doing so was in our best interest and that of our shareholders. We did not incur any penalties as a result of the termination.

On August 20, 2013, we entered into a purchase and sale agreement with a California corporation providing for the purchase of 166-acre farm near Salinas, California, at a purchase price of \$7.3 million. We closed on this acquisition on October 21, 2013.

On August 23, 2013, we entered into a purchase and sale agreement with a Florida limited liability company (the “August Agreement”) providing for the purchase of a 661-acre farm in Palm City, Florida, at a purchase price of \$4.3 million.

On October 7, 2013, we entered into a purchase and sale agreement with certain individual persons (the “October Agreement”) providing for the purchase of a 1,760-acre farm in Wilcox, Arizona, at a purchase price of \$6.7 million.

Each of the agreements described herein is or was subject to customary conditions and termination rights for transactions of this type, including a due diligence inspection period. Further, each of the sellers described herein is not a related party, and we do not have a material relationship with the sellers or their affiliates. There can be no assurance that the acquisitions governed by the August Agreement and the October Agreement will be consummated by a certain time, or at all. Certain statements in this Item 5 contain or are based upon “forward-looking” information and are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are subject to numerous uncertainties, many of which are outside of our control. We undertake no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances, except as required by law.

Item 6. Exhibits

Exhibit Index

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	Articles of Incorporation of the Registrant, incorporated by reference to Exhibit 3.1 to Pre-Effective Amendment No. 2 to the Registration Statement on Form S-11 (File No. 333-183965), filed November 2, 2012.
3.2	Amended and Restated Bylaws of the Registrant, incorporated by reference to Exhibit 3.2 to Pre-Effective Amendment No. 3 the Registration Statement on Form S-11 (File No. 333-183965), filed November 15, 2012.
4.1	Form of Common Stock Certificate of the Registrant, incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 4 to the Registration Statement on Form S-11 (File No. 333-183965), filed December 27, 2012.
10.1	Purchase and Sale Agreement, dated as of July 8, 2013 (filed herewith).
10.2	Purchase and Sale Agreement by and between Matsui Nursery, Inc., and the Registrant, dated as of August 20, 2013, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35795), filed October 25, 2013.
10.3	Purchase and Sale Agreement, dated as of August 23, 2013 (filed herewith).
10.4	Purchase and Sale Agreement, dated as of October 7, 2013 (filed herewith).
11	Computation of Per Share Earnings from Operations (included in the notes to the unaudited financial statements contained in this Report).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF***	XBRL Definition Linkbase

*** Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2013 and 2012, (iii) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012 and (vi) the Notes to the Condensed Consolidated Financial Statements.

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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.

Gladstone Land Corporation

Date: October 29, 2013

By: /s/ Danielle Jones
Danielle Jones
Chief Financial Officer and Treasurer

Date: October 29, 2013

By: /s/ David Gladstone
David Gladstone
Chief Executive Officer and
Chairman of the Board of Directors

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT (the "Agreement") is made as of the 8th day of July, 2013 (the "Effective Date"), between Ketcham Brothers Ag Land Partnership, a California general partnership (the "Seller"), and Gladstone Land Corporation, a Maryland corporation, or its designee (the "Purchaser").

WHEREAS, Seller has agreed to sell and Purchaser has agreed to purchase the Property (as hereinafter defined);

NOW, THEREFORE, in consideration of the agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Certain Definitions. For purposes of this Agreement, the following terms shall have the following definitions:

"Affiliate" shall mean, as to any person or entity, any other person or entity that directly or indirectly controls, is controlled by, or is under common control with such person or entity. For purposes of this definition, "control" means de facto effective control over the management of the applicable entity (by contract, state law, or otherwise), even though the party exercising "control" may own less than 50% of the voting equity interest of such entity.

"Brokers" shall mean: Seller's Broker: Jeff Bradshaw
Purchaser's Broker: San Benito Realty, Inc.

"Closing Date" shall mean September 6, 2013, which is thirty (30) days after expiration of the Inspection Period. If Purchaser extends the Inspection Period by 15 days as set forth below, the Closing Date shall be extended by a corresponding number of days.

"Contracts" shall mean, collectively, any and all service, maintenance, management or other contracts or agreements with third parties relating to or affecting the Property, excluding the leases.

"Crops" shall mean any and all unharvested crops at the Property as of the Effective Date.

"Due Diligence Materials" shall mean those materials and information more particularly described on Exhibit C attached hereto and incorporated by reference herein.

"Earnest Money" shall mean the sum of Fifty Thousand Dollars (\$50,000.00), together with all interest accrued thereon.

"Escrow Agent" shall mean: Stewart Title Guaranty Company

"GAP" shall mean good agricultural practices.

“Government Payments” shall mean all federal, state and local government payments, benefits and entitlements associated with or applicable to the Property or any crops grown thereon, including without limitation any applicable direct payments or counter-cyclical payments under the Farm Security and Rural Investment Act of 2002, as amended.

“Inspection Period” shall mean the period beginning on the Effective Date and ending at 5:00 p.m. local time at the Property on August 7, 2013, which is thirty (30) days after the Effective Date. Purchaser may extend the Inspection Period by fifteen (15) additional days, to August 22, 2013, by written notice to Seller prior to expiration of the initial Inspection Period if, in Purchaser’s sole discretion, it requires additional time to obtain or review its third party reports.

“Improvements” shall mean all structures, gates, fences, roads, levees, ditches, appurtenances or other facilities currently existing on the Property, including without limitation all Irrigation Equipment.

“Irrigation Equipment” shall mean all below ground, surface and above ground irrigation equipment at the Property, including without limitation water wells, pumps, casings, risers, above and below ground pipes and pipelines, culverts, and pivot irrigation equipment, and all related power units, as applicable. All the Irrigation Equipment shall be deemed to be part of the Improvements to be conveyed to Purchaser.

“Land” shall mean that certain real property situated at 72 Hebert Road in Monterey County, State of California, comprising approximately 105.5 gross acres, as more particularly described on Exhibit A attached hereto and incorporated herein by reference, together with all rights, easements, hereditaments and appurtenances thereunto belonging.

“Leases” shall mean, collectively if more than one, any and all leases in effect at the Property, as more particularly described on Exhibit D attached hereto and incorporated herein by reference. Any reference to the “Lease” shall mean any individual lease.

“Personal Property” shall mean (i) Seller’s right, title and interest in and to the Crops and Plants, subject to any rights of the Tenant under the Lease, and (ii) any personal property used by Seller in conducting farming operations or for hunting, fishing or other recreational use at the Property that will be conveyed to Purchaser as part of this transaction, if any, as more particularly described on Exhibit B attached hereto and incorporated by reference herein.

“Plants” shall mean any and all strawberry plants and other crops, such as leafy greens, at the Property as of the Effective Date.

“Property” shall mean the Land, Improvements, and any Personal Property.

“Purchase Price” shall mean the total amount of Four Million One Hundred Nine Thousand and No/100 Dollars (\$4,109,000.00) subject to adjustment as set forth in this Agreement.

“Purchaser’s Address” shall mean:

Gladstone Land Corporation
Attention: Bill Frisbie
1521 Westbranch Drive, Suite 200
McLean, VA 22102
(703) 287-5839 (T)
(703) 287-5801 (F)
Email: Bill.Frisbie@gladstonecompanies.com

With copy to:

Bass Berry & Sims PLC
Attention: Richard R. Spore
100 Peabody Place, Suite 900
Memphis, TN 38103
(901) 543-5902 (T)
(888) 543-4346 (F)
Email: rspore@bassberry.com.

“Pursuit Costs” shall mean all of Purchaser’s reasonable third party, out of pocket expenditures in connection with the transaction contemplated hereby, including without limitation legal, engineering, loan, appraisal, survey and title fees and expenses.

“Recreational Rights” shall mean, collectively, any and all leases, licenses or other rights to use any portion of the Property for recreational use such as hunting, fishing, boating, or otherwise.

“Seller’s Address” shall mean: c/o John R. Ketcham, 4554 Blue Mountain Road, Woody, CA 93287.

“Tenants” shall mean the tenants under Leases. Any reference to “Tenant” shall mean any individual tenant under a Lease.

“Tenant Inducements” shall mean any and all free rent, allowance(s) to any Tenant for any Improvements, and any forbearance or waiver in enforcing any Tenant’s obligations under its Lease.

“Title Company” shall mean: Stewart Title Company.

“Water Rights” shall mean all rights to use wells and other water sources that exist on the Effective Date that benefit or are appurtenant to the Property and that may be reasonably necessary to conduct farming operations at the Property as currently conducted and in accordance with GAP.

2. Property. Seller hereby agrees to sell and Purchaser, or its designee, hereby agrees to purchase from Seller the Property.

3. Earnest Money. Within three (3) business days after the later of (x) the Effective Date or (y) the date of full execution of this Agreement by both Seller and Purchaser, Purchaser shall deposit the Earnest Money with the Escrow Agent by wire transfer or certified or cashier's check. Said Earnest Money shall be refundable to Purchaser in accordance with this Agreement.

4. Purchase Price. At the Closing, defined below, all Earnest Money shall be applied to the Purchase Price, and the balance of the Purchase Price, subject to adjustments for credits and debits as set forth in this Agreement, shall be paid in good funds by wire transfer.

5. Inspection Period; Refund of Earnest Money; Due Diligence Materials

(a) Purchaser shall have until the expiration of the Inspection Period to make such determinations with respect to the Property as Purchaser deems appropriate and to elect to either continue or terminate this Agreement, in Purchaser's sole and absolute discretion, for any reason or no reason. Purchaser may terminate this Agreement, and receive a full refund of the Earnest Money, less \$10.00 to be retained by Seller as consideration for entering into this Agreement, by delivering written termination notice to Seller at any time prior to expiration of the Inspection Period. If Purchaser does not so terminate this Agreement, the Earnest Money shall thereafter be refundable to Purchaser only as expressly otherwise set forth in this Agreement, and this Agreement shall remain in effect.

(b) Within five (5) days after the Effective Date, Seller shall deliver to Purchaser at Seller's sole expense the Due Diligence Materials. For each day of Seller's delay in delivering all of the Due Diligence Materials beyond five (5) days after the Effective Date, the Inspection Period and Closing Date shall (at Purchaser's option) be extended by one (1) day. Seller shall also promptly provide any other documents or information in Seller's possession or control relating to the Property, the Lease, the Tenant, or any Contract that is reasonably requested by Purchaser.

6. Costs and Prorations

(a) Purchaser shall pay the title insurance premium for any endorsements to its Title Policy, defined below, for the Property, the costs of any Survey obtained by Purchaser pursuant to Section 9 hereof, and the costs of any Phase I environmental report obtained by Purchaser. Seller shall pay for preparation of the deed of transfer, all transfer taxes, document stamps and recording costs applicable to the deed of transfer, the premium for Purchaser's Title Policy, defined below (excluding the premium for any endorsements thereto), and any costs of production of the title search or abstract for the Property. Purchaser shall pay all expenses incident to any financing obtained for the purchase of the Property. All other closing costs shall be borne in accordance with the custom in Monterey County, California.

(b) The following shall be prorated between the parties as of the Closing Date: (i) ad valorem property taxes constituting a lien against the Property for the year in which the Closing occurs and all other unpaid assessments with respect thereto, and (ii) rents and other tenant charges, utilities, and operating expenses for the Property for the calendar month (or other

applicable period if such rents or other tenant charges are not paid monthly) in which Closing occurs, subject to subsection 6(c) below. In the event such proration is based upon a previous year's taxes or assessment, after Closing, at such time as any of the taxes or assessments are capable of exact determination, the party having the information permitting the exact determination shall send to the other party a detailed report of the exact determination so made. Within thirty (30) days after both Seller and Purchaser shall have received such report, Seller and Purchaser shall adjust the amounts apportioned pursuant to the estimates made at Closing to reflect the exact determinations contained in the report, and Seller or Purchaser, as the case may be, shall pay to the other whatever amount shall be necessary to compensate for the difference. Purchaser shall receive a credit against the Purchase Price in the amount of all security deposits (together with interest required to be paid thereon) held or required to be held by Seller under the Lease.

(c) Nondelinquent rent collected by Seller after Closing attributable to periods from and after Closing shall be promptly remitted to Purchaser. Delinquent rent collected by Seller and Purchaser after the date of Closing shall be delivered by the recipient as follows: Within fifteen (15) days after the receipt thereof, Seller and Purchaser agree that all rent received by Seller or Purchaser shall be applied first to then current rents, and then to delinquent rents for periods after Closing and then to delinquent rents for periods prior to Closing. Seller retains the right to pursue tenants for payment of delinquent rent but may not seek to dispossess a tenant, terminate a lease or enforce a landlord lien.

7. Conditions Precedent To Purchaser's Obligations. Seller acknowledges that as a condition precedent to Purchaser's obligations hereunder, the following shall occur on or before the Closing Date (or any earlier date indicated below), any of which conditions may be waived by Purchaser in its sole discretion:

(a) No later than five (5) days prior to the Closing Date, Seller shall have delivered to Purchaser (i) a Qualifying Tenant Estoppel (defined below) executed by each Tenant, and (ii) any subordination, non-disturbance and attornment agreements ("SNDA") reasonably required by Purchaser's lender from each Tenant. Seller agrees to use reasonable efforts to obtain the required tenant estoppel and SNDA. For purposes hereof, a "Qualifying Tenant Estoppel" is a tenant estoppel substantially in the form of Exhibit D (or in any other form reasonably required by or acceptable to Purchaser's lender) that does not include any information that is materially inconsistent with Seller's representations and warranties in this Agreement.

(b) The Title Company shall be irrevocably committed to issue upon Closing a 2006 ALTA Owner's Policy of Title Insurance (the "Title Policy"), as evidenced by a "marked up" Title Commitment, defined below, insuring Purchaser as owner of fee simple title to the Property, subject only to Permitted Exceptions (defined below), in the amount of the Purchase Price, and containing such endorsements as Purchaser shall have requested.

(c) Subject to Sections 14 and 15 below, there shall have been no material adverse change in the condition of any of the Property (including without limitation any Improvements) after expiration of the Inspection Period and prior to the Closing Date.

(d) Each and every representation and warranty of Seller set forth in Section 11 shall be true and correct in all material respects, and Seller shall not be in default under any of its other obligations under this Agreement, as of Closing.

8. Closing: Deed.

(a) Subject to all preconditions set forth herein, the closing or settlement ("Closing") of the transaction contemplated hereby, unless terminated in accordance with this Agreement or as otherwise agreed upon by Purchaser and Seller, shall be held via the mails, through the Escrow Agent at 10:00 a.m. on the Closing Date or such other place and time as the parties may agree in writing.

(b) At Closing, Seller shall convey to Purchaser good, marketable and insurable title to the Property by a grant deed in form acceptable to Purchaser and the Title Company (the "Deed"), subject to (i) standard exceptions for real property taxes not yet due and payable, and (ii) any other matters which are waived by, or acceptable to, Purchaser pursuant to Section 10 below (the "Permitted Exceptions"). The Land description in the Deed shall be the property description from Seller's vesting deed(s); provided, that if Purchaser obtains a Survey of the Property, Seller also agrees to execute and deliver a recordable Quit Claim Deed to Purchaser at Closing using the Survey description.

9. Survey. During the Inspection Period, Purchaser, at Purchaser's expense, may cause a survey of the Property to be prepared by a surveyor selected by Purchaser ("Survey").

10. Title. During the Inspection Period, Purchaser shall procure a title insurance commitment in the amount of the Purchase Price covering the Property issued by the Title Company (the "Title Commitment") and furnish a copy thereof to Seller. Purchaser shall have until the expiration of the Inspection Period to object to any matters shown on the Title Commitment or Survey by written notice to Seller ("Title Objection Notice"). Purchaser may also object to any new matters thereafter revealed by a title update by subsequent Title Objection Notice to Seller. Within five (5) business days after receipt of Purchaser's Title Objection Notice, Seller shall either (i) deliver written notice to Purchaser of any title or Survey objections which Seller elects not to cure, or (ii) cure or satisfy such objections (or commence to cure or satisfy such objections as long as Seller reasonably believes such objections may be cured or satisfied at least two (2) business days prior to Closing). Within five (5) business days after receipt of Seller's written notification that Seller elects not to cure a title or Survey objection, Purchaser may terminate this Agreement and receive a full refund of the Earnest Money by delivering written notice thereof to Seller. If Purchaser does not so terminate this Agreement, then any such title or Survey objection which Seller elects not to cure shall be deemed waived by Purchaser and shall be an additional Permitted Exception. If any objection which Seller elects to cure is not satisfied by Seller at least two (2) business days before the scheduled date of Closing, Purchaser shall have the right to terminate this Agreement, in which case the Earnest Money shall be returned to Purchaser and neither party shall have any further rights, obligations or duties under this Agreement. If Seller does cure or satisfy the objections at two (2) business days prior to Closing, then this Agreement shall continue in effect. Any exception to or defect in title which Purchaser shall elect to waive, or which is otherwise acceptable to Purchaser, shall be deemed an additional Permitted Exception to title at Closing. Seller covenants and agrees not to

alter or encumber in any way Seller's title to the Property after the date hereof. Notwithstanding anything in this Agreement to the contrary, Seller shall cause any deed of trust, mortgage, deed to secure debt, judgment or other lien for a liquidated sum encumbering the Property to be released at or before Closing.

11. Seller's Representations and Warranties. As of the date hereof and as of the Closing Date (as evidenced by Seller's downdate certificate to be provided at Closing), Seller represents, warrants and covenants to Purchaser that:

(a) Other than the Tenants under the Leases, there are and there will be no parties in possession of any portion of the Property as lessees, and no other party has been granted an oral or written license, lease, option, purchase agreement or other right pertaining to the use, purchase or possession of any portion of the Property. A true, complete and correct copy of each Lease and any Contracts affecting the Property and any amendments thereto have been or will be furnished to Purchaser within five (5) days after the Effective Date as part of the Due Diligence Materials. Such Leases and any Contracts are valid and binding in accordance with their respective terms and conditions, are in full force and effect, and have no uncured breach or default by any party. No off-sets or defenses are available to any party under any Lease or any Contract. All Contracts are cancellable upon not more than thirty (30) days prior written notice without the payment of any fees, charges or penalties. No rents under any Lease (other than rents currently due and payable) have been collected more than thirty (30) days in advance, and no Tenant is entitled to any Tenant Inducements. There are no leasing brokerage agreements, leasing commission agreements or other agreements providing for the payment of any amounts, and no commissions due, for leasing activities with respect to the Property except as set forth in the Lease. Purchaser shall have no liability for (and Seller hereby indemnifies and holds harmless Purchaser from and against any claim for) any such leasing commissions and any Tenant Inducements with respect to the Leases.

(b) The Seller has not received notice of any default (nor is there any default) under any note or deed of trust related to or secured by the Property. The execution and delivery of this Agreement, the consummation of the transaction herein contemplated and the compliance with the terms and provisions hereof will not conflict with or (with or without notice or the passage of time or both) result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, loan agreement or instrument to which the Seller is a party or by which the Seller or the Property is bound, any applicable regulation or any judgment, order or decree of any court having jurisdiction over the Seller or the Property.

(c) The Seller has not received any notice, nor is the Seller aware, of any violation of any ordinance, regulation, law, statute, rule or restriction relating to the Property.

(d) There are no attachments, executions, assignments for the benefit of creditors, or voluntary or involuntary proceedings in bankruptcy or under any applicable debtor relief laws or any other litigation contemplated by or pending or threatened against the Seller or the Property.

(e) Seller has been duly organized and is validly existing under the laws of the State of California. Seller has the full right and authority to enter into this Agreement and to

transfer all of the Property to be conveyed by Seller pursuant hereto and to consummate or cause to be consummated the transactions contemplated herein to be made by Seller. The person signing this Agreement on behalf of Seller is authorized to do so. This Agreement constitutes, and all agreements and documents contemplated hereby (when executed and delivered pursuant hereto) will constitute, the valid and legally binding obligations of Seller, enforceable in accordance with their respective terms. No other signatures or approvals are required to make this Agreement fully enforceable by the Purchaser with respect to the Seller or the Property. This Agreement constitutes, and all agreements and documents contemplated hereby (when executed and delivered pursuant hereto) will constitute, the valid and legally binding obligations of Seller, enforceable in accordance with their respective terms.

(f) The Seller has and will convey to the Purchaser good, marketable and indefeasible title in fee simple to the Property, subject only to the Permitted Exceptions.

(g) There is no pending or threatened condemnation or similar proceeding or assessment affecting the Property or any part thereof, nor to the knowledge of the Seller is any such proceeding or assessment contemplated by any governmental authority. There will be no claim against the Property or Purchaser for or on account of work done, materials furnished, and utilities supplied to the Property prior to the Closing Date. To Seller's knowledge, there are no public plans or proposals for changes in road grade, access, or other municipal improvements which would adversely affect the Property or result in any assessment; and no ordinance authorizing improvements, the cost of which might be assessed against Purchaser or the Property, is pending.

(h) Except as disclosed in the Due Diligence Materials, no Improvements on the Land are located is within the area determined to be within any flood hazard areas, including the 100-year flood plain on the Flood Insurance Rate Map published by the Federal Emergency Management Agency and/or by the United States Army Corps of Engineers and/or Monterey County and/or the State of California.

(i) Seller has not entered into any agreement to dispose of its interest in the Property or any part thereof, except for this Agreement.

(j) Seller is not a party to any litigation which is still pending, and knows of no threatened litigation, affecting or relating to the Property.

(k) Neither the Seller, nor to Seller's knowledge, any other party has ever caused or permitted any "hazardous material" (as hereinafter defined) to be placed, held, located, or disposed of on, under, or at the Property or any part thereof in forms or concentrations which violate applicable laws and regulations, and, to Seller's knowledge, neither the Property nor any part thereof has ever been used as a dump or storage site (whether permanent or temporary) for any hazardous material. As used herein, "hazardous material" means and includes any hazardous, toxic, or dangerous waste, substance, or material defined as such in, or for purposes of, the Comprehensive Environmental Response, Compensation Liability Act (42 U.S.C. Section 9601, et seq., as amended) or any other "super fund" or "super lien" law or any other Federal, State, or local statute, or law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability for standards of conduct concerning any substance or material,

as presently in effect. The Property does not currently contain any underground or aboveground storage tanks and any storage tanks previously located on the Property (whether above ground or below ground) have been removed in accordance with the requirements of all applicable laws with "clean closure" or "no further action" letter(s), or comparable letters, issued by the State of California in connection therewith. Without limiting the other provisions of this Section 11(k), there has never been any release or spill of oil, fuel or any other substance stored in storage tanks of any kind on the Property.

For purposes of this Section 11, references to "Seller's knowledge" shall mean the actual knowledge, after making diligent inquiry, of **Owners**, who **[have]** direct management responsibility for the Property.

Seller hereby indemnifies and holds harmless Purchaser from and against any and all loss, expense (including without limitation reasonable attorney fees), liability, cost, claim, demand, action, cause of action and suit arising out of or in any way related to any breach of any representation, warranty, covenant or agreement of Seller in this Agreement.

Except as expressly set forth in this Agreement, the Deed and any other closing documents, the Seller is conveying the Property, and Purchaser accepts the Property, in AS IS condition as of the end of the Inspection Period.

12. Broker and Broker's Commission.

(a) If Closing occurs hereunder but not otherwise, Seller shall pay a commission to Seller's Broker, and Purchaser shall pay a commission to Purchaser's Broker, all payable in cash at Closing, all as set forth in separate agreements between Seller and Seller's Broker and Purchaser and Purchaser's Broker.

(b) Purchaser and Seller each represent and warrant to the other that, with the exception of the Brokers set forth in Section 12(a) above, such party has not incurred an obligation to any other broker or agent in connection with the transaction contemplated hereby. Each party hereby covenants and agrees to defend, indemnify and hold harmless the other party against and from any and all loss, expense, liability, cost, claim, demand, damage, action, cause of action and suit arising out of or in any manner relating to the alleged employment or use by such party of any real estate broker or agent in connection with this transaction. The provisions of this Section 12(b) shall survive the Closing of this transaction.

13. Survey and Inspection. Purchaser and Purchaser's agents, employees and independent contractors shall have the right and privilege to enter upon the Property during the Inspection Period to survey and inspect the Property and to conduct soil borings, environmental assessment and toxic waste studies and other geological, engineering, water or landscaping tests or studies or inspections, all at Purchaser's sole cost and expense. Purchaser hereby covenants and agrees to indemnify and hold harmless Seller from any and all loss, liability, cost, claim, demand, damage, action, cause of action and suit arising out of or in any manner related to the exercise by Purchaser of Purchaser's rights under this section (but not the existence of any condition discovered in the course of Purchaser's inspections and testing).

14. Eminent Domain. If, after the Effective Date and prior to Closing, Seller shall receive notice of the commencement or threatened commencement of eminent domain or other like proceedings against the Property or any portion thereof, Seller shall immediately notify Purchaser in writing, and Purchaser shall elect within thirty (30) days from and after such notice, by written notice to Seller, one of the following: (a) not to close the transaction contemplated hereby, in which event all Earnest Money shall be refunded to Purchaser and this Agreement shall be void and of no further force and effect; or (b) to close the purchase of the Property contemplated hereby in accordance with its terms but subject to such proceedings, in which event the Purchase Price shall remain the same and Seller shall transfer and assign to Purchaser at Closing all condemnation proceeds and rights to additional condemnation proceeds, if any. If Purchaser elects to purchase after receipt of such a notice, all actions taken by Seller with regard to such eminent domain proceedings, including but not limited to, negotiations, litigation, settlement, appraisals and appeals, shall be subject to the approval of Purchaser, which approval shall not be unreasonably withheld. If Purchaser does not make such election within the aforesaid time period, Purchaser shall be deemed to have elected to close the transactions contemplated hereby in accordance with clause (b) above.

15. Property Damage. If, after the Effective Date and prior to Closing, the Property shall suffer significant damage as the result of fire or other casualty, Seller shall immediately notify Purchaser in writing. In the event said damage results in damage of the improvements situated on the Property in the amount of Ten Thousand and No/100 Dollars (\$10,000.00) or greater, Purchaser shall have the right to elect within fifteen (15) days from and after such notice, by written notice, one of the following: (a) not to close the transaction contemplated hereby, in which event all Earnest Money shall be refunded to Purchaser and this Agreement shall be void and of no further force and effect; or (b) to close the purchase of the Property contemplated hereby in accordance with its terms but subject to such damage, in which event the Purchase Price shall remain the same and Seller shall transfer and assign to Purchaser at Closing all insurance proceeds received or to be received as a result of such damage, and Purchaser shall receive a credit against the Purchase Price for any insurance deductible or uninsured loss. If Purchaser does not make such election within the aforesaid time period, Purchaser shall be deemed to have elected to close the transactions contemplated hereby in accordance with clause (b) above. In the event less than Ten Thousand and No/100 Dollars (\$10,000.00) of damage to the improvements situated on the Property exists, this Agreement shall remain in full force and effect, but, at Closing, Seller shall transfer and assign to Purchaser all insurance proceeds received or to be received as a result of such damage, and Purchaser shall receive a credit against the Purchase Price for any insurance deductible or uninsured loss.

16. Condition of Property. Subsequent to the Effective Date and prior to Closing, Seller shall maintain the Property in accordance with its past practices and ordinary maintenance, but shall not be required to provide any extraordinary maintenance.

17. Operations. After the Effective Date and prior to the Closing Date, Seller shall neither enter into any new, nor terminate, modify, extend, amend or renew any existing, lease or service, management, maintenance, repair, employment, union, construction, leasing or other contract or agreement affecting the Property (each, a "New Agreement") without providing at least five (5) business days prior notice (and opportunity to review and approve the New Agreement) to Purchaser. Purchaser shall have five (5) business days after Purchaser's actual

receipt (notwithstanding the notice provisions in Section 18 below) of a true, correct and complete copy of a New Agreement to approve the same. If Purchaser does not approve any such New Agreement that Seller will enter into prior to expiration of the Inspection Period, then Purchaser's sole and exclusive remedy will be to terminate this Agreement by delivering written notice to Seller no later than five (5) business days after receiving the New Agreement, and in such event Purchaser shall receive a full refund of the Earnest Money. If Purchaser fails to terminate this Agreement as set forth in the preceding sentence, it shall be deemed to have approved the New Agreement that Seller will enter into prior to expiration of the Inspection Period in the form provided. Seller may not enter into New Agreement after expiration of the Inspection Period unless Purchaser has approved the same in writing. Seller shall cause any Contracts which Purchaser elects in its discretion not to assume to be cancelled at or before Closing. Seller shall promptly notify Purchaser in writing of any default by Tenant under the Lease that occurs after the Effective Date, and if any such default occurs Purchaser may terminate this Agreement and receive a full refund of the Earnest Money.

18. Notice. Each notice required or permitted to be given hereunder shall be sent by certified mail with return receipt requested and adequate postage prepaid, addressed to the appropriate party (and marked to a particular individual's attention) as hereinafter provided and shall be deemed effective, upon deposit in the U.S. mail, correctly addressed, with adequate prepaid postage affixed thereto; provided, that a confirming copy of each such notice must be sent concurrently by hand delivery, fax or email transmission, or by recognized overnight courier service such as Federal Express. Rejection or other refusal by the addressee to accept shall be deemed to be receipt of the notice sent. The addresses of the parties to which notices are to be sent shall be Purchaser's Address or Seller's Address, as applicable, as set forth in Section 1 above. Any party shall have the right from time to time to change the address to which notices to it shall be sent to another address, and to specify two additional addresses to which copies of notices to it shall be mailed, by giving to the other party at least ten (10) days prior notice of the changed address or additional addresses.

19. Remedies.

(a) Seller's Remedies: Liquidated Damages.

IF THIS TRANSACTION FAILS TO CLOSE BY REASON OF PURCHASER'S WRONGFUL FAILURE TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT, THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES THE PARTIES HEREBY ACKNOWLEDGING THAT SELLER'S ACTUAL DAMAGES IN SUCH CIRCUMSTANCES WOULD BE DIFFICULT, IF NOT IMPOSSIBLE, TO DETERMINE. SELLER EXPRESSLY ACKNOWLEDGES AND AGREES THAT RETENTION OF THE EARNEST MONEY AS PROVIDED FOR HEREIN SHALL BE SELLER'S SOLE AND EXCLUSIVE REMEDY IN THE EVENT OF PURCHASER'S FAILURE TO PERFORM ITS OBLIGATIONS HEREUNDER, AND SELLER SHALL HAVE NO RIGHT TO RECOVER OR CLAIM ACTUAL DAMAGES OR SPECIFIC PERFORMANCE. BY PLACING THEIR INITIALS HERE, PURCHASER: _____ AND SELLER: _____ AGREE THAT SELLER SHALL RETAIN THE AMOUNT OF THE EARNEST MONEY AS ITS LIQUATED DAMAGES, WHICH SHALL BE SELLER'S SOLE REMEDY IN THE EVENT OF A BREACH OR

DEFAULT BY PURCHASER. IF THIS TRANSACTION FAILS TO CLOSE FOR ANY REASON OTHER THAN PURCHASER'S WRONGFUL FAILURE TO PERFORM ITS OBLIGATIONS HEREUNDER, THE EARNEST MONEY SHALL PROMPTLY BE REFUNDED TO PURCHASER.

(b) In the event Seller fails or refuses to convey the Property in accordance with the terms hereof or otherwise fails to perform its obligations hereunder, Purchaser's sole and exclusive remedies for Seller's breach shall be either to (i) terminate this Agreement by written notice to Seller and Escrow Agent and receive a full refund of the Earnest Money by the party in possession thereof and reimbursement from Seller of Purchaser's Pursuit Costs, all within ten (10) days after Purchaser's termination of this Agreement, or (ii) obtain specific performance of this Agreement. Notwithstanding the foregoing, Purchaser shall also be entitled to obtain its attorneys' fees and costs in connection with enforcing its rights and remedies under this Agreement.

20. Time of Essence. Time is of the essence of this Agreement.

21. Closing Documents. At or prior to Closing, each party shall deliver to the other party appropriate evidence to establish the authority of such party to enter into and close the transaction contemplated hereby. Seller also shall execute and deliver to the Title Company at Closing, for it to hold in escrow pending Purchaser's payment of the Purchase Price: (i) the Deed; (ii) a certificate with respect to Section 1445 of the Internal Revenue Code stating, among other things, that Seller is not a foreign corporation as defined in the Internal Revenue Code and I.R.S. Regulations; (iii) the General Assignment substantially in the form attached hereto as Exhibit E; (iv) a letter to each Tenant under any Lease in the form reasonably requested by Purchaser; (v) Seller's representation and warranty downdate certificate under Section 11; and (vi) such other documents reasonably necessary or appropriate to complete and evidence the transaction contemplated hereby, as reasonably requested by the Purchaser or Title Company, including without limitation a standard title company owner's affidavit.

22. Entire Agreement. This Agreement constitutes the entire agreement of the parties and may not be amended except by written instrument executed by Purchaser and Seller. All prior understandings and agreements between the parties are deemed merged herein.

23. Headings. The section headings are inserted for convenience only and are in no way intended to describe, interpret, define or limit the scope or content of this Agreement or any provision hereof.

24. Possession. Seller shall deliver actual possession of the Property at Closing.

25. Applicable Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of California.

26. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns as the case may be, and Purchaser shall have the right to assign its rights hereunder and thereafter be released from any further liability hereunder.

27. Surviving Clauses. The provisions of this Agreement relating to tax prorrations after Closing, Purchaser's indemnification with respect to its entering upon the Property prior to Closing, Seller's representations, covenants, warranties and indemnity agreement in Section 11, Seller's covenant not to encumber the Property subsequent to the date hereof, the mutual covenants of Seller and Purchaser to indemnify each other, as the case may be, as set forth in Section 12, shall not merge into the Deed but instead shall survive any Closing pursuant to this Agreement. Except as set forth in the preceding sentence or as otherwise expressly set forth herein, no other provision of this Agreement shall survive the Closing of this transaction.

28. Tax Deferred Exchange. Purchaser may structure the sale of the Property as a like kind exchange under Internal Revenue Code Section 1031, at Purchaser's sole cost and expense. Seller shall reasonably cooperate therein, provided that Seller shall incur no material costs, expenses or liabilities in connection with Purchaser's exchange and Seller shall not be required to take title to or contract for purchase of any other property. If Purchaser uses a qualified intermediary to effectuate the exchange, any assignment of the rights or obligations of Purchaser hereunder shall not relieve, release or absolve Purchaser of its obligations to Seller hereunder. Purchaser shall reimburse Seller for all reasonable out-of-pocket expenses, if any, incurred by Seller in effectuating Purchaser's exchange.

29. Non-Solicitation. From and after the Effective Date, Seller shall not market the Property for sale, or solicit or accept any back-up offers with respect to the sale of the Property.

30. Offer and Acceptance. This Agreement, as executed by the party first executing it, shall constitute an offer to the other party. The offeree shall accept the same, if at all, by delivering a fully executed copy of this Agreement to the offeror on or before 5:00 p.m., Eastern Standard Time, July 8, 2013. The notice provisions hereof hereinabove notwithstanding, acceptance of this offer shall be effective only upon the actual receipt by the offeror of a faxed or emailed copy of the fully executed Agreement by such date and time, followed by the offeror's receipt on the next business day of the fully executed original. The offer, if not timely accepted as aforesaid, shall expire and be of no further force and effect at the time and date set forth in this Section.

IN WITNESS WHEREOF, this Agreement has been duly executed on the day and year first above written.

PURCHASER:

GLADSTONE LAND CORPORATION, a Maryland corporation

By: _____

Title: _____

SELLER:

KETCHAM BROTHERS AG LAND PARTNERSHIP, a California
general partnership

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

EXHIBIT A

LAND

EXHIBIT B

PERSONAL PROPERTY

EXHIBIT C

DUE DILIGENCE MATERIALS

- (a) Plans, drawings, specifications and engineering and architectural studies and work (including “as built” plans and drawings, if any) with regard to the Property that are in Seller’s possession;
- (b) Any appraisals and surveys of the Property obtained during the period during which Seller has owned the Property or otherwise in Seller’s possession;
- (c) Copies of each current Lease and any amendments or proposed amendments thereto;
- (d) As to each Lease and Tenant, a statement of (i) the rent payable under such Lease for the last five (5) years, (ii) the date on which rent is due under each Lease, (iii) all receipts for rent and the rental period for which, rent has been paid, (iv) the expiration date of such Lease and any renewal or extension options, (v) information regarding the status of security deposits, if applied, and (vi) the identity of any sublessee(s) or licensee (s) of any part of the Property (including without limitation, any licensee of any hunting, fishing or other recreational rights with respect thereto), including the material terms of any such sublease or license;
- (e) Copies of all correspondence in Seller’s possession relating to any Government Payments;
- (f) Copies of all material correspondence during the last 12 months in Seller’s possession relating to each Lease.
- (g) Real estate tax bills and statements for the current year and the previous two (2) years with respect to the Property;
- (h) Utility bills for the Property for the two (2) most recent complete calendar years and the current year-to-date;
- (i) Copies of insurance certificates with respect to the Property;
- (j) Copies of all of the Contracts and any amendments or proposed amendments thereto;
- (k) Copies of any soil boring or other similar engineering reports with respect to the Property obtained during the period during which Seller has owned the Property;
- (l) Any environmental assessment report or study with respect to the Property in Seller’s possession;
- (m) Copies of any warranties relating to any Improvements or Personal Property (including without limitation Irrigation Equipment) included in the Property;

-
- (n) Any information in Seller's possession or control from any governmental agency or authority regarding the Property or adjacent properties;
 - (o) Copies of all notices and correspondence received from any governmental agency of authority regarding the Property or adjacent properties;
 - (p) Copies of all notices and correspondence received from third-parties claiming an interest or right in and to the Property, or any portion thereof; and
 - (q) Copies of all certificates, applications, permits or other documents related to or evidencing Water Rights associated with the Property or any portion thereof.

EXHIBIT D

FORM OF TENANT ESTOPPEL LETTER

, 20

To: ("Buyer")

Re: Lease dated _____, (the "Lease") executed between _____ ("Landlord") and _____ ("Tenant"), for the approximately _____ acres located in _____ County, _____ and known or designated as _____ (the "Property")

Gentlemen:

The undersigned Tenant understands that you or your assigns intend to acquire the Property from _____. The undersigned Tenant does hereby certify to you as follows:

- A. The Lease consists only of the documents identified in items 1 and 2 on Schedule A attached hereto ("Schedule A"). There are no tenant inducements, rent concessions or tenant improvement allowances or other landlord obligations or concessions other than as expressly set forth in such written documents.
- B. The Lease is in full force and effect and has not been modified, supplemented, or amended as indicated in Item 2 on Schedule A. **[Tenant is presently conducting farming operations at the Property under the Lease.]**
- C. Tenant has not given Landlord written notice of any dispute between Landlord and Tenant. Landlord is not in default under the Lease.
- D. Tenant does not claim any offsets or credits against rents payable under the Lease. Tenant is not entitled to any unpaid allowance for any improvements or otherwise under the Lease.
- E. Tenant has not paid a security or other deposit with respect to the Lease, except as shown in Item 3 on Schedule A.
- F. Tenant has fully paid rent on account through _____, 20____; the current base rent and any Property expenses payable by Tenant under the Lease are as shown in Item 4 on Schedule A.
- G. Tenant has not paid any rentals in advance except for the month(s) of _____ 20____.

-
- H. The term of the lease will terminate on the dates indicated in Item 5 on Schedule A.
 - I. The Tenant has not granted any license or other right to use any part of the Property (for hunting, fishing or other recreational uses, or otherwise), except for as follows:

 - J. Except as shown in Item 6 on Schedule A, Tenant has no right of first refusal or option to lease space in addition to the premises demised under the Lease.
 - K. Except as shown in Item 6 on Schedule A, Tenant has no right of first refusal or option to purchase the Property or any part thereof.
 - L. The undersigned is authorized to execute this Tenant Estoppel Certificate on behalf of Tenant and realizes that Landlord is proposing to sell the Property that includes the leased premises, and any proposed buyer of the Property shall be entitled to rely upon this certification by Tenant.

SCHEDULE A

1. Lease:

Landlord:

Tenant: _____

Date: _____

2. Modifications and/or Amendments

(a) Date: _____

(b) Date: _____

(c) Date: _____

3. Security Deposit
(currently held by
Landlord) \$

4. Rent
for current term
of Lease \$

Expenses Paid By Tenant: **[Indicate "yes" or "no"]**

Taxes: _____

Utilities: _____

Maintenance: _____

Other: _____

5. Commencement Date: _____

Termination Date: _____

6. Right of First refusal
or option

to Lease

to Purchase

(if none, state "None")

If "yes", does such right or option still exist or has such right or option been exercised or waived?

Still Exists

Exercised

Waived

EXHIBIT E

GENERAL ASSIGNMENT

THIS GENERAL ASSIGNMENT (this "Assignment") is entered into as of the _____ of _____, 20____, between _____ ("Assignor"), whose address is _____, and _____ ("Assignee"), a _____ whose address is _____.

1. Purchase Agreement; Defined Terms. This Assignment is being executed and delivered pursuant to that certain Agreement of Purchase and Sale between _____, as Purchaser, and _____, as Seller, dated as of _____, 201____ (the "Purchase Agreement"). Any capitalized term used but not otherwise defined herein shall have the meaning set forth in the Purchase Agreement.

2. Assignment and Conveyance. For good and valuable consideration received by Assignor, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby bargains, sells, conveys, grants, transfers and assigns to Assignee the entire right, title and interest of Assignor in and to the following in accordance with the terms and conditions of the Purchase Agreement:

- i. All Contracts not previously terminated at Assignee's request, the Leases and any security deposit(s) under the Lease;
- ii. All Personal Property including, without limitation, all of Seller's right, title and interest to the Crops and Plants;
- iii. All warranties, guarantees, bonds, licenses, permits, certificates of occupancy, zoning certificates, and other governmental permits and licenses to and in connection with the construction, development, ownership, use, operation or maintenance of the Property or any part thereof, to the extent the same are assignable; and
- iv. All Water Rights.

5. Assumption. Assignee hereby assumes the obligations of Assignor under the Contracts and as lessor under the Leases, in each and every case only to the extent first arising from and after the date hereof. Assignor shall promptly notify Assignee in writing if any claim is made against Assignor with respect to any matter which Assignee has agreed to assume in this Assignment, specifying the nature and details of such claim. Assignor shall cooperate fully with Assignee and its counsel and attorneys in the defense against such claim in accordance with their judgment and discretion, and Assignor shall not pay or settle any such claim without Assignee's prior written consent. No person or entity, other than Assignor, shall be deemed a beneficiary of the provisions of this Section 5.

6. Indemnity. Assignee agrees to indemnify, defend and hold Assignor harmless from and against any and all claims, damages, demands, causes of action, liabilities, judgments,

losses, costs and expenses (including but not limited to reasonable attorneys' fees) asserted against or incurred by Assignor caused by the failure of Assignee to perform any obligation under the Contracts or Leases which obligation was assumed by Assignee hereunder. Assignor agrees to indemnify, defend and hold Assignee harmless from and against any and all claims, damages, demands, causes of action, liabilities, judgments, losses, costs and expenses (including but not limited to reasonable attorneys' fees) asserted against or incurred by Assignee caused by the failure of Assignor to perform any obligation under any of the Contracts or the Leases first arising prior to the date hereof.

7. Power and Authority. Assignor represents and warrants to Assignee that it is fully empowered and authorized to execute and deliver this Assignment, and the individual signing this Assignment on behalf of Assignor represents and warrants to Assignee that he or she is fully empowered and authorized to do so.

8. Attorneys' Fees. If either Assignee or Assignor or their respective successors or assigns file suit to enforce the obligations of the other party under this Assignment, the prevailing party shall be entitled to recover the reasonable fees and expenses of its attorneys.

9. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

10. Counterparts. This Agreement may be executed in any number of identical counterparts, any or all of which may contain the signatures of fewer than all of the parties but all of which shall be taken together as a single instrument.

11. Governing Law. This Agreement shall be governed and interpreted in accordance with the laws of the State of _____.

IN WITNESS WHEREOF, Assignor and Assignee have executed and delivered this Assignment the day and year first above written.

ASSIGNOR

By: _____
Title: _____

ASSIGNEE

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT (the "Agreement") is made as of the 23rd day of August, 2013 (the "Effective Date"), between Venetian Acres, LLC, a Florida limited liability company (the "Seller"), and Gladstone Land Corporation, a Maryland corporation, or its designee (the "Purchaser").

WHEREAS, Seller has agreed to sell and Purchaser has agreed to purchase the Property (as hereinafter defined);

NOW, THEREFORE, in consideration of the agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Certain Definitions. For purposes of this Agreement, the following terms shall have the following definitions:

"Broker" shall mean: Brian C. Webster License # Bk645178

"Closing Date" shall mean October 10th, 2013, which is 15 days after expiration of the Inspection Period. If Purchaser extends the Inspection Period by 15 days as set forth below, the Closing Date shall be extended by a corresponding number of days.

"Contracts" shall mean, collectively, any and all service, maintenance, management or other contracts or agreements with third parties relating to or affecting the Property.

"Due Diligence Materials" shall mean those materials and information more particularly described on Exhibit C attached hereto and incorporated by reference herein.

"Earnest Money" shall mean the sum of Fifty Thousand Dollars (\$50,000), together with all interest accrued thereon.

"Escrow Agent" shall mean: Hill, Ward, & Henderson, P.A.

"Inspection Period" shall mean the period beginning on the Effective Date and ending at 5:00 p.m. local time at the Property on September 25th, 2013, which is 30 days after the Effective Date. Purchaser may extend the Inspection Period by fifteen (15) additional days, to October 10th, 2013, by written notice to Seller prior to expiration of the initial Inspection Period if it requires additional time to obtain or review its third party reports.

"Improvements" shall mean all buildings, structures, gates, fences, roads, levees, ditches, appurtenances or other facilities currently existing on the Property.

"Land" shall mean that certain real property situated at SW Markel Street & SW 60th Ave. or Green Farm Lane, Palm City, in Martin County, State of Florida, comprising approximately 661 gross acres, which includes approximately 510 farmable acres of cropland, as more particularly described on Exhibit A attached hereto and incorporated herein by reference, together with all rights, easements, hereditaments and appurtenances thereunto belonging.

“Personal Property” shall mean personal property used by Seller that will be conveyed to Purchaser as part of this transaction, if any, as more particularly described on Exhibit B attached hereto and incorporated by reference herein.

“Property” shall mean the Land, Improvements, and any Personal Property.

“Purchase Price” for the Property shall mean the total amount of Four Million Three Hundred Thousand Dollars (\$4,300,000), subject to adjustment as set forth in this Agreement.

“Purchaser’s Address” shall mean:

Gladstone Land Corporation
Attention: Bill Frisbie
1521 Westbranch Drive, Suite 200
McLean, VA 22102
(703) 287-5839 (T)
(703) 287-5801 (F)
Email: Bill.Frisbie@gladstonecompanies.com

With copy to:

R. James Robbins, Jr., Esq.
Hill Ward Henderson
101 E. Kennedy Blvd., Suite 3700
Tampa, FL 33602
(813) 227-8404 (T)
(813) 221-2900 (F)
Email: rjrobbins@hwhlaw.com

“Pursuit Costs” shall mean all of Purchaser’s reasonable third party, out of pocket expenditures in connection with the transaction contemplated hereby, including without limitation legal, engineering, loan, appraisal, survey and title fees and expenses; provided, however, that for purposes of this Agreement, the Pursuit Costs shall not exceed Thirty Thousand Dollars (\$30,000.00) in the aggregate.

“Recreational Rights” shall mean, collectively, any and all leases, licenses or other rights to use any portion of the Property for recreational use such as hunting, fishing, boating, or otherwise.

“Seller’s Address” shall mean:

Jennifer Leonard
Capano Management Company
105 Foulk Road
Wilmington, DE 19803
Ph. 302-429-8700
Fx. 302-426-1086

With Copy To:

Gillespie & Allison, P.A.
Attention: Don Allison
33 SE 5th, Suite 100
Boca Raton, FL 33432
(561) 368-5758 (T)
(561) 395-0917 (F)

“Title Company” shall mean: Old Republic National Title Insurance Company

“Water Rights” shall mean all rights to use wells and other water sources that exist on the Effective Date that benefit or are appurtenant to the Property and that may be reasonably necessary to conduct farming operations at the Property as currently conducted and in accordance with GAP.

2. Property. Seller hereby agrees to sell and Purchaser, or its designee, hereby agrees to purchase from Seller the Property.

3. Earnest Money. Within three (3) business days after the later of (x) the Effective Date or (y) the date of full execution of this Agreement by both Seller and Purchaser, Purchaser shall deposit the Earnest Money with the Escrow Agent by wire transfer or certified or cashier’s check. Said Earnest Money shall be refundable to Purchaser in accordance with this Agreement.

4. Purchase Price. At the Closing, defined below, all Earnest Money shall be applied to the Purchase Price, and the balance of the Purchase Price, subject to adjustments for credits and debits as set forth in this Agreement, shall be paid in good funds by wire transfer.

5. Inspection Period; Refund of Earnest Money; Due Diligence Materials

(a) Purchaser shall have until the expiration of the Inspection Period to make such determinations with respect to the Property as Purchaser deems appropriate and to elect to either continue or terminate this Agreement, in Purchaser’s sole and absolute discretion, for any reason or no reason. Purchaser may terminate this Agreement, and receive a full refund of the Earnest Money, less \$10.00 to be retained by Seller as consideration for entering into this Agreement, by delivering written termination notice to Seller at any time prior to expiration of the Inspection Period. If Purchaser does not so terminate this Agreement, the Earnest Money shall thereafter be refundable to Purchaser only as expressly otherwise set forth in this Agreement, and this Agreement shall remain in effect.

(b) Within five (5) days after the Effective Date, Seller shall deliver to Purchaser at Seller's sole expense the Due Diligence Materials. For each day of Seller's delay in delivering all of the Due Diligence Materials beyond five (5) days after the Effective Date, the Inspection Period and Closing Date shall (at Purchaser's option) be extended by one (1) day. Seller shall also promptly provide any other documents or information in Seller's possession or control relating to the Property or any Contract that is reasonably requested by Purchaser.

6. Costs and Prorations.

(a) Purchaser shall pay one-half of the documentary stamp tax (transfer tax) due to Martin County at the time of recording the deed of conveyance for the Property, the costs of any Survey obtained by Purchaser pursuant to Section 9 hereof, and the costs of any Phase I environmental report obtained by Purchaser. Seller shall pay for preparation of the deed of transfer, one-half of the said documentary stamp tax, recording costs applicable to the deed of transfer, the premium for Purchaser's Title Policy, defined below, and any costs of production of the title search or abstract for the Property. Purchaser shall pay all expenses incident to any financing obtained for the purchase of the Property. All other closing costs shall be borne in accordance with the custom in Martin County, Florida.

(b) The following shall be prorated between the parties as of the Closing Date: (i) ad valorem property taxes constituting a lien against the Property for the year in which the Closing occurs and all other unpaid assessments with respect thereto, and (ii) utilities, and operating expenses for the Property for the calendar month (or other applicable period if such charges are not paid monthly) in which Closing occurs, subject to subsection 6(c) below. In the event such proration is based upon a previous year's taxes or assessment, after Closing, at such time as any of the taxes or assessments are capable of exact determination, the party having the information permitting the exact determination shall send to the other party a detailed report of the exact determination so made. Within thirty (30) days after both Seller and Purchaser shall have received such report, Seller and Purchaser shall adjust the amounts apportioned pursuant to the estimates made at Closing to reflect the exact determinations contained in the report, and Seller or Purchaser, as the case may be, shall pay to the other whatever amount shall be necessary to compensate for the difference.

7. Conditions Precedent To Purchaser's Obligations. Seller acknowledges that as a condition precedent to Purchaser's obligations hereunder, the following shall occur on or before the Closing Date (or any earlier date indicated below), any of which conditions may be waived by Purchaser in its sole discretion:

(a) Purchaser shall have received a current Phase I environmental assessment satisfactory to Purchaser prepared by a competent licensed environmental engineer satisfactory to Purchaser that does not recommend a Phase II environmental assessment and reflecting that there are no hazardous wastes, hazardous materials or fuel (or other storage) tanks located above, on or below the surface of the Property, and that the Property is in compliance with all applicable environmental laws, ordinances, rules and regulations.

(b) The Title Company shall be irrevocably committed to issue upon Closing a 2006 ALTA Owner's Policy of Title Insurance (the "Title Policy"), as evidenced by a "marked up" Title Commitment, defined below, insuring Purchaser as owner of fee simple title to the Property, subject only to Permitted Exceptions (defined below), in the amount of the Purchase Price, and containing such endorsements as Purchaser shall have requested.

(c) Subject to Sections 14 and 15 below, there shall have been no material adverse change in the condition of any of the Property (including without limitation any Improvements) after expiration of the Inspection Period and prior to the Closing Date.

(d) Each and every representation and warranty of Seller set forth in Section 11 shall be true and correct in all material respects, and Seller shall not be in default under any of its other obligations under this Agreement, as of Closing.

8. Closing: Deed.

(a) Subject to all preconditions set forth herein, the closing or settlement ("Closing") of the transaction contemplated hereby, unless terminated in accordance with this Agreement or as otherwise agreed upon by Purchaser and Seller, shall be held via the mails, through the law firm of Gillespie & Allison, P.A. at 10:00 a.m. on the Closing Date or such other place and time as the parties may agree in writing.

(b) At Closing, Seller shall convey to Purchaser good, marketable and insurable title to the Property by special warranty deed acceptable to Purchaser and the Title Company (the "Deed"), subject to (i) standard exceptions for real property taxes not yet due and payable, and (ii) any other matters which are waived by, or acceptable to, Purchaser pursuant to Section 10 below (the "Permitted Exceptions"). The Land description in the Deed shall be the property description from Seller's vesting deed(s); provided, that if Purchaser obtains a Survey of the Property, Seller also agrees to execute and deliver a recordable Quit Claim Deed to Purchaser at Closing using the Survey description.

9. Survey. During the Inspection Period, Purchaser, at Purchaser's expense, may cause an ALTA survey of the Property to be prepared by a surveyor selected by Purchaser ("Survey").

10. Title. During the Inspection Period, Seller shall procure a title insurance commitment in the amount of the Purchase Price covering the Property issued by the Title Company (the "Title Commitment") and furnish a copy thereof to Purchaser. Purchaser shall have until the expiration of the Inspection Period to object to any matters shown on the Title Commitment or Survey by written notice to Seller ("Title Objection Notice"). Purchaser may also object to any new matters thereafter revealed by a title update by subsequent Title Objection Notice to Seller. Within five (5) business days after receipt of Purchaser's Title Objection Notice, Seller shall either (i) deliver written notice to Purchaser of any title or Survey objections which Seller elects not to cure, or (ii) cure or satisfy such objections (or commence to cure or satisfy such objections as long as Seller reasonably believes such objections may be cured or satisfied at least two (2) business days prior to Closing). Within five (5) business days after receipt of Seller's written notification that Seller elects not to cure a title or Survey objection,

Purchaser may terminate this Agreement and receive a full refund of the Earnest Money by delivering written notice thereof to Seller. If Purchaser does not so terminate this Agreement, then any such title or Survey objection which Seller elects not to cure shall be deemed waived by Purchaser and shall be an additional Permitted Exception. If any objection which Seller elects to cure is not satisfied by Seller at least two (2) business days before the scheduled date of Closing, Purchaser shall have the right to terminate this Agreement, in which case the Earnest Money shall be returned to Purchaser and neither party shall have any further rights, obligations or duties under this Agreement. If Seller does cure or satisfy the objections at least two (2) business days prior to Closing, then this Agreement shall continue in effect. Any exception to or defect in title which Purchaser shall elect to waive, or which is otherwise acceptable to Purchaser, shall be deemed an additional Permitted Exception to title at Closing. Seller covenants and agrees not to alter or encumber in any way Seller's title to the Property after the date hereof. Notwithstanding anything in this Agreement to the contrary, Seller shall cause any deed of trust, mortgage, deed to secure debt, judgment or other lien for a liquidated sum encumbering the Property to be released at or before Closing.

11. Seller's Representations and Warranties. As of the date hereof and as of the Closing Date (as evidenced by Seller's downdate certificate to be provided at Closing), Seller represents, warrants and covenants to Purchaser that:

(a) There are and there will be no parties in possession of any portion of the Property as lessees, and no other party has been granted an oral or written license, lease, option, purchase agreement or other right pertaining to the use, purchase or possession of any portion of the Property. A true, complete and correct copy of any Contract affecting the Property and any amendments thereto have been or will be furnished to Purchaser within five (5) days after the Effective Date as part of the Due Diligence Materials. Such Contracts, if any are valid and binding in accordance with their respective terms and conditions, are in full force and effect, and have no uncured breach or default by any party. No off-sets or defenses are available to any party under any Contract. All Contracts are cancellable upon not more than thirty (30) days prior written notice. There are no leasing brokerage agreements, leasing commission agreements or other agreements providing for the payment of any amounts, and no commissions due, for leasing activities with respect to the Property. Purchaser shall have no liability for (and Seller hereby indemnifies and holds harmless Purchaser from and against any claim for) any such leasing commissions.

(b) The Seller has not received notice of any default (nor is there any default) under any note or deed of trust related to or secured by the Property. The execution and delivery of this Agreement, the consummation of the transaction herein contemplated and the compliance with the terms and provisions hereof will not conflict with or (with or without notice or the passage of time or both) result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, loan agreement or instrument to which the Seller is a party or by which the Seller or the Property is bound, any applicable regulation or any judgment, order or decree of any court having jurisdiction over the Seller or the Property.

(c) The Seller has not received any notice, nor is the Seller aware, of any violation of any ordinance, regulation, law, statute, rule or restriction relating to the Property.

(d) There are no attachments, executions, assignments for the benefit of creditors, or voluntary or involuntary proceedings in bankruptcy or under any applicable debtor relief laws or any other litigation contemplated by or pending or threatened against the Seller or the Property.

(e) Seller has been duly organized and is validly existing under the laws of the State of Florida. Seller has the full right and authority to enter into this Agreement and to transfer all of the Property to be conveyed by Seller pursuant hereto and to consummate or cause to be consummated the transactions contemplated herein to be made by Seller. The person signing this Agreement on behalf of Seller is authorized to do so. This Agreement constitutes, and all agreements and documents contemplated hereby (when executed and delivered pursuant hereto) will constitute, the valid and legally binding obligations of Seller, enforceable in accordance with their respective terms. No other signatures or approvals are required to make this Agreement fully enforceable by the Purchaser with respect to the Seller or the Property. This Agreement constitutes, and all agreements and documents contemplated hereby (when executed and delivered pursuant hereto) will constitute, the valid and legally binding obligations of Seller, enforceable in accordance with their respective terms.

(f) The Seller has and will convey to the Purchaser good, marketable and indefeasible title in fee simple to the Property, subject only to the Permitted Exceptions.

(g) There is no pending or threatened condemnation or similar proceeding or assessment affecting the Property or any part thereof, nor to the knowledge of the Seller is any such proceeding or assessment contemplated by any governmental authority. There will be no claim against the Property or Purchaser for or on account of work done, materials furnished, and utilities supplied to the Property prior to the Closing Date. To Seller's knowledge, there are no public plans or proposals for changes in road grade, access, or other municipal improvements which would adversely affect the Property or result in any assessment; and no ordinance authorizing improvements, the cost of which might be assessed against Purchaser or the Property, is pending.

(h) Seller has not entered into any agreement to dispose of its interest in the Property or any part thereof, except for this Agreement.

(i) Seller is not a party to any litigation which is still pending, and knows of no threatened litigation, affecting or relating to the Property.

(j) Neither the Seller, nor to Seller's knowledge, any other party has ever caused or permitted any "hazardous material" (as hereinafter defined) to be placed, held, located, or disposed of on, under, or at the Property or any part thereof in forms or concentrations which violate applicable laws and regulations, and, to Seller's knowledge, neither the Property nor any part thereof has ever been used as a dump or storage site (whether permanent or temporary) for any hazardous material. As used herein, "hazardous material" means and includes any hazardous, toxic, or dangerous waste, substance, or material defined as such in, or for purposes of, the Comprehensive Environmental Response, Compensation Liability Act (42 U.S.C. Section 9601, et seq., as amended) or any other "super fund" or "super lien" law or any other Federal, State, or local statute, or law, ordinance, code, rule, regulation, order or decree regulating,

relating to, or imposing liability for standards of conduct concerning any substance or material, as presently in effect. The Property does not currently contain any underground or aboveground storage tanks and any storage tanks previously located on the Property (whether above ground or below ground) have been removed in accordance with the requirements of all applicable laws with "clean closure" or "no further action" letter(s), or comparable letters, issued by the State of Florida in connection therewith.

Seller hereby indemnifies and holds harmless Purchaser from and against any and all loss, expense (including without limitation reasonable attorney fees), liability, cost, claim, demand, action, cause of action and suit arising out of or in any way related to any breach of any representation, warranty, covenant or agreement of Seller in this Agreement.

12. Broker and Broker's Commission.

(a) If Closing occurs hereunder but not otherwise, Seller shall pay a commission fee to Broker equal to one and one-quarter percent (1.25%) of the Purchase Price.

(b) Purchaser and Seller each represent and warrant to the other that, with the exception of the Broker set forth in Section 12(a) above engaged by Seller, such party has not incurred an obligation to any other broker or agent in connection with the transaction contemplated hereby. Each party hereby covenants and agrees to defend, indemnify and hold harmless the other party against and from any and all loss, expense, liability, cost, claim, demand, damage, action, cause of action and suit arising out of or in any manner relating to the alleged employment or use by such party of any real estate broker or agent in connection with this transaction. The provisions of this Section 12(b) shall survive the Closing of this transaction.

13. Survey and Inspection. Purchaser and Purchaser's agents, employees and independent contractors shall have the right and privilege to enter upon the Property during the Inspection Period to survey and inspect the Property and to conduct soil borings, environmental assessment and toxic waste studies and other geological, engineering, water or landscaping tests or studies or building inspections, all at Purchaser's sole cost and expense. Purchaser hereby covenants and agrees to indemnify and hold harmless Seller from any and all loss, liability, cost, claim, demand, damage, action, cause of action and suit arising out of or in any manner related to the exercise by Purchaser of Purchaser's rights under this section (but not the existence of any condition discovered in the course of Purchaser's inspections and testing).

14. Eminent Domain. If, after the Effective Date and prior to Closing, Seller shall receive notice of the commencement or threatened commencement of eminent domain or other like proceedings against the Property or any portion thereof, Seller shall immediately notify Purchaser in writing, and Purchaser shall elect within thirty (30) days from and after such notice, by written notice to Seller, one of the following: (a) not to close the transaction contemplated hereby, in which event all Earnest Money shall be refunded to Purchaser and this Agreement shall be void and of no further force and effect; or (b) to close the purchase of the Property contemplated hereby in accordance with its terms but subject to such proceedings, in which event the Purchase Price shall remain the same and Seller shall transfer and assign to Purchaser at Closing all condemnation proceeds and rights to additional condemnation proceeds, if any. If

Purchaser elects to purchase after receipt of such a notice, all actions taken by Seller with regard to such eminent domain proceedings, including but not limited to, negotiations, litigation, settlement, appraisals and appeals, shall be subject to the approval of Purchaser, which approval shall not be unreasonably withheld. If Purchaser does not make such election within the aforesaid time period, Purchaser shall be deemed to have elected to close the transactions contemplated hereby in accordance with clause (b) above.

15. Property Damage. If, after the Effective Date and prior to Closing, the Property shall suffer significant damage as the result of fire or other casualty, Seller shall immediately notify Purchaser in writing. In the event said damage results in damage of the improvements situated on the Property in the amount of Ten Thousand and No/100 Dollars (\$10,000.00) or greater, Purchaser shall have the right to elect within fifteen (15) days from and after such notice, by written notice, one of the following: (a) not to close the transaction contemplated hereby, in which event all Earnest Money shall be refunded to Purchaser and this Agreement shall be void and of no further force and effect; or (b) to close the purchase of the Property contemplated hereby in accordance with its terms but subject to such damage, in which event the Purchase Price shall remain the same and Seller shall transfer and assign to Purchaser at Closing all insurance proceeds received or to be received as a result of such damage, and Purchaser shall receive a credit against the Purchase Price for any insurance deductible or uninsured loss. If Purchaser does not make such election within the aforesaid time period, Purchaser shall be deemed to have elected to close the transactions contemplated hereby in accordance with clause (b) above. In the event less than Ten Thousand and No/100 Dollars (\$10,000.00) of damage to the improvements situated on the Property exists, this Agreement shall remain in full force and effect, but, at Closing, Seller shall transfer and assign to Purchaser all insurance proceeds received or to be received as a result of such damage, and Purchaser shall receive a credit against the Purchase Price for any insurance deductible or uninsured loss.

16. Condition of Property. Subsequent to the Effective Date and prior to Closing, Seller shall maintain the Property in accordance with its past practices and ordinary maintenance, but shall not be required to provide any extraordinary maintenance.

17. Operations. After the Effective Date and prior to the Closing Date, Seller shall neither enter into any new, nor terminate, modify, extend, amend or renew any existing, lease or service, management, maintenance, repair, employment, union, construction, leasing or other contract or agreement affecting the Property (each, a "New Agreement") without providing at least five (5) business days prior notice (and opportunity to review and approve the New Agreement) to Purchaser. Purchaser shall have five (5) business days after Purchaser's actual receipt (notwithstanding the notice provisions in Section 18 below) of a true, correct and complete copy of a New Agreement to approve the same. If Purchaser does not approve any such New Agreement that Seller will enter into prior to expiration of the Inspection Period, then Purchaser's sole and exclusive remedy will be to terminate this Agreement by delivering written notice to Seller no later than five (5) business days after receiving the New Agreement, and in such event Purchaser shall receive a full refund of the Earnest Money. If Purchaser fails to terminate this Agreement as set forth in the preceding sentence, it shall be deemed to have approved the New Agreement that Seller will enter into prior to expiration of the Inspection Period in the form provided. Seller may not enter into New Agreement after expiration of the Inspection Period unless Purchaser has approved the same in writing. Seller shall cause any Contracts which Purchaser elects in its discretion not to assume to be cancelled at or before Closing.

18. Notice. Notices provided for in this Agreement must be (i) delivered personally, (ii) sent by registered or certified mail, postage prepaid, return receipt requested, (iii) sent via a reputable express courier, (iv) sent by facsimile during normal business hours with a confirmation copy delivered by another method permitted by this Section 18 other than electronic mail, or (v) sent by electronic mail during normal business hours with a confirmation copy delivered by another method permitted by this Section 18 other than facsimile, addressed as set forth below. Notice sent by U.S. mail is deemed delivered three days after deposit with the U.S. Postal Service. Notice sent by a reputable express carrier is deemed received on the day receipted for by the express carrier or its agent. Notice sent via facsimile is deemed delivered upon the transmission to the phone number designated as the recipient's facsimile phone number below. Notice sent via electronic mail is deemed delivered upon the entrance of such electronic mail into the information processing system designated by the recipient's electronic mail address set forth below. The addresses of the parties to which notices are to be sent shall be Purchaser's Address or Seller's Address, as applicable, as set forth in Section 1 above. Any party shall have the right from time to time to change the address to which notices to it shall be sent to another address, and to specify two additional addresses to which copies of notices to it shall be mailed, by giving to the other party at least ten (10) days prior notice of the changed address or additional addresses.

19. Remedies. If this transaction fails to close by reason of Purchaser's wrongful failure to perform its obligations under this Agreement, the Earnest Money shall be retained by Seller as liquidated damages the parties hereby acknowledging that Seller's actual damages in such circumstances would be difficult, if not impossible, to determine. Seller expressly acknowledges and agrees that retention of the Earnest Money as provided for herein shall be Seller's sole and exclusive remedy in the event of Purchaser's failure to perform its obligations hereunder. If this transaction fails to close for any reason other than Purchaser's wrongful failure to perform his obligations hereunder, the Earnest Money shall promptly be refunded to Purchaser. In the event Seller fails or refuses to convey the Property in accordance with the terms hereof or otherwise fails to perform its obligations hereunder, Purchaser's sole and exclusive remedy for Seller's breach shall be either to (i) terminate this Agreement by written notice to Seller and Escrow Agent and receive a full refund of the Earnest Money by the party in possession thereof and reimbursement from Seller of Purchaser's Pursuit Costs, all within ten (10) days after Purchaser's termination of this Agreement, or (ii) obtain specific performance of this Agreement. Notwithstanding the foregoing, Purchaser shall also be entitled to obtain its attorneys' fees and costs in connection with enforcing its rights and remedies under this Agreement.

20. Time of Essence. Time is of the essence of this Agreement.

21. Closing Documents. At or prior to Closing, each party shall deliver to the other party appropriate evidence to establish the authority of such party to enter into and close the transaction contemplated hereby. Seller also shall execute and deliver to the Title Company at Closing, for it to hold in escrow pending Purchaser's payment of the Purchase Price: (i) the Deed; (ii) a certificate with respect to Section 1445 of the Internal Revenue Code stating, among

other things, that Seller is not a foreign corporation as defined in the Internal Revenue Code and I.R.S. Regulations; (iii) the General Assignment substantially in the form attached hereto as Exhibit D; (iv) Seller's representation and warranty downgrade certificate under Section 11; and (v) such other documents reasonably necessary or appropriate to complete and evidence the transaction contemplated hereby, as reasonably requested by the Purchaser or Title Company, including without limitation a standard title company owner's affidavit.

22. Entire Agreement. This Agreement constitutes the entire agreement of the parties and may not be amended except by written instrument executed by Purchaser and Seller. All prior understandings and agreements between the parties are deemed merged herein.

23. Headings. The section headings are inserted for convenience only and are in no way intended to describe, interpret, define or limit the scope or content of this Agreement or any provision hereof.

24. Possession. Seller shall deliver actual possession of the Property at Closing.

25. Applicable Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Florida.

26. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns as the case may be, and Purchaser shall have the right to assign its rights hereunder and thereafter be released from any further liability hereunder.

27. Surviving Clauses. The provisions of this Agreement relating to tax proration after Closing, Purchaser's indemnification with respect to its entering upon the Property prior to Closing, Seller's representations, covenants, warranties and indemnity agreement in Section 11, Seller's covenant not to encumber the Property subsequent to the date hereof, the mutual covenants of Seller and Purchaser to indemnify each other, as the case may be, as set forth in Section 12, and the Purchaser's covenant to indemnify and hold the Seller harmless as set forth in Section 13 shall not merge into the Deed but instead shall survive any Closing pursuant to this Agreement. Except as set forth in the preceding sentence or as otherwise expressly set forth herein, no other provision of this Agreement shall survive the Closing of this transaction.

28. Tax Deferred Exchange. Purchaser may structure the sale of the Property as a like kind exchange under Internal Revenue Code Section 1031, at Purchaser's sole cost and expense. Seller shall reasonably cooperate therein, provided that Seller shall incur no material costs, expenses or liabilities in connection with Purchaser's exchange and Seller shall not be required to take title to or contract for purchase of any other property. If Purchaser uses a qualified intermediary to effectuate the exchange, any assignment of the rights or obligations of Purchaser hereunder shall not relieve, release or absolve Purchaser of its obligations to Seller hereunder. Purchaser shall reimburse Seller for all reasonable out-of-pocket expenses, if any, incurred by Seller in effectuating Purchaser's exchange.

29. Non-Solicitation. From and after the Effective Date, Seller shall not market the Property for sale, or solicit or accept any back-up offers with respect to the sale of the Property. If Closing does not occur and the transaction is terminated, this provision is voided.

30. Offer and Acceptance. This Agreement, as executed by the party first executing it, shall constitute an offer to the other party. The offeree shall accept the same, if at all, by delivering a fully executed copy of this Agreement to the offeror on or before 5:00 p.m., August 26th, 2013. The notice provisions hereof hereinabove notwithstanding, acceptance of this offer shall be effective only upon the actual receipt by the offeror of a faxed or emailed copy of the fully executed Agreement by such date and time, followed by the offeror's receipt on the next business day of the fully executed original. The offer, if not timely accepted as aforesaid, shall expire and be of no further force and effect at the time and date set forth in this Section.

31. In the event that legal proceedings are initiated by either party to construe or enforce this Agreement, the prevailing party in such proceedings shall be entitled to an award of its costs and attorneys' fees incurred at all court levels.

IN WITNESS WHEREOF, this Agreement has been duly executed on the day and year first above written.

PURCHASER:

GLADSTONE LAND CORPORATION, a Maryland corporation

By: _____

Title: _____

SELLER:

VENETIAN ACRES, LLC

By: _____

Louis J. Capano, Jr.

Title: Authorized representative

EXHIBIT A

LAND

LEGAL DESCRIPTION

PARCEL 1: ALL THAT PART OF THE FOLLOWING DESCRIBED LANDS LYING WESTERLY OF THE RIGHT-OF-WAY FOR 1-95 CONVEYED TO THE STATE OF FLORIDA BY DEED RECORDED IN OFFICIAL RECORDS BOOK 621. PAGE 2298:

DESCRIPTION OF PORTION OF SECTION 30, TOWNSHIP 38 SOUTH, RANGE 40 EAST IN MARTIN COUNTY, FLORIDA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID SECTION 30, RUN NORTH 0°15'48" EAST ALONG THE EAST BOUNDARY LINE OF SAID SECTION 30 A DISTANCE OF 1185.28 FEET TO A POINT; THENCE NORTH 34°00'59" WEST A DISTANCE OF 4945.73 FEET TO AN INTERSECTION WITH THE NORTH BOUNDARY LINE OF SAID SECTION 30; THENCE SOUTH 89°35'00" WEST ALONG SAID NORTH BOUNDARY LINE OF SECTION 30 A DISTANCE OF 2550.55 FEET TO THE NORTHWEST CORNER OF SAID SECTION 30; THENCE SOUTH 0°00'24" WEST ALONG THE WEST BOUNDARY LINE OF SAID SECTION 30 A DISTANCE OF 536.49 FEET TO A POINT; THENCE SOUTH 32°33'45" EAST A DISTANCE OF 794.83 FEET TO A POINT; THENCE SOUTH 30°42'50" EAST A DISTANCE OF 1787.03 FEET TO A POINT; THENCE SOUTH 32°37'53" EAST A DISTANCE OF 1259.59 FEET TO A POINT; THENCE SOUTH 40°46'37" EAST A DISTANCE OF 1482.40 FEET TO A POINT; THENCE SOUTH 30°46'06" EAST A DISTANCE OF 401.54 FEET TO AN INTERSECTION WITH THE SOUTH BOUNDARY LINE OF SAID SECTION 30; THENCE NORTH 89°51'55" EAST ALONG SAID SOUTH BOUNDARY LINE OF SECTION 30 A DISTANCE OF 2118.56 FEET TO THE SOUTHEAST CORNER OF SAID SECTION 30.

LESS THAT PORTION OF PARCEL 1 LYING NORTH OF THE FOLLOWING DESCRIBED LINE: COMMENCE AT THE SOUTHWEST CORNER OF SAID SECTION 30; THENCE S89°56'16"E ALONG THE SOUTH LINE OF SAID SECTION 30 FOR 3,187.60 FEET; THENCE N30°54'11"W FOR 389.50 FEET; THENCE N40°46'37"W FOR 965.02 FEET TO THE POINT ON BEGINNING OF THE FOLLOWING DESCRIBED LINE; THENCE N49°05'14"E FOR 493.08 FEET; THENCE N73°33'30" E FOR 949.43 FEET; THENCE N52°33'22"E FOR 1124.59 FEET TO THE END OF SAID LINE.

PARCEL 2: DESCRIPTION OF A PORTION OF SECTION 29. TOWNSHIP 38 SOUTH, RANGE 40 EAST IN MARTIN COUNTY, FLORIDA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID SECTION 29 RUN NORTH 0°15'48" EAST ALONG THE WEST BOUNDARY LINE OF SAID SECTION 29. A DISTANCE OF 1185.28 FEET TO A POINT; THENCE SOUTH 34°00'59" EAST A DISTANCE OF 1432.75 FEET TO AN INTERSECTION WITH THE SOUTH BOUNDARY LINE OF SAID SECTION 29; THENCE NORTH 89°50'13" WEST ALONG SAID SOUTH BOUNDARY LINE OF SECTION 29 A DISTANCE OF 806.97 FEET TO THE SAID SOUTHWEST CORNER OF SECTION 29.

PARCEL 3: DESCRIPTION OF PORTION OF SECTION 32, TOWNSHIP 38 SOUTH, RANGE 40 EAST IN MARTIN COUNTY, FLORIDA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 32, RUN SOUTH 89°50'13" EAST ALONG THE NORTH BOUNDARY LINE OF SAID SECTION 32 A DISTANCE OF 806.97 FEET TO A POINT; THENCE SOUTH 33°57'04" EAST A DISTANCE OF 5836.99 FEET TO A POINT; THENCE SOUTH 14°36'53" EAST A DISTANCE OF 497.68 FEET TO AN INTERSECTION WITH THE SOUTH BOUNDARY LINE OF SAID SECTION 32; THENCE NORTH 89°45'10" WEST ALONG SAID SOUTH BOUNDARY LINE OF SAID SECTION 32 A DISTANCE OF 3151.03 FEET TO A POINT; THENCE NORTH 30°46'06" WEST A DISTANCE OF 2069.94 FEET TO AN INTERSECTION WITH THE WEST BOUNDARY LINE OF SAID SECTION 32; THENCE NORTH 0°17'01" EAST ALONG SAID WEST BOUNDARY LINE OF SECTION 32 A DISTANCE OF 3533.96 FEET TO SAID NORTHWEST CORNER OF SECTION 32.

PARCEL 4: DESCRIPTION OF PORTION OF SECTION 31, TOWNSHIP 38 SOUTH, RANGE 40 EAST IN MARTIN COUNTY, FLORIDA. MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID SECTION 31, RUN SOUTH 89°51'55" WEST ALONG THE NORTH BOUNDARY LINE OF SAID SECTION 31 A DISTANCE OF 2118.56 FEET TO A POINT; THENCE SOUTH 30°46'06" EAST A DISTANCE OF 4107.02 FEET TO AN INTERSECTION WITH THE EAST BOUNDARY LINE OF SAID SECTION 31; THENCE NORTH 0°17'01" EAST ALONG THE SAID EAST BOUNDARY LINE OF SECTION 31 A DISTANCE OF 3533.96 FEET TO SAID NORTHEAST CORNER OF SECTION 31.

PARCEL 5: DESCRIPTION OF PORTION OF SECTION 5, TOWNSHIP 39 SOUTH, RANGE 40 EAST IN MARTIN COUNTY, FLORIDA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 5, RUN SOUTH 89°45'10" EAST ALONG THE NORTH BOUNDARY LINE OF SAID SECTION 5 A DISTANCE OF 1067.77 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION. THENCE CONTINUING ALONG SAID NORTH BOUNDARY LINE OF SECTION 5 SOUTH 89°45'10" EAST A DISTANCE OF 3151.03 FEET TO A POINT; THENCE SOUTH 14°27'15" EAST A DISTANCE OF 2605.90 FEET TO A POINT; THENCE NORTH 89°48'10" WEST A DISTANCE OF 2805.71 FEET TO A POINT; THENCE NORTH 10°22'11" WEST A DISTANCE OF 1265.19 FEET TO A POINT; THENCE NORTH 30°54'54" WEST A DISTANCE OF 1494.88 FEET TO THE SAID POINT OF BEGINNING OF THIS DESCRIPTION.

SAID PARCEL ALSO BEING DESCRIBED AS:

A PARCEL OF LAND LYING IN SECTION 5. TOWNSHIP 39 SOUTH. RANGE 40 EAST AND SECTIONS 29. 30. 31 AND 32. TOWNSHIP 38 SOUTH. RANGE 40 EAST BEING A PORTION OF PARCEL 1 AND ALL OF PARCELS 2.3.4 AND 5 AS DESCRIBED IN OFFICIAL RECORDS BOOK 1198. PAGE 1143 AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SECTION 30 TOWNSHIP 38 SOUTH. RANGE 40 EAST THENCE S89°56'16"E, ALONG THE SOUTH LINE OF SAID SECTION 30 A DISTANCE OF 3187.50 FEET TO THE POINT OF BEGINNING; THENCE N30°54'11"W, A DISTANCE OF 389.05 FEET; THENCE N40°54'42"W, A DISTANCE OF 965.02 FEET; THENCE N49°05'14"E, A DISTANCE OF 493.08 FEET; THENCE N73°33'30"E, A DISTANCE OF 949.43 FEET; THENCE N52°33'22"E. A DISTANCE OF 1,124.69 FEET; THENCE S34°08'59"E. A DISTANCE OF 1.396.44 FEET TO AN INTERSECTION WITH THE EAST LINE OF SAID SECTION 30; THENCE CONTINUE S34°08'59"E. A DISTANCE OF 1.432.59 FEET; THENCE S34°05'36"E, A DISTANCE OF 5,836.99 FEET; THENCE S14°45'25"E, A DISTANCE OF 497.54 FEET TO AN INTERSECTION WITH THE SOUTH LINE OF SAID SECTION 32; THENCE S14°37'19"E. A DISTANCE OF 2.605.90 FEET; THENCE N89°58'14"W. A DISTANCE OF 2.805.71 FEET; THENCE N10°31'15"W. A DISTANCE OF 1.265.19 FEET;

THENCE N31°04'35"W, A DISTANCE OF 1,495.16 FEET TO AN INTERSECTION WITH THE SOUTH LINE OF SAID SECTION 32; THENCE N30°56'10"W, A DISTANCE OF 2,068.76 FEET TO AN INTERSECTION WITH THE WEST LINE OF SAID SECTION 32; THENCE N30°53'20"W. A DISTANCE OF 4,123.51 FEET TO THE POINT OF BEGINNING.

CONTAINING 28,822,474 SQUARE FEET OR 661.673 ACRES. MORE OR LESS.

SAID PARCEL BEING SUBJECT TO ANY/ALL EASEMENTS. RESERVATIONS, DEDICATIONS OR RESTRICTIONS.

EXHIBIT B

PERSONAL PROPERTY

None

EXHIBIT C

DUE DILIGENCE MATERIALS

- (a) Plans, drawings, specifications and engineering and architectural studies and work (including “as built” plans and drawings, if any) with regard to the Property that are in Seller’s possession;
- (b) Any surveys of the Property obtained during the period during which Seller has owned the Property or otherwise in Seller’s possession;
- (c) Intentionally omitted;
- (d) Real estate tax bills and statements for the current year and the previous two (2) years with respect to the Property;
- (e) Utility bills for the Property for the two (2) most recent complete calendar years and the current year-to-date;
- (f) Copies of insurance certificates with respect to the Property;
- (g) Copies of all of the Contracts, if any, affecting the Property and any amendments or proposed amendments thereto;
- (h) Copies of any soil boring or other similar engineering reports with respect to the Property obtained during the period during which Seller has owned the Property;
- (i) Any environmental assessment report or study with respect to the Property in Seller’s possession;
- (j) Any information in Seller’s possession or control from any governmental agency or authority regarding the Property or adjacent properties;
- (k) Copies of all notices and correspondence received from any governmental agency or authority regarding the Property or adjacent properties; and
- (l) Copies of all certificates, applications, permits or other documents related to or evidencing Water Rights associated with the Property or any portion thereof.

EXHIBIT D

GENERAL ASSIGNMENT

Venetian Acres, LLC, a Florida limited liability company (the "Seller"), and Gladstone Land Corporation, a Maryland corporation, or its designee (the "Purchaser").

THIS GENERAL ASSIGNMENT (this "Assignment") is entered into as of the _____ of _____, 20____, between Venetian Acres, LLC ("Assignor"), a Florida limited liability company, and Gladstone Land Corporation ("Assignee"), a Maryland corporation.

1. Purchase Agreement; Defined Terms. This Assignment is being executed and delivered pursuant to that certain Agreement of Purchase and Sale between Gladstone Land Corporation, as Purchaser, and Venetian Acres, LLC, as Seller, dated as of August 26th, 2013 (the "Purchase Agreement"). Any capitalized term used but not otherwise defined herein shall have the meaning set forth in the Purchase Agreement.

2. Assignment and Conveyance. For good and valuable consideration received by Assignor, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby bargains, sells, conveys, grants, transfers and assigns to Assignee the entire right, title and interest, if any, of Assignor in and to the following in accordance with the terms and conditions of the Purchase Agreement:

- i. All contracts not previously terminated at Assignee's request,
- ii. All Personal Property (as defined in the Purchase Agreement)
- iii. All warranties, guarantees, bonds, licenses, building permits, certificates of occupancy, zoning certificates, and other governmental permits and licenses to and in connection with the construction, development, ownership, use, operation or maintenance of the Property or any part thereof, to the extent the same are assignable; and
- iv. All Water Rights.

5. Assumption. Assignee hereby assumes the obligations of Assignor under the Contracts, in each and every case only to the extent first arising from and after the date hereof. Assignor shall promptly notify Assignee in writing if any claim is made against Assignor with respect to any matter which Assignee has agreed to assume in this Assignment, specifying the nature and details of such claim. Assignor shall cooperate fully with Assignee and its counsel and attorneys in the defense against such claim in accordance with their judgment and discretion, and Assignor shall not pay or settle any such claim without Assignee's prior written consent. No person or entity, other than Assignor, shall be deemed a beneficiary of the provisions of this Section 5.

6. Indemnity. Assignee agrees to indemnify, defend and hold Assignor harmless from and against any and all claims, damages, demands, causes of action, liabilities, judgments, losses, costs and expenses (including but not limited to reasonable attorneys' fees) asserted against or incurred by Assignor caused by the failure of Assignee to perform any obligation

under the Contracts which obligation was assumed by Assignee hereunder. Assignor agrees to indemnify, defend and hold Assignee harmless from and against any and all claims, damages, demands, causes of action, liabilities, judgments, losses, costs and expenses (including but not limited to reasonable attorneys' fees) asserted against or incurred by Assignee caused by the failure of Assignor to perform any obligation under any of the Contracts, first arising prior to the date hereof.

7. Power and Authority. Assignor represents and warrants to Assignee that it is fully empowered and authorized to execute and deliver this Assignment, and the individual signing this Assignment on behalf of Assignor represents and warrants to Assignee that he or she is fully empowered and authorized to do so.

8. Attorneys' Fees. If either Assignee or Assignor or their respective successors or assigns file suit to enforce the obligations of the other party under this Assignment, the prevailing party shall be entitled to recover the reasonable fees and expenses of its attorneys.

9. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

10. Counterparts. This Agreement may be executed in any number of identical counterparts, any or all of which may contain the signatures of fewer than all of the parties but all of which shall be taken together as a single instrument.

11. Governing Law. This Agreement shall be governed and interpreted in accordance with the laws of the State of Florida

IN WITNESS WHEREOF, Assignor and Assignee have executed and delivered this Assignment the day and year first above written.

ASSIGNOR

Venetian Acres, LLC

By: _____
Title: _____

ASSIGNEE

Gladstone Land Corporation

By: _____
Title: _____

**PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS**

This Purchase and Sale Agreement and Joint Escrow Instructions (the "Agreement") is made and entered into this 7th day of October, 2013, by and between **Edwin C. and Karen J. Breneman, husband and wife and Shawn R. and April L. Breneman, husband and wife** (collectively hereinafter referred to as "Seller"), and **Gladstone Land Corporation and/or Nominee** (hereinafter referred to as "Buyer").

RECITALS:

WHEREAS, Seller owns certain real property located in Cochise County, Arizona; and

WHEREAS, Seller desires to sell and Buyer desires to purchase such real property according to the terms and conditions specified herein; and

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, the parties hereby agree as follows:

1. Agreement to Sell and to Purchase. Seller hereby agrees to sell, and Buyer hereby agrees to purchase that certain real property commonly known as the Breneman Farm consisting of approximately 1,760 gross acres and further described on Exhibit "A" attached hereto, together with all improvements and fixtures located on such real property (including without limitation all irrigation or related equipment of any kind) and all privileges, rights-of-way, easements, licenses, water rights, and other rights and benefits appurtenant to or used in connection with the beneficial use and enjoyment of such property (collectively, the "Property"). All such irrigation equipment shall be in good operating condition as of the date of Closing, defined below.

2. Escrow. The parties shall establish an escrow with Kimberly Lockhart of Pioneer Title Security Agency, as Escrow Agent, at its office located at 220 S. Curtis Ave., Willcox, AZ 85643. Upon delivery to the Escrow Agent of a fully executed copy of this Agreement, Escrow Agent is instructed to open an escrow and to deliver copies of the fully executed Agreement to Seller and Buyer. This Agreement, and the exhibits attached hereto, shall constitute escrow instructions to Escrow Agent in connection with this transaction. Should the Escrow Agent require, in addition to this Agreement, the execution of its standard form printed Escrow Instructions, the Escrow Agent shall prepare such Escrow Instructions in accordance with the directions contained herein and in a form mutually acceptable to the parties and the parties hereto shall execute such Escrow Instructions on receipt from the Escrow Agent. The Escrow Instructions shall not supersede, modify or amend any of the terms of this Agreement, and in the event of any conflict or ambiguity between any of the terms of this Agreement and those of the Escrow Instructions, this Agreement shall govern and control.

3. Opening and Closing Dates. "Opening of Escrow" shall occur when Escrow Agent accepts this Agreement in the space provided at the end of this Agreement. The closing of this transaction (the "Closing" or the "Close of Escrow") shall take place at the office of the Escrow Agent on December 17, 2013.

4. Purchase Price and Terms. The purchase price for the Property shall be Six Million Seven Hundred Thousand and 00/100 Dollars (\$6,700,000.00) and shall be payable as follows:

(A) Two Hundred Thousand and No/100 Dollars (\$200,000.00) earnest money shall be paid to Escrow Agent within two (2) business days after Opening of Escrow ("Earnest Money Deposits"). Upon expiration of the Feasibility Period, as hereinafter defined, such earnest money shall become non-refundable to Buyer except as otherwise expressly provided in this Agreement;

(B) Six Million Five Hundred Thousand and No/100 Dollars (\$6,500,000.00) in currently available funds to be deposited with Escrow Agent on or before the Close of Escrow as the balance of Purchase Price.

5. Contingencies. It is understood and agreed by the parties hereto that the obligations of Buyer hereunder are expressly contingent upon the satisfaction, at or prior to the Closing (or such earlier date as is set forth below) of the following conditions precedent (any of which may be waived by Buyer, in its discretion):

(A) Buyer shall have thirty (30) days from its receipt of a current preliminary title report on the Property, together with full, complete and legible copies of all Schedule B exceptions of record shown therein (the "Title Report"), and ten (10) days from Buyer's receipt of any amended Title Report and copies of any additional title exceptions referenced therein, to object in writing to any matters appearing in the Title Report (the "Title Objection Notice"). If Buyer does submit a Title Objection Notice, Seller shall have ten (10) days to remove any matters objected to by Buyer. Upon receipt of the Title Objection Notice, Seller shall use its best efforts to remove such matters, to the satisfaction of Buyer (and Seller shall cause any monetary liens on the Property to be released at or before the Close of Escrow). If Seller is unable or elects not to remove such matters by the end of the ten (10) day "cure period" (or in the case of release of monetary liens, by Closing), then Buyer may, upon the expiration of the applicable "cure period," elect to waive the matters objected to, or provide written notice to Seller and Escrow Agent of its election to terminate this Escrow and Agreement (the "Title Termination Notice"), in which latter case this Escrow and Agreement shall terminate and neither party shall have any further obligations or liabilities to the other and all Earnest Money Deposits shall be immediately returned to Buyer; provided that, notwithstanding the foregoing, Seller shall be obligated to cause any monetary liens on the Property to be released at or before Closing. In the absence of the Title Termination Notice given in the manner and within the time described above, the conditions in this Paragraph 5(A) shall conclusively be deemed waived by Buyer;

(B) Buyer shall be entitled to make and obtain general and economic feasibility studies of the Property as Buyer deems appropriate and necessary including but not limited to soil test, water test, surveys, Phase I environmental audit, drainage test, review of water rights, review of existing farm lease, if any, soil planning studies, engineering and feasibility studies on the Property, and the results of same, shall be subject to Buyer's approval, in Buyer's sole discretion, which approval shall be deemed granted unless Buyer gives written notice to Seller and Escrow Agent of its disapproval (the "Feasibility Disapproval Notice") within forty-five (45) days following the Opening of Escrow (the "Feasibility Period"). Buyer may extend the Feasibility Period by fifteen (15) days, from 45 days to 60 days following the Opening of Escrow, by delivering written notice to Seller and Escrow Agent prior to the expiration of the initial 45 day Feasibility Period. Should Buyer provide the Feasibility Disapproval Notice, all Earnest Money Deposits shall be returned to Buyer, except for \$10.00 to be retained by Seller as binding consideration for this Agreement, and all documents shall thereupon be returned to the parties depositing same, and Buyer and Seller shall thereupon be relieved and released from any and all further liability or obligation hereunder. In the absence of the Feasibility Disapproval Notice given in the manner and within the time described above, the conditions in this Paragraph 5(B) shall conclusively be deemed waived by Buyer.

(C) Buyer shall have verified, to its reasonable satisfaction, that the Property includes at least 1.760 gross acres; and

(D) Seller shall have fully performed all of its obligations under this Agreement, and all of Seller's representation and warranties in this Agreement shall be true and correct in all material respects.

If any of Buyer's conditions to Closing have not been satisfied as set forth above (or waived in writing by Buyer, in its discretion), then Buyer may terminate this Agreement by written notice to Seller and Escrow Agent and receive a full refund of all Earnest Money Deposits.

6. Title Insurance. Escrow Agent is hereby instructed to deliver to Buyer and Seller, as soon as possible following the Opening of Escrow, at Seller's expense, a title commitment for a standard title insurance policy (the "Title Report") on the Property issued by Stewart Title Insurance Company or other title insurer reasonably acceptable to Purchaser, together with full, complete and legible copies of all Schedule B exceptions of record referred to therein. At the Close of Escrow, Seller shall furnish to Buyer, at Seller's expense, a Standard Owner's Title Policy in the amount of the total purchase price, effective as of the Close of Escrow, insuring that fee title to the Property is vested in Buyer, subject only to the printed exceptions normally contained in such policies and such other matters as may have been approved by Buyer. If Buyer desires the issuance of extended coverage and/or any endorsements, Buyer shall pay the difference between the cost of a standard and an extended policy, and the cost for any endorsements Buyer desires.

7. Due Diligence Materials. Within ten (10) days from Opening of Escrow Seller shall deliver to Buyer the original or legible copies of each of the following documents to the extent such documents are in Seller's possession:

(A) a current preliminary title report on the Property together with full, complete and legible copies of all instruments of record referred to therein;

(B) if any, all lease agreements, for the Property;

(C) all documents in Seller's possession concerning the nature, quality, quantity, scope or ownership of wells or water rights on or appurtenant to the Property, including copies of all well registrations and claims and records filed with the Arizona Department of Water Resources;

(D) if any, all documents from the Farm Service Agency evidencing crop bases, historical crop production, cultivation history and acres of cropland; and

(E) all existing surveys, farm plats, soil reports, production records, engineering studies, environmental audits or reports, and other similar available information pertaining to the Property.

8. Seller's Representations and Warranties. Seller, to Seller's knowledge, represents and warrants to Buyer as follows, with the understanding that Buyer shall rely upon said representations and warranties:

(A) Seller is owner of the Property, free and clear of all easements, liens, restrictions and encumbrances other than those specifically set forth herein or in the Title Report that are approved or waived by Buyer ("Permitted Title Exceptions");

(B) The undersigned individuals signing on behalf of Seller individually represent and warrant that he or she collectively has full authority and power to execute this Agreement and to effectuate the sales transaction contemplated herein;

(C) Except as expressly set forth in this Agreement, the Property is being sold in "as is" condition as of the date of Closing. Except as specifically set forth in this Agreement, no representations or warranties of any kind, express or implied have been made or are made and no responsibility has or is assumed, by Seller or by any person, firm or agent acting or purporting to act on behalf of Seller as to the condition or repair of the Property, or the value, expense of operation or income potential thereof;

(E) To Seller's knowledge, Seller is not aware of any hazardous material on the Property or the migration of hazardous material from or to other property. There are no (and to Seller's knowledge have never been any) underground or above ground storage tanks at the Property. Seller is not aware of any proceedings or inquiry by any government authority with respect to the presence of hazardous material from or to other property;

(F) All real estate taxes, assessments, water and sewer charges and other municipal charges, to the extent due and owing, shall have been paid in full, as of the Close of Escrow;

(E) There are no contracts or agreements, written or oral, affecting ownership or operation of the Property, other than those disclosed in this Agreement;

(F) There is no litigation or claim pending against or involving the Property and, to Seller's knowledge, there are no facts or circumstances, which could give rise to such claim or litigation; and

(G) Seller is not a "foreign person" as that term is defined in Section 1445 of the United States Internal Revenue Code of 1986, as amended.

9. Soil Test, Water Test and Engineering Studies. During this escrow, the Buyer or its agents shall have the right to enter upon the Property and examine same, and at its sole expense, conduct, soil tests, drainage tests, Phase I Environmental Study, engineering work and other matters relative to the development of the Property, but shall repair any damage caused by Buyer so as to restore the Property to substantially its original condition in the event Escrow does not close for any reason. Buyer shall indemnify and hold harmless Seller and the Property from and against all claims, liabilities, costs and expenses which may be asserted against Seller or the Property or incurred by Seller as a result of any entry or activities on the Property by Buyer or its agents except for diminution in value of the Property as a result of any condition discovered by Buyer.

10. Possession. Seller shall transfer to Buyer full and outright possession of the Property after harvesting of corn stocks. Seller must complete such harvesting of corn stocks on or before _____, 2013, time being of the essence. Seller's access to the Property after Closing and until the completion of such harvest shall be subject to such reasonable rules, restrictions, and regulations as may be provided to Seller by Buyer in writing. At Buyer's request,

at Closing Seller shall provide to Buyer a written indemnity agreement from Seller that is reasonably acceptable to Buyer and that provides, among other things, for Seller to (x) indemnify, defend and hold harmless Buyer from and against any loss, liability, claim, damages or expenses (including without limitation reasonable attorney's fees) arising out of Seller's (or its employees', agents' or independent contractors') entering on the Property or exercising Seller's rights to complete such harvest after Closing, and (y) maintain liability insurance reasonably acceptable to Buyer, and naming Buyer as an additional insured, with respect to all such activities by Seller, its employees, agents or independent contractors.

11. Closing Matters.

A) On or before the Close of Escrow, Seller shall execute and deliver to Escrow Agent the following: (i) a Special Warranty Deed conveying fee simple title to the Property to Buyer, subject to Permitted Title Exceptions; (ii) an Affidavit of Real Property Value in connection with the conveyance of the real property; (iii) any documents that may be required to transfer and convey to Buyer the Property, including without limitation any water rights or other rights appurtenant to the Property, or to obtain Buyer's title policy; and (iv) an approved settlement statement;

B) On or before the Close of Escrow, Buyer shall deliver to Escrow Agent the following: (i) certified funds or wire transfer of the funds required by Buyer to close this transaction as shown on the approved settlement statement; and (ii) the Affidavit of Real Property Value;

C) Escrow Agent is hereby instructed to furnish and deliver to Buyer, at the Close of Escrow, at Seller's expense, a standard owner's title insurance policy (or binding commitment to issue same) in the amount of the purchase price insuring Buyer that Buyer has acquired good and marketable fee simple title to the Property subject only to (i) the permitted title exceptions, and (ii) the printed exceptions and conditions customarily set forth in Escrow Agent's standard form owner's policy of title insurance; and

D) All real property taxes and assessments, utilities costs, and rents, if any, for the Property for the period in which Closing occurs shall be prorated as of the date of Close of Escrow based on the latest information available to the Escrow Agent. Reasonable escrow fees shall be borne one-half by each party; each party shall pay its own attorneys fees; Seller shall pay any transfer taxes or documentary stamps or comparable taxes or charges; and, unless provided elsewhere in this Agreement to the contrary, all other closing costs shall be charged and allocated to the parties in the manner customary for commercial real estate transactions in Cochise County, Arizona.

12. Broker's Commission. In the event the transaction contemplated hereunder is consummated, Seller agrees to pay a real estate commission at Close of Escrow in the amount of five percent (5%) of the sales price for the Property to be split equally between Harguess Real Estate Co., as Seller's broker and Three Rivers Ag Investments, as Buyer's broker (collectively "Broker"). Buyer shall have no liability for (and Seller indemnifies Buyer against any claim for) any commission to Broker.

13. Remedies. In the event the escrow is unable to close because of the failure of Buyer to perform or to satisfy the conditions hereunder, Seller shall be entitled to receive all of the earnest money as liquidated damages, and as Seller's sole and exclusive remedy, Seller's actual damages being difficult if not impossible to determine, and this Agreement and escrow shall become null and void and of no further force and effect. In the event the escrow is unable to close

because of the failure of the Sellers to perform or to satisfy the conditions hereunder, Buyer shall be entitled to such remedies as it may have at law or in equity including specific performance. If legal action is brought by either party to enforce any of the terms of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party its attorneys' fees and costs incurred in the litigation.

14. Complete Agreement. No verbal statements or conversations between the parties hereto or their representatives whether the same shall have been implied or direct, occurring either before or after the execution of this Agreement, shall be construed to have any bearing or effect upon this Agreement or any portion thereof, it being understood that this written Agreement evidences the complete agreement between the parties hereto. Specifically, the parties agree that this Agreement shall supersede all prior contracts, agreements and arrangements between the parties concerning the subject property. This Agreement may not be changed, modified or rescinded except in writing, signed by all parties hereto, and any attempt at oral modifications of this Agreement shall be void and of no effect.

15. Nominee. Buyer shall have the right to assign this Agreement to, and nominate, another person or entity as Buyer herein, provided the assignment and nomination is in writing, executed by Buyer and Nominee and deposited with Escrow Agent in which it accepts the terms hereof and agrees to be bound hereby. Such nomination shall serve to eliminate and release all further liabilities and obligations of the original Buyer hereunder.

16. Notices. All notices, requests and other communications hereunder shall be deemed to have been given, upon personal delivery, via e-mail, if an e-mail address is provided below, via facsimile, if a facsimile number is provided below, or when deposited in the United States mail in a sealed envelope, postage prepaid, registered or certified mail, return receipt requested and addressed as follows:

If to Seller: Edwin C. Breneman or Shawn Breneman
5665 E. Shelton Road
Willcox, AZ 85643
Telephone: _____
Facsimile: _____
E-mail: _____

With a copy to: Gary Harguess
Harguess Real Estate Co.
1406 West Cholla Lane
Willcox, AZ 854643
Telephone: _____
Facsimile: _____
E-mail: _____

If to Buyer: Gladstone Land Corporation
1521 Westbranch Drive, Suite 200
McLean, VA 22102
Telephone: _____
Facsimile: _____
E-mail: _____
Attention: _____

With a copy to: Richard Spore
Bass, Berry & Sims PLC
100 Peabody Place, Suite 900
Memphis, TN 38103
Telephone:
Facsimile:
E-mail: _____

With a copy to: Jack Doughty
Three Rivers Ag Investments
4960 S. Gilbert Road, No. 1-606
Chandler, AZ 85249
Telephone:
Facsimile:
E-mail: _____

If to Escrow Agent: Kimberly Lockhart
Pioneer Title Agency
220 W. Curtis Avenue
Willcox AZ 85643
Telephone:
Facsimile:
E-mail: _____

17. Tax Free Exchange. Seller or Buyer, or both of them, may close this transaction as part of a like-kind exchange of properties under the Section 1031 of the Internal Revenue Code of 1986, as amended, and applicable rules and regulations. The exchanging party shall bear all costs of the exchange. The other party shall cooperate with the exchanging party and do all things reasonably required and requested by the exchanging party (provided that such actions do not increase the other party's obligations or liabilities under this Agreement or require a party to take title to other property) to effect and facilitate such an exchange. The exchanging party shall and does hereby indemnify, defend and hold the other party harmless for and from all liabilities arising as a result of the exchange that would not have arisen had the exchanging party not closed this transaction as part of a like-kind exchange.

18. Miscellaneous Provisions.

(A) If any provisions of this Agreement are declared void or unenforceable, any such provision shall be deemed severed from this Agreement, which shall otherwise remain in full force and effect.

(B) The waiver by either party hereto of any right granted to it hereunder shall not be deemed to be a waiver of any other right granted herein, nor shall the same be deemed to be a waiver of a subsequent right obtained by reason of the continuation of any matter previously waived.

(C) This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

(D) This Agreement may be executed in counterparts, by original signature, e-mail or facsimile signature or combinations thereof. Each and every counterpart so executed shall constitute one and the same original document.

19. Time of the Essence. Buyer and Seller expressly and specifically agree time is of the essence of this Agreement and all provisions, obligations and conditions thereof. All time periods set forth herein in terms of "days" refer to calendar days. Whenever notice must be given, documents delivered or an act done under this Agreement on a day that is not a Business Day, the notice may be given, document delivered or act done on the next following day that is a Business Day. As used in this Agreement, "Business Day" shall mean a day other than a Saturday, Sunday or a day observed as a legal holiday by the United States government, the State of Arizona, the County of Cochise, Arizona, or Escrow Agent.

20. Offer and Acceptance. This Agreement will be executed by Buyer and delivered to Seller and will then constitute a written offer to purchase the Property. Unless such offer is duly accepted by Seller and delivered to Buyer prior to 5:00 P.M. Mountain Standard Time, on _____, 2013, this offer shall expire according to these terms. If the Agreement is executed by Seller and delivered to Buyer, prior to such time and date, it shall constitute an enforceable and binding Agreement to Purchase and Sell Real Property.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above stated.

SELLER:

Edwin C. Breneman

Karen J. Breneman

Shawn R. Breneman

April L. Breneman

ESCROW AGENT ACCEPTANCE:
PIONEER TITLE AGENCY

By: _____
Kimberly Lockhart

Its: _____

Date: _____

BUYER:

GLADSTONE LAND CORPORATION,
a Maryland corporation

By: _____

Its: _____

Exhibit "A"
To Purchase and Sale Agreement

LEGAL DESCRIPTION
Breneman Farm

Exact full legal description shall be provided through escrow. **[NEED A PROPERTY DESCRIPTION FOR THIS AGREEMENT]**

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Gladstone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gladstone Land Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Omitted.
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2013

/s/ David Gladstone
David Gladstone
Chief Executive Officer and
Chairman of the Board of Directors

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Danielle Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gladstone Land Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Omitted.
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2013

/s/ Danielle Jones
Danielle Jones
Chief Financial Officer and
Treasurer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

The undersigned, the Chief Executive Officer of Gladstone Land Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 ("Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: October 29, 2013

/s/ David Gladstone

David Gladstone
Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

The undersigned, the Chief Financial Officer and Treasurer of Gladstone Land Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 ("Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: October 29, 2013

/s/ Danielle Jones

Danielle Jones

Chief Financial Officer and Treasurer