

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2016

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 100
MCLEAN, VIRGINIA

(Address of principal executive offices)

22102

(Zip Code)

(703) 287-5800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	(Name of Each Exchange on which Registered)
Common Stock, \$0.001 par value per share	The NASDAQ Stock Market, LLC
6.375% Series A Cumulative Term Preferred Stock, \$0.001 par value per share	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

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 website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 checked="" type="checkbox"/>
Non-accelerated filer	<input 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 Act). YES NO

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2016, based on the closing price on that date of \$11.06 on the NASDAQ Global Market, was \$86,340,209. For the purposes of calculating this amount only, all directors and executive officers of the registrant have been deemed to be affiliates.

The number of shares of the registrant's Common Stock, \$0.001 par value per share, outstanding as of February 17, 2017, was 10,024,875.

Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement, to be filed no later than April 30, 2017, relating to the Registrant's 2017 Annual Meeting of Stockholders

GLADSTONE LAND CORPORATION
FORM 10-K FOR THE YEAR ENDED
DECEMBER 31, 2016
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FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this Annual Report on Form 10-K (the “Form 10-K”) and the documents that are incorporated by reference herein contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends concerning matters that are not historical facts. These forward-looking statements include information about possible or assumed future events, including, among other things, discussion and analysis of our business, financial condition, results of operations (including funds from operations, core funds from operations and adjusted funds from operations (each as defined herein)), our strategic plans and objectives, cost management, occupancy and leasing rates and trends, liquidity and ability to refinance our indebtedness as it matures, anticipated capital expenditures (and access to capital) required to complete projects, amounts of anticipated cash distributions to our stockholders in the future and other matters. Words such as “may,” “might,” “believe,” “will,” “provided,” “anticipate,” “future,” “could,” “growth,” “plan,” “intend,” “expect,” “should,” “would,” “if,” “seek,” “possible,” “potential,” “likely” and variations of these words and similar expressions are intended to identify forward-looking statements, though not all forward-looking statements contain these words. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control, that are difficult to predict and could cause actual results to differ materially from those expressed, implied or forecasted by such forward-looking statements. Statements regarding the following subjects, among others, are forward-looking by their nature:

- our business strategy;
- our ability to implement our business plan, including our ability to continue to expand both geographically and by crop type;
- pending and future transactions;
- our projected operating results;
- our ability to obtain future financing arrangements on favorable terms;
- estimates relating to our future distributions;
- estimates regarding potential rental rate increases and occupancy rates;
- our understanding of our competition and our ability to compete effectively;
- market and industry trends;
- estimates of future operating expenses, including payments to our Adviser and Administrator (each as defined herein) under the terms of our Advisory Agreement and our Administration Agreement (each as defined herein), respectively;
- our compliance with tax laws, including our ability to maintain our qualification as a real estate investment trust (“REIT”) for federal income tax purposes;
- projected capital expenditures; and
- use of proceeds and availability of our line of credit, long-term borrowings, future stock offerings and other future capital resources, if any.

Forward-looking statements involve inherent uncertainty and may ultimately prove to be incorrect or false. You are cautioned to not place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements to reflect changes to our assumptions, the occurrence of unanticipated events or actual operating results. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to:

- general volatility of the capital markets and the market price of our common stock;
- failure to maintain our qualification as a REIT and risks of changes in laws that affect REITs;
- risks associated with negotiation and consummation of pending and future transactions;
- changes in our business and investment strategy;
- the adequacy of our cash reserves and working capital;
- our failure to successfully integrate and operate acquired properties and operations;
- defaults upon or non-renewal of leases by tenants;
- decreased rental rates or increased vacancy rates;
- the degree and nature of our competition, including other REITs;
- availability, terms and deployment of capital, including the ability to maintain and borrow under our line of credit, arrange for long-term mortgages on our properties and raise equity capital;
- our Adviser’s ability to identify, hire and retain highly-qualified personnel in the future;
- changes in the environment, our industry, interest rates or the general economy;
- changes in real estate and zoning laws and increases in real property tax rates;

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- changes in governmental regulations, tax rates and similar matters;
- environmental liabilities for certain of our properties and uncertainties and risks related to natural disasters or climactic changes impacting the regions in which our tenants operate; and
- the loss of any of our key officers, such as Mr. David Gladstone, our chairman, president and chief executive officer, or Mr. Terry Lee Brubaker, our vice chairman and chief operating officer.

This list of risks and uncertainties, however, is only a summary of some of the most important factors to us and is not intended to be exhaustive. You should carefully review the risks set forth herein under Item 1A, "Risk Factors." New factors may also emerge from time to time that could materially and adversely affect us.

All references to "we," "our," "us" and the "Company" in this Form 10-K mean Gladstone Land Corporation and its consolidated subsidiaries, except where it is made clear that the term refers only to Gladstone Land Corporation.

PART I

ITEM 1. BUSINESS

Corporate Overview

We are an externally-managed, agricultural REIT that was re-incorporated in Maryland on March 24, 2011, having been previously re-incorporated in Delaware on May 25, 2004, and originally incorporated in California on June 14, 1997. We are primarily in the business of owning and leasing farmland; we are not a grower, nor do we farm the properties we own. Upon the pricing of our initial public offering (the "IPO"), on January 29, 2013, our shares of common stock began trading on the NASDAQ Global Market ("NASDAQ") under the symbol "LAND." Our shares of 6.375% Series A Cumulative Term Preferred Stock (the "Term Preferred Stock") are traded on NASDAQ under the symbol "LANDP."

Prior to 2004, we were engaged in the owning and leasing of farmland, as well as an agricultural operating business whereby we engaged in the farming, contract growing, packaging, marketing and distribution of fresh berries, including commission selling and contract cooling services to independent berry growers. In 2004, we sold our agricultural operating business, and since then, our operations have consisted solely of leasing our farms to third-party tenants.

We currently own 59 farms comprised of 54,340 total acres across seven states in the U.S. (Arizona, California, Colorado, Florida, Michigan, Nebraska and Oregon). We also own several farm-related facilities, such as cooling facilities, buildings utilized for the storage and assembly of boxes for shipping produce ("box barns"), packinghouses, processing facilities and various storage facilities. These farms and facilities are currently leased to 40 different, unrelated tenants that are either independent or corporate farming operations. Historically, our farmland has predominantly been concentrated in locations where tenants are able to grow annual row crops, such as certain types of berries and vegetables, which are generally planted and harvested annually or more frequently. However, during 2013, we began to diversify the variety of crops grown on our properties, and we now own several farms that grow permanent crops, such as almonds, pistachios and blueberries, as well as some farms that grow commodity crops, such as corn and beans. While our focus remains on farmland growing fresh produce annual row crops, in the future, we may acquire land that grows additional permanent crops, such as fruit or nut trees or bushes and wine berries or grapes, as well as commodity crops, such as grains. We may also acquire more farm-related property, such as cooling facilities, freezer buildings, packinghouses, box barns, silos, storage facilities, greenhouses, processing plants and distribution centers.

We generally lease our properties on a triple-net basis, an arrangement under which, in addition to rent, the tenant is required to pay the related taxes, insurance costs (including drought insurance if we were to acquire properties that depend upon rainwater for irrigation), maintenance and other operating costs. 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. 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 REIT subsidiary ("TRS").

To a much lesser extent, we may provide senior secured first-lien mortgages to farmers for the purchase of farmland and farm-related properties. We expect that any mortgages we make would be secured by farming properties that have a successful history of crop production and profitable farming operations and that, over time, such mortgages would not exceed 5.0% of the fair value of our total assets. Currently, we do not hold any mortgages, and we have not identified any properties to which we would make loans secured by mortgages.

We conduct substantially all of our business activities through an Umbrella Partnership Real Estate Investment Trust ("UPREIT") structure, by which all of our properties and any mortgage loans we may make are held, directly or indirectly, by Gladstone Land Limited Partnership (the "Operating Partnership"). We have in the past, and may in the future, offer equity ownership in our Operating Partnership by issuing OP Units to farmland owners from time to time in consideration for acquiring their farms. Gladstone Land Corporation controls the sole general partner of the Operating Partnership and currently owns, directly or indirectly, approximately 87.4% of the units of limited partnership interest in the Operating Partnership ("OP Units"). See "*Our Investment Process—Types of Investments*" below for additional information regarding OP Units.

On September 3, 2014, we filed our 2013 federal income tax return, on which we elected to be taxed as a REIT for federal tax purposes beginning with the year ended December 31, 2013. As a REIT, we generally will not be subject to U.S. federal income tax if we distribute at least 90% of our taxable income to our stockholders. In addition, we have elected for Gladstone Land Advisers, Inc. ("Land Advisers"), a wholly-owned subsidiary of our Operating Partnership, to be taxed as a TRS. We may own or manage our assets and engage in other activities through Land Advisers or another TRS we form or acquire when we deem it necessary or advisable. The taxable income generated by any TRS will be subject to regular corporate income tax. Currently, we do not conduct any operations through our TRS.

Subject to certain restrictions and limitations, and pursuant to contractual agreements, our business is managed by an affiliate of ours, Gladstone Management Corporation (the "Adviser"), a Delaware corporation and a registered investment adviser with the Securities and Exchange Commission (the "SEC"); and administrative services are provided to us by another affiliate of ours, Gladstone Administration, LLC (our "Administrator"), a Delaware limited liability company. Our Adviser and our Administrator are indirectly 100% owned and controlled by David Gladstone, our chief executive officer, president, chairman of our Board of Directors and our largest stockholder. Our Adviser and our Administrator collectively employ the personnel engaged in our activities and pay directly their salaries, benefits and general expenses.

Fiscal Year 2016 Highlights

During 2016, we:

- Acquired 15 new farms, totaling 33,780 acres across three different states, for approximately \$99.7 million;
- Renewed two leases that were schedule to expire during the year at an average increase in annualized, straight-line rental income of approximately 23.0%;
- Reported net income of approximately \$0.5 million;
- Grew adjusted funds from operations ("AFFO") by 69.3%, from approximately \$3.4 million in 2015 to \$5.8 million in 2016; and
- Completed an underwritten public offering of the Term Preferred Stock (as defined herein), generating net proceeds of \$27.6 million.

Refer to Item 7, "Management Discussion and Analysis of Financial Condition and Results of Operations," for a definition of AFFO and a reconciliation of net income to AFFO.

Our Investment Objectives and Our Strategy

Our principal business objective is to maximize stockholder returns through a combination of: (i) monthly cash distributions to our stockholders, which we hope to sustain and increase through long-term growth in cash flows from increased rents; (ii) appreciation of our land; and (iii) capital gains derived from the sale of our properties. Our primary strategy to achieve our business objective is to invest in and diversify our current portfolio of primarily triple-net-leased farmland and properties related to farming operations. This strategy includes the following components:

- *Owning Farms and Farm-Related Real Estate for Income.* We own and intend to acquire additional farms and farm-related properties and lease them to independent and corporate farming operations, including sellers who desire to continue farming the land after we acquire the property from them. We expect to hold acquired properties for many years and to generate stable and increasing rental income from leasing these properties.
- *Owning Farms and Farm-Related Real Estate for Appreciation.* We intend to lease acquired properties over the long term. However, from time to time we may sell one or more properties if we believe it to be in the best interests of our stockholders and best to maintain the overall value of our farmland portfolio. Potential purchasers may include real estate developers desiring to develop the property or financial purchasers seeking to acquire property for investment purposes. Accordingly, we will seek to acquire properties that we believe have potential for long-term appreciation in value. We have not sold any properties to date.
- *Continue Expanding our Operations Geographically.* Our properties are currently located in seven states across the U.S., and we expect that we will acquire properties in other farming regions of the U.S. in the future. While our primary regions of focus are the Pacific West and the Southeastern regions of the United States, we believe other regions of the U.S., such as the Northwest and Mid-Atlantic regions, offer attractive locations for expansion, and, to a lesser extent, we also expect to seek farmland acquisitions in certain regions of the Midwest, as well as other areas in the United States.
- *Continue Expanding our Crop Varieties.* Currently, the majority of tenants who farm our properties grow annual row crops dedicated to fresh produce, such as berries (e.g., strawberries and raspberries) and fresh vegetables (e.g., tomatoes, lettuce and bell peppers). We have also expanded further into certain permanent crops, such as almonds, blueberries and pistachios; and, to a lesser extent, commodity crops, such as corn and beans. We will seek to continue our recent expansion into other permanent crops, such as bush, tree and vine crops (e.g., fruits and nuts), and commodity crops (e.g., wheat, rice and corn), while maintaining our focus on annual row-crop properties growing fresh produce.
- *Using Leverage.* To maximize our number of investments, we intend to borrow through loans secured by long-term mortgages on our properties, and we may also borrow funds on a short-term basis or incur other indebtedness.

We intend to acquire more farmland and farm-related properties in our regions of focus that is already or will be leased to farmers, and we expect that most of our future tenants will be independent or corporate farming operations that are all unrelated to us. We intend to continue to lease the majority of our farms and farm-related facilities on a triple-net lease basis to tenants who sell their products through national corporate marketers-distributors. We expect to continue to earn rental income from our farmland investments.

Our Investment Process

Types of Investments

We expect that substantially all of our investments will be in income-producing agricultural real property and, to a much lesser extent, mortgages on agricultural real estate. We expect that the majority of our leases will be structured as triple-net leases. Investments will not be restricted as to geographical areas, but we expect that most of our investments in farmland real estate will continue to be made within the United States. Currently, our properties are located across seven states in the U.S. If we make mortgage loans, we expect the ratio of loan amount to value of the real estate to be greater than ratios for conventional mortgage loans on farms and the interest rate to be higher than those for conventional loans. We do not currently have any mortgage loans outstanding. In addition, some of our investments may also be made through joint ventures that would permit us to own interests in large properties without restricting the diversity of our portfolio.

We anticipate that we will make substantially all of our investments through our Operating Partnership. Our Operating Partnership may acquire interests in real property in exchange for the issuance of common shares, OP Units, cash or through a combination of the three. OP Units issued by our Operating Partnership will be redeemable at the option of the holder for cash or, at our election, shares of our common stock on a one-for-one basis at any time after holding the OP Units for one year. We currently, and may in the future, hold some or all of our interests in real properties through one or more wholly-owned subsidiaries, each classified as a qualified REIT subsidiary.

Property Acquisitions and Leasing

We anticipate that many of the farms and farm-related properties we purchase will be acquired from independent farmers or agricultural companies and that they will simultaneously lease the properties back from us. These transactions will provide the tenants with an alternative to other financing sources, such as borrowing, mortgaging real property or selling securities. We anticipate that some of our transactions will be in conjunction with acquisitions, recapitalizations or other corporate transactions affecting our tenants. We also expect that many of the farms and farm-related properties we acquire will be purchased from owners that do not farm the property but rather lease the property to tenant farmers. In situations such as these, we intend to have a lease in place prior to or simultaneously with acquiring the property. For a discussion of the risks associated with leasing property to leveraged tenants, see *“Risk Factors — Risks Relating to Our Business and Operations — Some of our tenants may be unable to pay rent, which could adversely affect our cash available to make distributions to our stockholders or otherwise impair the value of your investment.”*

We intend to own primarily single-tenant, agricultural real property. Generally, we will lease properties to tenants that our Adviser deems creditworthy under triple-net leases that will be full-recourse obligations of our tenants or their affiliates. Most of our agricultural leases have original terms ranging from 3 to 10 years for farms growing annual row crops and 5 to 15 years for properties growing permanent crops, often with options to extend the lease further. Rent is generally payable to us on either an annual or semi-annual basis. Further, most of our leases contain provisions that provide for annual increases in the rental amounts payable by the tenants, often referred to as escalation clauses. The escalation clauses may specify fixed dollar amounts or percentage increases each year, or they may be variable, based on standard cost of living or inflation indices. In addition, some leases that are longer-term in nature may require a regular survey of comparable land rents, with the rent owed per the lease being adjusted to reflect then-current market rents. We also have leases that include variable rents based on the success of the harvest each year. In these types of agreements, we will generally require the lease to include the guarantee of a minimum amount of rental income that satisfies our investment return criteria. Currently, our 59 farms are leased under agricultural leases with original terms ranging from 1 to 15 years, with 39 farms leased on a pure triple-net basis, and 20 farms leased on a partial-net basis, with the landlord responsible for all or a portion of the related property taxes. Additionally, five of our farms are leased under agreements that include a variable rent component.

We believe that we can source farmland to purchase that will rent at annual rental rates providing net capitalization rates ranging from 4.5% to 6.5% of the properties' market values. However, there can be no assurance that we will be able to achieve this level of rental rates. Since rental contracts in the farming business for annual row crops are customarily short-term agreements, rental rates are typically renegotiated regularly to then-current market rates.

Underwriting Criteria and Due Diligence Process

Selecting the Property

We consider selecting the right properties to purchase or finance as the most important aspect of our business. Buying quality farmland that can be used to grow a variety of different crops and that is located in desirable locations is essential to our success.

Our Adviser works with real estate contacts in agricultural markets throughout the United States to assess available properties and farming areas. We believe that our Adviser is experienced in selecting valuable farmland and will use this expertise to identify promising properties. The following is a list of important factors in our selection of farmland:

- *Water availability.* Availability of water is essential to farming. We will seek to purchase properties with ample access to water through an operating well on site or rights to use a well or other source that is located nearby. Additionally, we may, in the future, consider acquiring properties that rely on rainfall for water if the tenant on that property mitigates the drought risk by purchasing drought insurance. Typically, leases on properties that would rely on rainfall would be longer term in nature. We do not currently own any properties that rely on rainfall for water, nor do we have any plans to acquire such properties.
- *Soil composition.* In addition to water, for farming efforts to be successful, the soil must be suitable for growing crops. We will not buy or finance any real property that does not have soil conditions that we believe are favorable for growing the crops farmed on the property, except to the extent that a portion of an otherwise suitable property, while not favorable for growing the crops farmed on the property, may be utilized to build structures used in the farming business, such as cooling facilities, packinghouses, silos, greenhouses, storage facilities and distribution centers.
- *Location.* Farming also requires optimal climate and growing seasons. We typically seek to purchase properties in locations that take advantage of climate conditions that are needed to grow fresh produce row crops. We intend to continue to expand throughout the U.S. in locations with productive farmland and financially sound farming tenants.
- *Price.* We intend to purchase and finance properties that we believe are a good value and that we will be able to profitably rent for farming over the long term. Generally, the closer a property is located to urban developments, the higher the value of the property. As a result, properties that are currently located in close proximity to urban developments are likely to be too expensive to justify farming over an extended period of time, and, therefore, we are unlikely to invest in such properties.

Our Adviser will perform a due diligence review with respect to each potential property acquisition. Such review will include an evaluation of the physical condition of a property and an environmental site assessment to determine potential environmental liabilities associated with a property prior to its acquisition. One of the criteria that we look for is whether mineral rights to such property, which constitute a separate estate from the surface rights to the property, have been sold to a third party. We generally seek to invest in properties where mineral rights have not been sold to third parties; however, in cases where access to mineral rights would not affect the surface farming operations, we may enter into a lease agreement for the extraction of minerals or other subterranean resources, as we have done on one of our properties. We may seek to acquire mineral rights in connection with the acquisition of future properties to the extent such mineral rights have been sold off and the investment acquisition of such rights is considered to be favorable after our due diligence review. Despite the conduct of these reviews, there can be no assurance that hazardous substances or waste, as determined under present or future federal or state laws or regulations, will not be discovered on the property after we acquire it. See Item 1A, “*Risk Factors — Risks Relating to our Business and Operations — Potential liability for environmental matters could adversely affect our financial condition.*”

Our Adviser will also physically inspect each property and the real estate surrounding it to estimate its value. Our Adviser’s due diligence will be primarily focused on valuing each property independent of its rental value to particular tenants to whom we plan to rent. The real estate valuations our Adviser performs will consider one or more of the following items:

- The comparable value of similar real property in the same general area of the prospective property. In this regard, comparable property is hard to define since each piece of real estate has its own distinct characteristics. But to the extent possible, comparable property in the area that has sold or is for sale will be used to determine if the price being paid for the property is reasonable.
- The comparable real estate rental rates for similar properties in the same area of the prospective property.
- Alternative uses for the property to determine if there is another use for the property that would give it higher value, including potential future conversion to urban or suburban uses such as commercial or residential development.
- The assessed value as determined by the local real estate taxing authority.

In addition, our Adviser may supplement its valuation estimate with an independent real estate appraisal in connection with each investment that it considers. These appraisals may take into consideration, among other things, the terms and conditions of the particular lease transaction, the quality of the tenant's credit and the conditions of the credit markets at the time the lease transaction is negotiated. However, the actual purchase price of a property may be greater or less than its appraised value. When appropriate, our Adviser may engage experts to undertake some or all of the due diligence efforts described above.

Underwriting the Tenant, Due Diligence Process and Negotiating Lease Provisions

In addition to property selection, underwriting the tenant that will lease the property will also be an important aspect of many of our investments. Our Adviser will evaluate the creditworthiness of the tenant and assess its ability to generate sufficient cash flow from its agricultural operations to cover its payment obligations to us pursuant to our lease. Because our tenants are in the farming industry, their cash flows may fluctuate according to season. The following is a list of criteria that our Adviser may consider when evaluating potential tenants for our properties, although not all criteria may be present for each lease:

- *Experience.* We believe that experience is the most significant characteristic when determining the creditworthiness of a tenant. Therefore, we seek to rent our properties to farmers that have an extensive track record of farming their particular crops successfully.
- *Financial Strength.* We seek to rent to farming operations that have financial resources to invest in planting and harvesting their crops. We generally require annual financial statements of the tenant to evaluate the financial capability of the tenant and its ability to perform its obligations under the lease.
- *Adherence to Quality Standards.* We seek to lease our properties to those farmers that are committed to farming in a manner that will generate high-quality crops. We intend to identify such commitment through their track records of selling produce into established distribution chains and outlets.
- *Lease Provisions that Enhance and Protect Value.* When deemed appropriate, our Adviser attempts to include lease provisions that require our consent to specified tenant activity or require the tenant to satisfy specific operating tests. These provisions may include, for example, requiring the tenant to meet operational or financial covenants or to indemnify us against environmental and other contingent liabilities. We believe that these provisions serve to protect our investments from changes in the operating and financial characteristics of a tenant that may impact its ability to satisfy its obligations to us or that could reduce the value of our properties. Our Adviser generally also seeks covenants requiring tenants to receive our consent prior to any change in control of the tenant.
- *Credit Enhancement.* To mitigate risk and enhance the likelihood of tenants satisfying their lease obligations, our Adviser may also seek cross-default provisions if a tenant has multiple obligations to us or seek a letter of credit or a guaranty of lease obligations from each tenant's corporate affiliates, if any. We believe that these types of credit enhancements, if obtained, provide us with additional financial security. These same enhancements may apply to mortgage loans.
- *Diversification.* Our Adviser will seek to diversify our portfolio to avoid dependence on any one particular tenant or geographic location. By diversifying our portfolio, our Adviser intends to reduce the adverse effect on our portfolio of a single underperforming investment or a downturn in any particular geographic region. Many of the areas in which we purchase or finance properties are likely to have their own microclimates and, although they appear to be in close proximity to one another, generally will not be similarly affected by weather or other natural occurrences at the same time. We currently own properties in seven different states across the U.S., and over time, we expect to expand our geographic focus to other areas of the Southeast, Pacific Northwest, Midwest and Mid-Atlantic. We will also attempt to continue diversifying our portfolio of properties by seeking additional farmland that grows permanent crops, such as bush, tree and vine crops (e.g., fruits and nuts), and commodity crops (e.g., wheat, rice and corn), while maintaining our current focus of owning and leasing farmland that grows fresh produce row crops. Refer to Note 3, "Real Estate and Lease Intangibles," in the accompanying notes to our Consolidated Financial Statements for a summary of our portfolio diversification and concentrations.

While our Adviser seeks tenants it believes to be creditworthy, tenants are not required to meet any minimum rating established by an independent credit rating agency. Our Adviser's standards for determining whether a particular tenant is creditworthy will vary in accordance with a variety of factors relating to specific prospective tenants. The creditworthiness of a tenant is determined on a tenant-by-tenant and case-by-case basis. Therefore, general standards for creditworthiness cannot be applied. We monitor our tenants' credit quality on an ongoing basis by, among other things, periodically conducting site visits to 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.

Mortgage Loans

Although we expect to make investments in mortgage loans sparingly, we may elect to structure our investment in a particular property as a mortgage loan secured by the property. We anticipate that most of our lending transactions would be loans secured by farmland or farm-related property or issued in connection with a build-to-suit transaction. Our Adviser will attempt to structure mortgage loans in a manner that would provide us with current income substantially similar to that which we could expect to receive had the investment been structured as a net-lease transaction.

To the extent that we invest in mortgage loans, we will generally originate those loans. However, we may also purchase mortgage loans from banks or other lenders, provided that such transactions are otherwise consistent with our investment objectives. Our Adviser will service the mortgage loans in our portfolio by monitoring the collection of monthly principal and interest payments on our behalf. Currently, we do not hold any mortgages, and we have not identified any properties for which to make loans secured by mortgages.

Other Investments

From time to time, we may purchase farm-related property, such as cooling facilities, freezer buildings, packinghouses, silos, storage facilities, greenhouses and similar property improvements to rent to independent or corporate farming operations. We may also build these types of buildings on property that we purchase if there is sufficient business to make this worthwhile; however, we do not expect these to be a material portion of our assets. We currently own several farm-related facilities, such as cooling facilities, box barns, packinghouses, processing facilities and various storage facilities.

Use of Leverage

Our strategy is to use borrowings as a financing mechanism in amounts that we believe will maximize the return to our stockholders. We generally expect to enter into borrowing arrangements directly or indirectly through our Operating Partnership. Our governing documents and policies do not impose a limitation on the amount we may borrow against any single investment property, nor do they impose a limitation on our overall level of borrowing.

We believe that, by operating on a leveraged basis, we will have more funds available and, therefore, will be able to make more investments than would otherwise be possible. We believe that this will result in a more diversified portfolio. Our Adviser and Administrator will use its best efforts to obtain financing on the most favorable terms available to us.

We anticipate that our prospective lenders may also seek to include loan provisions whereby the termination or replacement of our Adviser would result in an event of default or an event requiring the immediate repayment of the full outstanding balance of the loan. The replacement or termination of our Adviser may, however, require the prior consent of a lender.

We may refinance properties during the term of a loan when, in the opinion of our Adviser, a decline in interest rates makes it advisable to prepay an existing mortgage loan, when an existing mortgage loan matures or if an attractive investment becomes available and the proceeds from the refinancing can be used to make such investment. The benefits of the refinancing may include an increase in cash flow resulting from reduced debt service requirements, an increase in distributions to stockholders from proceeds of the refinancing, if any, or an increase in property ownership if some refinancing proceeds are reinvested in real estate.

During 2016, we refinanced the credit facility with our largest lender, which, among other changes, increased the overall size of the facility from \$125.0 million to \$200.0 million; increased the overall loan-to-value ratio on the underlying properties pledged as collateral from 58% to 60%, resulting in additional borrowing availability; and reduced the interest rate on approximately \$85.9 million of existing fixed-rate, long-term borrowings by 19 basis points, resulting in annual interest savings of approximately \$163,000. In addition, we increased the maximum borrowing capacity under the facility with our second-largest lender from \$75.0 million to \$125.0 million. While each of our properties is currently pledged as collateral under one of our various borrowing facilities, we still have a significant amount of unused capacity under each of the aforementioned facilities to further increase our leverage should we pledge additional properties to them.

Other Investment Policies

Holding Period For and Sale of Investments; Reinvestment of Sale Proceeds

We intend to hold each property we acquire for an extended period until it can be sold for conversion into urban or suburban uses, such as residential or commercial development. However, circumstances might arise which could result in the earlier sale of some properties. We may sell a property before the end of its expected holding period if, in the judgment of our Adviser, the sale of the property is in the best interest of our stockholders. The determination of whether a particular property should be sold or otherwise disposed of will be made after consideration of several relevant factors, including prevailing economic

conditions, with a view to achieving maximum capital appreciation. No assurance can be given that the foregoing objective will be realized. The selling price of a property which is subject to a net lease will be determined in large part by the amount of rent payable under the lease and the creditworthiness of the tenant. In connection with our sales of properties we may lend the purchaser all or a portion of the purchase price. In these instances, our taxable income may exceed the cash received in the sale, which could cause us to delay required distributions to our stockholders.

The terms of any sale will be dictated by market terms customary in the area in which the property being sold is located and the then-prevailing economic conditions. A decision to provide financing to any purchaser would be made only after an investigation into and consideration of the same factors considered in underwriting tenants, such as creditworthiness and likelihood of future financial stability, as are undertaken when we consider a net lease transaction; see “*Our Investment Process — Underwriting Criteria and Due Diligence Process — Underwriting the Tenant, Due Diligence Process and Negotiating Lease Provisions.*” We may continually reinvest the proceeds of property sales in investments that either we or our Adviser believe will satisfy our investment policies. During 2016, we did not sell any properties.

Investment Limitations

There are numerous limitations on the manner in which we may invest our funds. We have adopted a policy that without the permission of our Board of Directors, we will not:

- invest 50% or more of our total assets in a particular property or mortgage at the time of investment;
- invest in real property owned by our Adviser, any of its affiliates or any business in which our Adviser or any of its affiliates have invested;
- invest in commodities or commodity futures contracts, with this limitation not being applicable to futures contracts when used solely for the purpose of hedging in connection with our ordinary business of investing in properties and making mortgage loans;
- invest in contracts for the sale of real estate unless the contract is in recordable form and is appropriately recorded in the chain of title;
- issue equity securities on a deferred payment basis or other similar arrangement;
- grant warrants or options to purchase shares of our stock to our Adviser or its affiliates;
- engage in trading, as compared with investment activities, or engage in the business of underwriting, or the agency distribution of, securities issued by other persons;
- invest more than 5% of the value of our assets in the securities of any one issuer if the investment would cause us to fail to maintain our qualification as a REIT;
- invest in securities representing more than 10% of the outstanding securities (by vote or value) of any one issuer if the investment would cause us to fail to maintain our qualification as a REIT;
- acquire securities in any company holding investments or engaging in activities prohibited in the foregoing clauses; or
- make or invest in mortgage loans that are subordinate to any mortgage or equity interest of any of our affiliates.

Future Revisions in Policies and Strategies

Our independent directors will review our investment policies at least annually to determine whether the policies continue to be in the best interest of our stockholders. The methods of implementing our investment policies also may vary as new investment techniques are developed. The methods of implementing our investment procedures, objectives and policies, except as otherwise provided in our bylaws or charter, may be altered by a majority of our directors, including a majority of our independent directors, without the approval of our stockholders, to the extent that our Board of Directors and the independent directors thereon determine that such modification is in the best interest of the stockholders.

Conflict of Interest Policy

We have adopted policies to reduce potential conflicts of interest. In addition, our directors are subject to certain provisions of Maryland law that are designed to minimize conflicts. However, we cannot assure you that these policies or provisions of law will reduce or eliminate the influence of these conflicts.

We have adopted a policy that, without the approval of a majority of our independent directors, we will not:

- acquire from or sell to any of our officers or directors, the employees of our Adviser or Administrator, or any entity in which any of our officers, directors or such employees has an interest of more than 5%, any assets or other property;
- borrow from any of our directors or officers, the employees of our Adviser or Administrator, or any entity in which any of our officers, directors or such employees has an interest of more than 5%; or
- engage in any other transaction with any of our directors or officers, the employees of our Adviser or Administrator, or any entity in which any of our directors, officers or such employees has an interest of more than 5%.

Consistent with the provisions of the Sarbanes-Oxley Act of 2002, we will not extend credit, or arrange for the extension of credit, to any of our directors and officers. Under the Maryland General Corporation Law, a contract or other transaction between us and one of our directors or officers or any other entity in which one of our directors or officers is also a director or officer or has a material financial interest is not void or voidable solely on the grounds of the common directorship or interest, the fact that the director or officer was present at the meeting at which the contract or transaction was approved or the fact that the director's vote was counted in favor of the contract or transaction if:

- the material facts relating to the common directorship or interest and as to the transaction are disclosed to our Board of Directors or a committee of our Board, and our Board or the committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the directors not interested in the contract or transaction, even if the disinterested directors do not constitute a quorum of the Board or committee;
- the fact of the common directorship or interest is disclosed to our stockholders entitled to vote on the contract or transaction, and the contract or transaction is approved or ratified by a majority of the votes cast by the stockholders entitled to vote on the matter, other than shares owned of record or beneficially by the interested director, corporation or entity; or
- the contract or transaction is fair and reasonable to us as of the time authorized, approved or ratified by the Board of Directors, a committee or the stockholders.

Our policy also prohibits us from purchasing any real property from, or co-investing in any real property with, our Adviser, any of its affiliates or any business in which our Adviser or any of its subsidiaries have invested. If we decide to change this policy on co-investments with our Adviser or its affiliates, we will seek approval of our independent directors.

Code of Ethics

The Company and its affiliates, including, but not limited to, Gladstone Capital Corporation ("Gladstone Capital"), Gladstone Investment Corporation ("Gladstone Investment"), Gladstone Commercial Corporation ("Gladstone Commercial"), our Adviser, our Administrator and Gladstone Securities, LLC, have adopted a code of ethics and business conduct applicable to all personnel, including our Chief Executive Officer and Chief Financial Officer, of such companies that complies with the guidelines set forth in Item 406 of Regulation S-K under the Securities Act and the rules promulgated by Nasdaq. This code, among other things, establishes procedures for personal investments, restricts certain transactions by such personnel and requires the reporting of certain transactions and holdings by such personnel. A copy of this code is available for review, free of charge, at our website at www.GladstoneLand.com. We intend to provide any required disclosure of any amendments to or waivers of the provisions of this code by posting information regarding any such amendment or waiver to our website within four days of its effectiveness.

Our Adviser and Administrator

We are externally managed by our Adviser, which was incorporated in 2002. The officers, directors and employees of our Adviser have significant experience in making investments in and lending to businesses of all sizes, including investing in real estate and making mortgage loans. We entered into an amended and restated Advisory Agreement with our Adviser on February 1, 2013 (the "Advisory Agreement"), under which our Adviser is responsible for managing our assets and liabilities, for operating our business on a day-to-day basis and for identifying, evaluating, negotiating and consummating investment transactions consistent with our investment policies as determined by our Board of Directors from time to time.

Our Administrator employs our chief financial officer, treasurer, chief compliance officer, general counsel and secretary (who also serves as our Administrator's president, general counsel and secretary) and their respective staffs and provides administrative services to us under the amended and restated Administration Agreement entered into on February 1, 2013 (the "Administration Agreement").

David Gladstone, our chairman, chief executive officer, president and largest stockholder, is also the chairman, chief executive officer and the controlling stockholder of our Adviser and our Administrator. Terry Lee Brubaker, our vice chairman and chief operating officer and a member of our Board of Directors, also serves in the same capacities for our Adviser and Administrator.

Our Adviser maintains an investment committee that evaluates each of our investments. This investment committee is currently comprised of Messrs. Gladstone and Brubaker. We believe that the review process of our Adviser's investment committee gives us a unique competitive advantage over other agricultural real estate companies because of the substantial experience that the members possess and their unique perspective in evaluating the blend of corporate credit, real estate and lease terms that collectively combine to provide an acceptable risk for our investments.

Our Adviser's board of directors has empowered the investment committee to authorize and approve our investments, subject to the terms of the Advisory Agreement. Before we acquire any property, the transaction will be reviewed by the investment committee to ensure that, in its view, the proposed transaction satisfies our investment criteria and is within our investment policies. Approval by the investment committee will generally be the final step in the property acquisition approval process, although the separate approval of our Board of Directors is required in certain circumstances described below.

Our Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington D.C., and our Adviser also has offices in several other states. Refer to Item 7, "Management Discussion and Analysis of Financial Condition and Results of Operations," for a detailed discussion on the fee structure under each of the Advisory Agreement and Administration Agreement.

Adviser Duties and Authority under the Advisory Agreement

Under the terms of the Advisory Agreement, our Adviser is required to use its best efforts to present to us investment opportunities consistent with our investment policies and objectives as adopted by our Board of Directors. In performing its duties, our Adviser, either directly or indirectly by engaging an affiliate:

- finds, evaluates, presents and recommends to us a continuing series of real estate investment opportunities consistent with our investment policies and objectives;
- provides advice to us and acts on our behalf with respect to the negotiation, acquisition, financing, refinancing, holding, leasing and disposition of real estate investments;
- enters into contracts to purchase real estate on our behalf in compliance with our investment procedures, objectives and policies, subject to approval of our Board of Directors, where required;
- takes the actions and obtains the services necessary to effect the negotiation, acquisition, financing, refinancing holding, leasing and disposition of real estate investments; and
- provides day-to-day management of our real estate activities and other administrative services.

Our Board of Directors has authorized our Adviser to make investments in any property on our behalf without the prior approval of our Board if the following conditions are satisfied:

- our Adviser has determined that the total cost of the property does not exceed its determined value; and
- our Adviser has provided us with a representation that the property, in conjunction with our other investments and proposed investments, is reasonably expected to fulfill our investment objectives and policies as established by our Board of Directors then in effect.

The actual terms and conditions of transactions involving investments in properties shall be determined in the sole discretion of our Adviser, subject at all times to compliance with the foregoing requirements. Some types of transactions, however, will require the prior approval of our Board of Directors, including a majority of our independent directors, including, but not limited to, the following:

- any acquisition which at the time of investment would have a cost exceeding 50% of our total assets; and
- transactions that involve conflicts of interest with our Adviser (other than reimbursement of expenses in accordance with the Advisory Agreement).

Our Adviser and Administrator also engage in other business ventures and, as a result, their resources are not dedicated exclusively to our business. For example, our Adviser and Administrator also serve as the external adviser and administrator, respectively, to Gladstone Capital and Gladstone Investment, both publicly-traded business development companies affiliated with us, and Gladstone Commercial, a publicly-traded REIT, also affiliated with us. However, under the Advisory Agreement, our Adviser is required to devote sufficient resources to the administration of our affairs to discharge its obligations under the

agreement. The Advisory Agreement is not assignable or transferable by either us or our Adviser without the consent of the other party, except that our Adviser may assign the Advisory Agreement to an affiliate for whom our Adviser agrees to guarantee its obligations to us. Both the Company and our Adviser may assign or transfer the Advisory Agreement to a successor entity.

Employees

We do not currently have any employees and do not expect to have any employees in the foreseeable future. Currently, services necessary for our business are provided by individuals who are employees of our Adviser and our Administrator pursuant to the terms of the Advisory Agreement and the Administration Agreement, respectively. Each of our executive officers is an executive officer of each our Adviser and our Administrator. We expect that approximately 15% to 20% of the full-time employees of our Adviser and our Administrator will spend substantial time on our matters during the 2017 calendar year. To the extent that we acquire more investments, we anticipate that the number of employees of our Adviser and our Administrator who devote time to our matters will increase and the number of our Adviser's employees working out of local offices, if any, where we buy land will also increase.

As of December 31, 2016, our Adviser and our Administrator, collectively, had 63 full-time employees. A breakdown thereof is summarized by functional area in the table below:

Number of Individuals	Functional Area
12	Executive Management
35	Investment Management, Portfolio Management and Due Diligence
16	Administration, Accounting, Compliance, Human Resources, Legal and Treasury

Competition

Competition to our efforts to acquire farmland can come from many different entities. Developers, municipalities, individual farmers, agriculture corporations, institutional investors and others compete for farmland acreage. Investment firms that we might compete directly against could include agricultural investment firms, such as Hancock Agricultural Investment Group, Prudential Agricultural Investments and UBS Agrivest, LLC. These firms engage in the acquisition, asset management, valuation and disposition of farmland properties. Further competition may also come from other publicly-traded agricultural REITs, such as Farmland Partners, Inc. In addition to competition for direct investment in farmland we also expect to compete for mortgages with many local and national banks, such as Rabobank, N.A., Bank of America, N.A., Wells Fargo Foothill, Inc., and others.

Environmental Matters

As an owner of real estate, we are subject to various federal, state and local environmental laws, regulations and ordinances and also could be liable to third parties resulting from environmental contamination or noncompliance at our properties. Environmental laws often impose liability without regard to whether the owner or operator knew of or was responsible for the presence of the contaminants. The costs of any required investigation or cleanup of these substances could be substantial. The liability is generally not limited under such laws and could exceed the property's value and the aggregate assets of the liable party. The presence of contamination or the failure to remediate contamination at our properties also may expose us to third-party liability for personal injury or property damage or adversely affect our ability to lease the real property or to borrow using the real estate as collateral. These and other risks related to environmental matters are described in more detail in Item 1A, "Risk Factors."

Tenants

We rent our properties to 40 different independent and corporate farming operations, all of which are unrelated to us. Two of our 49 leases currently in place are with Dole Food Company ("Dole") and expire in 2020. These two leases represented approximately 17.1% of our rental revenue for the year ended December 31, 2016. Leases from Dole represented approximately 24.8% and 40.4% of our total rental income for the years ended December 31, 2015 and 2014, respectively.

Financial Information about Segments

For required financial information related to our operations, refer to our consolidated financial statements, including the notes thereto, included within this Annual Report on Form 10-K.

Available Information

Copies of each of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments, if any, to those reports filed or furnished with the SEC, pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website at www.GladstoneLand.com. A request for any of these reports may also be submitted to us by sending a written request addressed to Investor Relations, Gladstone Land Corporation, 1521 Westbranch Drive, Suite 100, McLean, VA, 22102, or by calling our toll-free investor relations line at 1-866-366-5745. The public may read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC, 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.SEC.gov.

ITEM 1A. RISK FACTORS

An investment in our securities involves a number of significant risks and other factors relating to our structure and investment objectives. As a result, we cannot assure you that we will achieve our investment objectives. You should consider carefully the following information before making an investment in our securities.

Risks Relating to Our Business and Operations

Certain of our current properties are leased to the same tenants. If these tenants are no longer able to make rental payments or choose to terminate their leases prior to or upon expiration, it could have a material adverse effect on our financial performance and our ability to make distributions to our stockholders.

Two of our 49 current leases, representing approximately 17.1% of our rental revenue for the year ended December 31, 2016, are with Dole and expire in 2020. In addition, subsequent to December 31, 2016, we acquired a property in Florida for \$54.0 million and concurrently entered into a lease agreement with a tenant unrelated to us (the "Florida Tenant"), which tenant also leases four of our other farms. While rental revenue earned from properties leased to the Florida Tenant were less than 10% of the total rental revenue earned during the year ended December 31, 2016, we expect that revenue earned on these properties will exceed 10% of our total rental revenue earned during at least the three months ending March 31, 2017, and possibly beyond. If either Dole or the Florida Tenant fails to make rental payments, elects to terminate its leases prior to or upon their expiration or does not renew its lease, and we cannot re-lease the land on satisfactory terms, or if either tenant were to experience financial problems or declare bankruptcy, it could have a material adverse effect on our financial performance and our ability to make dividend payments to our stockholders.

Our real estate portfolio is concentrated in a limited number of properties and states, which subjects us to an increased risk of significant loss if any property declines in value, if we are unable to lease a property or adverse weather, economic or regulatory changes or developments in the markets in which our properties are located.

We currently own 59 farms located in seven different states across the U.S. that are leased to 40 separate independent and corporate farming operations, all of which are unrelated to us. One consequence of a limited number of investments is that the aggregate returns we realize may be substantially adversely affected by the unfavorable performance of a small number of leases or a significant decline in the value of any single property. In addition, while we do not intend to invest more than 25% of our total assets in a particular property at the time of investment, it is possible that, as the values of our properties change over time, one property may comprise a significant percentage of the value of our total assets. Lack of diversification and investment concentration will increase the potential that a single underperforming investment could have a material adverse effect on our cash flows and the price we could realize from the sale of our properties. Since our current real estate profile is concentrated across only seven states, we are also currently subject to the any adverse change in the political or regulatory climate in those states or specific counties where our properties are located that could adversely affect our real estate portfolio and our ability to lease properties. Finally, the geographic concentration of our portfolio could cause us to be more susceptible to adverse weather, economic or regulatory changes or developments in the markets in which our properties are located than if we owned a more geographically-diverse portfolio, which could materially and adversely affect the value of our farms and our ability to lease our farms on favorable terms or at all.

We may not be successful in identifying and consummating additional suitable acquisitions that meet our investment criteria, which may impede our growth and negatively affect our results of operations.

We continue to actively seek and evaluate other farm properties for potential purchase, but there is no guarantee that we will be able to continue to find and acquire properties that meet our investment criteria. We expect that a significant number of our future tenants will be independent farming operations, about which there is generally little or no publicly available operating

and financial information. As a result, we will rely on our Adviser to perform due diligence investigations of these tenants, their operations and their prospects. We may not learn all of the material information we need to know regarding these businesses through our investigations. As a result, it is possible that we could lease properties to tenants or make mortgage loans to borrowers that ultimately are unable to pay rent or interest to us, which could adversely impact the amount available for distributions.

Investments in development farmland, or farmland planted with immature permanent crops rather than annual crops or mature permanent crops, may have inherent risks, including those relating to the longer period between development and commercial productivity for certain permanent crop development farms, the cost of development, profitability of newly-developed farms, higher ongoing costs and delayed development, all of which could adversely impact our results of operations and cash flow.

On a limited basis, we have invested in certain properties requiring further development before reaching commercial productivity, such as the development of an almond orchard, or in properties with immature permanent plantings. Such investments, and any future investments in property developments, involves risks that are different and, in most cases, greater than the risks associated with our acquisition of fully-developed and commercially-productive farms. In addition to the risks associated with real estate investments in general, as described elsewhere, the risks associated with our development farms include, among other things:

- significant time lag between commencement of development and commercial productivity for permanent crop development farms subjects us to greater risks due to fluctuations in the general economy and adverse weather conditions;
- expenditure of money and time on development that may not be completed;
- inability to achieve rental rents per acre at newly-developed farms to make the properties profitable;
- higher than estimated costs, including labor and planting, irrigation or other related costs;
- possible delay in development due to a number of factors, including weather, labor disruptions, regulatory approvals, acts of terror or other acts of violence, or acts of God (such as fires, earthquakes or floods).

All of our properties undergoing development or planted with immature permanent crops are currently leased and earning income. However, with regard to future acquisitions of such properties, the time frame required for development and for the farms to become commercially productive means that we may not be able to lease the farms and, in turn, generate revenue with respect to such farms for several years. If any of the above events occur, the development of such farms may hinder our growth and have a material adverse effect on our results of operations and cash flow. In addition, new development farms, regardless of whether or not they are ultimately productive, typically require substantial time and attention from management.

We currently lease many of our properties to medium-sized, independent farming operations and agricultural businesses, which may have limited financial and personnel resources and, therefore, may be less stable than larger companies, which could impact our ability to generate rental revenue.

We expect to lease a significant number of our properties to medium-sized farming operations and related agricultural businesses, which will expose us to a number of unique risks related to these entities. For example, medium-sized agricultural businesses may be more likely than larger farming operations to have difficulty making lease payments when they experience adverse events. They also tend to experience significant fluctuations in their operating results and to be more vulnerable to competitors' actions and market conditions, as well as general economic downturns. In addition, our target tenants may face intense competition, including competition from companies with greater financial resources, which could lead to price pressure on crops that could lower our tenants' income.

Furthermore, the success of a medium-sized business may also depend on the management talents and efforts of one or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on our tenant and, in turn, on us.

Our Adviser has broad authority to make acquisitions and dispositions of properties, and there can be no assurance that, in the future, we will be able to continue to enter into definitive agreements to purchase properties, complete acquisitions or dispose of properties on favorable terms. Our stockholders are unable to evaluate the economic merits of our investments or the terms of any dispositions of properties.

Our Adviser has broad authority to make acquisitions of properties and dispositions of properties. There can be no assurance that our Adviser will be able to continue to identify or negotiate acceptable terms for the acquisition or dispositions of properties or that we will be able to continue to acquire or dispose of such properties on favorable terms. We may compete with other purchasers for attractive properties. Further factors that could cause us not to purchase one or more properties that initially meet our investment criteria include our potential inability to agree to definitive purchase terms with the prospective sellers, and our discovery of problems with the properties in our due diligence investigations. Factors that could cause us to be

unable to dispose of a property on favorable terms include market conditions and competition. Any significant impediment to continue to identify and make investments that fit into our investment criteria or dispose of investments during suitable market conditions would have a material adverse effect on our ability to continue to generate cash flow and make distributions to our stockholders.

Our cash available for distribution to stockholders may not be sufficient to pay anticipated distributions, nor can we assure you of our ability to make distributions in the future, and we may need to borrow to make such distributions or may not be able to make such distributions at all.

To remain competitive with alternative investments, our distribution rate may exceed our cash available for distribution, including cash generated from operations. In the event this happens, we intend to fund the difference out of any excess cash on hand or from borrowings under our revolving credit facility. If we do not have sufficient cash available for distribution generated by our assets to pay the annual distribution set by our Board of Directors, or if cash available for distribution decreases in future periods, the market price of our common stock could decrease.

All distributions will be made at the discretion of our Board of Directors and will depend on our earnings, our financial condition, whether we are able to maintain our qualification as a REIT and other factors as our Board of Directors may deem relevant from time to time. We may not be able to make distributions in the future. In addition, some of our distributions may include a return of capital. To the extent that our Board of Directors approves distributions in excess of our then current and accumulated earnings and profits, these excess distributions would generally be considered a return of capital for federal income tax purposes to the extent of your adjusted tax basis in your shares. A return of capital is not taxable, but it has the effect of reducing your adjusted tax basis in your investment. To the extent that distributions exceed the adjusted tax basis of your shares, such excess will be treated for tax purposes as a gain from the sale or exchange of your shares. If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

The timing and amount of prepayments could adversely affect the yields on our investments, therefore affecting our liquidity and profitability.

The yields of our assets may be affected by rates of prepayments that differ from our projections. Prepayments by our tenants may be influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond our control, and, consequently, such prepayment rates cannot be predicted with certainty. If we are unable to invest the proceeds of any significant prepayments we receive in assets with at least an equivalent yield, the overall yield on our portfolio will decline. In addition, we may acquire assets at a discount or premium, and if the asset does not repay when expected, our anticipated yield may be impacted. Under certain interest rate and prepayment scenarios, we may fail to fully recoup our cost of acquisition of certain investments, particularly with respect to short-term investments. An increase in prepayment rates could have a materially adverse effect on our results of operations, our liquidity and our ability to make distributions to our stockholders.

Some of our tenants may be unable to pay rent, which could adversely affect our cash available to make distributions to our stockholders or otherwise impair the value of your investment.

We expect that single tenants will continue to occupy most of our farms, and, therefore, the success of our investments will continue to be materially dependent on the financial stability of these tenants. Some of our tenants may have been recently restructured using leverage acquired in a leveraged transaction or may otherwise be subject to significant debt obligations. Tenants that are subject to significant debt obligations may be unable to make their rent payments if there are adverse changes in their businesses or in general economic conditions. Tenants that have experienced leveraged restructurings or acquisitions will generally have substantially greater debt and substantially lower net worth than they had prior to the leveraged transaction. In addition, the payment of rent and debt service may reduce the working capital available to leveraged entities and prevent them from devoting the resources necessary to remain competitive in their industries. In situations where management of the tenant will change after a transaction, it may be difficult for our Adviser to determine with certainty the likelihood of the tenant's business success and of it being able to pay rent throughout the lease term. These companies are more vulnerable to adverse conditions in their businesses or industries and economic conditions generally, as well as to increases in interest rates. In addition, these companies' revenues and expenses may fluctuate according to the growing season, which may impact their ability to make regular lease payments.

Any lease payment defaults by a tenant could adversely affect our cash flows and cause us to reduce the amount of distributions to stockholders. In the event of a default by a tenant, we may also experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-leasing our property.

Some of our tenants could be susceptible to bankruptcy, which would affect our ability to generate rents from them and therefore negatively affect our results of operations.

In addition to the risk of tenants being unable to make regular rent payments, certain of our tenants who may depend on debt and leverage could be especially susceptible to bankruptcy in the event that their cash flows are insufficient to satisfy their debt. Any bankruptcy of one of our tenants would result in a loss of lease payments to us, as well as an increase in our costs to carry the property.

Additionally, under bankruptcy law, a tenant who is the subject of bankruptcy proceedings has the option of continuing or terminating any unexpired lease. If a bankrupt tenant terminates a lease with us, any claim we might have for breach of the lease, excluding a claim against collateral securing the lease, would be treated as a general unsecured claim. Our claim would likely be capped at the amount the tenant owed us for unpaid rent prior to the bankruptcy unrelated to the termination, plus the greater of one year of lease payments or 15% of the remaining lease payments payable under the lease, but in no case more than three years of lease payments. In addition, a bankruptcy court could re-characterize a net lease transaction as a secured lending transaction. If that were to occur, we would not be treated as the owner of the property, but might have additional rights as a secured creditor. This would mean our claim in bankruptcy court would only be for the amount we paid for the property, which could adversely impact our financial condition.

Because we expect to continue to enter into some short-term leases, we may continue to be more susceptible to any decreases in prevailing market rental rates than would be the case with long-term leases, which could have a material adverse effect on our results of operations.

For our properties that are farmed for annual row crops, we intend to primarily enter into leases with independent and corporate farming operations having terms ranging from 3 to 10 years. As a result, we will be required to frequently re-lease our properties upon the expiration of our leases. This will subject our business to near term fluctuations in market rental rates, and we will be more susceptible to declines in market rental rates than we would be if we were to enter into longer term leases. As a result, any decreases in the prevailing market rental rates in the geographic areas in which we own properties could have a material adverse effect on our results of operations and cash available for distribution to stockholders.

Our investments in properties with long-term leases, such as properties farmed for permanent crops, could expose us to various risks, including interest rate risk and the risk of being unable to take advantage of prevailing market rates, which could have a material adverse effect on our results of operations and cash available for distribution to stockholders.

Currently, 24 of our 49 leases have original terms in excess of five years. In the future, we may continue to enter into long-term leases in which the rental rate is generally fixed, subject to annual rent escalations or market reset periods. Annual rent escalations may be a fixed amount each year or be variable based on standard cost of living or inflation indices. In addition, some long-term leases may require a regular survey of comparable land rents, with the rent owed per the lease being adjusted to reflect current market rents. If, in the future, we receive a significant portion of our revenues under long-term leases in which the rental rate is generally fixed, subject to annual rent escalations, we would be subject to interest rate risk in the event interest rates rise at a greater rate than any potential annual rent escalations. In addition, by entering into long-term leases, we would be subject to the risk that we would not be able to increase our rental rates if prevailing land values or rental rates have increased. Any inability to take advantage of increases in prevailing land values or rental rates could have a material adverse effect on our results of operations and cash available for distribution to stockholders.

Our investments in properties with leases with variable rent based on the success of the tenant's harvest means that a portion of our cash flow is exposed to various risks, including risks related to declining crop prices and lower-than-average crop production, which could have a material adverse effect on the amount of rent we can collect and, consequently, our cash flow and ability to make distributions to our stockholders.

Currently, 5 of our 59 farms are subject to variable rent leases that are based on the success of the tenants' harvests each year; however, they also include guarantees of a minimum amount of rental income that satisfy our investment return criteria. While we do not expect variable rent leases based on crop harvest to make up a significant portion of our overall leased portfolio, we intend to enter into additional variable rent leases. We anticipate that each variable rent lease will have a floor that guarantees a minimum amount of rental income that satisfies our investment return criteria; however, such leases will still be impacted by factors related to the success of the tenant's harvest, including, but not limited to, declining crop prices and lower-than-average crop production, that may result in us receiving less rent than anticipated or projected when entering into such leases. A reduction in the rent we receive could have a material adverse effect on our cash flow and ability to make distributions to our stockholders.

Our investments in farmland used for permanent crops have a higher risk profile than farmland used for annual row crops.

Currently, 15 of our 59 farms are used for permanent crops, and, in the future, we may add to our investments in farmland used for permanent crops, as opposed to annual row crops. Permanent crops have plant structures (such as trees, vines or bushes) that produce yearly crops without being replanted. Examples include almonds, apples, blueberries, grapes and oranges. Permanent crops involve more risk than annual row crops because permanent crops require more time and capital to plant. As a result, permanent crops are more expensive to replace and more susceptible to disease and poor weather. If a farmer loses a permanent crop to any natural disaster, such as drought, flooding, fire or disease, there would generally be significant time and capital needed to return the land to production because a tree or vine may take years to grow before bearing fruit.

Permanent crop farmland also prevents the farmer from being able to rotate crop types to keep up with changing market conditions or changes to the weather or soil. If demand for one type of permanent crop decreases, the permanent crop farmer cannot easily convert the farm to another type of crop because permanent crop farmland is dedicated to one crop during the lifespan of the trees or vines and therefore cannot easily be rotated to adapt to changing environmental or market conditions.

In addition, permanent crops, which can generally endure long periods of time from harvest to consumption, allow for global shipment and trade. As a result, permanent crops are usually less insulated from the global market volatility than annual row crops. This will generally provide for less price stability of the harvested crop and therefore less stability of the underlying land value for cropland producing permanent crops. As a result, permanent crop farms have a higher risk profile than annual row crop farms.

Our real estate investments will consist of agricultural properties that may be difficult to sell or re-lease upon tenant defaults or early lease terminations, either of which would adversely affect returns to stockholders.

We intend to focus our investments on agricultural properties. These types of properties are relatively illiquid compared to other types of real estate and financial assets. This illiquidity could limit our ability to quickly dispose of properties in response to changes in economic or other conditions. With these kinds of properties, if the current lease is terminated or not renewed, we may be required to renovate the property to the extent we have buildings on the property, or to make rent concessions to lease the property to another tenant or sell the property. In addition, in the event we are forced to sell the property, we may have difficulty finding qualified purchasers who are willing to buy the property. These and other limitations may affect our ability to sell or re-lease properties without adversely affecting returns to our stockholders.

If we sell properties and provide financing to purchasers, defaults by the purchasers would decrease our cash flows and limit our ability to make distributions.

In some instances, we may sell our properties by providing financing to purchasers who may then also operate the farm. When we provide financing to purchasers, we may bear the risk that the purchaser may default, which could negatively impact our liquidity and thus our ability to either distribute the proceeds from the sale to our stockholders or reinvest the sale proceeds in other property acquisitions.

If our properties do not have access to adequate water supplies, it could harm our ability to lease the properties for farming, thereby adversely affecting our ability to generate returns on our properties.

In order to lease the cropland that we intend to acquire, these properties will require access to sufficient water to make them suitable for farming. Additionally, the ability of our current tenants to be able to make their rental payments is also dependent upon sufficient access to water. Although we expect to acquire properties with sufficient water access, should the need arise for additional wells from which to obtain water, we would be required to obtain permits prior to drilling such wells. Permits for drilling water wells are required by state and county regulations, and such permits may be difficult to obtain due to the limited supply of water in areas where we expect to acquire properties, such as the farming regions of California. Similarly, our properties may be subject to governmental regulations relating to the quality and disposition of rainwater runoff or other water to be used for irrigation. In such case, we could incur costs necessary to retain this water. If we are unable to obtain or maintain sufficient water supply for our properties, our ability to lease them for farming would be seriously impaired, which would have a material adverse impact on the value of our assets and our results of operations. If in the future we invest in farmland that depends upon rain water rather than local water access, our tenants on that farmland may be susceptible to extended droughts, and any failure on the part of such tenants to procure adequate drought insurance would impact the ability of such tenants to make rental payments, which would have a material adverse impact on our ability to generate returns on our properties.

Our agricultural properties are subject to adverse weather conditions, seasonal variability, crop disease and other contaminants, which may affect our tenants' ability to pay rent and thereby have an adverse effect on our results of operations and our ability to make distributions to stockholders.

Fresh produce, including produce used in canning and other packaged food operations, is vulnerable to adverse weather conditions, including windstorms, floods, drought and temperature extremes, which are quite common but difficult to predict.

Because fresh produce is highly perishable and generally must be brought to market and sold soon after harvest, unfavorable growing conditions can reduce both crop size and crop quality. Seasonal factors, including supply and consumer demand, may also have an effect on the crops grown by our tenants. In extreme cases, entire harvests may be lost in some geographic areas.

Further, certain of our properties are reliant upon groundwater, as they are not located within any state or federal water districts and, thus, are not limited by any government-regulated restrictions. While recent heavy rainfall has helped to alleviate drought concerns across most of California, parts of the state remain in varying degrees of drought categorizations, and if the severity of the drought were to return to prior levels, it could have a materially adverse impact on our farming operations on our properties in these regions.

Fresh produce is also vulnerable to crop disease, pests and other contaminants. Damages to tenants' crops from crop disease and pests may vary in severity and effect, depending on the stage of production at the time of infection or infestation, the type of treatment applied and climatic conditions. The costs to control these infestations vary depending on the severity of the damage and the extent of the plantings affected. These infestations can increase costs and decrease revenues of our tenants. Tenants may also incur losses from product recalls due to other contaminants that may cause food borne illness. It is difficult to predict the occurrence or severity of such product recalls as well as the impact of these upon our tenants. Although we do not expect that a significant portion our rental payments will be based on the quality of our tenants' harvests, any of these factors could have a material adverse effect on our tenants' ability to pay rent to us, which in turn could have a material adverse effect on our ability to make distributions to our stockholders.

As permanent crops produce yearly crops without being replanted, they are more expensive to replace and more susceptible to disease and poor weather than annual row crops. If a farmer loses a permanent crop to any natural disaster, such as drought, flooding, fire or disease, there would generally be significant time and capital needed to return the land to production because a tree or vine may take years to grow before bearing fruit. Permanent crop farmland also prevents the farmer from being able to rotate crop types to keep up with changing market conditions or changes to the weather or soil. If demand for one type of permanent crop decreases, the permanent crop farmer cannot easily convert the farm to another type of crop because permanent crop farmland is dedicated to one crop during the lifespan of the trees or vines and therefore cannot easily be rotated to adapt to changing environmental or market conditions. As a result, the risks associated with weather conditions, seasonal variability, crop disease and other contaminants are magnified in the case of permanent crops.

Our operating results and the value of our properties may be impacted by future climate changes, adversely impacting the value of our properties and our ability to generate rental revenue.

In addition to the general risks that adverse weather conditions will pose for the tenants of our properties and their subsequent ability to comply with the terms of their leases, the value of our properties will potentially be subject to risks associated with long-term effects of climate change. Many climatologists predict increases in average temperatures, more extreme temperatures and increases in volatile weather over time. The effects of climate change may be more significant along coastlines, such as in the California coastal areas where we intend to partially focus our initial acquisition efforts, due to rising sea levels resulting from melting of polar ice caps, which could result in increased risk of coastal erosion, flooding, degradation in the quality of groundwater aquifers and expanding agricultural weed and pest populations. As a result, the effects of climate change could make our properties less suitable for farming or other alternative uses, which could adversely impact the value of our properties, our ability to generate rental revenue from leasing our properties and our cash available for distribution to stockholders. Climate change may also have indirect effects on our business by increasing the cost of, or availability of, property insurance on terms we find acceptable and increasing the cost of energy at our properties.

Because we must distribute a substantial portion of our net income to maintain our qualification as a REIT, we will be largely dependent on third-party sources of capital to fund our future capital needs.

To maintain our qualification as a REIT, we generally must distribute to our stockholders at least 90% of our taxable income each year, excluding capital gains. Because of this distribution requirement, it is not likely that we will be able to fund a significant portion of our future capital needs, including property acquisitions, from retained earnings. Therefore, we may acquire additional capital from the issuance of securities senior to our common shares, including borrowings or other indebtedness, preferred shares (such as our Term Preferred Stock) or the issuance of other securities. This capital may not be available on favorable terms or at all. Our access to additional capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings.

To the extent we issue debt securities, other instruments of indebtedness or additional preferred stock or borrow additional money from banks or other financial institutions, we will be additionally exposed to risks associated with leverage, including increased risk of loss. If we issue additional preferred securities that rank senior to our common shares in our capital structure, the holders of such preferred securities may have separate voting rights and other rights, preferences or privileges, economic and otherwise, more favorable than those of our common shares and our Term Preferred Stock, and the issuance of such

preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for common stockholders. Any inability to access additional financing on terms that are favorable to us may adversely affect our ability to grow and our business generally.

We may not be able to raise sufficient capital or borrow money in sufficient amounts or on sufficiently favorable terms necessary to attain the optimal degree of leverage to operate our business, which may have an adverse effect on our operations and ability to pay distributions.

Our ability to raise additional capital in the markets may be limited due to market conditions and applicable SEC regulations. Our business and acquisition strategies rely heavily on borrowing funds, so that we may make more investments than would otherwise be possible to maximize potential returns to stockholders. We may borrow on a secured or unsecured basis. Our charter and bylaws do not impose any limitation on our borrowing. Our ability to achieve our investment objectives will be affected by our ability to borrow money in sufficient amounts and on favorable terms, which may result in us becoming highly leveraged. We expect that we will borrow money that will be secured by our properties and that these financing arrangements will contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. In addition, any credit facility we might enter into is likely to contain certain customary restrictions, requirements and other limitations on our ability to incur indebtedness, and will specify debt ratios that we will be required to maintain. Accordingly, we may be unable to obtain the degree of leverage that we believe to be optimal, which may cause us to have less cash for distributions to stockholders. Our use of leverage could also make us more vulnerable to a downturn in our business or the economy generally and a significant increase in the ratio of our indebtedness to our assets may have an adverse effect on the market price of our common stock.

Our income from operations may not be enough to cover our debt service obligations, which may affect distributions to stockholders or cause us to incur losses.

If the income generated by our properties and other assets fails to cover our debt service, we could be forced to reduce or eliminate distributions to our stockholders and may experience losses. Some of our debt financing arrangements may require us to make lump-sum, or balloon, payments at maturity. If our income from operations does not cover a balloon payment, our ability to make the balloon payment at maturity could depend upon our ability to obtain additional financing or to sell the financed property. At the time the balloon payment is due, we may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment, which would likely have a material adverse effect on our financial condition.

We have secured borrowings, which would have a risk of loss of the property securing such loan upon foreclosure.

We currently have various borrowing facilities in place that are secured by certain of our farms. As of December 31, 2016, our total borrowings of \$208.8 million, which had a blended annual stated interest rate before interest patronage, or refunded interest, of 3.17%, were secured by all 58 of our farms. If we are unable to make our debt payments as required, either under our current credit facilities or any future facilities, a lender could foreclose on certain of the properties securing its loan. This could cause us to lose part or all of our investment in the property, which in turn could cause the value of our common stock or Term Preferred Stock or the distributions to our stockholders to be reduced or delayed.

As we consider additional debt financing from third-party lenders, our assets may become highly leveraged, which may result in losses.

There is no limitation imposed by our charter or bylaws on our borrowings. An increased amount of leverage may expose us to cash flow problems if rental income decreases. Under those circumstances, in order to pay our debt obligations, including distribution and dividend payments to holders of our common stock and Term Preferred Stock, we might be required to sell properties at a loss or be unable to make distributions or decrease distributions to our stockholders. A failure to pay amounts due to lenders and holders of our Term Preferred Stock may result in a default on our obligations and result in certain penalties, such as increased interest rates. Additionally, our degree of leverage could adversely affect our ability to obtain additional financing and may have an adverse effect on the market price of our common shares and Term Preferred Stock.

We face a risk from the fact that certain of our properties are cross-collateralized.

As of December 31, 2016, the mortgages on certain of our properties were cross-collateralized. To the extent that any of the properties in which we have an interest are cross-collateralized, any default by the property owner subsidiary under the mortgage note relating to the one property will result in a default under the financing arrangements relating to any other property that also provides security for that mortgage note or is cross-collateralized or cross-defaulted with such mortgage note.

Such a default may adversely affect our financial condition, results of operations and ability to pay distributions to our stockholders.

Competition for the acquisition of agricultural real estate may impede our ability to make acquisitions, increase the cost of these acquisitions or decrease or prevent increases in the occupancy and rental rates of our current properties.

We will compete for the acquisition of properties with many other entities engaged in agricultural and real estate investment activities, including corporate agriculture companies, financial institutions, institutional pension funds, real estate companies, private equity funds and private real estate investors. These competitors may prevent us from acquiring desirable properties or may cause an increase in the price we must pay for real estate. Our competitors may have greater resources than we do and may be willing to pay more for certain assets or may have a more compatible operating philosophy with our acquisition targets. In particular, larger institutions may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Our competitors may also adopt transaction structures similar to, or more favorable than ours, offering rental rates below current market rates or below rates we currently charge our tenants, which would decrease our competitive advantage in offering flexible transaction terms. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase, resulting in increased demand and increased prices paid for these properties. If we pay higher prices for properties, our profitability may decrease, and you may experience a lower return on your investment. Increased competition for properties may also preclude us from acquiring those properties that would generate attractive returns to us, as well as prevent us from achieving diversification by geography and crop type, having a material adverse effect on our results of operations and available cash for distributions to stockholders.

We operate as a holding company dependent upon the assets and operations of our subsidiaries, and because of our structure, we may not be able to generate the funds necessary to make distributions on our common stock.

We generally operate as a holding company that conducts its businesses primarily through our Operating Partnership, which in turn is a holding company conducting its business through its subsidiaries. These subsidiaries conduct all of our operations and are our only source of income. Accordingly, we are dependent on cash flows and payments of funds to us by our subsidiaries as distributions, loans, advances, leases or other payments from our subsidiaries to generate the funds necessary to make distributions on our common stock. Our subsidiaries' ability to pay such distributions and/or make such loans, advances, leases or other payments may be restricted by, among other things, applicable laws and regulations, current and future debt agreements and management agreements into which our subsidiaries may enter, which may impair our ability to make cash payments on our common stock. In addition, such agreements may prohibit or limit the ability of our subsidiaries to transfer any of their property or assets to us, any of our other subsidiaries or to third parties. Our future indebtedness or our subsidiaries' future indebtedness may also include restrictions with similar effects.

In addition, because we are a holding company, stockholders' claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, claims of our stockholders will be satisfied only after all of our and our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Some state laws prohibit or restrict the ownership of agricultural land by business entities, which could impede the growth of our portfolio and our ability to diversify geographically.

Certain states, including Iowa, North Dakota, South Dakota, Minnesota, Oklahoma, Wisconsin, Missouri and Kansas have laws that prohibit or restrict to varying degrees the ownership of agricultural land by corporations or business entities like us. Additional states may, in the future, pass similar or more restrictive laws, and we may not be legally permitted, or it may become overly burdensome or expensive, to acquire properties in these states, which could impede the growth of our portfolio and our ability to diversify geographically in states that might otherwise have attractive investment opportunities.

Failure to succeed in new markets may have adverse consequences.

As we expand and diversify our geographic portfolio, we may acquire properties located in new markets, exposing us to risks associated with a lack of market knowledge or understanding of the local market. This includes the availability and identity of quality tenant farmers, forging new business relationships in the area and unfamiliarity with local government requirements and procedures. Furthermore, the evaluation and negotiation of a potential expansion into new markets would divert management time and other resources. As a result, we may have difficulties executing our business strategy in these new markets, which could have a negative impact on our results of operations and ability to make distributions to stockholders.

We may not ultimately be able to sell our agricultural real estate to developers in connection with the conversion of such properties to urban or suburban uses, especially in light of the current uncertain market for real estate development.

Our business plan in part contemplates purchasing agricultural real property that we believe is located in the path of urban and suburban growth and ultimately will increase in value over the long term as a result. Pending the sale of such real property to developers for conversion to urban, suburban and other more intensive uses, such as residential or commercial development, we intend to lease the property for agricultural uses, particularly farming. Urban and suburban development is subject to a number of uncertainties, including land zoning and environmental issues, infrastructure development and demand. These uncertainties are particularly pronounced in light of the current economic environment, in which the pace of future development is unclear. Although the current development market contains uncertainties, these uncertainties may be more acute over time, since we do not intend to acquire properties that are expected to be converted to urban or suburban uses in the near term. As a result, there can be no guarantee that increased development will actually occur and that we will be able to sell any of the properties that we own or acquire in the future for such conversion. Our inability to sell these properties in the future at an appreciated value for conversion to urban or suburban uses could result in a reduced return on your investment.

Liability for uninsured or underinsured losses could adversely affect our financial condition.

Losses from disaster-type occurrences, such as wars, earthquakes and weather-related disasters, may be either uninsurable or not insurable on economically viable terms. Should an uninsured loss occur, we could lose our capital investment or anticipated profits and cash flows from one or more properties. If any such loss is insured, we may be required to pay a significant deductible on any claim for recovery of such a loss prior to our insurer being obligated to issue reimbursement. Further, the amount of losses may exceed our coverage, which could have an adverse effect on our cash flow.

Potential liability for environmental matters could adversely affect our financial condition.

We intend to purchase agricultural properties and will be subject to the risk of liabilities under federal, state and local environmental laws. Some of these laws could subject us to:

- responsibility and liability for the cost of removal or remediation of hazardous substances released on our properties, which may include herbicides and pesticides, generally without regard to our knowledge of or responsibility for the presence of the contaminants;
- liability for the costs of removal or remediation of hazardous substances at disposal facilities for persons who arrange for the disposal or treatment of these substances; and
- potential liability for claims by third parties for damages resulting from environmental contaminants.

We will generally include provisions in our leases making tenants responsible for all environmental liabilities and for compliance with environmental regulations, and we will seek to require tenants to reimburse us for damages or costs for which we have been found liable. However, these provisions will not eliminate our statutory liability or preclude third-party claims against us. Even if we were to have a legal claim against a tenant to enable us to recover any amounts we are required to pay, there are no assurances that we would be able to collect any money from the tenant. Our costs of investigation, remediation or removal of hazardous substances may be substantial. In addition, the presence of hazardous substances on one of our properties, or the failure to properly remediate a contaminated property, could adversely affect our ability to sell or lease the property or to borrow using the property as collateral. Additionally, we could become subject to new, stricter environmental regulations, which could diminish the utility of our properties and have a material adverse impact on our results of operations.

If our tenants fail to comply with applicable labor regulations, it could have an adverse effect on our ability to make distributions to our stockholders.

State, county and federal governments have also implemented a number of regulations governing labor practices used in connection with farming operations. For example, these regulations seek to provide for minimum wages and minimum and maximum work hours, as well as to restrict the hiring of illegal immigrants. If one of our tenants is accused of violating, or found to have violated such regulations, it could have a material adverse effect on the tenant's operating results, which could adversely affect its ability to make its rental payments to us and, in turn, our ability to make distributions to our stockholders.

The presence of endangered or threatened species on or near our acquired farmland could restrict the activities of our agricultural tenants, which could in turn have a material adverse impact on the value of our assets and our results of operations.

Federal, state and local laws and regulations intended to protect threatened or endangered species could restrict certain activities on our farmland. The size of any area subject to restriction would vary depending on the protected species at issue, the time of year and other factors, and there can be no assurance that such federal, state and local laws will not become more restrictive over time. If portions of our farmland are deemed to be part of or bordering habitats for such endangered or threatened species that could be disturbed by the agricultural activities of our tenants, it could impair the ability of the land to be used for farming, which in turn could have a material adverse impact on the value of our assets and our results of operations.

We may be required to permit the owners of the mineral rights to our properties to enter and occupy parts of the properties for the purposes of drilling and operating oil or gas wells, which could adversely impact the rental value of our properties.

Although we will own the surface rights to the properties that we acquire, other persons may own the rights to any minerals, such as oil and natural gas, that may be located under the surfaces of these properties. Under agreements with any such mineral rights owners, we expect that we would be required to permit third parties to enter our properties for the purpose of drilling and operating oil or gas wells on the premises. We will also be required to set aside a reasonable portion of the surface area of our properties to accommodate these oil and gas operations. The devotion of a portion of our properties to these oil and gas operations would reduce the amount of the surface available for farming or farm-related uses, which could adversely impact the rents that we receive from leasing these properties.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

We may experience interest rate volatility in connection with mortgage loans on our properties or other variable-rate debt that we may obtain from time to time. The interest rate on our existing line of credit is variable, and, although we seek to mitigate this risk by structuring such provisions to contain a minimum interest rate or escalation rate, as applicable, these features do not eliminate this risk. We are also exposed to the effects of interest rate changes as a result of holding cash and cash equivalents in short-term, interest-bearing investments. We have not entered into any derivative contracts to attempt to further manage our exposure to interest rate fluctuations. A significant change in interest rates could have an adverse impact on our results of operations.

Joint venture investments could be adversely affected by our lack of sole decision making authority, our reliance on co-venturers' financial condition and disputes between our co-venturers and us.

We may invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we will not have sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers may become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers also may have economic or other business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our preferences, policies or objectives, which could result in our premature exit of such investment and reduce any expected returns or result in a loss. Any such adverse actions could also jeopardize our qualification as a REIT or the tax status of the joint venture, requiring us to pay taxes or subjecting properties owned by the joint venture to liabilities greater than those contemplated by the terms of the agreements governing the investment relationship. Such investments also will have the potential risk of our reaching impasses with our partners or co-venturers on key decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our management team from focusing its time and effort exclusively on our business. In addition, we may in some circumstances be liable for the actions of our third-party partners or co-venturers.

Continued disruptions in the U.S. financial markets could affect our ability to obtain debt financing on reasonable terms or have other adverse effects on us.

Over the last several years, the U.S. capital markets have experienced significant price volatility, which have caused market prices of many stocks and debt securities to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in certain cases have resulted in the lack of availability of certain types of financing. Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional financing at reasonable terms, which may negatively affect our ability to make acquisitions. These disruptions in the financial markets also may have a material adverse effect on the market value of our common stock and the lease rates we can charge for our properties, as well as other unknown adverse effects on us or the economy in general. In addition, credit market constraints may increase the operating expenses of our tenants and decrease their ability to make lease payments and may adversely affect our liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

We cannot predict the impact future actions by regulators or government bodies, including the U.S. Federal Reserve, will have on real estate debt markets, the market value of our capital stock or on our business, and any such actions may negatively impact us.

Regulators and U.S. government bodies have a major impact on our business. The U.S. Federal Reserve is a major participant in, and its actions significantly impact, the real estate debt markets. For example, quantitative easing, a program implemented by the U.S. Federal Reserve to keep long-term interest rates low and stimulate the U.S. economy, had the effect

of reducing the difference between short-term and long-term interest rates. However, the U.S. Federal Reserve ended the latest round of quantitative easing and raised interest rates in December 2016 by 25 basis points, with additional gradual increases anticipated to occur over the next year, subject to ongoing economic uncertainty. This increase in the federal funds rate and any future increases due to other key economic indicators, such as the unemployment rate or inflation, may cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms and the market value of our capital stock. This may result in future acquisitions by us generating lower overall economic returns and increasing the costs associated with refinancing current debt, which could potentially reduce future cash flow available for distributions. It is difficult to predict future legislation, regulation, and actions under the new presidential administration, and we cannot predict or control the impact future actions by regulators or government bodies, such as the U.S. Federal Reserve, will have on our business.

We may be adversely affected by new federal laws and regulations.

The United States' President and Congress have called for consideration of proposals relating to a variety of issues. We believe that these and other potential proposals could have varying degrees of impact on us, ranging from minimal to material. At this time, we are unable to predict with certainty what level of impact specific proposals could have on us.

In particular, newly-elected government officials have indicated that they will materially alter certain legislation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Amendment or outright repeal of the Dodd-Frank Act, including rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals that may be proposed in the United States Congress, may limit our revenues, impose fees or taxes on us, or intensify the regulatory framework in which we operate in ways that are not currently identifiable.

Changing laws, regulations and standards relating to corporate governance and public disclosure in particular, including certain provisions of the Dodd-Frank Act and the rules and regulations promulgated thereunder, have created uncertainty for public companies like ours and could significantly increase the costs and risks associated with accessing the U.S. public markets. Because we are committed to maintaining high standards of internal control over financial reporting, corporate governance and public disclosure, our management team will need to devote significant time and financial resources to comply with these evolving standards for public companies. We intend to continue to invest appropriate resources to comply with both existing and evolving standards, and this investment may result in increased general and administrative expenses and a diversion of a portion of management's time and attention away from revenue-generating activities and more towards compliance activities. There may be significant changes in policies that may affect the overall stock market and REITs in particular.

Risks Associated With Our Use of an Adviser to Manage Our Business

We are dependent upon our key management personnel for our future success, particularly David Gladstone and Terry Lee Brubaker.

We are dependent on our senior management and other key management members to carry out our business and investment strategies. Our future success depends to a significant extent on the continued service and coordination of our senior management team, particularly David Gladstone, our chairman, chief executive officer and president, and Terry Lee Brubaker, our vice chairman and chief operating officer. Mr. Gladstone also serves as the chief executive officer of our Adviser and our Administrator, and Mr. Brubaker is also an executive officer of our Adviser and our Administrator. The departure of any of our executive officers or key personnel of our Adviser could have a material adverse effect on our ability to implement our business strategy and to achieve our investment objectives.

Our success will continue to depend on the performance of our Adviser and if our Adviser makes inadvisable investment or management decisions, our operations could be materially adversely impacted.

Our ability to achieve our investment objectives and to pay distributions to our stockholders is substantially dependent upon the performance of our Adviser in evaluating potential investments, selecting and negotiating property purchases and dispositions on our behalf, selecting tenants and borrowers, setting lease terms and determining financing arrangements. You will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. You must rely entirely on the analytical and management abilities of our Adviser and the oversight of our Board of Directors. If our Adviser or our Board of Directors makes inadvisable investment or management decisions, our operations could be materially adversely impacted.

We may have conflicts of interest with our Adviser and other affiliates, which could result in investment decisions that are not in the best interests of our stockholders.

Our Adviser manages our real estate portfolio and locates, evaluates, recommends and negotiates the acquisition of our real estate investments and mortgage loans. At the same time, our Advisory Agreement permits our Adviser to conduct other commercial activities and to provide management and advisory services to other entities, including, but not limited to, Gladstone Capital, Gladstone Commercial and Gladstone Investment, each of which is affiliated with us. Each of our executive officers are also executive officers of Gladstone Commercial, which actively makes real estate investments, and each of our executive officers, other than Messrs. Beckhorn and Parrish, and each of our directors are also executive officers and directors, as applicable, of Gladstone Capital and Gladstone Investment, which actively make loans to and invest in small- and medium-sized companies. As a result, we may from time to time have conflicts of interest with our Adviser in its management of our business and that of Gladstone Commercial, Gladstone Investment or Gladstone Capital, which may arise primarily from the involvement of our Adviser, Gladstone Capital, Gladstone Commercial, Gladstone Investment and their affiliates in other activities that may conflict with our business. Examples of these potential conflicts include:

- our Adviser may realize substantial compensation on account of its activities on our behalf and may be motivated to approve acquisitions solely on the basis of increasing its compensation from us;
- our agreements with our Adviser are not arm's-length agreements, which could result in terms in those agreements that are less favorable than we could obtain from independent third parties;
- we may experience competition with our affiliates for potential financing transactions; and
- our Adviser and other affiliates, such as Gladstone Capital, Gladstone Commercial and Gladstone Investment, could compete for the time and services of our officers and directors and reduce the amount of time they are able to devote to management of our business.

These and other conflicts of interest between us and our Adviser could have a material adverse effect on the operation of our business and the selection or management of our real estate investments.

Our financial condition and results of operations will depend on our Adviser's ability to effectively manage our future growth.

Our ability to achieve our investment objectives will depend on our ability to sustain continued growth, which will, in turn, depend on our Adviser's ability to find, select and negotiate property purchases and net leases that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our Adviser's marketing capabilities, management of the investment process, ability to provide competent, attentive and efficient services and our access to financing sources on acceptable terms. As we grow, our Adviser may be required to hire, train, supervise and manage new employees. Our Adviser's failure to effectively manage our future growth could have a material adverse effect on our business, financial condition and results of operations.

Our Adviser is not obligated to provide a waiver of the incentive fee, which could negatively impact our earnings and our ability to maintain our current level of, or increase, distributions to our stockholders.

The Advisory Agreement contemplates a quarterly incentive fee based on our FFO. Our Adviser has the ability to issue a full or partial waiver of the incentive fee for current and future periods; however, our Adviser is not required to issue any waiver. Any waiver issued by our Adviser is an unconditional and irrevocable waiver. If our Adviser does not issue this waiver in future quarters, it could negatively impact our earnings and may compromise our ability to maintain our current level of, or increase, distributions to our stockholders.

We may be obligated to pay our Adviser quarterly incentive compensation even if we incur a net loss during a particular quarter.

The Advisory Agreement entitles our Adviser to incentive compensation based on our funds from operation ("FFO"), which rewards our Adviser if our quarterly pre-incentive fee FFO exceeds 1.75% (7.0% annualized) of our adjusted stockholders' equity. Our pre-incentive fee FFO for a particular quarter for incentive compensation purposes excludes the effect of any unrealized gains, losses or other items during that quarter that do not affect realized net income, even if these adjustments result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay our Adviser incentive compensation for a fiscal quarter even if we incur a net loss for that quarter as determined in accordance with GAAP.

Risks Associated With Ownership of Our Common Stock and OP Units and Our Tax Status

Certain provisions contained in our charter and bylaws and under Maryland law may prohibit or restrict attempts by our stockholders to change our management and hinder efforts to effect a change of control of us, and the market price of our common stock may be lower as a result.

There are provisions in our charter and bylaws that may make it difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change in control was considered favorable by you and other stockholders. For example:

- Our articles of incorporation prohibit ownership of more than 3.3% of the outstanding shares of our capital stock by one person, except for certain qualified institutional investors, which are limited to holding 9.8% of our common stock. Currently, our chairman, chief executive officer and president, David Gladstone, owns approximately 19.4% of our common stock, and the Gladstone Future Trust, for the benefit of Mr. Gladstone's children, owns approximately 6.7% of our common stock, in each case pursuant to an exception approved by our Board of Directors and in compliance with our charter. In addition, the David and Lorna Gladstone Foundation, of which David Gladstone is the CEO and Chairman, owns 2.1% of our common stock. The ownership restriction may discourage a change of control and may deter individuals or entities from making tender offers for our capital stock, which offers might otherwise be financially attractive to our stockholders or which might cause a change in our management.
- Our Board is divided into three classes, with the term of the directors in each class expiring every third year. At each annual meeting of stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. After election, a director may only be removed by our stockholders for cause. Election of directors for staggered terms with limited rights to remove directors makes it more difficult for a hostile bidder to acquire control of us. The existence of this provision may negatively impact the price of our securities and may discourage third-party bids to acquire our securities. This provision may reduce any premiums paid to stockholders in a change in control transaction.
- The Control Share Acquisition Act provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by the corporation's disinterested stockholders by a vote of two-thirds of the votes entitled to be cast on the matter. Shares of stock owned by interested stockholders, that is, by the acquirer, by officers or by directors who are employees of the corporation, are excluded from shares entitled to vote on the matter. "Control shares" are voting shares of stock that would entitle the acquirer to exercise voting power in electing directors within one of three increasing ranges of voting power. The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation. Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions of our common stock by David Gladstone or any of his affiliates. This statute could have the effect of discouraging offers from third parties to acquire us and increasing the difficulty of successfully completing this type of offer by anyone other than Mr. Gladstone or any of his affiliates.
- Certain provisions of Maryland law applicable to us prohibit business combinations with:
 - any person who beneficially owns 10% or more of the voting power of our common stock, referred to as an "interested stockholder;"
 - an affiliate of ours who, at any time within the two-year period prior to the date in question, was an interested stockholder;
 - or
 - an affiliate of an interested stockholder.

These prohibitions last for five years after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any business combination with the interested stockholder must be recommended by our Board and approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of our outstanding shares of common stock and two-thirds of the votes entitled to be cast by holders of our common stock other than shares held by the interested stockholder. These requirements could have the effect of inhibiting a change in control even if a change in control were in our stockholders' interest. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our Board of Directors prior to the time that someone becomes an interested stockholder.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be advisable and in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter (i) eliminates our directors' and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and that is material to the cause of action and (ii) requires us to indemnify directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, our stockholders and we may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

We may enter into tax protection agreements in the future if we issue OP Units in connection with the acquisition of properties, which could limit our ability to sell or otherwise dispose of certain properties.

Our Operating Partnership may enter into tax protection agreements in connection with issuing OP Units to acquire additional properties which could provide that if we dispose of any interest in the protected acquired property prior to a certain time, we will indemnify the other party for its tax liabilities attributable to the built-in gain that exists with respect to such property. Therefore, although it may be in our stockholders' best interests that we sell one of these properties, it may be economically prohibitive for us to do so if we are a party to such a tax protection agreement. While we do not currently have any of these tax protection agreements in place currently, we cannot guarantee that we will not enter into such agreements in the future.

Our redemption of OP Units could result in the issuance of a large number of new shares of our common stock and/or force us to expend significant cash, which may limit our funds necessary to make distributions on our common stock.

As of the date of this Annual Report on Form 10-K, unaffiliated third parties owned approximately 12.6% of the outstanding OP Units. Following any contractual lock-up provisions, including the one-year mandatory holding period, a non-controlling limited partner of our Operating Partnership may require us to redeem the OP Units it holds for cash. At our election, we may satisfy the redemption through the issuance of shares of our common stock on a one-for-one basis. However, the limited partners' redemption right may not be exercised if and to the extent that the delivery of the shares upon such exercise would result in any person violating the ownership and transfer restrictions set forth in our charter. If a large number of OP Units were redeemed, it could result in the issuance of a large number of new shares of our common stock, which could dilute our existing stockholders' ownership. Alternatively, if we were to redeem a large number of OP Units for cash, we may be required to expend significant amounts to pay the redemption price, which may limit our funds necessary to make distributions on our common stock. Further, if we do not have sufficient cash on hand at the time the OP Units are tendered for redemption, we may be forced to sell additional shares of our common stock in order to raise cash, which could cause dilution to our existing stockholders and adversely affect the market price of our common stock.

Our charter grants our Board of Directors the right to classify or reclassify any unissued shares of capital stock, increase or decrease the authorized number of shares and establish the preference and rights of any preferred stock without stockholder approval.

Under our charter, we currently have authority to issue 20,000,000 shares of common stock and 18,000,000 shares of preferred stock, 2,000,000 of which have been classified as shares of our Term Preferred Stock. Our Board of Directors has the authority, without a stockholders' vote, to classify or reclassify any unissued shares of stock, including common stock, into preferred stock (or vice versa), to increase or decrease the authorized number of shares of common stock and preferred stock and to establish the preferences and rights of any preferred stock or other class or series of shares to be issued. Because our Board of Directors has the power to establish the preferences and rights of additional classes or series of stock without a stockholders' vote, our Board of Directors may give the holders of any class or series of stock preferences, powers and rights, including voting rights, senior to the rights of holders of existing stock.

Holders of our Term Preferred Stock and future holders of any securities ranking senior to our common stock have dividend and/or liquidation rights that are senior to the rights of the holders of our common stock. Additional issuances of securities senior to our common stock may negatively impact the value of our common stock and further restrict the ability of holders of our common stock to receive dividends and/or liquidation rights.

Our capital structure includes our Term Preferred Stock, of which 1,150,000 shares is currently outstanding. In the future, we may attempt to increase our capital resources by making additional offerings of our Term Preferred Stock or other equity securities or issue debt securities. Upon liquidation, holders of our Term Preferred Stock and other preferred stock with parity ranking we may issue in the future, holders of our debt securities, if any, and lenders with respect to other borrowings, including our line of credit, would receive a distribution of our available assets in full prior to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Holders of our common stock are not entitled to preemptive rights or other protection against dilutions. As additional acquisition opportunities arise, we may issue additional shares of common stock or preferred stock or may issue OP Units, which are redeemable for cash or, at our option, our common stock on a one-to-one basis, to raise the capital necessary to finance these acquisitions and further diluting stockholders' equity. Thus, our common stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us. Further, holders of our Term Preferred Stock rank senior in priority of dividend payments, which may restrict our ability to declare and pay dividends to our common stockholders at the current rate, or at all.

We may not have sufficient earnings and profits in order for distributions on the Term Preferred Stock to be treated as dividends.

The dividends payable by us on the Term Preferred Stock may exceed our current and accumulated earnings and profits, as calculated for U.S. federal income tax purposes, at the time of payment. If that were to occur, it would result in the amount of

dividends that exceed our earnings and profits being treated first as a return of capital to the extent of the holder's adjusted tax basis in the Term Preferred Stock and then, to the extent of any excess over such adjusted tax basis, as capital gain.

We may not be able to maintain our qualification as a REIT for federal income tax purposes, which would subject us to federal income tax on our taxable income at regular corporate rates, thereby reducing the amount of funds available for paying distributions to stockholders.

On September 3, 2014, we filed our 2013 federal income tax return, on which we elected to be taxed as a REIT for federal income tax purposes beginning with our tax year ended December 31, 2013. Our ability to maintain our qualification as a REIT depends on our ability to satisfy requirements set forth in the Code, concerning, among other things, the ownership of our outstanding common stock, the nature of our assets, the sources of our income and the amount of our distributions to our

stockholders. The REIT qualification requirements are extremely complex, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we will be successful in continuing to operate so as to qualify as a REIT. At any time, new laws, interpretations or court decisions may change the federal tax laws relating to, or the federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerations may cause our Board of Directors to revoke our REIT election, which it may do without stockholder approval.

If we lose our REIT status or if it was revoked, we would face serious tax consequences that would substantially reduce the funds available for distribution to our stockholders because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income;
- we would be subject to federal income tax at regular corporate rates and might need to borrow money or sell assets to pay any such tax;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under statutory provisions, we would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify.

If we fail to maintain our qualification as a REIT, domestic stockholders will be subject to tax as "qualified dividends" to the extent of our current and accumulated earnings and profits. The maximum U.S. federal income tax rate on such "qualified dividends" is 20%. If we fail to maintain our qualification as a REIT, we would not be required to make distributions to stockholders, and any distributions to stockholders that are U.S. corporations might be eligible for the dividends received deduction.

As a result of all these factors, our failure to maintain our qualification as a REIT could impair our ability to expand our business and raise capital and could adversely affect the value of our capital stock.

Complying with REIT requirements may cause us to forgo or liquidate otherwise attractive investments.

To maintain our qualification as a REIT for federal income tax purposes, we must continually satisfy various tests regarding the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. In order to meet these tests, we may be required to forgo investments we might otherwise make.

In particular, we must ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets. The remainder of our investment in securities other than government securities, securities of TRSs and qualified real estate assets generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets other than government securities, securities of TRSs and qualified real estate assets can consist of the securities of any one issuer, and no more than 25% (or 20% beginning with our taxable year commencing January 1, 2018) of the value of our total assets can be represented by securities of one or more TRSs.

If we fail to comply with these requirements, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to dispose of otherwise attractive investments to satisfy REIT requirements. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

We may have corporate income tax liabilities for taxes attributable to taxable years prior to our REIT election, which taxes will reduce our cash available for distribution to stockholders.

We were subject to regular corporate income taxation up to and for our taxable year ended December 31, 2012. If we were determined, as the result of a tax audit or otherwise, to have an unpaid corporate income tax liability for any taxable years

during which we were classified as a C corporation for U.S. federal income tax purposes, we would be responsible for paying such tax liability, notwithstanding our subsequent qualification as a REIT. In such a case, the payment of taxes would cause us to have less cash on hand to make distributions to stockholders.

Failure to make required distributions, both prior to and following our REIT election, would jeopardize our REIT status, which could require us to pay taxes and negatively impact our cash available for future distribution.

To qualify as a REIT, we were required to distribute our non-REIT earnings and profits accumulated before the effective date of our REIT election. As of December 31, 2013, we estimated that our non-REIT accumulated earnings and profits were approximately \$9.6 million, which included approximately \$4.0 million of net earnings and profits associated with a deferred intercompany gain resulting from land transfers in prior years. We believe that we distributed all non-REIT earnings and profits, including the profits associated with the deferred intercompany gain, to stockholders prior to December 31, 2013; however, we can provide no assurances that our determination of our non-REIT earnings and profits at that time was accurate. If we did not distribute all of our non-REIT earnings and profits prior to December 31, 2013, then we would not have qualified to be taxed as a REIT for our taxable year ended December 31, 2013, or subsequent taxable years.

In addition, to qualify and to maintain our qualification as a REIT, each year we must distribute to our stockholders at least 90% of our taxable income, other than any net capital gains. To the extent that we satisfy the distribution requirement but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net income for that year; and
- 100% of our undistributed taxable income from prior years.

We intend to pay out our income to our stockholders in a manner intended to satisfy the distribution requirement applicable to REITs and to avoid corporate income tax and the 4% excise tax. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum federal income tax rate applicable to individuals with respect to income from “qualified dividends” is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. More favorable rates applicable to regular corporate qualified dividends may cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends.

If we fail to meet stock ownership diversification requirements, we would fail to maintain our qualification as a REIT, which could require us to pay taxes and negatively impact our cash available for future distribution.

In order to maintain our qualification as a REIT, no more than 50% of the value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals during the last half of a taxable year, beginning with the second year after our election to be treated as a REIT. In order to facilitate compliance with this requirement, our charter prohibits any individual from owning more than 3.3% in value of our outstanding stock. Pursuant to an exception from this limit contained in our charter, as of December 31, 2016, David Gladstone owned approximately 19.4% of our outstanding common stock, and the Gladstone Future Trust, for the benefit of Mr. Gladstone’s children, owned approximately 6.7% of our outstanding common stock. For purposes of the REIT stock ownership diversification requirements, the shares owned by the Gladstone Future Trust are attributed to Mr. Gladstone, resulting in Mr. Gladstone having an aggregate beneficial ownership of 26.1% of our outstanding common stock. Our Board of Directors may also reduce the 3.3% ownership limitation if it determines that doing so is necessary in order for us to maintain our qualification for REIT treatment. However, such a reduction would not be effective for any stockholder who beneficially owns more than the reduced ownership limit. We believe that we have satisfied the ownership diversification requirements, including with respect to our taxable year ended December 31, 2016. However, if, at any point in time, we are unable to comply with the ownership diversification requirements, we could fail to maintain our qualification as a REIT, which could require us to pay taxes and negatively impact our cash available for future distribution.

We will not seek to obtain a ruling from the Internal Revenue Service (the “IRS”), that we qualify as a REIT for federal income tax purposes.

We have not requested, and do not expect to request, a ruling from the IRS that we qualify as a REIT. An IRS determination that we do not qualify as a REIT would deprive our stockholders of the tax benefits of our REIT status only if the IRS

determination is upheld in court or otherwise becomes final. To the extent that we challenge an IRS determination that we do not qualify as a REIT, we may incur legal expenses that would reduce our funds available for distribution to stockholders.

The IRS may treat sale-leaseback transactions as loans, which could jeopardize our REIT status.

The IRS may take the position that transactions in which we acquire a property and lease it back to the seller do not qualify as leases for federal income tax purposes but are, instead, financing arrangements or loans. If a sale-leaseback transaction were so re-characterized, we might fail to satisfy the asset or income tests required for REIT qualification and consequently could lose our REIT status. Alternatively, the amount of our REIT taxable income could be recalculated, which could cause us to fail the distribution test for REIT qualification.

Investments in our common stock may not be suitable for pension or profit-sharing trusts, Keogh Plans or individual retirement accounts, or IRAs.

If you are investing the assets of a pension, profit sharing, 401(k), Keogh or other retirement plan, IRA or benefit plan in us, you should consider:

- whether your investment is consistent with the applicable provisions of the Employee Retirement Income Security Act (“ERISA”), or the Code;
- whether your investment will produce unrelated business taxable income to the benefit plan; and
- your need to value the assets of the benefit plan annually.

We do not believe that under current ERISA law and regulations that our assets would be treated as “plan assets” for purposes of ERISA. However, if our assets were considered to be plan assets, our assets would be subject to ERISA and/or Section 4975 of the Code, and some of the transactions we have entered into with our Adviser and its affiliates could be considered “prohibited transactions” which could cause us, our Adviser and its affiliates to be subject to liabilities and excise taxes. In addition, our officers and directors, our Adviser and its affiliates could be deemed to be fiduciaries under ERISA and subject to other conditions, restrictions and prohibitions under Part 4 of Title I of ERISA. Even if our assets are not considered to be plan assets, a prohibited transaction could occur if we or any of our affiliates is a fiduciary within the meaning of ERISA with respect to a purchase by a benefit plan.

If our Operating Partnership fails to maintain its status as a disregarded entity or partnership for federal income tax purposes, its income may be subject to taxation.

We intend to maintain the status of the Operating Partnership as a disregarded entity or a partnership for federal income tax purposes. However, if the IRS were to successfully challenge the status of the Operating Partnership as a disregarded entity or a partnership, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that the Operating Partnership could make to us. This would also result in our losing REIT status and becoming subject to a corporate level tax on our own income. This would substantially reduce our cash available to pay distributions and the return on your investment. In addition, if any of the entities through which the Operating Partnership owns its properties, in whole or in part, loses its characterization as a disregarded entity or a partnership for federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to the Operating Partnership. Such a re-characterization of an underlying property owner could also threaten our ability to maintain REIT status.

Our ownership of, and relationship with, TRSs will be limited, and our failure to comply with the limits would jeopardize our REIT status and could result in the application of a 100% excise tax.

We have elected to treat Land Advisers as a TRS. We may also form other TRSs as part of our overall business strategy. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% (or 20% beginning with our taxable year commencing January 1, 2018) of the value of a REIT’s assets may consist of stock or securities of one or more TRSs. A TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to ensure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm’s-length basis.

Our TRSs will pay federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to us but is not required to be distributed to us. We anticipate that the aggregate value of any TRS stock and securities owned by us will be less than 25% (or 20% beginning with our taxable year commencing January 1, 2018) of the value of our total assets, including the TRS stock and securities. We will evaluate all of our transactions with TRSs to ensure that they are entered into on arm’s-length terms to avoid incurring the 100% excise tax. There can be no assurance, however,

that we will be able to comply with the 25% (or 20% beginning with our taxable year commencing January 1, 2018) limitation or to avoid application of the 100% excise tax.

Recent tax legislation impacts certain U.S. federal income tax rules applicable to REITs and could adversely affect our current tax positions.

The recently enacted Protecting Americans from Tax Hikes Act of 2015 (the "PATH Act") contains changes to certain aspects of the U.S. federal income tax rules applicable to us. The PATH Act is the most recent example of changes to the REIT rules, and additional legislative changes may occur that could adversely affect our current tax positions. The PATH Act modifies various rules that apply to our ownership of, and business relationship with, our TRSs and reduces the maximum allowable value of our assets attributable to TRSs from 25% to 20%, which could impact our ability to enter into future investments. The PATH Act also makes multiple changes related to the Foreign Investment in Real Property Tax Act, expands prohibited transaction safe harbors and qualifying hedges and repeals the preferential dividend rule for public REITs previously applicable to us. Lastly, the PATH Act adjusts the way we may calculate certain earnings and profits calculations to avoid double taxation at the stockholder level and expands the types of qualifying assets and income for purposes of the REIT requirements. The provisions enacted by the PATH Act could result in changes in our tax positions or investments, and future legislative changes related to those rules described above could have a materially adverse impact on our results of operations and financial condition.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our securities.

At any time, the federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our security holders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

Risks Relating to the Market for our Common Stock and Term Preferred Stock

Future issuances and sales of shares of our common stock or our Term Preferred Stock, or the perception that such issuances will occur, may have adverse effects on our share price.

We cannot predict the effect, if any, of future issuances and sales of common stock or Term Preferred Stock, or the availability of shares for future sales, on the market price of our common stock or Term Preferred Stock. Sales of substantial amounts of common stock or Term Preferred Stock, including shares of common stock or Term Preferred Stock issuable upon the conversion of units of our Operating Partnership that we may issue from time to time or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock or Term Preferred Stock.

An increase in market interest rates may have an adverse effect on the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution yield, which is our distribution rate as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher distribution yield on our common stock or may seek securities paying higher dividends or interest. The market price of our common stock likely will be based primarily on the earnings that we derive from rental income with respect to our properties and our related distributions to stockholders, and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions are likely to affect the market price of our common stock, and such effects could be significant. For instance, if interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease because potential investors may require a higher distribution yield on our common stock as market rates on interest-bearing securities, such as bonds, rise.

Shares of the Term Preferred Stock are subordinated to existing and future debt, and your interests could be diluted by the issuance of additional preferred stock or by other transactions.

Payment of accrued dividends on the Term Preferred Stock will be subordinated to all of our existing and future debt and will be structurally subordinate to the obligations of our subsidiaries. In addition, we may issue additional shares of another class or series of preferred stock ranking on parity with the Term Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up. None of the provisions relating to the Term Preferred Stock relate to or limit our indebtedness or afford the holders of the Term Preferred Stock protection in the event of a highly-leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Term Preferred Stock, other than in connection with a Change of

Control Triggering Event (as defined by the Certificate of Designations). These factors may affect the trading price of the Term Preferred Stock.

Our cash available for dividends to holders of our Term Preferred Stock may not be sufficient to pay anticipated dividends, nor can we assure you of our ability to make dividends in the future, and we may need to borrow to make such dividends or may not be able to make such dividends at all.

To remain competitive with alternative investments, our dividend rate may exceed our cash available for dividends, including cash generated from operations. In the event this happens, we intend to fund the difference out of any excess cash on hand or from borrowings under our revolving credit facility. If we do not have sufficient cash available for dividends generated by our assets, or if cash available for dividends decreases in future periods, the market price of our Term Preferred Stock could decrease.

We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors. We elected to take advantage of the option to delay adoption of new or revised accounting standards until they are required to be adopted by private companies; consequently, our current and prior financial statements may not be comparable to those of other public companies.

We are an “emerging growth company,” as defined in 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” including, but not limited to, not being required to comply with the auditor attestation requirements of section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will remain an “emerging growth company” through the year ending December 31, 2018, unless the market value of our common stock that is held by non-affiliates exceed \$700.0 million as of any June 30 before that time. We cannot predict if investors will find our common stock or Term Preferred Stock less attractive because we may rely on these exemptions. If some investors find our common stock or Term Preferred Stock less attractive as a result, there may be a less active trading market for our common stock or Term Preferred Stock, and the price of our common stock or Term Preferred Stock may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act 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. We have chosen to take advantage of this extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for private companies for as long as we maintain our emerging company status and do not revoke this election. 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 elected to opt out 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. This potential lack of comparability could make it more difficult for investors to value our securities, which could have a material impact on the price of our common stock or Term Preferred Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

All of our properties are wholly-owned on a fee-simple basis. The following table provides certain summary information about the 58 farms we owned as of December 31, 2016.

Property Name	Location	Date Acquired	No. of Farms	Total Acres	Farm Acres	Lease Expiration Date	Net Cost Basis ⁽¹⁾	Encumbrances ⁽²⁾
San Andreas	Watsonville, CA	6/16/1997	1	307	238	12/31/2020	\$ 4,747,051	\$ 6,917,247
West Gonzales	Oxnard, CA	9/15/1998	1	653	502	6/30/2020	12,030,677	26,956,919
West Beach	Watsonville, CA	1/3/2011	3	196	195	12/31/2023	9,270,197	6,032,246
Dalton Lane	Watsonville, CA	7/7/2011	1	72	70	10/31/2020	2,672,113	2,085,347
Keysville Road	Plant City, FL	10/26/2011	2	61	56	6/30/2020	1,239,052	897,600
Colding Loop	Wimauma, FL	8/9/2012	1	219	181	8/4/2017	3,837,942	2,640,000
Trapnell Road	Plant City, FL	9/12/2012	3	124	110	6/30/2017 ⁽³⁾	3,808,117	2,389,500
38th Avenue	Covert, MI	4/5/2013	1	119	89	4/4/2020	1,236,907	543,207
Sequoia Street	Brooks, OR	5/31/2013	1	218	206	5/31/2028	3,073,737	1,705,915
Natividad Road	Salinas, CA	10/21/2013	1	166	166	10/31/2024	8,914,338	4,323,279
20th Avenue	South Haven, MI	11/5/2013	3	151	94	11/4/2018	1,813,535	914,501
Broadway Road	Moorpark, CA	12/16/2013	1	60	46	12/15/2023	2,870,878	1,698,795
Oregon Trail	Echo, OR	12/27/2013	1	1,895	1,640	12/31/2023	13,972,826	8,137,938
East Shelton	Willeox, AZ	12/27/2013	1	1,761	1,320	2/29/2024	7,681,498	4,236,814
Collins Road	Clatskanie, OR	5/30/2014	2	200	157	9/30/2024	2,314,502	1,556,381
Spring Valley	Watsonville, CA	6/13/2014	1	145	110	9/30/2022	5,716,822	3,522,201
McIntosh Road	Dover, FL	6/20/2014	2	94	78	6/30/2017 ⁽⁴⁾	2,428,657	1,439,640
Naumann Road	Oxnard, CA	7/23/2014	1	68	66	7/31/2017	6,752,465	3,524,744
Sycamore Road	Arvin, CA	7/25/2014	1	326	322	10/31/2024	6,810,009	3,933,167
Wauchula Road	Duette, FL	9/29/2014	1	808	590	9/30/2024	13,318,605	7,329,863
Santa Clara Avenue	Oxnard, CA	10/29/2014	2	333	331	7/31/2017	24,099,573	13,732,770
Dufau Road	Oxnard, CA	11/4/2014	1	65	64	11/3/2017	6,001,644	3,675,000
Espinosa Road	Salinas, CA	1/5/2015	1	331	329	10/31/2020	16,062,427	10,178,000
Parrish Road	Duette, FL	3/10/2015	1	419	412	6/30/2025	4,094,292	2,374,680
Immokalee Exchange	Immokalee, FL	6/25/2015	2	2,678	1,644	6/30/2020	15,408,261	9,360,000
Holt County	Stuart, NE	8/20/2015	1	1,276	1,052	12/31/2018	5,404,736	3,301,000
Rock County	Bassett, NE	8/20/2015	1	1,283	1,049	12/31/2018	5,384,329	3,301,000
Bear Mountain	Arvin, CA	9/3/2015	3	854	841	1/9/2031	26,837,231	11,279,182
Corbitt Road	Immokalee, FL	11/2/2015	1	691	390	12/31/2021	3,733,152	2,165,760
Reagan Road	Willeox, AZ	12/22/2015	1	1,239	875	12/31/2025	5,717,113	3,210,000
Gunbarrel Road	Alamosa, CO	3/3/2016	3	6,191	4,730	2/28/2021 ⁽⁵⁾	24,704,494	15,303,500
Calaveras Avenue	Coalinga, CA	4/5/2016	1	453	435	10/31/2025	15,187,423	9,161,418
Orange Avenue	Fort Pierce, FL	7/1/2016	1	401	400	6/30/2023	5,088,923	3,072,602
Lithia Road	Lithia, FL	8/11/2016	1	72	55	5/31/2021	1,694,521	1,020,000
Baca County	Edler, CO	9/1/2016	5	7,384	6,785	12/31/2020	6,381,955	3,051,727
Diego Ranch	Stanislaus, CA	9/14/2016	1	1,357	1,309	11/15/2019	13,999,584	7,273,282
Nevada Ranch	Merced, CA	9/14/2016	1	1,130	1,021	11/15/2019	13,234,157	6,713,799
Central Avenue	Kerman, CA	10/13/2016	1	197	195	10/31/2026	6,491,229	3,900,000
Horse Creek	Baca, CO	12/28/2016	1	16,595	11,742	12/31/2020	11,711,818	5,900,005
			58	50,592	39,895		\$ 325,746,790	\$ 208,759,029

⁽¹⁾ Consists of the initial acquisition price (including the costs allocated to both tangible and intangible assets acquired and liabilities assumed), plus subsequent improvements and other capitalized costs associated with the properties, and adjusted for accumulated depreciation and amortization. Includes Investments in real estate, net and Lease intangibles, net; plus net above-market lease values included in Other assets; and less net below-market lease values, deferred revenue and unamortized tenant improvements included in Other liabilities, each as shown on the accompanying Consolidated Balance Sheet.

⁽²⁾ Excludes approximately \$1.4 million of deferred financing costs related to mortgage notes and bonds payable included in Mortgage notes and bonds payable, net on the accompanying Consolidated Balance Sheet.

⁽³⁾ There are three agricultural leases and one commercial lease on this property. Each of the agricultural leases expires on June 30, 2017, and the commercial lease expires on June 30, 2018.

⁽⁴⁾ There are two leases in place on this property, one expiring on June 30, 2017, and the other expiring on June 30, 2019.

⁽⁵⁾ The lease agreement on this property includes two terms. The rental period for the land expires on February 28, 2021, and the rental period for the facilities expires on June 30, 2021.

ITEM 3. LEGAL PROCEEDINGS

We are not currently subject to any material legal proceedings, nor, to our knowledge, are any material legal proceedings threatened against us.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock began being traded on NASDAQ under the symbol “LAND” on January 29, 2013. The following table reflects the range of the high and low sale prices of our common stock on NASDAQ and the distributions per common share for the periods indicated. Distributions to common stockholders are declared quarterly and paid monthly; amounts presented below represent the cumulative amount of the monthly common stock distributions declared during the respective quarters.

Period		Price Range		Distributions per
		Low	High	Common Share
2015:	Q1	\$ 9.95	\$ 12.28	\$ 0.10500
	Q2	10.25	12.39	0.12000
	Q3	8.96	11.10	0.12000
	Q4	8.20	9.71	0.12000
2016:	Q1	\$ 6.72	\$ 10.16	\$ 0.12000
	Q2	9.61	11.10	0.12375
	Q3	10.54	12.00	0.12375
	Q4	9.51	11.40	0.12750

Distribution Information

Since our initial public offering in 2013, we have never missed a payment of a scheduled distribution on our common stock. Our Board of Directors regularly evaluates our per-share distribution payments as they monitor the capital markets and the impact that the economy has on the Company. The decision as to whether to authorize and pay distributions on shares of our common stock in the future, as well as the timing, amount and composition thereof, will be at the sole and absolute discretion of our Board of Directors in light of conditions then existing, including our earnings, taxable income, FFO, adjusted FFO, financial condition, liquidity, capital requirements, debt maturities, the availability of capital, contractual prohibitions or other restrictions and legal requirements (including applicable requirements that we must satisfy to qualify and to maintain our qualification to be taxed as a REIT) and general overall economic conditions and other factors. While the statements above concerning our distribution policy represent our current expectations, any actual distribution payable will be determined by our Board of Directors based upon the circumstances at the time of declaration and the actual number of common shares then outstanding, and any common distribution payable may vary from such expected amounts.

To maintain our qualification as a REIT, we are required to make ordinary dividend distributions to our common stockholders. The amount of these distributions must equal at least:

- the sum of (A) 90% of our “REIT taxable income” (computed without regard to the dividends paid deduction and capital gain) and (B) 90% of the net income (after tax), if any, from foreclosure property, less
- the sum of certain non-cash items.

For federal income tax purposes, distributions to our stockholders generally consist of ordinary income, capital gains, nontaxable return of capital or a combination of those items. Distributions that exceed our current and accumulated earnings and profits (calculated for tax purposes) constitute a non-taxable return of capital rather than a distribution and will not be taxable to the extent of the stockholder’s basis in its shares of our stock, which basis will be reduced by an amount equal to such non-taxable distribution. To the extent a distribution exceeds the stockholder’s share of both our current and accumulated earnings and profits and the stockholder’s basis in its shares of our stock, that distribution will be treated as a gain from the sale or exchange of that stockholder’s shares of our stock. Every year, we notify stockholders of the taxability of distributions paid to stockholders during the preceding year.

Stockholder Information

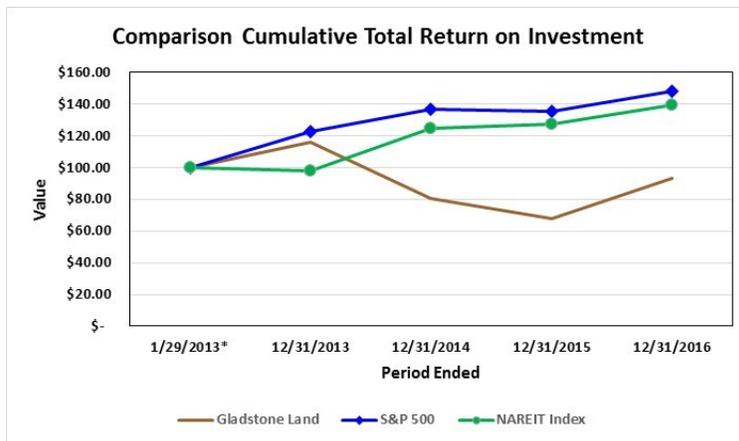
As of February 14, 2017:

- with regards to our common stock, there were 8 registered holders of record and approximately 6,275 beneficial owners;
- with regards to our Term Preferred Stock, there was 1 registered holder of record and approximately 1,100 beneficial owners; and
- with regards to our OP Units, other than the Company, there were five holders of our OP Units. After a mandatory one-year holding period, our OP Units are redeemable at the option of the holder for cash or, at our election, shares of our common stock on a one-for-one basis.

The closing stock prices of our common stock and Term Preferred Stock as of December 31, 2016, were \$11.24 and \$25.44, respectively.

Stock Performance Graph

The following graph compares the total cumulative stockholder return of our common stock against that of the Standard & Poor's 500 Index (the "S&P 500") and the National Association of Real Estate Investment Trusts ("NAREIT") Composite Index (the "NAREIT Index"), assuming an initial investment of \$100 in cash made in each on January 29, 2013. All values assume full reinvestment of any distributions.



The total return performance shown in this graph is not necessarily indicative of and is not intended to suggest future total return performance.

	As of December 31,				
	1/29/2013*	2013	2014	2015	2016
LAND	\$ 100.00	\$ 116.07	\$ 80.57	\$ 68.18	\$ 93.02
S&P 500	100.00	122.58	136.55	135.55	148.48
NAREIT Index	100.00	98.13	124.85	127.41	139.36

* Our common stock began trading on NASDAQ on January 29, 2013. The returns on investment for the S&P 500 and the NAREIT Index were calculated using data based on a purchase date of January 31, 2013.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data as of and for the fiscal years ended December 31, 2016, 2015, 2014, 2013 and 2012 is derived from our audited and unaudited consolidated financial statements and from internal records. The data should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and notes thereto,

included elsewhere in this report, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in Item 7 of this report.

	As of and For the Years Ended December 31,					
	2016	2015	2014	2013	2012	
Balance Sheet Data:						
Net investments in real estate, at cost ⁽¹⁾	\$ 325,746,790	\$ 222,196,559	\$ 144,575,239	\$ 75,476,360	\$ 37,298,988	
Total assets ⁽²⁾	\$ 333,985,019	\$ 228,684,025	\$ 150,804,439	\$ 93,390,536	\$ 40,717,013	
Total indebtedness ⁽³⁾	\$ 208,759,029	\$ 142,733,157	\$ 86,417,361	\$ 43,154,165	\$ 30,817,880	
Total equity	\$ 87,777,162	\$ 78,006,719	\$ 59,969,328	\$ 48,511,992	\$ 8,136,726	
Total common shares outstanding ⁽⁴⁾	10,024,875	9,992,941	7,753,717	6,530,264	2,750,000	
Operating Data:						
Total operating revenues	\$ 17,316,617	\$ 11,901,461	\$ 7,184,922	\$ 4,038,138	\$ 3,390,594	
Operating income	\$ 7,056,587	\$ 4,568,781	\$ 1,599,972	\$ 1,357,453	\$ 1,901,615	
Net income (loss)	\$ 473,488	\$ 568,545	\$ (125,133)	\$ (1,224,683)	\$ 600,373	
Funds from operations ⁽⁵⁾	\$ 5,660,737	\$ 3,667,554	\$ 1,610,511	\$ (502,228)	\$ 1,074,853	
Adjusted funds from operations ⁽⁶⁾	\$ 5,823,944	\$ 3,440,196	\$ 1,712,697	\$ 998,104	\$ 1,566,508	
Share and Per-Share Data:						
Diluted weighted-average total shares outstanding ⁽⁴⁾	10,773,701	8,639,397	6,852,917	6,214,557	2,750,000	
Diluted net income (loss)	\$ 0.045	\$ 0.070	\$ (0.020)	\$ (0.200)	\$ 0.220	
Diluted funds from operations ⁽⁵⁾	\$ 0.525	\$ 0.420	\$ 0.240	\$ (0.080)	\$ 0.390	
Diluted adjusted funds from operations ⁽⁵⁾	\$ 0.541	\$ 0.400	\$ 0.250	\$ 0.160	\$ 0.570	
Distributions per total share ⁽⁷⁾	\$ 0.495	\$ 0.465	\$ 0.360	\$ 1.490	\$ —	
Supplemental Data:						
Cash flows from operations	\$ 8,402,522	\$ 4,753,835	\$ 3,543,622	\$ (460,353)	\$ 1,137,777	
Number of farms owned	58	43	32	21	12	
Total acres owned	50,592	16,810	8,039	6,000	1,630	
Occupancy rate	100%	100%	100%	100%	100%	
Farmland portfolio value ⁽⁸⁾	\$ 401,121,991	\$ 285,315,980	\$ 192,952,933	\$ 115,977,120	\$ 75,459,000	
Net asset value per share ⁽⁸⁾	\$ 14.21	\$ 14.20	\$ 13.94	\$ 13.51	\$ 16.82	

- (1) Consists of the initial acquisition price (including the costs allocated to both tangible and intangible assets acquired and liabilities assumed), plus subsequent improvements and other capitalized costs associated with the properties, and adjusted for accumulated depreciation and amortization. Includes Investments in real estate, net and Lease intangibles, net; plus net above-market lease values included in Other assets; and less net below-market lease values, deferred revenue and unamortized tenant improvements included in Other liabilities, each as shown on the accompanying Consolidated Balance Sheets.
- (2) We adopted ASU 2015-03 and ASU 2015-05 (each as defined in Note 2, "Summary of Significant Accounting Policies," in the accompanying notes to our consolidated financial statements) during the year ended December 31, 2016, which, collectively, require the presentation of debt issuance costs (other than line of credit arrangements) on the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred financing costs. All periods presented have been retroactively adjusted.
- (3) Representative of the principal balances outstanding, excluding debt issuance costs, of all borrowings (short- and long-term), including mortgage notes and bonds payable and borrowings under our line of credit, plus our Term Preferred Stock.
- (4) Excludes OP Units held by third parties. As of December 31, 2016, there were 1,449,258 OP Units held by third parties; there were no OP Units held outside of the Company prior to 2016.
- (5) Funds from operations is a term developed by NAREIT and is defined below. A reconciliation of net income to funds from operation is also below.
- (6) Adjusted funds from operations is defined below. A reconciliation of net income to adjusted funds from operation is also below.
- (7) 2013 distributions included a one-time declaration to distribute the final amount of remaining earnings and profits from prior years.
- (8) As presented in Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations—Net Asset Value."

Funds from Operations, Core Funds from Operations and Adjusted Funds from Operations

NAREIT developed funds from operations (“FFO”) as a relative non-GAAP supplemental measure of operating performance of an equity REIT 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 further present core FFO (“CFFO”) and adjusted FFO (“AFFO”) as additional non-GAAP financial measures of our operational performance, as we believe both CFFO and AFFO improve comparability on a period-over-period basis and are more useful supplemental metrics for investors to use in assessing

our operational performance on a more sustainable basis than FFO. We believe that these additional performance metrics provide investors with additional insight to how management measures our ongoing performance, as each of CFFO and AFFO (and their respective per-share amounts) are used by management and our board of directors, as appropriate, in assessing overall performance, as well as in certain decision-making analysis, including, but not limited to, the timing of acquisitions and potential equity raises (and the type of securities to offer in any such equity raises), the determination of any fee credits and declarations of distributions on our common stock. We believe that net income is the most directly-comparable GAAP measure to each of FFO, CFFO and AFFO.

Specifically, we believe that FFO is helpful to investors in better understanding our operating performance, primarily because its calculation excludes depreciation and amortization expense on real estate assets, as we believe that GAAP historical cost depreciation of real estate assets is generally not correlated with changes in the value of those assets, particularly with farmland real estate, whose value does not diminish in a predictable manner over time, as historical cost depreciation implies. Further, we believe that CFFO and AFFO are helpful in understanding our operating performance in that it removes certain items that, by their nature, are not comparable on a period-over-period basis and therefore tend to obscure actual operating performance. In addition, we believe that providing CFFO and AFFO as additional performance metrics allows investors to gauge our overall performance in a manner that is more similar to how our performance is measured by management (including their respective per-share amounts), as well as by analysts and the overall investment community.

We calculate CFFO by adjusting FFO for the following items:

- *Acquisition-related expenses.* Acquisition-related expenses (i.e., due diligence costs) are incurred for investment purposes and do not correlate with the ongoing operations of our existing portfolio. Further, due to the inconsistency in which these costs are incurred and how they are treated for accounting purposes, we believe the exclusion of these expenses improves comparability of our operating results on a period-to-period basis.
- *Acquisition-related accounting fees.* Certain auditing and accounting fees we incur are directly related to acquisitions and vary depending on the number and complexity of acquisitions completed during a period. Due to the inconsistency in which these costs are incurred, we believe the exclusion of these expenses improves comparability of our results on a period-to-period basis. We modified our definition of AFFO to include an adjustment for these costs beginning with the three months ended March 31, 2015, and will apply the same modified definition of AFFO for all prior periods presented to provide consistency and better comparability.
- *Income tax provision.* As a REIT, we generally will not be subject to federal income taxes on amounts distributed to our stockholders, provided we meet certain conditions. As such, we believe it is beneficial for investors to view our results of operations excluding the impact of income taxes.
- *Other adjustments.* We will adjust for certain non-recurring charges and receipts and will explain such adjustments accordingly.

Further, we calculate AFFO by adjusting CFFO for the following items:

- *Rent adjustments.* This adjustment removes the effects of straight-lining rental income, as well as the amortization related to above-market lease values and accretion related to below-market lease values, deferred revenue and tenant improvements, resulting in rental income reflected on a modified accrual cash basis. In addition to these adjustments, beginning with the three months ended June 30, 2015, we modified our calculation in our definition of AFFO to provide greater consistency and comparability due to the period-to-period volatility in which cash rents are received. To coincide with our tenants' harvest seasons, our leases typically provide for cash rents to be paid at various points throughout the lease year, usually annually or semi-annually. As a result, cash rents received during a particular period may not necessarily be comparable to other periods or represent the cash rents indicative of a given lease year. Therefore, we have adjusted AFFO to normalize the cash rent received pertaining to a lease year over that respective lease year on a straight-line basis, resulting in cash rent being recognized ratably over the period in which the cash rent is earned. We will apply the same modified definition of AFFO for all prior periods presented to provide consistency and better comparability.
- *Amortization of deferred financing costs.* The amortization of costs incurred to obtain financing is excluded from AFFO, as it is a non-cash expense item that is not directly related to the performance of our properties.

We believe the foregoing adjustments aid our investors' understanding of our ongoing operational performance.

FFO, CFFO and AFFO do not represent cash flows from operating activities in accordance with GAAP, which, unlike FFO, CFFO and AFFO, 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, CFFO and AFFO, using the NAREIT definition for

FFO and the definitions above for CFFO and AFFO, to similarly-titled measures for other REITs may not necessarily be meaningful due to possible differences in the definitions used by such REITs.

Diluted funds from operations ("Diluted FFO"), diluted core funds from operations ("Diluted CFFO") and diluted adjusted funds from operations ("Diluted AFFO") per share are FFO, CFFO and AFFO, respectively, divided by the weighted-average number of total shares (including shares of our common stock and OP Units held by non-controlling limited partners) outstanding on a fully-diluted basis during a period. We believe that diluted earnings (loss) per share is the most directly-comparable GAAP measure to each of Diluted FFO, CFFO and AFFO per share. Because many REITs provide Diluted FFO, CFFO and AFFO per share information to the investment community, we believe these are useful supplemental measures when comparing us to other REITs.

We believe that FFO, CFFO and AFFO and Diluted FFO, CFFO and AFFO per share are useful to investors because they provide investors with a further context for evaluating our FFO, CFFO and AFFO results in the same manner that investors use net income and EPS in evaluating net income.

The following table provides a reconciliation of our FFO, CFFO and AFFO for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 to the most directly-comparable GAAP measure, net income (loss), and a computation of diluted FFO, CFFO and AFFO per share, using the weighted-average number of total shares (including shares of our common stock and OP Units held by non-controlling limited partners) outstanding during the respective periods:

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Net income (loss)	\$ 473,488	\$ 568,545	\$ (125,133)	\$ (1,224,683)	\$ 600,373
Plus: Real estate and intangible depreciation and amortization	5,187,249	3,113,492	1,735,644	722,455	474,480
Less: Gains on sale of real estate	—	(14,483)	—	—	—
FFO available to common stockholders and OP Unitholders	5,660,737	3,667,554	1,610,511	(502,228)	1,074,853
Plus: Acquisition-related expenses	246,389	467,048	520,352	153,725	153,494
Plus: Acquisition-related accounting fees	114,650	90,040	151,250	75,250	16,000
Plus: Income tax provision	—	—	26,502	1,519,730	300,319
(Minus) plus: Other (receipts) charges, net ⁽¹⁾	—	(408,172)	(173,275)	—	—
CFFO available to common stockholders and OP Unitholders	6,021,776	3,816,470	2,135,340	1,246,477	1,544,666
Net rent adjustments ⁽²⁾	(439,134)	(483,080)	(475,929)	(278,397)	(37,630)
Plus: Amortization of deferred financing costs	241,302	106,806	53,286	30,024	59,472
AFFO available to common stockholders and OP Unitholders	\$ 5,823,944	\$ 3,440,196	\$ 1,712,697	\$ 998,104	\$ 1,566,508
Weighted average common shares outstanding – basic & diluted	10,007,350	8,639,397	6,852,917	6,214,557	2,750,000
Weighted-average OP Units outstanding ⁽³⁾	766,351	—	—	—	—
Weighted-average total shares outstanding	10,773,701	8,639,397	6,852,917	6,214,557	2,750,000
Diluted FFO per weighted average total share	\$ 0.53	\$ 0.42	\$ 0.24	\$ (0.08)	\$ 0.39
Diluted CFFO per weighted average total share	\$ 0.56	\$ 0.44	\$ 0.31	\$ 0.20	\$ 0.56
Diluted AFFO per weighted average total share	\$ 0.54	\$ 0.40	\$ 0.25	\$ 0.16	\$ 0.57

⁽¹⁾ 2015 adjustments consist of the removal of (i) a credit we received from our Advisor related to a new property acquisition, (ii) repairs incurred as a result of a fire on one of our properties during 2014 that were expensed during 2015, and (iii) insurance proceeds received during 2015 as a result of the same fire. 2014 adjustments consist of the removal of (i) repairs incurred as a result of the aforementioned fire that were expensed during 2014, and (ii) insurance proceeds received during 2014 as a result of the same fire.

⁽²⁾ Using our previous definition of AFFO, the net adjustment for cash rents for the years ended December 31, 2014, 2013, and 2012 would have been an increase (decrease) of \$1,089,057, \$(7,320) and \$(296,801), respectively.

⁽³⁾ Includes only OP Units held by third parties. As of December 31, 2016, there were 1,449,258 OP Units held by non-controlling limited partners, representing 12.6% of all OP Units issued and outstanding. There were no OP Units held outside of the Company prior to 2016.

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

ITEM 7.

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in this Form 10-K.

OVERVIEW

General

We are an externally-managed, agricultural real estate investment trust (“REIT”) that is engaged primarily in the business of owning and leasing farmland; we are not a grower, nor do we farm the properties we own. We currently own 59 farms comprised of 54,340 acres across seven states in the U.S. (Arizona, California, Colorado, Florida, Michigan, Nebraska and Oregon). We also own several farm-related facilities, such as cooling facilities, buildings utilized for the storage and assembly of boxes for shipping produce (“box barns”), packinghouses, processing facilities and various storage facilities. These farms and facilities are currently leased to 40 different, unrelated tenants that are either independent or corporate farming operations. We intend to acquire more farmland in these and other states in our regions of focus that is already or will be leased to farmers, and we expect that most of our future tenants will also be independent or corporate farming operations that are unrelated to us. We also expect to acquire more property related to farming, such as cooling facilities, freezer buildings, packinghouses, box barns, silos, storage facilities, greenhouses, processing plants and distribution centers. We generally lease our properties on a triple-net basis, an arrangement under which, in addition to rent, the tenant is required to pay the related taxes, insurance costs (including drought insurance if we acquire properties that depend upon rainwater for irrigation), maintenance and other operating costs. 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 farm-related properties. 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. To date, we have not 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”), an entity 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”). Since 2004, our operations have consisted solely of leasing our farms to third-party tenants. 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 REIT subsidiary (“TRS”).

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”). Gladstone Land Corporation controls the sole general partner of the Operating Partnership and currently owns, directly or indirectly, approximately 87.4% of the units of limited partnership interest in the Operating Partnership (“OP Units”). We have the ability and expectation to continue to offer equity ownership in our Operating Partnership by issuing OP Units from time to time, in whole or in part, 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 capital gains until they redeem the OP Units or sell the OP Units for cash. Persons who receive OP Units in our Operating Partnership in exchange for real estate or interests in entities that own real estate will be entitled to cause us to redeem these OP Units for cash or, at our election, shares of our common stock on a one-for-one basis at any time after holding the OP Units for one year.

We intend to continue to lease our farms and farm-related facilities to independent or corporate farming operations that sell their products through national corporate marketers-distributors, and we expect to continue to earn rental income from our farmland investments.

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

Objectives and Strategies

Our principal business objective is to maximize stockholder returns through a combination of: (i) monthly cash distributions to our stockholders, which we hope to sustain and increase through long-term growth in cash flows from increased rents; (ii) appreciation of our land; and (iii) 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 triple-net leased farmland and properties related to farming operations.

We expect that most of our future tenants will continue to be independent or corporate farming operations that are unrelated to us, and we intend to continue to lease most of our properties under triple-net leases. We are actively seeking and evaluating other farm properties for potential purchase; however, all potential acquisitions will be subject to due diligence procedures and

future financings, and there can be no assurance that we will be successful in identifying or acquiring additional properties in the future.

Portfolio Diversity

Since our initial public offering in January 2013 (the “IPO”), we have expanded our portfolio from 2 farms leased to 7 different, unrelated tenants to a current portfolio of 59 farms leased to 40 different, unrelated tenants. While our focus remains in farmland suitable for growing fresh produce annual row crops, we have also begun to diversify our portfolio into farmland suitable for other crop types, including permanent crops, consisting primarily of almonds, pistachios and blueberries, and certain commodity crops, consisting primarily of corn and beans. The following table summarizes the different sources of revenues for our properties owned and with leases in place as of and for the years ended December 31, 2016 and 2015:

Revenue Source	As of and For the Year Ended December 31, 2016				As of and For the Year Ended December 31, 2015				Annualized GAAP Rental Revenue as of December 31, 2016	
	Total Farmable Acres	% of Total Farmable Acres	Rental Revenue	% of Total Revenue	Total Farmable Acres	% of Total Farmable Acres	Rental Revenue	% of Total Revenue	Total Rental Revenue	% of Total Revenue
Annual row crops – fresh produce ⁽¹⁾	9,768	24.5%	\$ 11,251,648	65.0%	7,293	56.0%	\$ 9,220,387	77.6%	\$ 11,718,461	57.4%
Annual row crops – commodity crops ⁽²⁾	25,874	64.8%	1,715,766	9.9%	4,436	34.1%	667,045	5.6%	2,799,242	13.7%
Subtotal – Total annual row crops	35,642	89.3%	12,967,414	74.9%	11,729	90.1%	9,887,432	83.2%	14,517,703	71.1%
Permanent crops ⁽³⁾	4,253	10.7%	2,581,398	14.9%	1,293	9.9%	833,210	7.0%	4,027,763	19.8%
Subtotal – Total crops	39,895	100.0%	15,548,812	89.8%	13,022	100.0%	10,720,642	90.2%	18,545,466	90.9%
Facilities and other ⁽⁴⁾	—	—%	1,756,657	10.2%	—	—%	1,167,449	9.8%	1,867,769	9.1%
Total	39,895	100.0%	\$ 17,305,469	100.0%	13,022	100.0%	\$ 11,888,091	100.0%	\$ 20,413,235	100.0%

- (1) Includes berries and other fruits, such as melons, raspberries and strawberries, and vegetables, such as arugula, broccoli, cabbage, carrots, celery, cilantro, cucumbers, edamame, green beans, kale, lettuce, mint, onions, peas, peppers, potatoes, radicchio, spinach and tomatoes.
- (2) Includes alfalfa, barley, corn, edible beans, grass, popcorn, soybeans and wheat.
- (3) Includes almonds, avocados, blueberries, lemons and pistachios.
- (4) Consists primarily of rental revenue from: (i) farm-related facilities, such as coolers, packinghouses, distribution centers, residential houses for tenant farmers and other minor farm-related buildings; (ii) a surface area lease with an oil company on a small parcel of one of our properties; and (iii) unused areas on certain of our farms.

Our acquisition of 47 farms since our IPO has also allowed us to further diversify our portfolio geographically. The following table summarizes the different geographic locations of our properties with leases in place as of and for the years ended December 31, 2016 and 2015:

State	As of and For the Year Ended December 31, 2016				As of and For the Year Ended December 31, 2015				Annualized GAAP Rental Revenue as of 12/31/2016	
	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue	Total Rental Revenue	% of Total Rental Revenue
California	6,713	13.3%	\$ 9,829,177	56.8%	3,576	21.3%	\$ 7,754,945	65.2%	\$ 11,430,139	56.0%
Florida	5,567	11.0%	3,293,475	19.0%	5,092	30.3%	2,166,660	18.2%	3,542,938	17.4%
Colorado	30,170	59.6%	1,452,581	8.4%	—	—	—	—	2,691,315	13.2%
Oregon	2,313	4.6%	1,171,887	6.8%	2,313	13.8%	1,168,725	9.8%	1,177,363	5.8%
Arizona	3,000	5.9%	729,232	4.2%	3,000	17.8%	338,446	2.9%	742,363	3.6%
Nebraska	2,559	5.1%	579,630	3.4%	2,559	15.2%	211,908	1.8%	579,630	2.8%
Michigan	270	0.5%	249,487	1.4%	270	1.6%	247,407	2.1%	249,487	1.2%
Total	50,592	100.0%	\$ 17,305,469	100.0%	16,810	100.0%	\$ 11,888,091	100.0%	\$ 20,413,235	100.0%

Leases

Most of our agricultural leases are on a triple-net basis and have original terms ranging from 3 to 10 years for farms growing row crops and 5 to 15 years for farms growing permanent crops, often with options to extend the lease further. Rent is generally payable to us on either an annual or semi-annual basis. Further, most of our leases contain provisions that provide for annual increases in the rental amounts payable by the tenants, often referred to as escalation clauses. The escalation clauses may specify fixed dollar amount or percentage increases each year, or it may be variable, based on standard cost of living or inflation indices. In addition, some leases that are longer-term in nature may require a regular survey of comparable land rents, with the rent owed per the lease being adjusted to reflect then-current market rents. We also have leases that include variable rents based on the success of the harvest each year. In these types of agreements, we will generally require the lease to include the guarantee of a minimum amount of rental income that satisfies our investment return criteria. Currently, our 59 farms are leased under agricultural leases with original terms ranging from 1 to 15 years, with 39 farms leased on a pure, triple-net basis,

and 20 farms leased on a partial-net basis, with the landlord responsible for all or a portion of the related property taxes. Additionally, five of our farms are leased under agreements that include a variable rent component.

We monitor our tenants' credit quality on an ongoing basis by, among other things, periodically conducting site visits of the properties to ensure farming operations are taking place and to assess the general maintenance of the properties. To date, we have not identified any changes to credit quality of our tenants, and all tenants continue to pay pursuant to the terms of their respective leases.

Lease Expirations

Farm leases are often short-term in nature, so in any given year, we may have multiple leases up for renewal or extension. As of January 1, 2016, we had two agricultural leases that were originally due to expire in 2016. One lease was on a farm in Florida, which we renewed for an additional three years at an annualized, straight-line rental rate representing an increase of 17.9% over that of the previous lease. The second lease was on a farm in California, which we renewed for an additional four years at an annualized, straight-line rental rate representing an increase of 28.1% over that of the previous lease. However, in connection with the renewal of the lease on the California farm, we also assumed the responsibility for the property taxes on the property, which were the tenant's responsibility under the old lease. Factoring in the additional property tax expense with the increased rental rate, the expected overall increase in annualized net income from the property under the term of the new lease is expected to be approximately 9.0% higher than that under the prior lease.

The following table summarizes the lease expirations by year for the properties owned and with leases in place as of December 31, 2016:

Year	Number of Expiring Leases	Expiring Leased Acreage	% of Total Acreage	Rental Revenue for the Year Ended December 31, 2016	% of Total Rental Revenue
2017	11 ⁽¹⁾	866	1.7%	\$ 2,296,025	13.3%
2018	4	2,710	5.4%	825,485	4.8%
2019	3	2,524	5.0%	419,740	2.4%
2020	9	28,200	55.7%	5,247,810	30.3%
2021	4	6,954	13.7%	1,606,592	9.3%
2022	1	145	0.3%	315,896	1.8%
Thereafter	15	9,193	18.2%	6,593,921	38.1%
Totals	47	50,592	100.0%	\$ 17,305,469	100.0%

⁽¹⁾ Includes a surface area lease on a portion of one property leased to an oil company that is renewed on a year-to-year basis, for which we recorded \$32,109 of rental revenue during the year ended December 31, 2016.

We are currently in negotiations with the existing tenants on our farms that have leases scheduled to expire in 2017, and we anticipate being able to renew each of the leases prior to their respective expirations with the existing tenants. However, there can be no assurance that we will be able to renew the leases at rates favorable to us, if at all, or be able to find replacement tenants, if necessary.

Business Environment

Increasing global demand for natural foods has continued to lead to both steady and significant increases in farmland values across the majority of the U.S. over the past decade. According to the U.S. Department of Agriculture (the "USDA"), average per-acre values of U.S. cropland have doubled over the past decade. Moreover, according to the National Council of Real Estate Investment Fiduciaries ("NCREIF"), the values of U.S. farmland have averaged returns of 7.1% in 2016 and 14.7% annually since 2001. These value increases are even higher for high-quality U.S. cropland (our current investment focus), partially in response to lifestyle shifts away from processed and frozen foods and towards fresh produce and other natural foods. During 2016, farmland values in parts of the Midwest again declined slightly, driven primarily by low grain prices, while regions including the west coast, mountain and southeast regions experienced total annual returns between 7.8% and 10.4%, which were the highest in the country, according to NCREIF. We expect these three regions, which grow the vast majority of the U.S. fruits and vegetables, to continue to experience consistent appreciation and increased rental rates as per-capita income rises and a higher percentage of household income is dedicated towards food.

Domestic and global population growth is also a major driver behind the overall increased value and demand for farmland. According to the Food and Agriculture Organization of the United Nations, global population is expected to grow by 34% between 2009 and 2050. In contrast, over the same period, the area of arable land is projected to expand by only 5%, with the ongoing trend of rapid urbanization and conversion of farmland continuing at an accelerating pace. Quality farmland in the

U.S. typically has a near-zero vacancy rate, compared to vacancy rates of over 13% for office space, according to a recent quarterly report released by CBRE Group, Inc. Further, according to the USDA, approximately 40% of all U.S. farm acreage is operated by non-owners, and we believe several factors exist, including steadily-increasing land prices, the increasing average age of farmers in the U.S. and expanding government crop insurance programs that encourage farmers to invest more in expanding their operations than in owning more farmland, that will influence growers toward renting versus owning their farmland. Given the trends currently driving increased demand for farmland, we do not believe vacancy rates for U.S. farmland will increase over the short- or long-term.

We believe that population growth and the rising demand for natural foods and, indirectly, U.S. farmland, which is drastically mismatched with the shrinking supply of farmland, will result in a strong increase in demand for our farms over the long-term, enabling us to consistently increase the rental rates on our farms. We also expect that the values of our farmland will increase at rates greater than that of inflation, helping to offset the impact of expected rising interest rates. However, while increased development and changing patterns of use are likely to increase the land values and rents in our portfolio, it could also result in upward pressure on prices for farms, which could potentially outpace market rents. We intend to mitigate this risk by including annual escalations and market-rate adjustments to rental rates in our leases, while continuing to seek out superior and diversified cropland across the U.S.

Recent record rain and snowfall along the west coast has alleviated many concerns over water availability in most of California. According to California's Department of Water Resources, as of February 6, 2017, the season-to-date precipitation totals across the state's three main reporting stations averaged 215% of normal, the snowpack levels were 176% of normal across the state and the runoff from the overall Sierra Nevada snowpack stood at the highest level since 1995 for this point in the year. Currently, less than 2% of the state's surface area is classified as being under "extreme drought conditions," as compared to 64% at this time last year. The heavy precipitation has recharged wells, reservoirs and lakes across the state, providing farmers with greater access to water. The weather in California continues to be favorable for growing fresh produce, particularly strawberries, as quality and yields remain high. The agricultural industry in the Southeast region of the U.S., especially Florida, continues to be bolstered by overall economic growth and trade expansion. Farmland is increasingly being acquired for development, making existing farms more valuable. Growers continue to face certain challenges, including competition from Mexico and changing weather patterns and plant pathogens, but are adapting and embracing new technologies to overcome those challenges. Farmland values and farmland rents have continued to increase at a steady pace.

Many in the agricultural industry are also waiting to see what kinds of policy changes will be made by the new presidential administration that may affect the U.S. agricultural industry. Initial indications of reduced regulatory burdens, expected repeal of the Environmental Protection Agency's "waters of the U.S." rule and new cabinet picks with extensive agricultural backgrounds are positive, while potential immigration and trade reform is likely to have mixed impacts across the industry.

Recent Developments

Investment and Leasing Activity

Property Acquisitions

Since January 1, 2016, through the date of this filing, we have acquired 16 farms in 10 separate transactions, which are summarized in the table below:

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Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs	Annualized Straight-line Rent ⁽¹⁾
Gunbarrel Road ⁽²⁾	Alamosa, CO	3/3/2016	6,191	3	Organic Potatoes	5 years	1 (5 years)	\$ 25,735,815	\$ 119,085	\$ 1,590,614
Calaveras Avenue	Coalinga, CA	4/5/2016	453	1	Pistachios	10 years	1 (5 years)	15,470,000	38,501	773,500
Orange Avenue	Fort Pierce, FL	7/1/2016	401	1	Vegetables	7 years	2 (7 years)	5,100,000	37,615	291,173
Lithia Road	Plant City, FL	8/11/2016	72	1	Strawberries	5 years	None	1,700,000	38,296	97,303
Baca County ⁽⁶⁾	Edler, CO	9/1/2016	7,384	5	Grass Hay and Alfalfa	4 years	1 (5 years)	6,322,853	72,558	383,734
Diego Ranch ⁽⁷⁾	Stanislaus, CA	9/14/2016	1,357	1	Almonds	3 years	3 (5 years) & 1 (3 years)	13,996,606	63,909	621,092
Nevada Ranch	Merced, CA	9/14/2016	1,130	1	Almonds	3 years	3 (5 years) & 1 (3 years)	13,231,832	41,650	574,256
Central Avenue	Kerman, CA	10/13/2016	197	1	Almonds	10 years	2 (5 years)	6,500,000	29,284	325,032
Horse Creek ⁽⁸⁾	Baca, CO	12/28/2016	16,595	1	Grass Hay and Alfalfa	4 years	1 (5 years)	11,664,849	54,644	716,967
Citrus Boulevard	Stuart, FL	1/12/2017	3,748	1	Organic Vegetables	7 years	5 (5 years)	54,000,000	59,991	2,927,537
			37,528	16				\$ 153,721,955	\$ 555,533	\$ 8,301,208

(1) Annualized straight-line amount is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP.

(2) As partial consideration for the acquisition of this property, we issued 745,879 OP Units, constituting an aggregate fair value of approximately \$6.5 million as of the acquisition date. We incurred \$25,500 of legal costs in connection with the issuance of these OP Units.

(3) Acquisition accounted for as a business combination under Accounting Standards Codification ("ASC") 805. As such, all acquisition-related costs were expensed as incurred, other than direct leasing costs, which were capitalized. In aggregate, we incurred \$9,520 of direct leasing costs in connection with these acquisitions.

(4) Acquisition accounted for as an asset acquisition under ASC 360. As such, all acquisition-related costs were capitalized and allocated among the identifiable assets acquired. The figures above represent only the costs paid for or accrued for as of the date of this filing.

(5) Lease also provides for a variable rent component based on the gross crop revenues earned on the property. The figure above represents only the minimum cash rents guaranteed under the lease.

(6) As partial consideration for the acquisition of this property, we issued 25,677 OP Units, constituting an aggregate fair value of approximately \$1.5 million as of the acquisition date. We incurred \$8,235 of legal costs in connection with the issuance of these OP Units.

(7) As partial consideration for the acquisition of this property, we issued 43,750 OP Units, constituting an aggregate fair value of approximately \$3.9 million as of the acquisition date. We incurred \$21,710 of legal costs in connection with the issuance of these OP Units.

(8) As partial consideration for the acquisition of this property, we issued 233,952 OP Units, constituting an aggregate fair value of approximately \$2.6 million as of the acquisition date. We incurred \$7,675 of legal costs in connection with the issuance of these OP Units.

Existing Properties

Since January 1, 2016, the following significant events occurred with regard to our already-existing properties:

- *Sycamore Road.* On February 1, 2016, we completed certain irrigation improvements on Sycamore Road to increase overall water availability at a total cost to us of \$993,319. As stipulated in the lease agreement, we will earn additional rent on the total cost commensurate with the annual yield on the farmland, which will result in additional straight-line rental income of \$53,550 per year throughout the remaining lease term.
- *McIntosh Road.* On February 8, 2016, we renewed the lease on one of our McIntosh Road farms, which was set to expire on June 30, 2016. The lease was renewed for an additional three years, through June 30, 2019, with annualized, straight-line rental income of \$63,000, representing a 17.9% increase over that of the previous lease.
- *Wauchula Road.* On April 5, 2016, we reimbursed the tenant \$569,607 of costs incurred to construct certain irrigation improvements on the farm. As stipulated in the lease, as of April 1, 2016, we began earning an additional \$92,634 of annualized, straight-line rental income on this farm throughout the remaining lease term.
- *Parrish Road.* On April 5, 2016, we reimbursed the tenant \$500,000, which represented our portion of the costs incurred to construct certain irrigation improvements on the farm. As stipulated in the lease, as of April 1, 2016, we began earning an additional \$139,073 of annualized, straight-line rental income on this farm throughout the remaining lease term. In addition, in connection with our acquisition of the property in March 2015, we committed to providing \$745,000 as additional consideration and reimbursements of certain costs, contingent upon the approval by a local water management district of increases in certain water permits on the property. During the year ended December 31, 2016, these water permits were approved, and we remitted \$745,000 to the tenant, who was also the seller of the property.
- *Espinosa Road:*
 - On July 5, 2016, we received payment of approximately \$164,000 (including \$4,000 of accrued interest) from the California Department of Transportation ("CalTrans") in connection with the settlement of the eminent

domain lawsuit for 4.5 acres of nonfarmable land (the "CalTrans Settlement"). Our cost basis of the 4.5 nonfarmable acres was approximately \$156,000.

- On August 25, 2016, we renewed the lease with the tenant, which was originally set to expire on October 31, 2016. The lease was renewed for an additional four years, through October 31, 2020, with annualized, straight-line rental income of \$997,017, representing a 28.1% increase over that of the previous lease. In connection with the renewal, we also assumed the responsibility for the property taxes, which were the tenant's responsibility under the old lease. Factoring in the additional property tax expense with the increased rental rate, the expected overall increase in annualized net income from the property over the term of the new lease is expected to be 9.0% higher than that under the old lease.
- *Colding Loop*. On July 15, 2016, we terminated the lease with the tenant occupying Colding Loop and subsequently entered into a new lease with a new tenant to occupy the property on August 5, 2016. The new lease is scheduled to expire on August 4, 2017, and provides for minimum rental payments of \$72,400 over its term. In connection with the early termination of the previous lease, during the year ended December 31, 2016, we wrote off \$84,600 of deferred rent asset balance to bad debt expense and expensed \$8,635 of unamortized leasing costs associated with the previous lease.

Financing Activity

MetLife Credit Facility

On October 5, 2016, we executed an amendment to our credit facility with Metropolitan Life Insurance Company ("MetLife"), which previously consisted of a \$100.0 million long-term note payable (the "2015 MetLife Term Note") and a \$25.0 million revolving equity line of credit (the "2015 MetLife Line of Credit" and, together with the 2015 MetLife Term Note, as currently amended, the "MetLife Facility"). Pursuant to the amendment, the MetLife Facility now consists of the 2015 MetLife Term Note, the 2015 MetLife Line of Credit, a \$50.0 million long-term note payable (the "2016 MetLife Term Note") and a second \$25.0 million revolving equity line of credit (the "2016 MetLife Line of Credit"). Simultaneous with the closing of the amendment, we drew approximately \$21.6 million under the 2016 MetLife Term Note, with \$21.0 million of the proceeds being used to repay the balance previously outstanding under the 2015 MetLife Line of Credit.

The 2016 MetLife Term Note is scheduled to mature on January 5, 2029, and bears interest at a fixed rate of 3.16% per annum (which rate is fixed until January 5, 2027), plus an unused fee of 0.20% on undrawn amounts. The 2016 MetLife Line of Credit is scheduled to mature on April 5, 2024, and bears interest at a variable rate equal to the three-month LIBOR plus a spread of 2.25%, with a minimum annualized rate of 2.50%, plus an unused fee of 0.20% on undrawn amounts.

Among other changes, the amendment to the MetLife Facility:

- increased the overall loan-to-value ratio on the underlying properties pledged as collateral under the MetLife Facility from 58% to 60%;
- reduced the blended interest rate on all previously-disbursed amounts under the 2015 MetLife Term Note by 19 basis points, from 3.35% to 3.16%;
- extended the fixed-rate term of the 2015 MetLife Term Note by 76 months, through January 5, 2027; and
- extended the draw period under the 2015 MetLife Term Note by one year, through December 31, 2018.

All other material items of the MetLife Facility remained unchanged. Refer to Note 4, "Borrowings," in the accompanying notes to our consolidated financial statements for further discussion on the MetLife Facility.

Farm Credit

Farm Credit CFL

During the year ended December 31, 2016, we entered into one loan agreement with Farm Credit of Central Florida, FLCA ("Farm Credit CFL"), the terms of which are summarized below:

Date of Issuance	Loan Amount	Maturity Date	Principal Amortization	Interest Rate Terms ⁽¹⁾
7/1/2016	\$ 3,120,000 ⁽²⁾	6/1/2023	36.0 years	3.78%, fixed throughout term

⁽¹⁾ Rates represent the stated interest rates, before interest patronage, as described below.

⁽²⁾ Proceeds from this loan were used for the acquisition of a new property.

During the three months ended March 31, 2016, we received interest patronage, or refunded interest, from Farm Credit CFL, representing a 6.1% refund of the interest accrued on all borrowings from Farm Credit CFL during the year ended December

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31, 2015. This interest patronage reduced the interest rates on our borrowings from Farm Credit CFL during the year ended December 31, 2015, from a weighted-average stated interest rate of 3.42% to a weighted-average effective interest rate of 2.87%. We are unable to estimate the amount of interest patronage to be received, if any, related to interest accrued during 2016 on our Farm Credit CFL borrowings. Refer to Note 4, "Borrowings," in the accompanying notes to our consolidated financial statements for further discussion on the Farm Credit CFL borrowings.

Farm Credit West

During the year ended December 31, 2016, we entered into two separate loan agreements with Farm Credit West, FLCA ("Farm Credit West"), the terms of which are summarized in the aggregate below:

Dates of Issuance	Loan Amount	Maturity Dates	Principal Amortization	Interest Rate Terms ⁽¹⁾
4/4/2016–10/13/2016	\$ 13,182,000 ⁽²⁾	11/1/2040–11/1/2041	24.5–26.0 years	3.54%–3.94%, fixed for 5–10 years; variable thereafter

⁽¹⁾ Rates represent the stated interest rates, before interest patronage.

⁽²⁾ Proceeds from this note were used for the acquisition of two new properties.

We expect to receive interest patronage related to interest accrued during 2016 on our Farm Credit West borrowings; however, we are unable to estimate the amount to be received, if any, at this time. Refer to Note 4, "Borrowings," in the accompanying notes to our consolidated financial statements for further discussion on the Farm Credit West borrowings.

Farmer Mac Facility

Pursuant to a bond purchase agreement we entered into with Federal Agricultural Mortgage Corporation ("Farmer Mac") and Farmer Mac Mortgage Securities Corporation, a wholly owned subsidiary of Farmer Mac, for a secured note purchase facility, as currently amended, that provides for bond issuances up to an aggregate principal amount of \$125.0 million (the "Farmer Mac Facility"), during the year ended December 31, 2016, we issued three bonds for an aggregate amount of approximately \$16.6 million, the terms of which are summarized in the aggregate in the table below:

Dates of Issuance	Gross Proceeds	Maturity Dates	Principal Amortization	Interest Rate Terms
3/3/2016–8/22/2016	\$ 16,551,000 ⁽¹⁾	2/24/2023–8/22/2023	None–9.7 years	2.87%–3.08%, fixed throughout respective terms

⁽¹⁾ Proceeds from these bonds were used for the acquisition of three new properties.

The maximum borrowing capacity under the Farmer Mac Facility was increased from \$75.0 million to \$125.0 million pursuant to an amendment we entered into on June 16, 2016, which amendment also extended the term of the bond purchase agreement by two years, to December 11, 2018.

In addition, on January 12, 2017, we issued four separate bonds (the "Bonds") under our Farmer Mac Facility, for which we received total proceeds of \$32.4 million. The Bonds, which are interest-only, have terms ranging from 3 to 7 years and will bear interest at fixed rates ranging from 2.80% to 3.63% throughout their respective terms, with a weighted-average interest rate of 3.33%. Proceeds from the Bonds were used in the acquisition of a new property. Refer to Note 4, "Borrowings," in the accompanying notes to our consolidated financial statements for further discussion on the Farmer Mac Facility.

Term Preferred Stock

On August 17, 2016, we completed a public offering of 6.375% Series A Cumulative Term Preferred Stock, par value \$0.001 per share (the "Term Preferred Stock"), at a public offering price of \$25.00 per share. As a result of this offering, including the exercise of the underwriters' over-allotment option, we issued a total of 1,150,000 shares of the Term Preferred Stock for gross proceeds of approximately \$28.8 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, of approximately \$27.6 million. These proceeds were used to repay existing indebtedness, to fund new property acquisitions and for other general corporate purposes. The Term Preferred Stock is traded under the ticker symbol, "LANDP," on the NASDAQ Global Market. The Term Preferred Stock is not convertible into our common stock or any other securities.

Generally, we may not redeem shares of the Term Preferred Stock prior to September 30, 2018, except in limited circumstances to preserve our qualification as a REIT. On or after September 30, 2018, we may redeem the shares at a redemption price of \$25.00 per share, plus any accumulated and unpaid dividends to but excluding the date of redemption. The shares of the Term Preferred have a mandatory redemption date of September 30, 2021. We incurred approximately \$1.2 million in total offering costs related to this issuance, which have been recorded net of the Term Preferred Stock as presented on the Consolidated Balance Sheet, and we will amortize these costs over the redemption period, which ends on September 30, 2021.

During the year ended December 31, 2016, we paid aggregate distributions on our Term Preferred Stock of \$677,122, or approximately \$0.59 per share.

Common Stock At-the-Market Program

On August 7, 2015, we entered into equity distribution agreements (commonly referred to as “at-the-market agreements” or our “Sales Agreements”) with Cantor Fitzgerald & Co. and Ladenburg Thalmann & Co., Inc. (each a “Sales Agent”), under which we may issue and sell, from time to time and through the Sales Agents, shares of our common stock having an aggregate offering price of up to \$30.0 million (the “ATM Program”). During the year ended December 31, 2016, we issued and sold 31,934 shares of our common stock at an average sales price of \$11.29 per share under the ATM Program for gross proceeds of \$360,472 and net proceeds of \$355,057. To date, we have sold 64,561 shares of our common stock at an average sales price of \$10.23 per share under the ATM Program for gross proceeds of \$660,176 and net proceeds of \$650,266.

Our Adviser and Administrator

We are externally managed pursuant to a contractual investment advisory arrangement (the “Advisory Agreement”) with our Adviser, under which our Adviser directly employs certain of our personnel and pays their payroll, benefits and general expenses, and our Administrator provides administrative services to us pursuant to a separate administration agreement with our Administrator (the “Administration Agreement”). Both of these agreements became effective on February 1, 2013. Both our Adviser and Administrator are affiliates of ours, as their parent company is owned and controlled by Mr. David Gladstone, our chairman and chief executive officer. In addition, two of our executive officers, Mr. Gladstone and Mr. Terry Brubaker (our vice chairman and chief operating officer), serve as directors and executive directors of each of our Adviser and Administrator. Mr. Michael LiCalsi, our general counsel and secretary, also serves as our Administrator’s president, general counsel and secretary. The management advisory and administrative services and fees under both of these agreements are described below, and further discussion can also be found in Note 6, “Related-Party Transactions,” in the accompanying notes to our consolidated financial statements.

Advisory Agreement

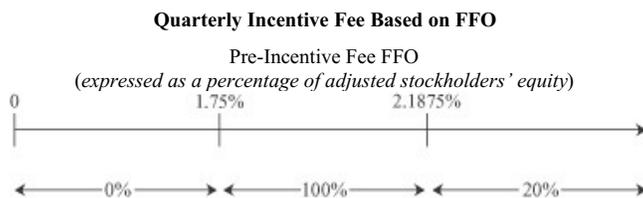
Base Management Fee

Pursuant to the Advisory Agreement, we pay an annual base management fee equal to 2.0% of our adjusted stockholders’ equity, which is defined as our total stockholders’ equity at the end of each quarter less the recorded value of any preferred stock we may issue.

Incentive Fee

Pursuant to the Advisory Agreement, we also pay an additional quarterly incentive fee based on funds from operations (as defined in the Advisory Agreement). For purposes of calculating the incentive fee, our funds from operations, 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% (7% annualized) of our total stockholders’ equity (as shown on the balance sheet) 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).



Percentage of Pre-Incentive Fee FFO allocated to incentive fee

Administration Agreement

Pursuant to the Administration Agreement, we pay for our allocable portion of the Administrator's expenses incurred while performing services to us, including, but not limited to, rent and the salaries and benefits expenses of our Administrator's employees, including our chief financial officer, treasurer, chief compliance officer, general counsel and secretary (who also serves as our Administrator's president) and their respective staffs. From February 1, 2013, through June 30, 2014, our allocable portion of these expenses was generally derived by multiplying that portion of the Administrator's expenses allocable to all funds managed by the Adviser by the percentage of our total assets at the beginning of each quarter in comparison to the total assets of all funds managed by our Adviser.

As approved by our Board of Directors, effective July 1, 2014, our allocable portion of the Administrator's expenses is now generally derived by multiplying our Administrator's total expenses by the approximate percentage of time the Administrator's employees perform services for us in relation to their time spent performing services for all companies serviced by our Administrator under similar contractual agreements. This change in methodology resulted in an increase in the fee we paid to our Administrator of approximately 137% for the six months ended December 31, 2014, as compared to the first six months of fiscal year 2014 and an increase of 135% for the six months ended June 30, 2015, as compared to the respective prior-year period. Management believes that the new methodology of allocating the Administrator's total expenses by approximate percentages of time services were performed more accurately approximates the fees incurred for the actual services performed.

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. As an emerging growth company, we had the ability to defer compliance with new or revised accounting standards to the dates on which adoption of such standards is required for private companies for as long as we maintain our emerging company status. Had we opted into this, the election could have had an impact on our financial statements and the comparability of our financial statements to the financial statements of similar public companies; however, we did not elect to opt into this extended transition period.

Critical Accounting Policies

The preparation of our financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make judgments that are subjective in nature 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 are provided in Note 2, "Summary of Significant Accounting Policies," in the accompanying notes to our consolidated financial statements, located elsewhere in this Form 10-K, and a summary of our critical accounting policies is below. We consider these policies to be 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. There were no material changes in our critical accounting policies during the year ended December 31, 2016; however, we early adopted ASU 2017-01 (as defined below), effective October 1, 2016, which is discussed further below.

Purchase Price Allocation

When we acquire real estate, we allocate the purchase price to: (i) the tangible assets acquired and liabilities assumed, consisting of land, buildings, improvements, horticulture and long-term debt, and, if applicable, (ii) any identifiable intangible assets and liabilities, which may consist of the values of above- and below-market leases, in-place lease values, lease origination costs and tenant relationships, based in each case on their fair values.

Certain of our acquisitions involve sale-leaseback transactions with newly-originated leases, and other of our acquisitions involve the acquisition of farmland that is already being operated as rental property, in which case we will typically assume the lease in place at the time of acquisition. Prior to us early adopting Accounting Standards Update ("ASU") 2017-01, "Clarifying

the Definition of a Business" (as further described in Note 2, "Summary of Significant Accounting Pronouncements," under the caption, "*—Recently-Issued Accounting Pronouncements*," in the accompanying consolidated financial statements), acquisitions of farmland already being operated as rental property were generally considered to be business combinations under Accounting Standards Codification ("ASC") 805, "Business Combinations." However, after our early adoption of ASU 2017-01, effective October 1, 2016, we now generally consider both types of acquisitions to be asset acquisitions under ASC 360, "Property Plant and Equipment." ASC 360 requires us to capitalize the transaction costs incurred in connection with the acquisition, whereas ASC 805 required that all costs 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 among the assets acquired and any liabilities assumed by valuing the property as if it was vacant. The "as-if-vacant" value is allocated to land, buildings, improvements and horticulture, based on management's determination of the relative fair values of such assets and liabilities as of the date of acquisition.

Management's estimates of fair value are made using methods similar to those used by independent appraisers, such as a sales comparison approach, a cost approach and either an income capitalization approach or 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 acquired and liabilities assumed. In estimating carrying costs, management also includes lost reimbursement of real estate taxes, insurance and other operating expenses, as well as estimates of lost rental income at market rates during the hypothetical, expected lease-up periods, which typically range from 1 to 24 months, depending on specific local market conditions.

When we acquire a property with a prior rental history, we may also record above- or below-market lease values related to the in-place leases based on the present value (using a discount 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 lease agreements 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 present, we will amortize the fair value of capitalized above-market lease values, included in Other assets on the accompanying Consolidated Balance Sheets, as a reduction of rental income on a straight-line basis 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 Consolidated Balance Sheets, as an increase to rental income on a straight-line basis over the remaining, non-cancelable terms of the respective leases, including that of any fixed-price or below-market renewal options. Since the majority of our transactions include either sale-leaseback transactions with newly-originated leases at market rates or the assumption of short-term leases upon acquisition, we do not expect that the values assigned to above- and below-market, in-place leases will be significant for the majority of our transactions.

Management 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 the remaining intangible assets acquired, which typically consists of in-place lease values and tenant relationship 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 relationship with the tenant, prospects for developing additional business with the tenant, the tenant's credit quality and our expectations of lease renewals (including those existing under the terms of the current lease agreement), among other factors. The value of in-place leases and unamortized lease origination costs are amortized to amortization expense on a straight-line basis over the remaining, non-cancelable terms of the respective leases, which currently range from 2 to 10 years. The value of tenant 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 into a lease at a different property we own, is amortized to amortization 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- or below-market lease values, in-place lease values, lease origination costs and tenant relationship values will be immediately charged to the appropriate income or expense account.

Recently-Issued Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies," in the accompanying notes to our Consolidated Financial Statements for a description of recently-issued accounting pronouncements.

RESULTS OF OPERATIONS

For the purposes of the following discussions on certain operating revenues and expenses:

- With regard to the comparison between the year ended December 31, 2016 versus 2015:
 - Same-property basis represents properties owned as of December 31, 2014, and were not vacant at any point during either period presented.
 - Properties acquired during the prior-year periods are properties acquired during the year ended December 31, 2015.
 - Properties acquired subsequent to prior-year period are properties acquired subsequent to December 31, 2015.
 - Properties with vacancy represent properties that were vacant at any point during any period presented. We had one property that was vacant for a portion of the year ended December 31, 2016, and two properties that were vacant for a portion of the year ended December 31, 2015.
- With regard to the comparison between the year ended December 31, 2015 versus 2014:
 - Same-property basis represents properties owned as of December 31, 2013, and were not vacant at any point during either period presented.
 - Properties acquired during the prior-year periods are properties acquired during the year ended December 31, 2014.
 - Properties acquired subsequent to prior-year period are properties acquired subsequent to December 31, 2014.
 - Properties with vacancy represent properties that were vacant at any point during any period presented. We had two properties that were vacant for a portion of the year ended December 31, 2015, and two properties that were vacant for a portion of the year ended December 31, 2014.

A comparison of our operating results for the years ended December 31, 2016 and 2015 is below:

	For the Years Ended December 31,		\$ Change	% Change
	2016	2015		
Operating revenues:				
Rental revenues	\$ 17,305,469	\$ 11,888,091	\$ 5,417,378	45.6%
Tenant recovery revenue	11,148	13,370	(2,222)	(16.6)%
Total operating revenues	17,316,617	11,901,461	5,415,156	45.5%
Operating expenses:				
Depreciation and amortization	5,187,249	3,113,492	2,073,757	66.6%
Property operating expenses	669,951	729,036	(59,085)	(8.1)%
Acquisition-related expenses	246,389	467,048	(220,659)	(47.2)%
Management and incentive fees, net of fee credits	1,891,318	1,022,479	868,839	85.0%
Administration fee	771,255	679,590	91,665	13.5%
General and administrative	1,493,868	1,321,035	172,833	13.1%
Total operating expenses	10,260,030	7,332,680	2,927,350	39.9%
Operating income	7,056,587	4,568,781	2,487,806	54.5%
Other income (expense)				
Other income	109,354	48,531	60,823	125.3%
Interest expense	(6,015,331)	(4,160,482)	(1,854,849)	44.6%
Distributions on Term Preferred Stock	(677,122)	—	(677,122)	NM
Property and casualty recovery, net	—	97,232	(97,232)	(100.0)%
Gain on sale of real estate	—	14,483	(14,483)	(100.0)%
Total other expense	(6,583,099)	(4,000,236)	(2,582,863)	64.6%
Net income	473,488	568,545	(95,057)	(16.7)%
Less net income attributable to non-controlling interests	(25,386)	—	(25,386)	NM
Net income attributable to the Company	\$ 448,102	\$ 568,545	\$ (120,443)	(21.2)%

NM = Not Meaningful

Operating Revenues*Same-property Analysis*

Rental Revenues:	For the Years Ended December 31,			
	2016	2015	\$ Change	% Change
Same-property basis	\$ 10,031,983	\$ 9,630,629	\$ 401,355	4.2%
Properties acquired during prior-year periods	4,339,764	1,975,424	2,364,340	119.7%
Properties acquired subsequent to prior-year periods	2,636,087	—	2,636,087	—
Properties with vacancy	297,635	282,038	15,596	5.5%
	\$ 17,305,469	\$ 11,888,091	\$ 5,417,378	45.6%

Rental revenues on a same-property basis increased for the year ended December 31, 2016, as compared to the prior year, primarily as a result of our ability to renew existing leases at higher rental rates and earning additional revenue on capital improvements constructed on certain properties. Rental revenues from acquired properties increased for the year ended December 31, 2016, as compared to the prior year, due to the additional revenues recorded from owning the 11 farms we acquired during the year ended December 31, 2015, for the full year in 2016, coupled with the additional revenues earned from the 15 new farms we acquired during the year ended December 31, 2016. Rental revenues from properties with vacancy increased for the year ended December 31, 2016, as compared to the prior year, due to a decrease in the number of aggregate property-vacant days during the year ended December 31, 2016, as compared to the prior year.

Other Operating Revenues

Tenant recovery revenue represents real estate taxes and insurance premiums paid on certain of our properties that, per the leases, are required to be reimbursed by the tenant. Corresponding amounts were also recorded as property operating expenses during the respective periods.

Operating Expenses*Same-property Analysis*

Depreciation and amortization:	For the Years Ended December 31,			
	2016	2015	\$ Change	% Change
Same-property basis	\$ 2,176,842	\$ 2,200,910	\$ (24,068)	(1.1)%
Properties acquired during prior-year periods	1,376,965	721,003	655,961	91.0%
Properties acquired subsequent to prior-year periods	1,462,923	—	1,462,923	—
Properties with vacancy	170,519	191,579	(21,059)	(11.0)%
	\$ 5,187,249	\$ 3,113,492	\$ 2,073,757	66.6%

Depreciation and amortization expense on a same-property basis decreased for the year ended December 31, 2016, as compared to the prior year, primarily as a result of certain lease intangible amortization periods expiring during 2015 and 2016, partially offset by additional depreciation on site improvements completed on certain properties during 2016. Depreciation and amortization expense on acquired properties increased for the year ended December 31, 2016, as compared to the prior year, due to the additional depreciation and amortization expense recorded from owning the 11 farms we acquired during the year ended December 31, 2015, for the full year in 2016, coupled with the additional depreciation and amortization expense incurred on the 15 new farms we acquired during the year ended December 31, 2016. Depreciation and amortization expense on properties with vacancy decreased for the year ended December 31, 2016, as compared to the prior year, due to writing off a larger amount of unamortized leasing intangibles during the year ended December 31, 2015, as compared to the current year, as a result of an early lease termination.

Property operating expenses:	For the Years Ended December 31,			
	2016	2015	\$ Change	% Change
Same-property basis	\$ 510,926	\$ 670,123	\$ (159,197)	(23.8)%
Properties acquired during prior-year periods	128,438	41,479	86,959	209.6%
Properties acquired subsequent to prior-year periods	11,565	—	11,565	—
Properties with vacancy	19,022	17,434	1,588	9.1%
	\$ 669,951	\$ 729,036	\$ (59,085)	(8.1)%

Property operating expenses consist primarily of real estate taxes, insurance expense and other overhead expenses paid for certain of our properties. Property operating expenses on a same-property basis decreased for the year ended December 31, 2016, as compared to the prior year, primarily due to a decrease in aggregate property tax expense on those properties, as two partial-net leases converted to pure, triple-net leases during three months ended December 31, 2015, and, beginning in 2016, certain other properties were entered into land conservation contracts under the California Land Conservation Act, restricting the land to agricultural use and reducing the property tax assessments on those properties. Property operating expenses on acquired properties increased for the year ended December 31, 2016, as compared to the prior year, primarily due to additional property taxes owed on certain of the farms we acquired during and subsequent to the year ended December 31, 2015. On our overall portfolio, for the year ended December 31, 2016, we accrued approximately \$488,000 of aggregate real estate taxes related to certain of our farms, which included the recognition of certain prior-year supplemental taxes as a result of stepped-up tax assessments of those properties after our acquisitions of them, as compared to approximately \$574,000 for the prior year.

Other Operating Expenses

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 the year ended December 31, 2016, as compared to the prior year, primarily due to the difference in accounting treatment of such expenses incurred in connection with the properties acquired during each of the respective periods (i.e., acquisition costs are capitalized under ASC 360 if the acquisition is considered an asset acquisition, whereas such costs are expensed under ASC 805 if the acquisition is treated as a business combination). We also incurred additional state document stamp taxes on deed transfers incurred in connection with the acquisition of certain properties during the prior year.

The aggregate net fees to our Adviser, including both the management and incentive fees, increased for the year ended December 31, 2016, as compared to the prior year. For the year ended December 31, 2016, the gross management fee increased by approximately \$198,000, primarily due to additional common equity raised over the past two years. Since March 31, 2015, through December 31, 2016, we have raised approximately \$21.9 million of net proceeds from follow-on common stock offerings (including approximately \$0.6 million from the ATM Program), increasing the base (the book value of our common stockholders' equity) on which the management fee is calculated. In addition, on a net basis, the net management fee increased for the year ended December 31, 2016, as compared to the prior year, as a result of a finder's fee of approximately \$321,000 earned by our Adviser in connection with one of our acquisitions during the three months ended March 31, 2015, which the Adviser applied as a credit to the management fee (as an irrevocable waiver by our Adviser) for the three months ended March 31, 2015. Our Adviser also earned an incentive fee of approximately \$350,000 during the year ended December 31, 2016, due to our pre-incentive fee funds from operations exceeding the required hurdle rate of our total stockholders' equity, as stipulated in our Advisory Agreement. The increase in our pre-incentive fee funds from operations was primarily due to the increase in rental revenues earned on properties acquired during and subsequent to the year ended December 31, 2015, outpacing that of operating expenses other than depreciation and amortization expense. No incentive fee was earned during the prior year.

The administration fee paid to our Administrator increased for the year ended December 31, 2016, as compared to the prior year, primarily due to higher overall costs incurred by our Administrator and us using a higher share of our Administrator's resources in relation to those used by other funds serviced by our Administrator during the year ended December 31, 2016.

General and administrative expenses increased for the year ended December 31, 2016, as compared to the prior year, primarily as a result of additional legal costs incurred related to obtaining certain permits on one of our California properties and completing the CalTrans Settlement on Espinosa Road, increased accounting fees related to a higher volume of acquisitions during the current year, additional costs associated with updating the valuations of certain of our farms and additional advertising and marketing expenses incurred during the current year. In addition, during the years ended December 31, 2016 and 2015, we wrote off approximately \$85,000 and \$32,000, respectively, of deferred rent asset balances related to leases on two of our properties that were terminated prior to their expirations and subsequently re-leased to new tenants. These increases were partially offset by lower overhead insurance expense.

Other Income (Expense)

Other income, which consists primarily of interest patronage received from Farm Credit CFL, interest earned on short-term investments and state income tax refunds, increased for the year ended December 31, 2016, as compared to the prior year, primarily due to additional interest patronage received from Farm Credit CFL. During the three months ended March 31, 2016, we received approximately \$94,000 of interest patronage from Farm Credit CFL related to interest accrued during 2015, compared to \$15,000 of interest patronage received during the prior year. The receipt of this interest patronage resulted in a 16.1% decrease in our effective interest rate on our aggregate borrowings from Farm Credit CFL during the year ended December 31, 2016.

Interest expense increased for the year ended December 31, 2016, as compared to the prior year, primarily due to increased overall borrowings. The weighted-average principal balance of our aggregate borrowings (excluding our Term Preferred Stock) outstanding for the year ended December 31, 2016, was approximately \$176.6 million, as compared to \$118.3 million for the prior year. Including interest patronage received on our Farm Credit CFL borrowings, the overall effective interest rate charged on our aggregate borrowings, excluding the impact of deferred financing costs, was 3.22% for the year ended December 31, 2016, as compared to 3.42% for the prior year.

During the year ended December 31, 2016, we paid aggregate distributions on our Term Preferred Stock (which distributions are treated as a component of interest expense) of approximately \$677,000. There was no Term Preferred Stock outstanding during 2015.

During the year ended December 31, 2015, we received additional insurance proceeds as a result of a fire on one of our properties in California. This claim was closed during the year ended September 30, 2015. There were no claims during the year ended December 31, 2016.

During the year ended December 31, 2015, we executed an agreement for a perpetual right-of-way easement that will allow for the installation of a natural gas pipeline underneath approximately 2.6 nonfarmable acres on one of our properties. In return, we received \$17,021 of gross consideration, of which \$14,483 was recognized as a capital gain during the year ended December 31, 2015. There were no agreements of this nature executed during the year ended December 31, 2016.

A comparison of our operating results for the years ended December 31, 2015 and 2014 is below:

	For the Years Ended December 31,		\$ Change	% Change
	2015	2014		
Operating revenues:				
Rental revenues	\$ 11,888,091	\$ 7,170,318	\$ 4,717,773	65.8%
Tenant recovery revenue	13,370	14,604	(1,234)	(8.4)%
Total operating revenues	11,901,461	7,184,922	4,716,539	65.6%
Operating expenses:				
Depreciation and amortization	3,113,492	1,735,644	1,377,848	79.4%
Property operating expenses	729,036	434,514	294,522	67.8%
Acquisition-related expenses	467,048	520,352	(53,304)	(10.2)%
Management fee, net of fee credits	1,022,479	1,079,534	(57,055)	(5.3)%
Administration fee	679,590	442,584	237,006	53.6%
General and administrative	1,321,035	1,372,322	(51,287)	(3.7)%
Total operating expenses	7,332,680	5,584,950	1,747,730	31.3%
Operating income	4,568,781	1,599,972	2,968,809	185.6%
Other income (expense)				
Other income	48,531	47,520	1,011	2.1%
Interest expense	(4,160,482)	(2,009,086)	(2,151,396)	107.1%
Property and casualty recovery, net	97,232	262,963	(165,731)	(63.0)%
Gain on sale of real estate	14,483	—	14,483	NM
Total other expense	(4,000,236)	(1,698,603)	(2,301,633)	135.5%
Net income (loss) before income taxes	568,545	(98,631)	667,176	676.4%
Income tax provision	—	(26,502)	26,502	NM
NET INCOME (LOSS)	\$ 568,545	\$ (125,133)	\$ 693,678	554.4%

NM = Not Meaningful

Operating Revenues

Same-property Analysis

Rental Revenues:	For the Years Ended December 31,			
	2015	2014	\$ Change	% Change
Same-property basis	\$ 6,254,269	\$ 6,075,358	\$ 178,911	2.9%
Properties acquired during prior-year periods	3,501,760	968,604	2,533,156	261.5%
Properties acquired subsequent to prior-year periods	1,975,424	—	1,975,424	—
Properties with vacancy	156,638	126,356	30,282	24.0%
	\$ 11,888,091	\$ 7,170,318	\$ 4,717,773	65.8%

Rental revenues on a same-property basis increased for the year ended December 31, 2015, as compared to the prior year, primarily as a result of our ability to renew existing leases at higher rental rates and earning additional revenue on capital improvements constructed on certain properties. Rental revenues from acquired properties increased for the year ended December 31, 2015, as compared to the prior year, due to the additional revenues recorded from owning the 11 farms we acquired during the year ended December 31, 2014, for the full year in 2015, coupled with the additional revenues earned from the 11 farms we acquired during the year ended December 31, 2015. Rental revenues from properties with vacancy increased for the year ended December 31, 2015, as compared to the prior year, due to a decrease in the number of aggregate property-vacant days during the year ended December 31, 2015, as compared to the prior year.

Other Operating Revenues

Tenant recovery revenue represents real estate taxes and insurance premiums paid on certain of our properties that, per the leases, are required to be reimbursed by the tenant. Corresponding amounts were also recorded as property operating expenses during the respective periods.

Operating Expenses

Same-property Analysis

Depreciation and amortization:	For the Years Ended December 31,			
	2015	2014	\$ Change	% Change
Same-property basis	\$ 1,189,181	\$ 1,236,553	\$ (47,372)	(3.8)%
Properties acquired during prior-year periods	1,124,343	420,589	703,754	167.3%
Properties acquired subsequent to prior-year periods	721,003	—	721,003	—
Properties with vacancy	78,965	78,502	463	0.6%
	\$ 3,113,492	\$ 1,735,644	\$ 1,377,848	79.4%

Depreciation and amortization expense on a same-property basis decreased for the year ended December 31, 2015, as compared to the prior year, primarily as a result of certain lease intangible amortization periods expiring. Depreciation and amortization expense on acquired properties increased for the year ended December 31, 2015, as compared to the prior year, due to the additional depreciation and amortization expense recorded from owning the 11 farms we acquired during the year ended December 31, 2014, for the full year in 2015, coupled with the additional depreciation and amortization expense incurred on the 11 farms we acquired during the year ended December 31, 2015.

Property operating expenses:	For the Years Ended December 31,			
	2015	2014	\$ Change	% Change
Same-property basis	\$ 247,274	\$ 350,251	\$ (102,977)	(29.4)%
Properties acquired during prior-year periods	432,288	78,368	353,919	451.6%
Properties acquired subsequent to prior-year periods	41,479	—	41,479	—
Properties with vacancy	7,995	5,895	2,100	35.6%
	\$ 729,036	\$ 434,514	\$ 294,521	67.8%

Property operating expenses consist primarily of real estate taxes, insurance expense and other overhead expenses paid for certain of our properties. Property operating expenses on a same-property basis decreased for the year ended December 31, 2015, as compared to the prior year, primarily due to recording additional repairs and maintenance expense during the year ended December 31, 2014, as a result of a fire that damaged a portion of a cooler on one of our California properties, as well as

a decrease in aggregate property tax expense, as two partial-net leases converted to pure, triple-net leases during the three months ended December 31, 2015. Property operating expenses on acquired properties increased for the year ended December 31, 2015, as compared to the prior year, primarily due to additional property taxes owed on certain of the farms we acquired during and subsequent to the year ended December 31, 2014. On our overall portfolio, for the year ended December 31, 2015, we accrued approximately \$574,000 of aggregate real estate taxes related to certain of our farms, which included the recognition of certain 2014 supplemental taxes as a result of stepped-up tax assessments of those properties after our acquisitions of them, as compared to approximately \$237,000 during the prior year.

Other Operating Expenses

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 the year ended December 31, 2015, as compared to the prior year, due primarily to the difference in accounting treatment of such expenses incurred in connection with the properties acquired during each of the respective periods (i.e., acquisition costs are capitalized under ASC 360 if the acquisition is considered an asset acquisition, whereas such costs are expensed under ASC 805 if the acquisition is treated as a business combination). In general, we incurred more acquisition-related costs in connection with our 2015 acquisitions than with our 2014 acquisitions due to acquiring larger properties during the year ended December 31, 2015, as compared to the prior year.

The aggregate net fees to our Adviser decreased for the year ended December 31, 2015, as compared to the prior year, as a result of a finder's fee of approximately \$321,000 earned by our Adviser in connection with one of our acquisitions during the three months ended March 31, 2015, which the Adviser applied as a credit to the management fee for the three months ended March 31, 2015. For the year ended December 31, 2015, the gross management fee increased by approximately \$264,000, primarily due to additional common equity raised over the prior two years. Since June 30, 2014, through December 31, 2015, we raised approximately \$35.6 million of net proceeds from follow-on common stock offerings (including approximately \$0.3 million from our ATM Program), increasing the base (the book value of our common stockholders' equity) on which the management fee is calculated.

The administration fee paid to our Administrator increased for the year ended December 31, 2015, as compared to the prior year, primarily due to a change in the calculation, which resulted in an increase in the percentage of the overall fee allocated to us. Beginning July 1, 2014, the allocation of the administration fee was revised such that the fee is now based upon the percentage of time employees of the Administrator spend on our matters in relation to other companies serviced by our Administrator, versus the old methodology whereby the fee was generally allocated based upon our total assets in relation to other companies managed by our Adviser.

General and administrative expenses decreased for the year ended December 31, 2015, as compared to the prior year, primarily as a result of additional professional fees incurred during the prior year for work performed related to our REIT conversion. This decrease was partially offset by increased state filing fees and overhead insurance costs during the current year due to having a larger portfolio, as well as increased costs related to advertising and marketing. In addition, during the year ended December 31, 2015, we wrote off approximately \$32,000 of deferred rent asset balances related to a lease on one of our properties that was terminated prior to its expiration and subsequently released to a new tenant.

Other Income (Expense)

Other income, which consists primarily of interest patronage received from Farm Credit CFL, interest earned on short-term investments and state income tax refunds from prior years, remained relatively flat during the year ended December 31, 2015, as compared to the prior year. During the year ended December 31, 2015, we received approximately \$15,000 from Farm Credit CFL of interest patronage related to interest accrued during 2014, which resulted in a 2.7% decrease in our effective interest rate on our aggregate borrowings from Farm Credit CFL during the year ended December 31, 2014. This additional income was offset by federal and state income tax refunds from prior years that were received during the year ended December 31, 2014.

Interest expense increased for the year ended December 31, 2015, as compared to the prior year, primarily due to increased overall borrowings. The weighted-average balance of our aggregate borrowings for the year ended December 31, 2015, was approximately \$118.3 million, as compared to \$53.9 million for the prior year. Including patronage received on our Farm Credit CFL borrowings, the overall effective interest rate charged on our aggregate borrowings, excluding the impact of deferred financing costs, was 3.42% for the year ended December 31, 2015, as compared to 3.63% for the prior year.

During the year ended December 31, 2015, we received the remaining insurance proceeds as a result of fires on two of our properties in 2014. No further recoveries are expected, and the claims have been closed.

During the year ended December 31, 2015, we executed an agreement for a perpetual right-of-way easement that will allow for the installation of a natural gas pipeline underneath approximately 2.6 nonfarmable acres on one of our properties. In return, we received \$17,021 of gross consideration, of which \$14,483 was recognized as a capital gain during the year ended December 31, 2015. There were no agreements of this nature during the year ended December 31, 2014.

Income Tax Provision

During the year ended December 31, 2014, we filed our 2013 federal income tax return, on which we elected to be taxed as a REIT for federal income tax purposes beginning with our tax year ended December 31, 2013. The income tax provision for the year ended December 31, 2014, related to state tax amounts owed to California. As long as we maintain our qualification as a REIT, we do not expect to incur any further federal or state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Since our IPO in January 2013, we have invested approximately \$337.6 million into 47 new farms, and we have expended or accrued an additional \$15.2 million for capital improvements on existing properties. Our current short- and long-term sources of funds include cash and cash equivalents, cash flows from operations, borrowings, including the undrawn commitments available under the MetLife Facility and the Farmer Mac Facility, and issuances of additional equity securities. Our current available liquidity is approximately \$6.4 million, consisting of \$2.1 million in cash and, based on the current level of collateral pledged, \$4.3 million of availability under the MetLife Facility, subject to compliance with covenants.

As of December 31, 2016, our total-debt-to-total-capitalization ratio (including our Term Preferred Stock as debt), at book value, was 72.8%, which is up from 64.7% as of December 31, 2015. However, using the fair value basis of our farmland portfolio, our total-debt-to-total-capitalization ratio (including our Term Preferred Stock as debt) as of December 31, 2016, was 59.3%, which is up from 50.2% as of December 31, 2015 (see "Non-GAAP Financial Information—Net Asset Value" below for an explanation of our fair value process). We are currently exploring additional options for further access to capital.

Future Capital Needs

Our short- and long-term liquidity requirements consist primarily of making distributions to stockholders (including non-controlling OP Unitholders) to maintain our qualification as a REIT, funding our general operating costs, making principal and interest payments on outstanding borrowings, making dividend payments on our Term Preferred Stock and, as capital is available, funding new farmland and farm-related acquisitions consistent with our investment strategy.

We believe that our current and short-term cash resources will be sufficient to fund our distributions to stockholders (including non-controlling OP Unitholders), service our debt, pay dividends on our Term Preferred Stock and fund our current operating costs in the near term. We expect to meet our long-term liquidity requirements through various sources of capital, including future equity issuances (including OP Units through our Operating Partnership as consideration for future acquisitions), long-term mortgage indebtedness and bond issuances and other secured and unsecured borrowings.

We intend to use a significant portion of any current and future available liquidity to purchase additional farms and farm-related properties. We continue to actively seek and evaluate acquisitions of additional farms and farm-related properties that satisfy our investment criteria, and our pipeline of potential acquisitions remains healthy. We currently have several properties under signed, non-binding letters of intent, a portion of which is expected to be paid in OP Units. In the aggregate, the capital necessary for these acquisitions exceeds our current level of available liquidity, and we are currently exploring various options for access to additional capital. We also have many other properties that are in various other stages of our due diligence process. 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.

Cash Flow Resources

The following table summarizes total cash flows for operating, investing and financing activities for the years ended December 31, 2016 and 2015:

	2016	2015	Change (\$)	Change (%)
Net change in cash from:				
Operating activities	\$ 8,402,522	\$ 4,753,835	\$ 3,648,687	76.8%
Investing activities	(95,500,975)	(78,475,150)	(17,025,825)	(21.7)%
Financing activities	87,003,952	73,634,495	13,369,457	18.2%
Net Change in Cash and Cash Equivalents	<u>\$ (94,501)</u>	<u>\$ (86,820)</u>	<u>\$ (7,681)</u>	<u>8.8%</u>

Operating Activities

The majority of cash from operating activities is generated from the rental payments we receive from our tenants, which is first used to fund our property-level operating expenses, with any excess cash being primarily used for principal and interest payments on our borrowings, management fees to our Adviser, administrative fees to our Administrator and other corporate-level expenses. The increase in cash provided by operating activities during the year ended December 31, 2016, as compared to the prior year, was primarily due to additional rental payments received from farms we have acquired during the year ended December 31, 2016. This increase was partially offset by increases in certain operating expenses as a result of increased acquisition activity, as well as an increase in cash paid for interest due to increased borrowings and distributions paid on our Term Preferred Stock (which distributions are treated as a component of interest expense) during the year ended December 31, 2016.

Investing Activities

The increase in cash used in investing activities during the year ended December 31, 2016, as compared to the prior year, was primarily due to an increase in cash paid for acquisitions of new farms, as well as additional capital improvements made on existing properties during the year ended December 31, 2016, which, in the aggregate, exceeded that of the prior year by approximately \$16.7 million.

Financing Activities

The increase in cash provided by financing activities during the year ended December 31, 2016, as compared to the prior year, was primarily due to the \$27.6 million of net proceeds received from the issuance of our Term Preferred Stock, as well as increased net borrowings, as our net borrowings for the year ended December 31, 2016, were approximately \$9.7 million more than that during the prior year. These increases were partially offset by the following: (i) during the year ended December 31, 2015, we received approximately \$21.2 million of net proceeds from two separate public offerings of our common stock; and (ii) distributions paid on our common stock and OP Units held outside of the Company during the year ended December 31, 2016, exceeded that of the prior year by approximately \$1.3 million, primarily due to an increased distribution run rate declared by our Board of Directors, as well as additional OP Units being issued as partial consideration in connection with certain properties we acquired during the year ended December 31, 2016.

Debt Capital**MetLife Facility**

As amended on October 5, 2016, in aggregate, the MetLife Facility consists of \$150.0 million of term notes and \$50.0 million of revolving equity lines of credit. In aggregate, we currently have approximately \$105.6 million outstanding under the term notes that bear interest at a fixed rate of 3.16% per annum (which rate is fixed until January 5, 2027) and approximately \$37.6 million outstanding under the lines of credit that currently bear interest at 3.26% (which rate is variable). While approximately \$53.4 million of the full commitment amount under the MetLife Facility remains undrawn (including approximately \$3.4 million of aggregate amortizing principal payments made on the MetLife Term Notes), based on the current level of collateral pledged, we currently have approximately \$4.3 million of availability under the facility.

Farm Credit Notes Payable**Farm Credit CFL Notes Payable**

Since September 19, 2014, we have closed on nine separate loans with Farm Credit CFL for an aggregate amount of approximately \$25.3 million (the "Farm Credit CFL Notes Payable"). We currently have \$22.2 million outstanding under the Farm Credit CFL Notes Payable that bear interest at an expected weighted-average effective interest rate (net of expected interest patronage) of 2.92% and have a weighted-average maturity date of January 2031. While we do not currently have any

additional availability under our program with Farm Credit CFL based on the properties currently pledged as collateral, we may enter into additional borrowing agreements with Farm Credit CFL in connection with certain potential new acquisitions.

Farm Credit West Notes Payable

Since April 4, 2016, we have closed on two separate loans with Farm Credit West for an aggregate amount of approximately \$13.2 million (the "Farm Credit West Notes Payable"). We currently have \$13.1 million outstanding under the Farm Credit West Notes Payable that bear interest at an expected weighted-average effective interest rate (net of expected interest patronage) of 2.91% and have a weighted-average maturity date of February 2041. While we do not currently have any additional availability under our program with Farm Credit West based on the properties currently pledged as collateral, we expect to enter into additional borrowing agreements with Farm Credit West in connection with certain potential new acquisitions.

Farmer Mac Facility

As amended on June 16, 2016, our agreement with Farmer Mac provides for bond issuances up to an aggregate amount of \$125.0 million. To date, we have issued aggregate bonds of approximately \$82.7 million under the facility, and we currently have \$81.7 million outstanding that bear interest at a weighted-average interest rate of 3.10% and have a weighted-average maturity date of May, 2021. While approximately \$42.3 million of the full commitment balance remains undrawn, we currently have no additional availability under the Farmer Mac Facility based on the current level of collateral pledged. However, we expect to pledge certain potential new property acquisitions as collateral under the Farmer Mac Facility to utilize some or all of this remaining commitment balance. If we have not issued bonds such that the aggregate bond issuances total \$125.0 million by December 11, 2018, Farmer Mac has the option to be relieved of its obligation to purchase additional bonds under this facility.

Equity Capital

Including approximately \$29.3 million reserved for issuance under our ATM Program, we currently have the ability to raise up to \$247.6 million of additional equity capital through the sale and issuance of securities that are registered under our universal registration statement on Form S-3 (File No. 333-194539) in one or more future offerings. However, in the future, we may be limited in the amount of securities we may sell on Form S-3 should the market value of our common stock held by non-affiliates decrease below \$75.0 million, as has been the case at certain times during the past 12 months. As we are currently above the \$75.0 million threshold for the current measurement period (in connection with this filing), this limitation will not impact us until the next measurement period, which will be when we file our 2017 Annual Report on Form 10-K. However, there can be no assurance that we will be above the \$75.0 million threshold at that time.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

The following table presents a summary of our material contractual obligations as of December 31, 2016:

Contractual Obligations	Total	Payments Due During the Fiscal Years Ending December 31,			
		2017	2018 – 2019	2020 – 2021	2022+
Debt obligations ⁽¹⁾	\$ 237,509,029	\$ 5,319,053	\$ 30,203,461	\$ 52,351,021	\$ 149,635,494
Interest on debt obligations ⁽²⁾	53,809,775	5,993,413	11,319,656	9,231,036	27,265,670
Operating obligations ⁽³⁾	63,885	63,885	—	—	—
Total	\$ 291,382,689	\$ 11,376,351	\$ 41,523,117	\$ 61,582,057	\$ 176,901,164

⁽¹⁾ Debt obligations include all borrowings outstanding as of December 31, 2016, plus the assumed redemption, for cash, of our Term Preferred Stock, which has a mandatory redemption date of September 30, 2021. Maturity dates of these debt obligations range from July 2018 to November 2041.

⁽²⁾ Interest on debt obligations includes distributions paid on our Term Preferred Stock, and estimated interest on the MetLife Lines of Credit. The balances and interest rates on our MetLife Lines of Credit are variable, thus the amounts of interest calculated for purposes of this table were based upon the balances and interest rates in place as of December 31, 2016.

⁽³⁾ Operating obligations represent commitments outstanding as of December 31, 2016, primarily related to capital improvement obligations on one of our properties. See Note 8, "Commitments and Contingencies," of our consolidated financial statements for further discussion on each of these operating obligations.

Off-Balance Sheet Arrangements

As of December 31, 2016, we did not have any off-balance sheet arrangements.

NET ASSET VALUE

Real estate companies are required to record real estate using the historical cost basis of the real estate, adjusted for accumulated depreciation and amortization, and, as a result, the carrying value of the real estate does not typically change as the fair value of the assets change. Thus, a difficulty in owning shares of a real estate-based company is determining the fair value of the real estate so that stockholders can see the value of the real estate increase or decrease over time. For this reason, we believe determining the fair value of our real estate assets is useful to our investors.

Determination of Fair Value

Our Board of Directors reviews and approves the valuations of our properties pursuant to a valuation policy approved by our Board of Directors (the “Valuation Policy”). Such review and approval occurs in three phases: (i) prior to its quarterly meetings, the Board of Directors receives written valuation recommendations and supporting materials that are provided by professionals of the Adviser and Administrator, with oversight and direction from the chief valuation officer, who is also employed by the Administrator (collectively, the “Valuation Team”); (ii) the valuation committee of the Board of Directors (the “Valuation Committee”), which is comprised entirely of independent directors, meets to review the valuation recommendations and supporting materials; and (iii) after the Valuation Committee concludes its meeting, it and the chief valuation officer present the Valuation Committee’s findings to the entire Board of Directors so that the full Board of Directors may review and approve the fair values of our properties in accordance with the Valuation Policy. Further, on a quarterly basis, the Board of Directors reviews the Valuation Policy to determine if changes thereto are advisable and also reviews whether the Valuation Team has applied the Valuation Policy consistently.

Per the Valuation Policy, our valuations are derived based on the following:

- For properties acquired within 12 months prior to the date of valuation, the purchase price of the property will generally be used as the current fair value unless overriding factors apply. In situations where OP Units are issued as partial or whole consideration in connection with the acquisition of a property, the fair value of the property will generally be the lower of: (i) the agreed-upon purchase price between the seller and the buyer (as shown in the purchase and sale agreement or contribution agreement and using the agreed-upon pricing of the OP Units, if applicable), or (ii) the value as determined by an independent, third-party appraiser.
- For real estate we acquired more than one year prior to the date of valuation, we determine the fair value either by relying on estimates provided by independent, third-party appraisers or through an internal valuation process. In addition, if significant capital improvements take place on a property, we will typically have those properties reappraised upon completion of the project by an independent, third-party appraiser. In any case, we intend to have each property valued by an independent, third-party appraiser at least once every three years, with interim values generally being determined by our internal valuation process.

Various methodologies were used, both by the appraisers and in our internal valuations, to determine the fair value of our real estate on a fee simple, “As Is” basis, including the sales comparison, income capitalization (or a discounted cash flow analysis) and cost approaches of valuation. In performing their analyses, the appraisers (i) performed site visits to the properties, (ii) discussed each property with our Adviser and reviewed property-level information, including, but not limited to, property operating data, prior appraisals (as available), existing lease agreements, farm acreage, location, access to water and water rights, potential for future development and other property-level information, and (iii) reviewed information from a variety of sources about regional market conditions applicable to each of our properties, including, but not limited to, recent sale prices of comparable farmland, market rents for similar farmland, estimated marketing and exposure time, market capitalization rates and the current economic environment, among others. In performing our internal valuations, we will consider the most recent appraisal available and use similar methodologies in determining an updated fair value. We will also obtain updated market data related to the property, such as updated sales and market rent comparisons and market capitalization rates, and perform an updated assessment of the tenants’ credit risk profiles, among others. Sources of this data may come from market inputs from recent acquisitions of our own portfolio of real estate, recent appraisals of properties we own that are similar in nature and in the same region (as applicable) as the property being valued, market conditions and trends we observe in our due diligence process and conversations with appraisers, brokers and farmers.

A breakdown of the methodologies used to value our properties and the aggregate value as of December 31, 2016, determined by each method is shown in the table below:

Valuation Method	Number of Farms	Total Acres	Farm Acres	Net Cost Basis ⁽¹⁾	Current Fair Value	% of Total Fair Value
Purchase Price	15	33,780	26,672	\$ 98,494,104	\$ 99,754,991	24.9%
Internal Valuation	18	8,553	6,316	84,749,777	92,773,000 ⁽²⁾	23.1%
Third-party Appraisal ⁽³⁾	25	8,259	6,907	142,502,909	208,594,000	52.0%
Total	58	50,592	39,895	\$ 325,746,790	\$ 401,121,991	100.0%

- ⁽¹⁾ Consists of the initial acquisition price (including the costs allocated to both tangible and intangible assets acquired and liabilities assumed), plus subsequent improvements and other capitalized costs paid for by the Company that were associated with the properties, and adjusted for accumulated depreciation and amortization.
- ⁽²⁾ 97.6% of this valuation, or approximately \$90.5 million, is supported by values as determined by third-party appraisals performed between April 2014 and November 2015. The difference of \$2.3 million represents the net appreciation of those properties since the time of such appraisals, as determined according to our Valuation Policy.
- ⁽³⁾ Appraisals performed between January 2016 and January 2017.

Some of the significant assumptions used by appraisers and the Valuation Team in valuing our portfolio as of December 31, 2016, include land values per farmable acre, market rental rates per farmable acre and capitalization rates, among others. These assumptions were applied on a farm-by-farm basis and were selected based on several factors, including comparable land sales, surveys of both existing and current market rates, discussions with other brokers and farmers, soil quality, size, location and other factors deemed appropriate. A summary of these significant assumptions is provided in the following table:

	Appraisal Assumptions		Internal Valuation Assumptions	
	Range (Low - High)	Weighted Average	Range (Low - High)	Weighted Average
Land Value (per farmable acre)	\$4,630 – \$105,000	\$ 58,929	\$4,600 – \$100,000	\$ 33,171
Market Rent (per farmable acre)	\$260 – \$4,864	\$ 2,607	\$274 – \$4,500	\$ 1,504
Market Capitalization Rate	2.52% – 5.50%	3.94%	3.58% – 5.25%	4.57%

Note: Figures in the above table apply only to the farmland portion of our portfolio and exclude assumptions made relating to farm-related property, such as cooling facilities and box barns, and other structures on our properties, including residential housing and horticulture, as their aggregate value was considered to be insignificant in relation to that of the farmland.

Our Valuation Team reviews the appraisals, including the significant assumptions and inputs used in determining the appraised values, and considers any developments that may have occurred since the time the appraisals were performed. Developments considered that may have an impact on the fair value of our real estate include, but are not limited to, changes in tenant credit profiles; changes in lease terms, such as expirations and notices of non-renewals or to vacate; and potential asset sales, particularly those at prices different from the appraised values of our properties.

Management believes that the purchase prices of the farms acquired during the previous 12 months, the most recent appraisals available for the farms acquired prior to the previous 12 months that were not valued internally and the farms that were valued internally during the previous 12 months fairly represent the current market values of the properties as of December 31, 2016, and, accordingly, did not make any adjustment to these values.

A quarterly roll-forward of the change in our portfolio value for the three months ended December 31, 2016, from the prior value basis as of September 30, 2016, is provided in the table below:

Total portfolio fair value as of September 30, 2016	\$ 379,983,991
Plus: Acquisition of two new farms during the three months ended December 31, 2016	18,100,000
<i>Plus net value appreciation (depreciation) during the three months ended December 31, 2016:</i>	
Five farms valued internally	\$ 1,095,000
Three farms valued via third-party appraisals	1,943,000
Total net appreciation for the three months ended December 31, 2016	3,038,000
Total portfolio fair value as of December 31, 2016	\$ 401,121,991

Management also determined fair values of all of its long-term borrowings. Using a discounted cash flow analysis, management determined that the fair value of all long-term encumbrances on our properties as of December 31, 2016, was approximately \$191.8 million, as compared to a carrying value (excluding unamortized related debt issuance costs) of \$192.2 million. In addition, using the closing stock price as of December 31, 2016, the fair value of the Term Preferred stock was

determined to be approximately \$29.3 million, as compared to a carrying value (excluding unamortized related issuance costs) of \$28.8 million.

Calculation of Estimated Net Asset Value

To provide our stockholders with an estimate of the fair value of our real estate assets, we intend to estimate the fair value of our farm properties, expressed in terms of net asset value ("NAV"), and provide that to our stockholders on a quarterly basis. NAV is a non-GAAP, supplemental measure of financial position of an equity REIT and is calculated as total equity, adjusted for the increase or decrease in fair value of our real estate assets and long-term borrowings (including any preferred stock required to be treated as debt for GAAP purposes) relative to their respective costs bases. Further, we calculate NAV per common share by dividing NAV by our total common shares outstanding (consisting of our common stock and OP Units held by non-controlling limited partners). A reconciliation of NAV to total equity, which the Company believes is the most directly-comparable GAAP measure, is provided below.

The fair values presented above and their usage in the calculation of net asset value per share presented below have been prepared by, and is the responsibility of, management. PricewaterhouseCoopers LLP has neither examined, compiled nor performed any procedures with respect to the fair values or the calculation of net asset value per common share, which utilizes information that is not disclosed within the financial statements, and, accordingly, does not express an opinion or any other form of assurance with respect thereto.

As of December 31, 2016, we estimate the NAV per share to be \$14.21, as detailed below:

Total equity per balance sheet		\$ 87,777,162
<i>Fair value adjustment for long-term assets:</i>		
Less: net cost basis of tangible and intangible real estate holdings ⁽¹⁾	\$ (325,746,790)	
Plus: estimated fair value of real estate holdings ⁽²⁾	401,121,991	
Net fair value adjustment for real estate holdings		75,375,201
<i>Fair value adjustment for long-term liabilities:</i>		
Plus: book value of aggregate long-term indebtedness ⁽³⁾	220,959,029	
Less: fair value of aggregate long-term indebtedness ⁽³⁾⁽⁴⁾	(221,052,764)	
Net fair value adjustment for long-term indebtedness		(93,735)
Estimated NAV		\$ 163,058,628
Total shares outstanding ⁽⁵⁾		11,474,133
Estimated NAV per common share		\$ 14.21

⁽¹⁾ Per Net Cost Basis as presented in the table above.

⁽²⁾ Per Current Fair Value as presented in the table above.

⁽³⁾ Includes the principal balances outstanding of all long-term borrowings (consisting of mortgage notes and bonds payable) and the Term Preferred Stock.

⁽⁴⁾ Long-term mortgage notes and bonds payable were valued using a discounted cash flow model. The Term Preferred Stock was valued based on its closing stock price as of December 31, 2016.

⁽⁵⁾ Includes 10,024,875 shares of common stock and 1,449,258 OP Units held by non-controlling limited partners (representing 12.6% of all OP Units issued and outstanding).

A quarterly rollforward in the estimated NAV per share for the three months ended December 31, 2016, is provided below:

Estimated NAV per common share as of September 30, 2016		\$ 13.68
Plus net income		0.01
<i>Plus change in valuations:</i>		
Net change in unrealized appreciation of farmland portfolio ⁽¹⁾	\$ 0.36	
Net change in unrealized fair value of long-term indebtedness	0.34	
Net change in valuations		0.70
Less distributions		(0.13)
Less dilutive effect of equity issuances ⁽²⁾		(0.05)
Estimated NAV per common share as of December 31, 2016		\$ 14.21

⁽¹⁾ The net change in unrealized appreciation of farmland portfolio consists of three components: (i) an increase of \$0.26 due to the net appreciation in value of 10 farms that were valued during the three months ended December 31, 2016, (ii) an increase of \$0.13 due to the aggregate depreciation and

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amortization expense recorded during the three months ended December 31, 2016, and (iii) a decrease of \$0.03 due to capital improvements made on certain properties that have not been considered in the determination of the respective properties' estimated fair values.

- (2) Represents the issuance of OP Units in connection with new farm acquisitions.

Comparison of estimated NAV and estimated NAV per common share, using the definitions above, to similarly-titled measures for other REITs, may not necessarily be meaningful due to possible differences in the calculation or application of the definition of NAV used by such REITs. In addition, the trading price of our common shares may differ significantly from our most recent estimated NAV per common share calculation. For example, while we estimated the NAV per share as of December 31, 2016, to be \$14.21 per the calculation above, the closing price of our common stock on December 31, 2016, was \$11.24, and it has subsequently traded between \$10.85 and \$12.87 per share.

While management believes the values presented reflect current market conditions, the ultimate amount realized on any asset will be based on the timing of such dispositions and the then-current market conditions. There can be no assurance that the ultimate realized value upon disposition of an asset will approximate the estimated fair value above.

We intend to report any adjustments to the estimated NAV, as well as to the values of our properties, in this section on a quarterly basis, but in no case less than annually. However, the determination of estimated NAV is subjective and involves a number of assumptions, judgments and estimates, and minor adjustments to these assumptions, judgments or estimates may have a material impact on our overall portfolio valuation. In addition, many of the assumptions used are sensitive to market conditions and can change frequently. Changes in the market environment and other events that may occur during our ownership of these properties may cause the values reported above to vary from the actual fair value that may be obtained in the open market.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 7A.

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. The primary market risk that we believe we are and will be exposed to is interest rate risk. Certain of our existing leases contain escalations based on market indices, and certain of our existing borrowings are subject to variable interest rates. Further, the interest rates on certain of our fixed-rate borrowings are either fixed for a finite period before converting to variable rate or are subject to periodic adjustments. Although we seek to mitigate this risk by structuring certain provisions into many of our leases, such as escalation clauses or adjusting the rent to prevailing market rents 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.

To illustrate the potential impact of changes in interest rates on our net income for the year ended December 31, 2016, we have performed the following analysis, which approximates the annual impact that a 1%, 2% and 3% increase in our effective LIBOR would have on our earnings for the year ended December 31, 2016. For purposes of this analysis, we used the actual balances outstanding on our borrowings during the year and assumed that no further actions were taken to adjust our leases than what actually occurred during the year ended December 31, 2016, to alter our existing interest rate sensitivity.

Interest Rate Changes⁽¹⁾	Increase to Interest Expense	Net Decrease to Net Income
1% Increase to LIBOR	\$ 102,514	\$ (102,514)
2% Increase to LIBOR	204,146	(204,146)
3% Increase to LIBOR	305,778	(305,778)

⁽¹⁾ For the year ended December 31, 2016, our effective weighted-average LIBOR was 0.67%; therefore, a 1%, 2% or 3% decrease could not occur.

As of December 31, 2016, excluding our Term Preferred Stock, the fair value of our fixed-rate borrowings outstanding, which accounted for approximately 92.1% of our total indebtedness, at cost, as of December 31, 2016, was approximately \$191.8 million. However, interest rate fluctuations may affect the fair value of our fixed-rate borrowings. If market interest rates had been one percentage point lower or higher than those rates in place as of December 31, 2016, the fair value of our fixed-rate borrowings would have increased or decreased by approximately \$2.7 million or \$2.6 million, respectively.

In the future, we may be exposed to additional effects of interest rate changes, primarily as a result of additional borrowings used to maintain liquidity and fund expansion of our farmland investment portfolio and operations. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we will borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. We may also enter into derivative financial

instruments, such as interest rate swaps and caps, to mitigate the interest rate risk on a related financial instrument. We will not enter into derivative or interest rate transactions for speculative purposes.

In addition to changes in interest rates, the fair value of our farmland portfolio is subject to fluctuations based on changes in local and regional economic conditions and changes in the creditworthiness of our tenants. Materially adverse changes in the fair value of our real estate may affect our ability to refinance our debt, if necessary.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Management on Internal Controls over Financial Reporting

To the Stockholders and Board of Directors of Gladstone Land Corporation:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and include those policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets, provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations (COSO). Based on our assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2016.

February 21, 2017

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Gladstone Land Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Gladstone Land Corporation and its subsidiaries as of December 31, 2016, and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a) (2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
McLean, Virginia
February 21, 2017

GLADSTONE LAND CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2016	December 31, 2015
ASSETS		
Investment in real estate, net	\$ 326,310,621	\$ 221,783,425
Lease intangibles, net	1,999,773	1,763,541
Cash and cash equivalents	2,438,021	2,532,522
Deferred financing costs related to borrowings under line of credit, net	239,135	132,495
Other assets, net	2,997,469	2,472,042
TOTAL ASSETS	\$ 333,985,019	\$ 228,684,025
LIABILITIES AND EQUITY		
LIABILITIES:		
Borrowings under lines of credit	\$ 16,550,000	\$ 100,000
Mortgage notes and bonds payable, net	190,797,012	141,578,935
Series A cumulative term preferred stock, par value \$0.001 per share; \$25.00 per share liquidation preference; 2,000,000 shares authorized, 1,150,000 shares issued and outstanding as of December 31, 2016; zero shares authorized, issued or outstanding as of December 31, 2015, net ⁽¹⁾	27,655,273	—
Accounts payable and accrued expenses	2,801,194	3,495,339
Due to related parties, net ⁽²⁾	750,796	565,593
Other liabilities, net	7,653,582	4,937,439
Total liabilities	246,207,857	150,677,306
<i>Commitments and contingencies⁽³⁾</i>		
EQUITY:		
Stockholders' equity:		
Common stock, \$0.001 par value; 18,000,000 shares authorized, 10,024,875 share issued and outstanding as of December 31, 2016; 20,000,000 shares authorized, 9,992,941 shares issued and outstanding as of December 31, 2015	10,025	9,993
Additional paid-in capital	90,081,837	86,892,095
Distributions in excess of accumulated earnings	(13,401,529)	(8,895,369)
Total stockholders' equity	76,690,333	78,006,719
Non-controlling interests in Operating Partnership	11,086,829	—
Total equity	87,777,162	78,006,719
TOTAL LIABILITIES AND EQUITY	\$ 333,985,019	\$ 228,684,025

⁽¹⁾ Refer to Note 5, "Mandatorily-Redeemable Preferred Stock," for additional information.

⁽²⁾ Refer to Note 6, "Related-Party Transactions," for additional information.

⁽³⁾ Refer to Note 8, "Commitments and Contingencies," for additional information.

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

GLADSTONE LAND CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
	2016	2015	2014
OPERATING REVENUES:			
Rental revenue	\$ 17,305,469	\$ 11,888,091	\$ 7,170,318
Tenant recovery revenue	11,148	13,370	14,604
Total operating revenues	17,316,617	11,901,461	7,184,922
OPERATING EXPENSES:			
Depreciation and amortization	5,187,249	3,113,492	1,735,644
Property operating expenses	669,951	729,036	434,514
Acquisition-related expenses	246,389	467,048	520,352
Management fees ⁽¹⁾	1,541,768	1,343,384	1,079,534
Incentive fees ⁽¹⁾	349,550	—	—
Administration fees ⁽¹⁾	771,255	679,590	442,584
General and administrative expenses	1,493,868	1,321,035	1,372,322
Operating expenses before credits from Adviser	10,260,030	7,653,585	5,584,950
Credits to fees from Adviser ⁽¹⁾	—	(320,905)	—
Total operating expenses, net of credits to fees	10,260,030	7,332,680	5,584,950
OPERATING INCOME	7,056,587	4,568,781	1,599,972
OTHER INCOME (EXPENSE):			
Other income	109,354	48,531	47,520
Interest expense	(6,015,331)	(4,160,482)	(2,009,086)
Distributions attributable to mandatorily-redeemable preferred stock	(677,122)	—	—
Property and casualty recovery income, net	—	97,232	262,963
Gain on sale of real estate	—	14,483	—
Total other expense	(6,583,099)	(4,000,236)	(1,698,603)
Net income (loss) before income taxes	473,488	568,545	(98,631)
Income tax provision	—	—	(26,502)
NET INCOME (LOSS)	\$ 473,488	\$ 568,545	\$ (125,133)
Less: net income attributable to non-controlling interests	(25,386)	—	—
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	448,102	568,545	(125,133)
EARNINGS (LOSS) PER COMMON SHARE:			
Basic and diluted	\$ 0.04	\$ 0.07	\$ (0.02)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING			
Basic and diluted	10,007,350	8,639,397	6,852,917

⁽¹⁾ Refer to Note 6, "Related-Party Transactions," for additional information.

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

GLADSTONE LAND CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock		Additional Paid-in Capital	Distributions in Excess of Accumulated Earnings	Non-Controlling Interest	Total Equity
	Number of Shares	Par Value				
Balance at December 31, 2013	6,530,264	\$ 6,530	\$ 51,326,262	\$ (2,820,800)	\$ —	\$ 48,511,992
Net loss	—	—	—	(125,133)	—	(125,133)
Issuance of common stock, net	1,223,453	1,224	14,040,047	—	—	14,041,271
Distributions	—	—	—	(2,458,802)	—	(2,458,802)
Balance at December 31, 2014	7,753,717	\$ 7,754	\$ 65,366,309	\$ (5,404,735)	\$ —	\$ 59,969,328
Net income	—	—	—	568,545	—	568,545
Issuance of common stock, net	2,239,224	2,239	21,525,786	—	—	21,528,025
Distributions	—	—	—	(4,059,179)	—	(4,059,179)
Balance at December 31, 2015	9,992,941	\$ 9,993	\$ 86,892,095	\$ (8,895,369)	\$ —	\$ 78,006,719
Net income	—	—	—	448,102	25,386	473,488
Issuance of common stock, net	31,934	32	350,068	—	—	350,100
Distributions	—	—	—	(4,954,262)	(388,756)	(5,343,018)
Issuance of OP Units as consideration in real estate acquisitions, net	—	—	—	—	14,289,873	14,289,873
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	2,839,674	—	(2,839,674)	—
Balance at December 31, 2016	10,024,875	\$ 10,025	\$ 90,081,837	\$ (13,401,529)	\$ 11,086,829	\$ 87,777,162

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

GLADSTONE LAND CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 473,488	\$ 568,545	\$ (125,133)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	5,187,249	3,113,492	1,735,644
Amortization of deferred financing costs	241,302	106,806	53,286
Amortization of deferred rent assets and liabilities, net	(178,457)	(200,783)	(194,267)
Allowance for doubtful accounts	71,517	10,219	—
Property and casualty recovery, net	—	(97,232)	(262,963)
Insurance proceeds received utilized for repairs to real estate assets	—	9,965	89,688
Changes in operating assets and liabilities:			
Other assets	(321,904)	(124,023)	(684,782)
Accounts payable, accrued expenses, and due to related parties	719,872	523,781	1,180,185
Other liabilities	2,209,455	843,065	1,751,964
Net cash provided by operating activities	<u>8,402,522</u>	<u>4,753,835</u>	<u>3,543,622</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of new real estate	(84,592,610)	(74,448,512)	(68,626,968)
Capital expenditures on existing real estate	(9,797,438)	(3,246,646)	(2,619,084)
Proceeds from sale of real estate	155,798	—	—
Decrease (increase) in restricted cash	—	132,741	(132,700)
Deposits on future acquisitions	(500,000)	(50,000)	(350,000)
Deposits applied against real estate investments	(966,725)	(1,150,000)	—
Deposits refunded	200,000	200,000	50,000
Insurance proceeds received capitalized as real estate asset additions	—	87,267	344,512
Net cash used in investing activities	<u>(95,500,975)</u>	<u>(78,475,150)</u>	<u>(71,334,240)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of equity	360,472	23,132,910	15,024,003
Offering costs	(271,791)	(1,482,029)	(950,965)
Borrowings from mortgage notes payable	54,403,000	60,841,476	41,188,600
Repayments on mortgage note payable	(4,827,128)	(625,680)	(1,825,404)
Net borrowings from (repayments on) line of credit	16,450,000	(3,900,000)	3,900,000
Proceeds from issuance of Series A mandatorily redeemable preferred stock	28,750,000	—	—
Payment of financing fees	(1,817,583)	(273,003)	(738,754)
Distributions paid on common and preferred stock	(4,954,262)	(4,059,179)	(2,458,802)
Distributions paid to non-controlling interests in Operating Partnership	(388,756)	—	—
Payment of contingent consideration	(700,000)	—	—
Net cash provided by financing activities	<u>87,003,952</u>	<u>73,634,495</u>	<u>54,138,678</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(94,501)</u>	<u>(86,820)</u>	<u>(13,651,940)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,532,522</u>	<u>2,619,342</u>	<u>16,271,282</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 2,438,021</u>	<u>\$ 2,532,522</u>	<u>\$ 2,619,342</u>
Cash paid during the year for interest ⁽¹⁾	<u>\$ 5,980,788</u>	<u>\$ 3,262,993</u>	<u>\$ 1,431,214</u>
Cash paid during the year for income taxes	<u>—</u>	<u>—</u>	<u>27,000</u>
NON-CASH INVESTING AND FINANCING INFORMATION:			
Issuance of non-controlling interests in operating partnership in conjunction with acquisitions	<u>\$ 14,352,993</u>	<u>\$ —</u>	<u>\$ —</u>
Real estate additions included in Other assets	<u>—</u>	<u>—</u>	<u>61,500</u>
Real estate additions included in Accounts payable, accrued expenses and due to related parties	<u>162,403</u>	<u>1,157,347</u>	<u>81,072</u>
Real estate additions included in Other liabilities	<u>1,391,654</u>	<u>1,572,365</u>	<u>585,947</u>
Common stock offering and OP Unit issuance costs included in Accounts payable, accrued expenses and due to related parties	<u>8,933</u>	<u>225,684</u>	<u>141,967</u>
Financing fees included in Accounts payable, accrued expenses and due to related parties	<u>8,001</u>	<u>25,120</u>	<u>44,313</u>

⁽¹⁾ Includes distributions made to our Term Preferred Stock.

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

**GLADSTONE LAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

All references to the number of properties and acreage are unaudited.

NOTE 1. BUSINESS AND ORGANIZATION

Business

Gladstone Land Corporation is an agricultural real estate investment trust (“REIT”) that 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 are primarily in the business of owning and leasing farmland. Subject to certain restrictions and limitations, and pursuant to contractual agreements, our business is managed by Gladstone Management Corporation (the “Adviser”), a Delaware corporation, and administrative services are provided to us by Gladstone Administration, LLC (the “Administrator”), a Delaware limited liability company. Our Adviser and Administrator are both affiliates of ours.

Organization

We conduct substantially all of our operations through a subsidiary, Gladstone Land Limited Partnership (the “Operating Partnership”), a Delaware limited partnership. As we currently control the sole general partner of the Operating Partnership and own, directly or indirectly, a majority of the limited partnership interests in the Operating Partnership (“OP Units”), the financial position and results of operations of the Operating Partnership are consolidated within our financial statements. As of December 31, 2016 and 2015, the Company owned 87.4% and 100.0%, respectively, of the outstanding OP Units (see Note 7, “Equity,” for additional discussion regarding OP Units).

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 within our financial statements.

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 REIT subsidiary (“TRS”). It is currently anticipated that this income will predominately consist of fees we receive related to the leasing of real estate, though we may also provide ancillary services to farmers through this subsidiary. There have been no fees related to the leasing of real estate or for ancillary services earned by Land Advisers 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 within our financial statements.

All further references herein to “we,” “us,” “our” and the “Company” refer, collectively, to Gladstone Land Corporation and its consolidated subsidiaries, except where indicated otherwise.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 as of 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.

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; warehouses used for storing, assembling and packing boxes; and horticulture acquired in connection with the land purchase, which currently consists of blueberry bushes and almond, avocado, pistachio and lemon trees. 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 shorter of the estimated useful life or 25 years for

horticulture acquired in connection with the purchase of farmland, 5 to 10 years for equipment and fixtures and the shorter of the useful life or the remaining lease term for tenant improvements.

Certain of our acquisitions involve sale-leaseback transactions with newly-originated leases, and other of our acquisitions involve the acquisition of farmland that is already being operated as rental property, in which case we will typically assume the lease in place at the time of acquisition. Prior to us early adopting Accounting Standards Update ("ASU") 2017-01, "Clarifying the Definition of a Business" (as further described below under "*Recently-Issued Accounting Pronouncements*"), acquisitions of farmland already being operated as rental property were generally considered to be business combinations under Accounting Standards Codification ("ASC") 805, "Business Combinations." However, after early adopting ASU 2017-01, effective October 1, 2016, we now generally consider both types of acquisitions to be asset acquisitions under ASC 360, "Property Plant and Equipment."

Whether an acquisition is considered an asset acquisition or a business combination, both ASC 360 and ASC 805 require that the purchase price of real estate be allocated to (i) the tangible assets acquired and liabilities assumed, consisting of land, buildings, improvements, horticulture and long-term debt, and, if applicable, (ii) any identifiable intangible assets and liabilities, which may consist of the values of above- and below-market leases, in-place lease values, lease origination costs and tenant relationships, based in each case on their fair values. In addition, ASC 360 requires us to capitalize the transaction costs incurred in connection with the acquisition, whereas ASC 805 required that all costs related to the acquisition be expensed as incurred, rather than capitalized into the cost of the acquisition.

Management's estimates of fair value are made using methods similar to those used by independent appraisers, such as a sales comparison approach, a cost approach and either an income capitalization approach or 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 acquired and liabilities assumed. In estimating carrying costs, management also includes lost reimbursement of real estate taxes, insurance and other operating expenses, as well as estimates of lost rental income at market rates during the hypothetical, expected lease-up periods, which typically range from 1 to 24 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. While management believes these estimates to be reasonable based on the information available at the time of acquisition, the preliminary purchase price allocation may be adjusted if management obtains more information regarding the valuations of the assets acquired or liabilities assumed.

We allocate the purchase price to the fair value of the tangible assets and liabilities of an acquired property by valuing the property as if it were vacant. The "as-if-vacant" value is allocated to land, buildings, improvements and horticulture, based on management's determination of the relative fair values of such assets and liabilities as of the date of acquisition.

We record above- and below-market lease values for acquired properties based on the present value (using a discount 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 lease agreements, 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 whether fixed-rate or below-market renewal options, if any, should be included. The fair value of capitalized above-market lease values, included as part of Other assets in the accompanying Consolidated Balance Sheets, is amortized as a reduction of rental income on a straight-line basis over the remaining, non-cancelable terms of the respective leases. The fair value of capitalized below-market lease values, included as part of Other liabilities in the accompanying Consolidated Balance Sheets, is amortized as an increase to rental income on a straight-line basis over the remaining, non-cancelable terms of the respective leases, including that of any fixed-price or below-market renewal options.

In certain instances, we will also record deferred revenue in connection with properties acquired as part of an asset acquisition when additional consideration, such as offering a below-market lease to the seller on a sale-leaseback transaction, is given to the seller of a property when the agreed-upon cash purchase price is significantly below the aggregate fair value of all identifiable tangible assets acquired or liabilities assumed. In transactions such as this, the amount of deferred revenue recorded will be determined in a manner similar to that described above for below-market lease values. The fair value of capitalized deferred revenue, included as part of Other liabilities in the accompanying Consolidated Balance Sheets, is amortized as an increase to rental income on a straight-line basis over the remaining, non-cancelable terms of the respective leases, including that of any fixed-price or below-market renewal options.

The total amount of the remaining intangible assets acquired, which consists of in-place lease values, unamortized lease origination costs and tenant relationship 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, prospects for

developing additional business with the tenant, the tenant's credit quality and our expectations of lease renewals (including those existing under the terms of the current lease agreement), among other factors.

The value of in-place leases and unamortized lease origination costs are amortized to amortization expense on a straight-line basis over the remaining, non-cancelable terms of the respective leases, which currently range from 2 to 10 years. The value of tenant 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 into a lease at a different property we own, is amortized to amortization 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- or below-market lease values, deferred revenue, in-place lease values, lease origination costs and tenant relationship values would be charged to the appropriate income or expense account.

Impairment of Real Estate Assets

We account for the impairment of our tangible and identifiable intangible real estate assets in accordance with ASC 360, which requires us to periodically review the carrying value of each property to determine whether indicators of impairment exist. Such indicators may include, but are not limited to, declines in a property's operating performance, deteriorating market conditions, vacancy rates and environmental or legal concerns. If circumstances support the possibility of impairment, we prepare a projection of the total undiscounted future cash flows of the specific property, including proceeds from disposition without interest charges, and compare them to the net book value of the property to determine whether the carrying value of the 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 value 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. During the three months ended June 30, 2014, we had two separate fires that partially damaged structures on two separate properties, which constituted an indicator of impairment. However, in accordance with ASC 360, we assessed the recoverability of the two properties and determined that the net carrying value of each property was fully recoverable. Therefore, no impairment loss was recorded; however, we recorded property and casualty losses for each event. See "*Involuntary Conversions and Property and Casualty Recovery*" below for further detail. We further concluded that none of our properties were impaired as of December 31, 2016, and we will continue to monitor our portfolio for any indicators of impairment. There have been no impairments recognized on real estate assets since our inception.

Tenant Improvements

From time to time, our tenants may pay for improvements on certain of our properties with the ownership of the improvements remaining with us, in which case we will record the cost of such improvements as an asset, tenant improvements, along with a corresponding liability, deferred rent liability, on our balance sheet. When we are determined to be the owner of the tenant improvements, such improvements will be depreciated, and the related deferred rent liability will be amortized as an addition to rental income, each over the shorter of the useful life of the respective improvement or the remaining term of the existing lease in place. If the tenant is determined to be the owner of the tenant improvements, any tenant improvements funded by us are treated as a lease incentive and amortized as a reduction of rental income over the remaining term of the existing lease in place. We have not recorded any lease incentives to date. In determining whether the tenant or the Company is the owner of such improvements, several factors will be considered, including, but not limited to: (i) whether the tenant or landlord retains legal title to the improvements upon expiration of the lease; (ii) whether the lease stipulates how such improvements should be treated; (iii) the uniqueness of the improvements (i.e., whether the improvements were made to meet the specific needs or for the benefit of the tenant leasing the property, or if the improvements generally increased the value or extended the useful life of the asset improved upon); (iv) the expected useful life of the improvements relative to the remaining length of the lease; (v) whether the tenant improvements are expected to have significant residual value at the end of the lease term; and (vi) whether the tenant or the Company constructs or directs construction of the improvements. The determination of who owns the improvements can be subject to significant judgment. When we pay for tenant improvements and are determined to be the owner of such improvements, we will record the cost of the improvement as an asset and will depreciate it over its corresponding useful life.

Cash and Cash Equivalents

We consider cash equivalents to be all short-term, highly-liquid investments that are both readily convertible to cash and have a maturity of three months or less at the time of purchase, except that any such investments purchased with funds held in escrow or similar accounts are classified as restricted cash. Items classified as cash equivalents include money-market deposit accounts. Our cash and cash equivalents at December 31, 2016 and 2015 were held in the custody of one financial institution, and our balance at times may exceed federally-insurable limits. We did not have any restricted cash or restricted cash equivalents at December 31, 2016, or 2015.

Deferred Financing Costs

Deferred financing costs consist of costs incurred to obtain financing, including legal fees, origination fees and administrative fees. Costs associated with our long-term borrowings are deferred and amortized over the terms of the respective financings using the straight-line method, which approximates the effective interest method. In the case of our line of credit, the straight-line method is used due to the revolving nature of the financing instrument. Upon early extinguishment of any borrowings, the unamortized portion of the related deferred financing costs will be immediately charged to expense. In addition, in accordance with ASC 470, "Debt," when a financing arrangement is amended so that the only material change is an increase in the borrowing capacity, the unamortized deferred financing costs from the prior arrangement should be amortized over the term of the new arrangement. See "*Recently-Issued Accounting Pronouncements*" below for changes in how certain deferred financing costs are reported on our Consolidated Balance Sheet due to our adoption of ASU 2015-03 (as defined below).

Accumulated amortization of deferred financing costs was \$465,541 and \$224,239 as of December 31, 2016 and 2015, respectively. For the years ended December 31, 2016, 2015 and 2014, total amortization expense related to deferred financing costs was \$241,302, \$106,806 and \$53,286, respectively, and is included in Interest expense on the accompanying Consolidated Statements of Operations. See Note 4, "Borrowings," for further discussion on these related financings.

Other Assets and Other Liabilities

Other assets consist of deferred rent assets, short-term investments, prepaid expenses, deferred offering costs, deposits on potential real estate acquisitions, above-market lease values and other miscellaneous receivables. Other liabilities consist of rents received in advance, deferred rent liabilities and below-market lease values.

Non-controlling Interests

Non-controlling interests are interests in the Operating Partnership not owned by us. We evaluate whether non-controlling interests are subject to redemption features outside of our control. As of December 31, 2016, the non-controlling interests in the Operating Partnership are redeemable at the option of the holder for cash or, at our election, shares of our common stock and thus are reported in the equity section of the Consolidated Balance Sheet but separate from stockholders' equity. The amount reported for non-controlling interests on the Consolidated Statement of Operations represent the portion of income from the Operating Partnership not attributable to us. At the end of each reporting period, we determine the amount of equity (at book value) that is allocable to non-controlling interests based upon the respective ownership interests. To reflect the non-controlling interests' equity interest in the Company, an adjustment is made to non-controlling interests, with a corresponding adjustment to paid-in capital, as reflected on the Consolidated Statements of Equity.

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. Most of our leases contain rental increases at specified intervals; we recognize such revenues on a straight-line basis. Certain other leases provide for additional rental payments that are based on a percentage of the gross crop revenue earned on the farm; such contingent revenue is recognized when all contingencies have been resolved and when actual results become known or estimable, enabling us to estimate and/or measure our share of such gross revenues. As a result, depending on the circumstances of each lease, certain participating rents may be recognized by us in the year the crop was harvested, while other participating rents may be recognized in the year following the harvest. Deferred rent receivable, included in Other assets on the accompanying Consolidated Balance Sheets, includes the cumulative difference between rental revenue as recorded on a straight-line basis and cash rents received from the tenants in accordance with the lease terms.

In addition, we determine, in our judgment, to what extent the deferred rent receivable applicable to each specific tenant is collectible. We perform a quarterly review on 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 and agricultural conditions in the geographic area in which the property is located. In the

event that the collectibility of deferred rent with respect to any given tenant is in doubt, we record an allowance for uncollectible accounts or record a direct write-off of the specific rent receivable. During the years ended December 31, 2016, and 2015, we wrote off \$84,600 and \$6,504, respectively, of deferred rent asset balances related to the early termination of certain leases; no such reserves or direct write-offs were recorded prior to 2015.

Tenant recovery revenue includes payments received from tenants as reimbursements for certain operating expenses, such as property taxes and insurance premiums. These expenses and their subsequent reimbursements are recognized under property operating expenses as incurred and tenant recovery revenue as earned, respectively, and are recorded in the same periods.

Other Income

We record non-operating and unusual or infrequent income as Other income on our Consolidated Statements of Operations. Other income recorded for the years ended December 31, 2016, 2015 and 2014 was primarily from interest earned on short-term investments, income tax refunds from the State of California and, for 2016 and 2015 only, interest patronage received on certain of our long-term borrowings.

Involuntary Conversions and Property and Casualty Recovery

We account for involuntary conversions, for example, when a nonmonetary asset, such as property or equipment, is involuntarily converted to a monetary asset, such as insurance proceeds, in accordance with ASC 605, "Revenue Recognition – Gains and Losses," which requires us to recognize a gain or a loss equal to the difference between the carrying amount of the nonmonetary asset and the amount of monetary assets received. Further, in accordance with ASC 450, "Contingencies," if recovery of the loss is considered to be probable, we will recognize a receivable for the amount expected to be covered by insurance proceeds, not to exceed the related loss recognized, unless such amounts have been realized.

Gain on sale of real estate

We recognize gains (or losses) on sales of real estate upon the closing of a transaction (be it an outright sale of a property or the sale of a perpetual, right-of-way easement on all or a portion of a property) with the purchaser. Gains are recognized using the full accrual method when the collectability of the sales price is reasonably assured, we are not obligated to perform additional activities that may be considered significant, the initial investment from the buyer is sufficient and other profit recognition criteria have been satisfied. Gains on sales of real estate may be deferred in whole or in part until the requirements for gain recognition have been met.

Income taxes

We have operated and intend to continue to operate in a manner that will allow us to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). On September 3, 2014, we filed our 2013 federal income tax return, on which we elected to be taxed as a REIT for federal income tax purposes beginning with our tax year ended December 31, 2013. As a REIT, we generally are not 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 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 corporate income tax on our undistributed taxable income.

Beginning January 1, 2013, Land Advisers has been treated as a wholly-owned TRS that is 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."

A reconciliation between the U.S. statutory federal income tax rate and our effective income tax rate for the years ended December 31, 2016, 2015 and 2014 is provided in the following table:

	2016	2015	2014
Effective U.S. statutory federal income tax rate ⁽¹⁾	—%	—%	—%
State taxes, net of U.S. federal income tax benefit ⁽²⁾	—%	—%	26.9%
Other adjustments	—%	—%	—%
Effective tax rate	—%	—%	26.9%

⁽¹⁾ Net of the effect of the the dividends paid deduction.

⁽²⁾ State tax adjustments made to the 2014 income tax provision related to taxes owed to the state of California as a result of prior-year land transfers.

The provision for income taxes included in our consolidated financial statements for 2014 was all current. We have performed a review of our tax positions and determined that, as of December 31, 2016 and 2015, we had no material provisions for uncertain tax positions. As of December 31, 2016, the tax years ended December 31, 2013, through December 31, 2016, remain open for an audit by the Internal Revenue Service.

Comprehensive Income (Loss)

For the years ended December 31, 2016, 2015 and 2014, comprehensive income (loss) equaled net income (loss); therefore, a separate statement of comprehensive income (loss) is not included in the accompanying consolidated financial statements.

Distributions

We operate in a manner intended to enable us to continue to qualify as a REIT under Sections 856-860 of the Code. Under those sections, a REIT that distributes at least 90% of its REIT taxable income to its stockholders each year and meets certain other conditions will not be subject to federal income tax on that portion of its taxable income that is distributed to stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates (including any alternative minimum tax) and may not be able to qualify as a REIT for the four immediately-subsequent taxable years. Even as a REIT, we may be subject to certain state and local income and property taxes and to federal income and excise taxes on undistributed taxable income. In general, however, as long as we qualify as a REIT, no provision for federal income taxes will be necessary, except for taxes on undistributed REIT taxable income and taxes on the income generated by a TRS, if any.

Reclassifications

Certain line items on the Consolidated Balance Sheet as of December 31, 2015, and the Consolidated Statements of Operations for the years ended December 31, 2015 and 2014 have been reclassified to conform to the current period's presentation. These reclassifications had no impact on previously-reported equity, net income (loss) or net change in cash and cash equivalents.

Segment Reporting

We manage our operations on an aggregated, single-segment basis for purposes of assessing performance and making operating decisions and, accordingly, have only one reporting and operating segment.

Recently-Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which was amended in March 2016 by ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08"), in April 2016 by ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-10"), in May 2016 by ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), and in December 2016 by ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"). ASU 2014-09, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance and establishes a new, control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. In July 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which deferred the effective date of ASU 2014-09, as amended. ASU 2014-09, as amended, is now effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years, with early adoption permitted for annual reporting periods beginning after December 15, 2016, and interim periods within those years. We are currently assessing the impact of ASU 2014-09, as amended; however, we do not anticipate a material impact on our results of operations or financial condition, as the primary impact of this update is related to common area maintenance and other material tenant reimbursements. The majority of our revenue is from rental income pursuant to net-lease agreements, with very little being attributed to tenant recoveries.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), which requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern through one year after the date that the financial statements are issued and to provide certain disclosures if it is probable that the entity will be unable to meet its obligations as they become due. ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. Since this guidance is primarily around certain disclosures to the financial statements, we anticipate no impact on our financial position.

results of operations or cash flows from adopting this standard. We are currently assessing the additional disclosure requirements.

In April 2015, the FASB issued ASU 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which simplifies the presentation of debt issuance costs. ASU 2015-03 requires the presentation of debt issuance costs on the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred financing cost. ASU 2015-03 is effective for annual periods beginning after December 15, 2015, and we adopted this provision during the three months ended March 31, 2016. As of December 31, 2016, and 2015, we had unamortized deferred financing costs related to mortgage notes and bonds payable of approximately \$1.4 million and \$1.1 million, respectively, which costs have been reclassified from Deferred financing costs, net, as reported on the Consolidated Balance Sheet as of December 31, 2015, in the 2015 Form 10-K, to Mortgage notes and bonds payable, net on the accompanying Consolidated Balance Sheets. All periods presented have been retroactively adjusted.

The following table summarizes the retrospective adjustment and the overall impact on the previously-reported consolidated financial statements:

	As of December 31, 2015	
	As Previously Reported	Retrospective Application
Deferred financing costs related to mortgage notes and bonds payable ⁽¹⁾	\$ 1,054,222	\$ —
Mortgage notes and bonds payable, net	142,633,157	141,578,935

⁽¹⁾ Included as part of Deferred financing costs, net, as reported on the Consolidated Balance Sheet in the Form 10-K.

In August 2015, the FASB issued ASU 2015-15, “Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements” (“ASU 2015-15”), which codifies an SEC staff announcement that entities are permitted to defer and present debt issuance costs related to line of credit arrangements as assets. ASU 2015-15 was effective immediately. As of December 31, 2016, and 2015, we had unamortized deferred financing costs of approximately \$0.2 million and \$0.1 million, respectively, related to our line of credit, and we will continue to present debt issuance costs related to line of credit arrangements as an asset on the accompanying Consolidated Balance Sheets.

On January 1, 2016, we adopted accounting guidance under Accounting Standards Codification (“ASC”) Topic 810, “Consolidations: Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,” (“ASC 810”), which modifies the analysis we must perform to determine whether we should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities (“VIEs”) or voting interest model entities, but it modifies the requirements to qualify as a voting interest model entity. Under the revised guidance, our Operating Partnership qualifies as a VIE; however, as we consolidate the Operating Partnership in our balance sheets, the identification of our Operating Partnership as a VIE has no impact on our consolidated financial statements. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption of this guidance. In addition, there were no other voting interest model entities under prior existing guidance determined to be VIEs under the revised guidance.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842): An Amendment of the FASB Accounting Standards Codification” (“ASU 2016-02”). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee, which classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis, respectively, over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of the classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leasing standard, ASC 840, “Leases,” and is effective on January 1, 2019, with early adoption permitted. We expect our legal expenses to increase marginally, as the new standard requires us to expense indirect leasing costs that were previously capitalized; however, we do not expect ASU 2016-02 to materially impact our consolidated financial statements, as we do not currently have any lease arrangements for which we are the lessee.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)” (“ASU 2016-15”), which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We are currently assessing the impact of ASU 2016-15 and do not anticipate a material impact on our statements of cash flows.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions and disposals. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We have decided to early adopt ASU 2017-01, effective October 1, 2016. As a result of our adoption of ASU 2017-01, we anticipate that most of our farmland acquisitions will be treated as asset acquisitions under ASC 360, which will result in lower acquisition-related expenses, as the majority of those costs will be capitalized and included as part of the fair value allocation of the purchase price.

NOTE 3. REAL ESTATE AND LEASE INTANGIBLES

All of our properties are wholly-owned on a fee-simple basis. The following table provides certain summary information about our 58 farms as of December 31, 2016:

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Property Name	Location	Date Acquired	No. of Farms	Total Acres	Farm Acres	Lease Expiration Date	Net Cost Basis ⁽¹⁾	Encumbrances ⁽²⁾
San Andreas	Watsonville, CA	6/16/1997	1	307	238	12/31/2020	\$ 4,747,051	\$ 6,917,247
West Gonzales	Oxnard, CA	9/15/1998	1	653	502	6/30/2020	12,030,677	26,956,919
West Beach	Watsonville, CA	1/3/2011	3	196	195	12/31/2023	9,270,197	6,032,246
Dalton Lane	Watsonville, CA	7/7/2011	1	72	70	10/31/2020	2,672,113	2,085,347
Keysville Road	Plant City, FL	10/26/2011	2	61	56	6/30/2020	1,239,052	897,600
Colding Loop	Wimauma, FL	8/9/2012	1	219	181	8/4/2017	3,837,942	2,640,000
Trapnell Road	Plant City, FL	9/12/2012	3	124	110	6/30/2017 ⁽³⁾	3,808,117	2,389,500
38th Avenue	Covert, MI	4/5/2013	1	119	89	4/4/2020	1,236,907	543,207
Sequoia Street	Brooks, OR	5/31/2013	1	218	206	5/31/2028	3,073,737	1,705,915
Natividad Road	Salinas, CA	10/21/2013	1	166	166	10/31/2024	8,914,338	4,323,279
20th Avenue	South Haven, MI	11/5/2013	3	151	94	11/4/2018	1,813,535	914,501
Broadway Road	Moorpark, CA	12/16/2013	1	60	46	12/15/2023	2,870,878	1,698,795
Oregon Trail	Echo, OR	12/27/2013	1	1,895	1,640	12/31/2023	13,972,826	8,137,938
East Shelton	Willcox, AZ	12/27/2013	1	1,761	1,320	2/29/2024	7,681,498	4,236,814
Collins Road	Clatskanie, OR	5/30/2014	2	200	157	9/30/2024	2,314,502	1,556,381
Spring Valley	Watsonville, CA	6/13/2014	1	145	110	9/30/2022	5,716,822	3,522,201
McIntosh Road	Dover, FL	6/20/2014	2	94	78	6/30/2017 ⁽⁴⁾	2,428,657	1,439,640
Naumann Road	Oxnard, CA	7/23/2014	1	68	66	7/31/2017	6,752,465	3,524,744
Sycamore Road	Arvin, CA	7/25/2014	1	326	322	10/31/2024	6,810,009	3,933,167
Wauchula Road	Duette, FL	9/29/2014	1	808	590	9/30/2024	13,318,605	7,329,863
Santa Clara Avenue	Oxnard, CA	10/29/2014	2	333	331	7/31/2017	24,099,573	13,732,770
Dufau Road	Oxnard, CA	11/4/2014	1	65	64	11/3/2017	6,001,644	3,675,000
Espinosa Road	Salinas, CA	1/5/2015	1	331	329	10/31/2020	16,062,427	10,178,000
Parrish Road	Duette, FL	3/10/2015	1	419	412	6/30/2025	4,094,292	2,374,680
Immokalee Exchange	Immokalee, FL	6/25/2015	2	2,678	1,644	6/30/2020	15,408,261	9,360,000
Holt County	Stuart, NE	8/20/2015	1	1,276	1,052	12/31/2018	5,404,736	3,301,000
Rock County	Bassett, NE	8/20/2015	1	1,283	1,049	12/31/2018	5,384,329	3,301,000
Bear Mountain	Arvin, CA	9/3/2015	3	854	841	1/9/2031	26,837,231	11,279,182
Corbitt Road	Immokalee, FL	11/2/2015	1	691	390	12/31/2021	3,733,152	2,165,760
Reagan Road	Willcox, AZ	12/22/2015	1	1,239	875	12/31/2025	5,717,113	3,210,000
Gunbarrel Road	Alamosa, CO	3/3/2016	3	6,191	4,730	2/28/2021 ⁽⁵⁾	24,704,494	15,303,500
Calaveras Avenue	Coalinga, CA	4/5/2016	1	453	435	10/31/2025	15,187,423	9,161,418
Orange Avenue	Fort Pierce, FL	7/1/2016	1	401	400	6/30/2023	5,088,923	3,072,602
Lithia Road	Lithia, FL	8/11/2016	1	72	55	5/31/2021	1,694,521	1,020,000
Baca County	Edler, CO	9/1/2016	5	7,384	6,785	12/31/2020	6,381,955	3,051,727
Diego Ranch	Stanislaus, CA	9/14/2016	1	1,357	1,309	11/15/2019	13,999,584	7,273,282
Nevada Ranch	Merced, CA	9/14/2016	1	1,130	1,021	11/15/2019	13,234,157	6,713,799
Central Avenue	Kerman, CA	10/13/2016	1	197	195	10/31/2026	6,491,229	3,900,000
Horse Creek	Baca, CO	12/28/2016	1	16,595	11,742	12/31/2020	11,711,818	5,900,005
			58	50,592	39,895		\$ 325,746,790	\$ 208,759,029

⁽¹⁾ Consists of the initial acquisition price (including the costs allocated to both tangible and intangible assets acquired and liabilities assumed), plus subsequent improvements and other capitalized costs associated with the properties, and adjusted for accumulated depreciation and amortization. Includes Investments in real estate, net and Lease intangibles, net; plus net above-market lease values included in Other assets; and less net below-market lease values, deferred revenue and unamortized tenant improvements included in Other liabilities, each as shown on the accompanying Consolidated Balance Sheet.

⁽²⁾ Excludes approximately \$1.4 million of deferred financing costs related to mortgage notes and bonds payable included in Mortgage notes and bonds payable, net on the accompanying Consolidated Balance Sheet.

⁽³⁾ There are three agricultural leases and one commercial lease on this property. Each of the agricultural leases expires on June 30, 2017, and the commercial lease expires on June 30, 2018.

⁽⁴⁾ There are two leases in place on this property, one expiring on June 30, 2017, and the other expiring on June 30, 2019.

⁽⁵⁾ The lease agreement on this property includes two terms. The rental period for the land expires on February 28, 2021, and the rental period for the facilities expires on June 30, 2021.

Real Estate

The following table sets forth the components of our investments in tangible real estate assets as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Real estate:		
Land and land improvements	\$ 265,984,509	\$ 192,020,381
Irrigation systems	33,968,693	21,849,508
Buildings and improvements	14,670,759	11,184,647
Horticulture	17,759,193	1,490,695
Other site improvements	4,993,440	1,872,606
Real estate, at cost	337,376,594	228,417,837
Accumulated depreciation	(11,065,973)	(6,634,412)
Real estate, net	\$ 326,310,621	\$ 221,783,425

Real estate depreciation expense on these tangible assets was \$4,445,756, \$2,271,766 and \$1,384,960 for the years ended December 31, 2016, 2015 and 2014, respectively.

Included in the figures above are amounts related to improvements on certain of our properties paid for by our tenants but owned by us, or tenant improvements. As of December 31, 2016, and 2015, we recorded tenant improvements, net of accumulated depreciation, of \$1,845,427 and \$1,183,020, respectively. We recorded both depreciation expense and additional rental revenue related to these tenant improvements of \$146,782, \$62,229 and \$56,760 during the years ended December 31, 2016, 2015 and 2014, respectively.

Intangible Assets and Liabilities

The following table summarizes the carrying value of lease intangibles and the accumulated amortization for each intangible asset or liability class as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Lease intangibles:		
In-place leases	\$ 1,480,842	\$ 1,225,955
Leasing costs	1,086,582	677,112
Tenant relationships	705,955	886,743
Lease intangibles, at cost	3,273,379	2,789,810
Accumulated amortization	(1,273,606)	(1,026,269)
Lease intangibles, net	\$ 1,999,773	\$ 1,763,541

Total amortization expense related to these lease intangible assets, including amounts charged to amortization expense due to early lease terminations, was \$741,493, \$841,726 and \$350,684 for the years ended December 31, 2016, 2015 and 2014, respectively. During the years ended December 31, 2016, 2015 and 2014, we charged \$8,635, \$20,255 and \$43,328, respectively, to amortization expense due to early lease terminations.

The following table summarizes the carrying values of certain lease intangible assets or liabilities included in Other assets and Other liabilities, respectively, on the accompanying Consolidated Balance Sheets and the related accumulated amortization or accretion, respectively, as of December 31, 2016, and 2015.

Intangible Asset or Liability	December 31, 2016		December 31, 2015	
	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion
Above-market lease values ⁽¹⁾	\$ 19,528	\$ (14,050)	\$ 19,528	\$ (7,540)
Below-market lease values and deferred revenue ⁽²⁾	(785,045)	61,389	(202,579)	23,205
	\$ (765,517)	\$ 47,339	\$ (183,051)	\$ 15,665

⁽¹⁾ Above-market lease values are included as part of Other assets in the accompanying Consolidated Balance Sheets, and the related amortization is recorded as a reduction of rental income.

⁽²⁾ Below-market lease values and deferred revenue are included as a part of Other liabilities in the accompanying Consolidated Balance Sheets, and the related accretion is recorded as an increase to rental income.

Total amortization related to above-market lease values and deferred revenue was \$6,509, \$16,934 and \$9,027 for the years ended December 31, 2016, 2015 and 2014, respectively. Total accretion related to below-market lease values and deferred revenue was \$38,184, \$178,617 and \$146,534 for the years ended December 31, 2016, 2015 and 2014, respectively.

The estimated aggregate amortization expense to be recorded related to in-place leases, leasing costs and tenant relationships and the estimated net impact on rental income from the amortization or accretion of above- and below-market lease values and deferred revenue for each of the five succeeding fiscal years and thereafter is as follows:

Period		Estimated Amortization Expense	Estimated Net Increase to Rental Income
For the fiscal years ending December 31:	2017	\$ 492,153	\$ 58,294
	2018	392,191	52,815
	2019	354,790	58,294
	2020	265,599	58,294
	2021	100,113	57,193
	Thereafter	394,927	433,288
		\$ 1,999,773	\$ 718,178

New Real Estate Activity

Until our adoption of ASU 2017-01, which clarified the definition of a business, certain acquisitions during the periods presented were accounted for as business combinations in accordance with ASC 805, as there was a prior leasing history on the property. As such, the fair value of all assets acquired and liabilities assumed were determined in accordance with ASC 805, and all acquisition-related costs were expensed as incurred, other than those costs directly related to reviewing or assigning leases that we assumed upon acquisition, which were capitalized as part of leasing costs. Upon our early adoption of ASU 2017-01, effective October 1, 2016, acquisitions with a prior leasing history will generally be treated as an asset acquisition under ASC 360. For acquisitions accounted for as asset acquisitions under ASC 360, all acquisition-related costs were capitalized and included as part of the fair value allocation of the identifiable tangible and intangible assets acquired, other than those costs that directly related to originating new leases we executed upon acquisition, which were capitalized as part of leasing costs.

In addition, total consideration for acquisitions may include a combination of cash and equity securities, such as OP Units. When OP Units are issued in connection with acquisitions, we determine the fair value of the OP Units issued based on the number of units issued multiplied by the closing price of the Company's common stock on the date of acquisition.

2016 New Real Estate Activity

During the year ended December 31, 2016, we acquired 15 new farms in nine separate transactions, which are summarized in the table below.

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs	Annualized Straight-line Rent ⁽¹⁾	New Long-term Debt Issued
Gunbarrel Road ⁽²⁾	Alamosa, CO	3/3/2016	6,191	3	Organic Potatoes	5 years	1 (5 years)	\$ 25,735,815	\$ 119,085 ⁽³⁾	\$ 1,590,614	\$ 15,531,000
Calaveras Avenue	Coalinga, CA	4/5/2016	453	1	Pistachios	10 years	1 (5 years)	15,470,000	38,501 ⁽⁴⁾	773,500 ⁽⁵⁾	9,282,000
Orange Avenue	Fort Pierce, FL	7/1/2016	401	1	Vegetables	7 years	2 (7 years)	5,100,000	37,615 ⁽⁴⁾	291,173	3,120,000
Lithia Road	Plant City, FL	8/11/2016	72	1	Strawberries	5 years	None	1,700,000	38,296 ⁽³⁾	97,303	1,020,000
Baca County ⁽⁶⁾	Edler, CO	9/1/2016	7,384	5	Grass Hay and Alfalfa	4 years	1 (5 years)	6,322,853	72,558 ⁽⁴⁾	383,734	—
Diego Ranch ⁽⁷⁾	Stanislaus, CA	9/14/2016	1,357	1	Almonds	3 years	3 (5 years) & 1 (3 years)	13,996,606	63,909 ⁽³⁾	621,092	—
Nevada Ranch	Merced, CA	9/14/2016	1,130	1	Almonds	3 years	3 (5 years) & 1 (3 years)	13,231,832	41,650 ⁽³⁾	574,256	—
Central Avenue	Kerman, CA	10/13/2016	197	1	Almonds	10 years	2 (5 years)	6,500,000	29,284 ⁽⁴⁾	325,032	3,900,000
Horse Creek ⁽⁸⁾	Baca, CO	12/28/2016	16,595	1	Grass Hay and Alfalfa	4 years	1 (5 years)	11,664,849	54,644 ⁽⁴⁾	716,967	—
			33,780	15				\$ 99,721,955	\$ 495,542	\$ 5,373,671	\$ 32,853,000

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- (1) Annualized straight-line amount is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP.
- (2) As partial consideration for the acquisition of this property, we issued 45,879 OP Units, constituting an aggregate fair value of approximately \$6.5 million as of the acquisition date. We incurred \$25,500 of legal costs in connection with the issuance of these OP Units.
- (3) Acquisition accounted for as a business combination under ASC 805. In aggregate, \$9,520 of these costs related to direct leasing costs incurred in connection with these acquisitions.
- (4) Acquisition accounted for as an asset acquisition under ASC 360.
- (5) Lease provides for a variable rent component based on the gross crop revenues earned on the property. The figure above represents only the minimum cash rents guaranteed under the lease.
- (6) As partial consideration for the acquisition of this property, we issued 25,677 Units, constituting an aggregate fair value of approximately \$1.5 million as of the acquisition date. We incurred \$8,235 of legal costs in connection with the issuance of these OP Units.
- (7) As partial consideration for the acquisition of this property, we issued 43,750 OP Units, constituting an aggregate fair value of approximately \$3.9 million as of the acquisition date. We incurred \$21,710 of legal costs in connection with the issuance of these OP Units.
- (8) As partial consideration for the acquisition of this property, we issued 33,952 OP Units, constituting an aggregate fair value of approximately \$2.6 million as of the acquisition date. We incurred \$7,675 of legal costs in connection with the issuance of these OP Units.

The preliminary allocation of the purchase price for the farms acquired during the year ended December 31, 2016, are as follows:

Property Name	Land and Land Improvements	Buildings	Irrigation Systems	Other Improvements	Horticulture	In-place Leases	Leasing Costs	Above (Below)-Market Leases	Total Purchase Price
Gunbarrel Road	\$ 16,755,814	\$ 3,438,291	\$ 2,830,738	\$ 2,079,102	\$ —	\$ 381,977	\$ 249,893	\$ —	\$ 25,735,815
Calaveras Avenue	3,615,436	—	424,112	—	11,430,452	—	—	—	15,470,000
Orange Avenue	4,135,741	29,777	934,482	—	—	—	—	—	5,100,000
Lithia Road	1,461,090	10,656	213,325	—	—	7,739	16,265	(9,075)	1,700,000
Baca County	6,111,287	211,566	—	—	—	—	—	—	6,322,853
Diego Ranch	14,114,337	—	45,465	—	—	58,445	94,806	(316,447)	13,996,606
Nevada Ranch	12,844,650	—	504,445	—	—	53,197	86,483	(256,943)	13,231,832
Central Avenue	2,924,232	—	138,237	—	3,437,531	—	—	—	6,500,000
Horse Creek	11,388,317	—	108,027	168,505	—	—	—	—	11,664,849
	<u>\$ 73,350,904</u>	<u>\$ 3,690,290</u>	<u>\$ 5,198,831</u>	<u>\$ 2,247,607</u>	<u>\$ 14,867,983</u>	<u>\$ 501,358</u>	<u>\$ 447,447</u>	<u>\$ (582,465)</u>	<u>\$ 99,721,955</u>

The allocations of the purchase prices for certain of the properties acquired during the year ended December 31, 2016, that were accounted for as business combinations are preliminary and may change during the measurement period if we obtain new information regarding the assets acquired or liabilities assumed at the acquisition date.

Below is a summary of the total operating revenues and earnings recognized on the properties acquired during the year ended December 31, 2016:

Property Name	Acquisition Date	For the year ended December 31, 2016	
		Operating Revenues	Earnings ⁽¹⁾
Gunbarrel Road	3/3/2016	\$ 1,316,960	\$ (210,622)
Calaveras Avenue	4/5/2016	570,615	(6,745)
Orange Avenue	7/1/2016	145,587	31,442
Lithia Road	8/11/2016	37,927	(16,741)
Baca County	9/1/2016	127,911	122,687
Diego Ranch	9/14/2016	186,328	141,404
Nevada Ranch	9/14/2016	172,277	128,093
Central Avenue	10/13/2016	70,773	(927)
Horse Creek	12/28/2016	7,709	7,709
		<u>\$ 2,636,087</u>	<u>\$ 196,300</u>

⁽¹⁾ In aggregate, includes \$206,210 of non-recurring acquisition-related costs during the year ended December 31, 2016.

2015 New Real Estate Activity

During the year ended December 31, 2015, we acquired 11 new farms in eight separate transactions, which are summarized in the table below.

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Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs	Annualized Straight-line Rent ⁽¹⁾	Net Long-term Debt Issued
Espinosa Road ⁽²⁾	Salinas, CA	1/5/2015	331	1	Strawberries	1.8 years	None	\$ 16,905,500	\$ 89,885 ⁽³⁾	\$ 778,342	\$ 10,178,000
Parrish Road	Duette, FL	3/10/2015	419	1	Strawberries	10.3 years	2 (5 years)	3,913,280	103,610 ⁽³⁾	251,832	2,374,680
Immokalee Exchange	Immokalee, FL	6/25/2015	2,678	2	Misc. Vegetables	5.0 years	2 (5 years)	15,757,700	152,571 ⁽³⁾	960,104	9,360,000
Holt County	Stuart, NE	8/20/2015	1,276	1	Misc. Vegetables	3.4 years	None	5,504,000	27,589 ⁽³⁾	289,815	3,301,000
Rock County	Bassett, NE	8/20/2015	1,283	1	Misc. Vegetables	3.4 years	None	5,504,000	27,589 ⁽³⁾	289,815	3,301,000
Bear Mountain	Arvin, CA	9/3/2015	854	3	Almonds	15.4 years	1 (10 years)	18,922,500	117,742 ⁽⁴⁾	828,608	21,138,196
Corbitt Road	Immokalee, FL	11/2/2015	691	1	Misc. Vegetables	6.1 years	1 (6 years)	3,760,000	77,259 ⁽⁴⁾	226,938	3,760,000
Reagan Road	Willcox, AZ	12/22/2015	1,239	1	Corn	10.0 years	2 (5 years)	5,700,000	44,871 ⁽⁴⁾	319,240	3,891,000
			<u>8,771</u>	<u>11</u>				<u>\$ 75,966,980</u>	<u>\$ 641,116</u>	<u>\$ 3,944,694</u>	<u>\$ 57,303,876</u>

⁽¹⁾ Annualized straight-line amount is based on the minimum cash rental payments guaranteed under the lease.

⁽²⁾ In connection with this acquisition, our Adviser earned a finder's fee of \$320,905, which was fully credited back to us by our Adviser during the three months ended March 31, 2015. See Note 6, "Related- Party Transactions" for further discussion on this fee.

⁽³⁾ Acquisition accounted for as a business combination under ASC 805. In aggregate, we incurred \$11,825 of direct leasing costs in connection with these acquisitions.

⁽⁴⁾ Acquisition accounted for as an asset acquisition under ASC 360.

We determined the fair value of assets acquired and liabilities assumed related to the properties acquired during the year ended December 31, 2015, to be as follows:

Property Name	Land and Land Improvements	Buildings and Improvements	Irrigation System	In-place Leases	Leasing Costs	Tenant Relationships	Above (Below)-Market Leases & (Deferred Revenue)	Total Purchase Price
Espinosa Road	\$ 15,852,466	\$ 84,478	\$ 497,401	\$ 246,472	\$ 43,895	\$ 180,788	\$ —	\$ 16,905,500
Parrish Road	2,403,064	42,619	1,299,851	54,405	77,449	35,892	—	3,913,280
Immokalee Exchange	14,410,840	273,107	515,879	229,406	148,691	179,777	—	15,757,700
Holt County	4,690,369	56,253	729,884	—	27,494	—	—	5,504,000
Rock County	4,862,314	72,232	540,589	—	28,865	—	—	5,504,000
Bear Mountain	18,428,247	—	494,253	—	—	—	—	18,922,500
Corbitt Road	3,186,765	254,963	470,875	—	—	—	(152,603)	3,760,000
Reagan Road	4,207,040	18,366	1,474,594	—	—	—	—	5,700,000
	<u>\$ 68,041,105</u>	<u>\$ 802,018</u>	<u>\$ 6,023,326</u>	<u>\$ 530,283</u>	<u>\$ 326,394</u>	<u>\$ 396,457</u>	<u>\$ (152,603)</u>	<u>\$ 75,966,980</u>

Below is a summary of the total operating revenues and earnings recognized on the properties acquired during the year ended December 31, 2015:

Property Name	Acquisition Date	Operating Revenues	Earnings ⁽¹⁾
Espinosa Road	1/5/2015	\$ 769,972	\$ (33,169)
Parrish Road	3/10/2015	203,341	(105,830)
Immokalee Exchange	6/25/2015	480,052	40,504
Holt County	8/20/2015	105,954	24,716
Rock County	8/20/2015	105,954	19,153
Bear Mountain	9/3/2015	271,599	249,958
Corbitt Road	11/2/2015	29,970	(13,434)
Reagan Road	12/22/2015	8,582	507
		<u>\$ 1,975,424</u>	<u>\$ 182,405</u>

⁽¹⁾ In aggregate, includes \$388,594 of non-recurring acquisition-related costs during the year ended December 31, 2015.

Acquired Intangibles and Liabilities

The following table shows the weighted-average amortization period, in years, for the intangible assets acquired and liabilities assumed in connection with the new properties acquired during the years ended December 31, 2016 and 2015:

Intangible Assets and Liabilities	Weighted-Average Amortization Period (in Years)	
	2016	2015
In-place leases	8.7	4.1
Leasing costs	11.6	5.5
Tenant relationships	0.0	9.5
Below-market lease and sale inducement values	20.9	6.2
All intangible assets and liabilities	14.2	6.2

Pro-Forma Information

During each of the years ended December 31, 2016 and 2015, we acquired six farms in transactions that qualified as business combinations. The following table reflects pro-forma consolidated financial information as if each farm was acquired on January 1 of the respective prior fiscal year. In addition, pro-forma earnings have been adjusted to assume that acquisition-related costs related to these farms were incurred at the beginning of the previous fiscal year.

	For the Years Ended December 31,	
	2016	2015
	(Unaudited)	(Unaudited)
Operating Data:		
Total operating revenue	\$ 18,205,615	\$ 13,552,489
Net income (loss) attributable to the company	900,749	(418,776)
Share and Per-share Data:		
Earnings (loss) per share of common stock – basic and diluted	\$ 0.09	\$ (0.05)
Weighted-average common shares outstanding – basic and diluted	10,007,350	8,639,397

The pro-forma consolidated results are prepared for informational purposes only. They are not necessarily indicative of what our consolidated financial condition or results of operations actually would have been assuming the acquisitions had occurred at the beginning of the respective previous periods, nor do they purport to represent our consolidated financial position or results of operations for future periods.

Significant Existing Real Estate Activity

On February 1, 2016, we completed certain irrigation improvements on Sycamore Road to increase overall water availability at a total cost of \$993,319. As stipulated in the lease agreement with our tenant, we will earn additional rent on the total cost commensurate with the annual yield on the farmland, which will result in additional straight-line rental income of \$53,550 per year throughout the remaining lease term.

On February 8, 2016, we renewed the lease with the tenant occupying one of our McIntosh Road farms, which was set to expire on June 30, 2016. The lease was renewed for an additional three years, through June 30, 2019, with annualized, straight-line rental income of \$63,000, representing a 17.9% increase over that of the previous lease.

On April 5, 2016, we reimbursed the tenant occupying Wauchula Road for \$569,607 of costs incurred to construct certain irrigation improvements on the farm. As stipulated in the lease, as of April 1, 2016, we began earning an additional \$92,634 of annualized, straight-line rental income on this farm throughout the remaining lease term.

On April 5, 2016, we reimbursed the tenant occupying Parrish Road for \$500,000 of our portion of the costs incurred to construct certain irrigation improvements on the farm. As stipulated in the lease, as of April 1, 2016, we began earning an additional \$139,073 of annualized, straight-line rental income on this farm throughout the remaining lease term. In addition, in connection with our acquisition of Parrish Road in March 2015, we committed to providing \$745,000 as additional consideration and reimbursements of certain costs, contingent upon the approval by a local water management district of increases in certain water permits on the property. These water permits were approved on June 28, 2016, and we remitted \$745,000 to the tenant, who was also the seller of the property, on June 30, 2016.

On July 5, 2016, we received payment of approximately \$164,000 (including \$4,000 of accrued interest) from the California Department of Transportation ("CalTrans") in connection with the settlement of the eminent domain lawsuit for 4.5 acres of nonfarmable land on Espinosa Road. Our cost basis of the 4.5 nonfarmable acres was approximately \$156,000, which was previously included in Investments in real estate, net on our Condensed Consolidated Balance Sheet.

On July 15, 2016, we terminated the lease with the tenant occupying Colding Loop prior to its expiration, and, on August 5, 2016, we entered into a new lease with a new tenant to occupy the property. The new lease is scheduled to expire on August 4, 2017, and provides for minimum rental payments of \$72,400 over its term. In connection with the early termination of the previous lease, we wrote off \$84,600 of deferred rent asset balances to bad debt expense during the year ended December 31, 2016. In addition, during the year ended December 31, 2016, we expensed \$8,635 of unamortized leasing costs associated with the previous lease.

On August 25, 2016, we renewed the lease with the tenant occupying Espinosa Road, which was originally set to expire on October 31, 2016. The lease was renewed for an additional four years, through October 31, 2020, with annualized, straight-line rental income of \$997,017, representing a 28.1% increase over that of the previous lease. In connection with the renewal, we also assumed the responsibility for the property taxes on Espinosa Road, which were the tenant's responsibility under the old lease. Property taxes on Espinosa Road are approximately \$144,000 for the property tax assessment year ending June 30, 2017.

Involuntary Conversions and Property and Casualty Recovery

In April 2014, two separate fires occurred on two of our properties, partially damaging a structure on each property. One occurred on 20th Avenue, destroying the majority of a residential house, and the other occurred on West Gonzales, damaging a portion of a cooling facility. During the year ended December 31, 2014, we wrote down the carrying values of these properties by an aggregate amount of \$232,737, and, in accordance with ASC 605, "Revenue Recognition – Gains and Losses," we also recorded a corresponding property and casualty loss. We recovered \$495,700 of insurance proceeds during the year ended December 31, 2014, and, in accordance with ASC 450, "Contingencies," we recorded these amounts as an offset to the property and casualty loss recorded earlier in the year, resulting in a net recovery. During the year ended December 31, 2015, we recovered an additional \$97,232 of insurance proceeds, and such recovery is included in Property and casualty recovery, net on the accompanying Consolidated Statements of Operations.

Repairs have been completed on each of these properties. During the year ended December 31, 2015, we expended \$35,648 in repairs and upgrades to the cooler as a result of the fire on West Gonzales, of which \$25,682 was capitalized as a real estate addition, and \$9,966 was recorded in repairs and maintenance expense, included in Property operating expense on the accompanying Consolidated Statements of Operations. Repairs on 20th Avenue were also completed during the year ended December 31, 2015, at no cost to us. During the year ended December 31, 2014, we expended \$496,784 in repairs and upgrades to the cooler, of which \$407,096 was capitalized as a real estate addition and \$89,688 was recorded in repairs and maintenance expense.

Each of these insurance claims has been closed, and no further recoveries are expected for either of these fires.

Lease Expirations

The following unaudited table summarizes the future lease expirations by year for our properties as of December 31, 2016:

Year	Number of Expiring Leases	Expiring Leased Acreage	% of Total Acreage	Rental Revenue for the Year Ended December 31, 2016	% of Total Rental Revenue
2017	11 ⁽¹⁾	866	1.7%	\$ 2,296,025	13.3%
2018	4	2,710	5.4%	825,485	4.8%
2019	3	2,524	5.0%	419,740	2.4%
2020	9	28,200	55.7%	5,247,810	30.3%
2021	4	6,954	13.7%	1,606,592	9.3%
2022	1	145	0.3%	315,896	1.8%
Thereafter	15	9,193	18.2%	6,593,921	38.1%
Totals	47	50,592	100.0%	\$ 17,305,469	100.0%

⁽¹⁾ Includes a surface area lease on a portion of one property leased to an oil company that is renewed on a year-to-year basis, for which we recorded \$32,109 of rental revenue during the year ended December 31, 2016.

Future Lease Payments

Future operating lease payments from tenants under all non-cancelable leases, excluding tenant reimbursement of expenses, for each of the five succeeding fiscal years and thereafter as of December 31, 2016, are as follows:

Period		Tenant Lease Payments
For the fiscal years ending December 31:	2017	\$ 16,356,193
	2018	17,404,173
	2019	16,911,432
	2020	14,679,754
	2021	9,067,911
	Thereafter	46,168,102
		\$ 120,587,565

Portfolio Diversification and Concentrations

Diversification

The following unaudited table summarizes the geographic locations, by state, of our properties with leases in place as of December 31, 2016 and 2015:

State	As of and For the Year Ended December 31, 2016					As of and For the Year Ended December 31, 2015				
	Number of Farms	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue	Number of Farms	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue
California	22	6,713	13.3%	\$ 9,829,177	56.8%	18	3,576	21.3%	\$ 7,754,945	65.2%
Florida	15	5,567	11.0%	3,293,475	19.0%	13	5,092	30.3%	2,166,660	18.2%
Colorado	9	30,170	59.6%	1,452,581	8.4%	—	—	—%	—	—%
Oregon	4	2,313	4.6%	1,171,887	6.8%	4	2,313	13.8%	1,168,725	9.8%
Arizona	2	3,000	5.9%	729,232	4.2%	2	3,000	17.8%	338,446	2.9%
Nebraska	2	2,559	5.1%	579,630	3.4%	2	2,559	15.2%	211,908	1.8%
Michigan	4	270	0.5%	249,487	1.4%	4	270	1.6%	247,407	2.1%
	58	50,592	100.0%	\$ 17,305,469	100.0%	43	16,810	100.0%	\$ 11,888,091	100.0%

Concentrations

Credit Risk

As of December 31, 2016, our farms are leased to 40 different, third-party tenants, with certain tenants leasing more than one farm. Dole Food Company ("Dole") leases two of our farms, and aggregate rental revenue attributable to Dole accounted for approximately \$3.0 million, or 17.1%, of the total rental revenue recorded during the year ended December 31, 2016. If Dole fails to make rental payments or elects to terminate its leases and the properties cannot be re-leased on satisfactory terms, there could be a material adverse effect on our financial performance and ability to continue operations. No other individual tenant accounted for greater than 10.0% of the total rental revenue recorded during the year ended December 31, 2016.

Geographic Risk

22 of our 58 farms owned as of December 31, 2016, are located in California, and 15 farms are located in Florida. As of December 31, 2016, our farmland in California accounted for 6,713 acres, or 13.3% of the total acreage we owned. Furthermore, these farms accounted for approximately \$9.8 million, or 56.8%, of the total rental revenue recorded during the year ended December 31, 2016. However, these farms are spread across three of the many different growing regions within California. As of December 31, 2016, our farmland in Florida accounted for 5,567 acres, or 11.0% of the total acreage we owned, and these farms accounted for approximately \$3.3 million, or 19.0%, of the total rental revenue recorded during the year ended December 31, 2016. Though we seek to continue to further diversify geographically, as may be desirable or feasible, 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. No other single state accounted for more than 10.0% of the total rental revenue recorded during the year ended December 31, 2016.

NOTE 4. BORROWINGS

Our borrowings as of December 31, 2016 and 2015 are summarized below:

	Carrying Value as of		As of December 31, 2016	
	December 31, 2016	December 31, 2015	Stated Interest Rates ⁽¹⁾ (Range; Wtd Avg)	Maturity Dates (Range; Wtd Avg)
Mortgage notes and bonds payable:				
Fixed-rate mortgage notes payable	\$ 142,860,529	\$ 107,423,157	2.90%–3.94%; 3.25%	5/1/2020–11/1/2041; June 2030
Variable-rate mortgage notes payable	—	2,185,000	N/A	N/A
Fixed-rate bonds payable	49,348,500	33,025,000	2.38%–3.29%; 2.94%	7/30/2018–8/22/2023; October 2020
Total mortgage notes and bonds payable	192,209,029	142,633,157		
Deferred financing costs – mortgage notes and bonds payable	(1,412,017)	(1,054,222)	N/A	N/A
Mortgage notes and bonds payable, net	\$ 190,797,012	\$ 141,578,935		
Variable-rate revolving lines of credit	\$ 16,550,000	\$ 100,000	3.11%	4/5/2024
Total borrowings, net	\$ 207,347,012	\$ 141,678,935		

⁽¹⁾ Where applicable, stated interest rates are before interest patronage (as described below).

The weighted-average interest rate charged on the above borrowings, excluding the impact of deferred financing costs and before any interest patronage, or refunded interest, was 3.27% for the year ended December 31, 2016, as compared to 3.44% for the year ended December 31, 2015 and 3.63% for the year ended December 31, 2014. 2015 interest patronage from our Farm Credit CFL Notes Payable (as defined below), which was received during the three months ended March 31, 2016, resulted in a 16.1% reduction to the stated interest rate on such borrowings. We are unable to estimate the amount of patronage to be received, if any, related to interest accrued during 2016 on our Farm Credit Notes Payable.

MetLife Credit Facility

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 mortgage promissory note that was scheduled to mature on January 5, 2026 (the "Prior MetLife Term Note"). The Prior MetLife Term Note accrued interest at a rate of 3.50% per year and also included a commitment fee of 0.20% on any undrawn amounts. On May 23, 2012, we obtained a \$4.8 million revolving line of credit with MetLife that was scheduled to mature on April 5, 2018 (the "Prior MetLife Line of Credit," and, together with the Prior MetLife Term Note, the "Prior MetLife Facility"). The Prior MetLife Line of Credit bore interest at an annual rate equal to the three-month LIBOR plus 3.00%.

On May 9, 2014, we closed on a facility with MetLife that replaced the Prior MetLife Facility. The new facility with MetLife consisted of a \$100.0 million long-term note payable (the "2015 MetLife Term Note") and a \$25.0 million revolving equity line of credit (the "2015 MetLife Line of Credit" and, together with the 2015 MetLife Term Note, the "New MetLife Facility"). Similar to the Prior MetLife Facility, under the New MetLife Facility, we were generally allowed to borrow up to 58% of the aggregate of the lower of cost or the appraised value of the pool of agricultural real estate pledged as collateral.

On October 5, 2016, we amended the New MetLife Facility to, among other changes, increase the overall size of the facility from \$125.0 million to \$200.0 million (the "2016 Amendment"). Pursuant to the 2016 Amendment, the New MetLife Facility now consists of the 2015 MetLife Term Note, the 2015 MetLife Line of Credit, a \$50.0 million long-term note payable (the "2016 MetLife Term Note," and together with the 2015 MetLife Term Note, the "MetLife Term Notes"), the terms of which are pari passu with those of the 2015 MetLife Term Note, and a \$25.0 million revolving equity line of credit (the "2016 MetLife Line of Credit," and together with the 2015 MetLife Line of Credit, the "MetLife Lines of Credit"), the terms of which are pari passu to those of the 2015 MetLife Line of Credit.

Among other changes, the 2016 Amendment:

- increased the overall loan-to-value ratio on the underlying properties pledged as collateral under the New MetLife Facility from 58% to 60%;
- reduced the blended interest rate on all previously-disbursed amounts under the 2015 MetLife Term Note by 19 basis points;
- extended the fixed-rate term of the 2015 MetLife Term Note by 76 months, through January 5, 2027; and
- extended the draw period under the 2015 MetLife Term Note by one year, through December 31, 2018.

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Simultaneous with the closing of the 2016 Amendment, we drew approximately \$21.6 million under the 2016 MetLife Term Note, with \$21.0 million of the proceeds being used to repay the balance previously outstanding under the 2015 MetLife Line of Credit.

The following table summarizes the terms of the New MetLife Facility as of December 31, 2016:

Issuance	Aggregate Commitment	Maturity Dates	Principal Outstanding	Interest Rate Terms	Undrawn Commitment
MetLife Term Notes	\$150,000,000 ⁽¹⁾	1/5/2029	\$ 107,489,466	3.16%, fixed for 10 years ⁽²⁾	\$ 40,979,806 ⁽³⁾
MetLife Lines of Credit	50,000,000	4/5/2024	16,550,000	3-month LIBOR + 2.25% ⁽⁴⁾	33,450,000 ⁽³⁾
Total principal outstanding			\$ 124,039,466		

⁽¹⁾ If the aggregate commitment under this facility is not fully utilized by December 31, 2018, MetLife has the option to be relieved of its obligations to disburse the additional funds under the MetLife Term Notes.

⁽²⁾ Represents the blended interest rate as of December 31, 2016. Interest rates for subsequent disbursements will be based on then-prevailing market rates. The interest rate on all then-outstanding disbursements will be subject to adjustment on January 5, 2027. Through December 31, 2018, the MetLife Term Notes are also subject to an unused fee of 0.20% on undrawn amounts.

⁽³⁾ Based on the properties that were pledged as collateral under the New MetLife Facility, as of December 31, 2016, the maximum additional amount we could draw under the facility was approximately \$22.3 million.

⁽⁴⁾ The interest rate on the MetLife Lines of Credit is subject to a minimum annualized rate of 2.50%, plus an unused fee of 0.20% on undrawn amounts. The interest rate spread will be subject to adjustment on October 5, 2019. As of December 31, 2016, the interest rate on the MetLife Lines of Credit was 3.11%.

Our continuing ability to borrow under the New MetLife Facility is subject to our ongoing compliance with various affirmative and negative covenants, including with respect to liens, indebtedness, mergers and asset sales. The New MetLife Facility also requires that we satisfy financial covenants on a consolidated basis at the end of each calendar quarter, including staying below a maximum debt-to-asset-value ratio and maintaining a minimum net worth value and rental-revenue-to-debt ratio. Amounts owed under the New MetLife Facility are guaranteed by us and each subsidiary of ours that owns a property pledged as collateral pursuant to the loan documents. As of December 31, 2016, we were in compliance with all covenants under the New MetLife Facility.

In connection with obtaining the New MetLife Facility, as amended, and the subsequent pledging of properties under the facility, through December 31, 2016, we have incurred total loan fees of approximately \$446,000 (including \$225,000 related to the 2016 Amendment) and aggregate financing costs, which includes legal fees, origination fees and administrative fees, of approximately \$1.2 million. In addition, approximately \$299,000 of unamortized deferred financing costs associated with the Prior MetLife Facility were further deferred and are being amortized over the term of the New MetLife Facility.

As of December 31, 2016, the MetLife Facility was collateralized by 33 farms with an aggregate book value of approximately \$186.1 million.

Farm Credit Notes Payable

Farm Credit CFL Notes Payable

From time to time since September 19, 2014, we, through certain subsidiaries of our Operating Partnership, have entered into various loan agreements with Farm Credit of Central Florida, FLCA ("Farm Credit CFL"). During the year ended December 31, 2016, we entered into one loan agreement with Farm Credit CFL, the terms of which are summarized below:

Date of Issuance	Loan Amount	Maturity Date	Principal Amortization	Interest Rate Terms ⁽¹⁾
7/1/2016	\$ 3,120,000 ⁽²⁾	6/1/2023	36.0 years	3.78%, fixed throughout term

⁽¹⁾ Rates represent the stated interest rates, before interest patronage. 2015 interest patronage received resulted in a 16.1% refund of the interest accrued on such borrowings during the year ended December 31, 2015.

⁽²⁾ Proceeds from this loan were used for the acquisition of a new property.

The following table summarizes, in the aggregate, the terms of the eight loans outstanding from Farm Credit CFL (collectively, the "Farm Credit CFL Notes Payable") as of December 31, 2016:

Dates of Issuance	Maturity Dates	Principal Outstanding	Stated Interest Rate ⁽¹⁾
9/19/2014 – 7/1/2016	5/1/2020–10/1/2040	\$ 22,309,645	3.48% ⁽²⁾

⁽¹⁾ Represents the weighted-average, blended rate on the respective borrowings as of December 31, 2016.

⁽²⁾ Rate is before interest patronage. 2015 interest patronage received resulted in a 16.1% reduction to the stated interest rate on such borrowings.

Our agreement with Farm Credit CFL also contains various affirmative and negative covenants, including with respect to liens, indebtedness, mergers and asset sales. Loans from Farm Credit CFL will generally have a loan-to-value ratio of 60% of the underlying agricultural real estate. The Farm Credit CFL Notes Payable also require us to satisfy financial covenants on a consolidated basis at the end of each calendar year, including maintaining a minimum net worth value and staying below a maximum leverage ratio. In addition, certain amounts owed under the Farm Credit CFL Notes Payable, limited to 12 months of principal and interest due under the loans, are guaranteed by us pursuant to the loan documents. As of December 31, 2016, we were in compliance with all covenants.

In connection with the Farm Credit CFL Notes Payable, through December 31, 2016, we have incurred total loan fees of \$131,000 and aggregate financing costs, which includes legal fees, origination fees and administrative fees, of \$252,000.

As of December 31, 2016, the Farm Credit CFL Notes Payable were collateralized by 12 farms with an aggregate book value of approximately \$37.5 million.

Farm Credit West Note Payable

From time to time since April 4, 2016, we, through certain subsidiaries of our Operating Partnership, have entered into various loan agreements with Farm Credit West, FLCA ("Farm Credit West"). During the year ended December 31, 2016, we entered into two separate loan agreements with Farm Credit West, the terms of which are summarized in the aggregate below:

Dates of Issuance	Loan Amount	Maturity Dates	Principal Amortization	Interest Rate Terms ⁽¹⁾
4/4/2016	\$ 9,282,000 ⁽²⁾	11/1/2040	24.5 years	3.54%, fixed through 4/30/2121, variable thereafter

⁽¹⁾ Rates represent the stated interest rates, before interest patronage.

⁽²⁾ Proceeds from this note were used for the acquisition of a new property.

The following table summarizes, in the aggregate, the terms of the two loans outstanding from Farm Credit West (collectively, the "Farm Credit West Notes Payable") as of December 31, 2016:

Dates of Issuance	Maturity Dates	Principal Outstanding	Stated Interest Rate ⁽¹⁾
4/4/2016 – 10/13/2016	11/1/2040-11/1/2041	\$ 13,061,418	3.66% ⁽²⁾

⁽¹⁾ Represents the weighted-average, blended rate on the respective borrowings as of December 31, 2016.

⁽²⁾ Rate is before interest patronage.

Our agreements with Farm Credit West contain various affirmative and negative covenants, including with respect to liens, indebtedness, mergers and asset sales. Loans from Farm Credit West will generally have a loan-to-value ratio of 60% of the underlying agricultural real estate. The Farm Credit West Notes Payable also require us to satisfy financial covenants at the end of each calendar year, including maintaining a minimum current ratio and net worth value and staying below a maximum leverage ratio. As of December 31, 2016, we were in compliance with all covenants.

In connection with the Farm Credit West Notes Payable, through December 31, 2016, we have incurred total loan fees of approximately \$33,000 and aggregate financing costs, which includes legal fees, origination fees and administrative fees, of approximately \$64,000.

As of December 31, 2016, the Farm Credit West Notes Payable were collateralized by two farms with an aggregate book value of approximately \$21.7 million.

Farmer Mac Facility

On December 5, 2014, we, through certain subsidiaries of our Operating Partnership, entered into a bond purchase agreement (the "Bond Purchase Agreement") with Federal Agricultural Mortgage Corporation ("Farmer Mac") and Farmer Mac Mortgage Securities Corporation (the "Bond Purchaser"), for a secured note purchase facility that provides for bond issuances up to an aggregate principal amount of \$75.0 million (the "Farmer Mac Facility"). On June 16, 2016, we entered into an amendment to increase the maximum borrowing capacity under the Farmer Mac Facility from \$75.0 million to \$125.0 million and extend the term of the Bond Purchase Agreement by two years, to December 11, 2018.

Pursuant to the Bond Purchase Agreement, we may, from time to time, issue one or more bonds to the Bond Purchaser that will be secured by a security interest in one or more loans originated by us (pursuant to the Pledge and Security Agreement described below), which, in turn, will be collateralized by first liens on agricultural real estate owned by subsidiaries of ours. The interest rate for each bond issuance will be based on prevailing market rates at the time of such issuance, and prepayment of each bond issuance will not be permitted unless otherwise agreed upon by all parties to the Bond Purchase Agreement. The

bonds issued will generally have a maximum aggregate, effective loan-to-value ratio of 60% of the underlying agricultural real estate, after giving effect to the overcollateralization obligations described below.

During the year ended December 31, 2016, we issued three bonds for gross proceeds of approximately \$16.6 million, the terms of which are summarized in the aggregate in the table below:

Dates of Issuance	Gross Proceeds	Maturity Dates	Principal Amortization	Interest Rate Terms
3/3/2016–8/22/2016	\$ 16,551,000 ⁽¹⁾	2/24/2023–8/22/2023	None–9.7 years	2.87%–3.08%, fixed throughout respective terms

⁽¹⁾ Proceeds from these bonds were used for the acquisition of new properties.

The following table summarizes, in the aggregate, the terms of the nine bonds outstanding under the Farmer Mac Facility as of December 31, 2016:

Dates of Issuance	Initial Commitment	Maturity Dates	Principal Outstanding	Stated Interest Rate ⁽¹⁾	Undrawn Commitment
12/11/2014–8/22/2016	\$125,000,000 ⁽²⁾	7/30/2018–8/22/2023	\$ 49,348,500	2.94%	\$ 74,743,000 ⁽³⁾

⁽¹⁾ Represents the weighted-average interest rate as of December 31, 2016.

⁽²⁾ If facility is not fully utilized by December 11, 2018, Farmer Mac has the option to be relieved of its obligations to purchase additional bonds under the facility.

⁽³⁾ As of December 31, 2016, there was no additional availability to draw under this facility, as no additional properties had been pledged as collateral.

Our ability to borrow under the Farmer Mac Facility is subject to our ongoing compliance with a number of customary affirmative and negative covenants, as well as financial covenants, including staying below a maximum leverage ratio and maintaining a minimum fixed charge coverage ratio and a tangible net worth. As of December 31, 2016, we were in compliance with all covenants.

In connection with the Bond Purchase Agreement, on December 5, 2014, we also entered into a pledge and security agreement (the “Pledge and Security Agreement”) in favor of the Bond Purchaser and Farmer Mac, which provides for us to pledge, as collateral for bonds issued pursuant to the Farmer Mac Facility, all of our respective right, title, and interest in mortgage loans made by us, which, among other things, must have at all times a value of not less than 110% of the aggregate principal amount of the outstanding bonds held by the Bond Purchaser.

The Bond Purchase Agreement and the Pledge Agreement include customary events of default, the occurrence of any of which, after any applicable cure period, would permit the Bond Purchaser and Farmer Mac to, among other things, accelerate payment of all amounts outstanding under the Farmer Mac Facility and to exercise its remedies with respect to the pledged collateral, including foreclosure and sale of the agricultural real estate underlying the pledged mortgage loans.

In connection with the Farmer Mac Facility, through December 31, 2016, we have incurred aggregate financing costs, which include legal fees and administrative fees, of approximately \$190,000.

As of December 31, 2016, the Farmer Mac Facility was collateralized by 11 farms with an aggregate book value of approximately \$80.4 million.

Debt Service – Aggregate Maturities

Scheduled principal payments of our aggregate mortgage notes and bonds payable as of December 31, 2016, for the succeeding years are as follows:

Period	Scheduled Principal Payments
For the fiscal years ending December 31:	
2017	\$ 5,319,053
2018	21,299,607
2019	8,903,854
2020	18,575,013
2021	5,026,008
Thereafter	133,085,494
	\$ 192,209,029

Fair Value

ASC 820 provides a definition of fair value that focuses on the exchange (exit) price of an asset or liability in the principal, or most advantageous, market and prioritizes the use of market-based inputs to the valuation. ASC 820-10, "Fair Value Measurements and Disclosures," establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 — inputs that are based upon quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 — inputs are based upon quoted prices for similar assets or liabilities in active or inactive markets or model-based valuation techniques, for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 — inputs are generally unobservable and significant to the fair value measurement. These unobservable inputs are generally supported by little or no market activity and are based upon management's estimates of assumptions that market participants would use in pricing the asset or liability.

As of December 31, 2016, the aggregate fair value of our long-term, fixed-rate mortgage notes and bonds payable was approximately \$191.8 million, as compared to an aggregate carrying value of \$192.2 million. The fair value of our long-term, fixed-rate mortgage notes and bonds payable is valued using Level 3 inputs under the hierarchy established by ASC 820-10 and is calculated based on a discounted cash flow analysis, using discount rates based on management's estimates of market interest rates on long-term debt with comparable terms. Further, due to the revolving nature of the MetLife Lines of Credit and the lack of changes in market credit spreads, their aggregate fair value as of December 31, 2016, is deemed to approximate their aggregate carrying value of approximately \$16.6 million.

NOTE 5. MANDATORILY-REDEEMABLE PREFERRED STOCK

On August 17, 2016, we completed a public offering of 1,000,000 shares of 6.375% Series A Cumulative Term Preferred Stock, par value \$0.001 per share (the "Term Preferred Stock"), at a public offering price of \$25.00 per share. Simultaneous with the closing of the offering and on the same terms and conditions, the underwriters exercised in full their option to purchase an additional 150,000 shares of the Term Preferred Stock to cover over-allotments. As a result of this offering, we issued a total of 1,150,000 shares of the Term Preferred Stock for gross proceeds of approximately \$28.8 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, of approximately \$27.6 million. These proceeds were used to repay existing indebtedness, to fund new property acquisitions and for other general corporate purposes. The Term Preferred Stock is traded under the ticker symbol, "LANDP," on the NASDAQ Global Market. The Term Preferred Stock is not convertible into our common stock or any other securities.

Generally, we may not redeem shares of the Term Preferred Stock prior to September 30, 2018, except in limited circumstances to preserve our qualification as a REIT. On or after September 30, 2018, we may redeem the shares at a redemption price of \$25.00 per share, plus any accumulated and unpaid dividends up to, but excluding, the date of redemption. The shares of the Term Preferred Stock have a mandatory redemption date of September 30, 2021. We incurred approximately \$1.2 million in total offering costs related to this issuance, which have been recorded net of the Term Preferred Stock as presented on the Consolidated Balance Sheet, and we will amortize these costs over the redemption period, which ends on September 30, 2021.

The Term Preferred Stock is recorded as a liability on our Consolidated Balance Sheet in accordance with ASC 480, "Distinguishing Liabilities from Equity," which states that mandatorily-redeemable financial instruments should be classified as liabilities. In addition, the related dividend payments are treated similar to interest expense in the Consolidated Statement of Operations.

As of December 31, 2016, the fair value of our Term Preferred Stock was approximately \$29.3 million, as compared to the carrying value, exclusive of offering costs, of \$28.8 million. The fair value of our Term Preferred Stock is valued using Level 1 inputs under the hierarchy established by ASC 820-10, "Fair Value Measurements and Disclosures," and is calculated based on the closing share price as of December 31, 2016, of \$25.44.

The dividends to preferred stockholders declared by our Board of Directors and paid by us during the year ended December 31, 2016, are reflected in the table below:

Declaration Date	Record Date	Payment Date	Dividend per Preferred Share
September 12, 2016	September 21, 2016	September 30, 2016	\$ 0.190364583 ⁽¹⁾
October 11, 2016	October 21, 2016	October 31, 2016	0.132812500
October 11, 2016	November 17, 2016	November 30, 2016	0.132812500
October 11, 2016	December 20, 2016	December 30, 2016	0.132812500
Year ended December 31, 2016			\$ 0.588802083

⁽¹⁾ Represents the cumulative dividend from (but excluding) the date of original issuance through the month ended September 30, 2016.

NOTE 6. RELATED-PARTY TRANSACTIONS

We are externally managed pursuant to contractual arrangements with our Adviser and our Administrator, which collectively employ all of our personnel and pay their salaries, benefits and general expenses directly. Effective February 1, 2013, we entered into amended and restated agreements with our Advisor for management advisory services (the "Advisory Agreement") and with our Administrator for administration services (the "Administration Agreement"). The management advisory and administrative services and fees under both of these agreements are described below.

Advisory Agreement

Base Management Fee

Pursuant to the Advisory Agreement, we pay an annual base management fee equal to 2.0% percentage of our adjusted stockholders' equity, which is defined as our total stockholders' equity at the end of each quarter less the recorded value of any preferred stock we may issue.

Incentive Fee

Pursuant to the Advisory Agreement, we also pay an additional quarterly incentive fee based on funds from operations (as defined in the Advisory Agreement). For purposes of calculating the incentive fee, our funds from operations, 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% (7.0% 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 total stockholders' equity at the end of the quarter (8.75% annualized) and 20% of the amount of our Pre-Incentive Fee FFO that exceeds 2.1875% for the quarter.

For the year ended December 31, 2016, our Adviser earned an incentive fee of \$349,550. There was no net incentive fee earned by our Adviser for either of the years ended December 31, 2015 or 2014, as our Pre-Incentive Fee FFO did not exceed the hurdle rate.

Administration Agreement

Pursuant to the Administration Agreement, we pay for our allocable portion of the Administrator's expenses incurred while performing services to us, including, but not limited to, rent and the salaries and benefits expenses of our Administrator's employees, including our chief financial officer, treasurer, chief compliance officer, general counsel and secretary (who also serves as our Administrator's president, general counsel and secretary) and their respective staffs. From February 1, 2013, through June 30, 2014, our allocable portion of these expenses was generally derived by multiplying that portion of the Administrator's expenses allocable to all funds managed by the Adviser by the percentage of our total assets at the beginning of each quarter in comparison to the total assets of all funds managed by our Adviser.

As approved by our Board of Directors, effective July 1, 2014, our allocable portion of the Administrator's expenses is now generally derived by multiplying our Administrator's total expenses by the approximate percentage of time the Administrator's employees perform services for us in relation to their time spent performing services for all companies serviced by our Administrator under similar contractual agreements. This change in methodology resulted in an increase in the fee we paid to our Administrator of approximately 137% for the six months ended December 31, 2014, as compared to the first six months of fiscal year 2014 and an increase of 135% for the six months ended June 30, 2015, as compared to the respective prior-year period.

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

	For the Years Ended December 31,		
	2016	2015	2014
Management fee ⁽¹⁾⁽²⁾	\$ 1,541,768	\$ 1,343,384	\$ 1,079,534
Incentive fee ⁽¹⁾⁽²⁾	349,550	—	—
Credits from voluntary, irrevocable waiver by Adviser's board of directors ⁽²⁾⁽³⁾	—	(320,905)	—
Net fees due to our Adviser	\$ 1,891,318	\$ 1,022,479	\$ 1,079,534
Administration fee⁽¹⁾⁽²⁾	\$ 771,255	\$ 679,590	\$ 442,584

⁽¹⁾ Pursuant to the Advisory and Administration Agreements, respectively.

⁽²⁾ Reflected as a line item on our accompanying Consolidated Statements of Operations.

⁽³⁾ The credit received from our Adviser for the three months ended March 31, 2015, was attributable to a finder's fee earned by our Adviser in connection with a farm we acquired during the three months ended March 31, 2015, which fee was granted to us as a one-time, voluntary and irrevocable waiver to be applied against the fees we pay to our Adviser.

Related Party Fees Due

Amounts due to related parties on our accompanying Consolidated Balance Sheets as of December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Management fee due to Adviser	\$ 383,452	\$ 362,373
Incentive fee due to Adviser	168,627	—
Other due to Adviser ⁽¹⁾	2,304	13,140
Total due to Adviser	554,383	375,513
Administration fee due to Administrator	202,381	190,080
Other due from Administrator ⁽¹⁾	(5,968)	—
Total due to Administrator	196,413	190,080
Total due to related parties⁽²⁾	\$ 750,796	\$ 565,593

⁽¹⁾ Other fees due to or from related parties primarily relate to miscellaneous general and administrative expenses paid by our Adviser or Administrator on our behalf or by us on our Adviser's or Administrator's behalf.

⁽²⁾ Reflected as a line item on our accompanying Consolidated Balance Sheets.

NOTE 7. EQUITY

Stockholders' Equity

As of December 31, 2016, there were 18,000,000 shares of common stock, par value \$0.001 per share, authorized, with 10,024,875 shares issued and outstanding. As of December 31, 2015, there were 20,000,000 shares of common stock, par value \$0.001 per share, authorized, with 9,992,941 shares issued and outstanding.

Non-Controlling Interests in Operating Partnership

We consolidate our Operating Partnership, which is a majority-owned partnership. As of December 31, 2016, and 2015, we owned approximately 87.4% and 100.0%, respectively, of the outstanding OP Units.

On or after 12 months after becoming a holder of OP Units, each limited partner, other than the Company, has the right, subject to the terms and conditions set forth in the partnership agreement of the Operating Partnership, to require the Operating Partnership to redeem all or a portion of such units in exchange for cash or, at the Company's option, shares of our common stock on a one-for-one basis. The cash redemption per OP Unit would be based on the market price of our common stock at the time of redemption. A limited partner will not be entitled to exercise redemption rights if the delivery of common stock to the redeeming limited partner would breach restrictions on the ownership of common stock imposed under our charter and other limitations thereof.

Regardless of the rights described above, the Operating Partnership will not have an obligation to issue cash to a unitholder upon a redemption request if the Company elects to redeem the OP Units for shares of its common stock. When a non-

Company unitholder redeems an OP Unit, non-controlling interest in the Operating Partnership is reduced, and stockholders' equity is increased.

The Operating Partnership is required to make distributions on each OP Unit in the same amount as those paid on each share of the Company's common stock, with the distributions on the OP Units held by the Company being utilized to make distributions to the Company's common stockholders.

As of December 31, 2016, there were 1,449,258 OP Units held by non-controlling limited partners.

Distributions

The distributions to common stockholders declared by our Board of Directors and paid by us during the years ended December 31, 2016, 2015 and 2014 are reflected in the table below.

Fiscal Year	Declaration Date	Record Date	Payment Date	Distributions per Common Share
2016	January 12, 2016	January 22, 2016	February 2, 2016	\$ 0.04000
	January 12, 2016	February 18, 2016	February 29, 2016	0.04000
	January 12, 2016	March 21, 2016	March 31, 2016	0.04000
	April 12, 2016	April 22, 2016	May 2, 2016	0.04125
	April 12, 2016	May 19, 2016	May 31, 2016	0.04125
	April 12, 2016	June 17, 2016	June 30, 2016	0.04125
	July 12, 2016	July 22, 2016	August 2, 2016	0.04125
	July 12, 2016	August 22, 2016	August 31, 2016	0.04125
	July 12, 2016	September 21, 2016	September 30, 2016	0.04125
	October 11, 2016	October 21, 2016	October 31, 2016	0.04250
	October 11, 2016	November 17, 2016	November 30, 2016	0.04250
	October 11, 2016	December 20, 2016	December 30, 2016	0.04250
	Year ended December 31, 2016			
2015	January 13, 2015	January 23, 2015	February 3, 2015	\$ 0.03500
	January 13, 2015	February 18, 2015	February 27, 2015	0.03500
	January 13, 2015	March 20, 2015	March 31, 2015	0.03500
	April 14, 2015	April 24, 2015	May 4, 2015	0.04000
	April 14, 2015	May 19, 2015	May 28, 2015	0.04000
	April 14, 2015	June 19, 2015	June 30, 2015	0.04000
	July 14, 2015	July 24, 2015	August 4, 2015	0.04000
	July 14, 2015	August 20, 2015	August 31, 2015	0.04000
	July 14, 2015	September 21, 2015	September 30, 2015	0.04000
	October 13, 2015	October 26, 2015	October 29, 2015	0.04000
	October 13, 2015	November 17, 2015	November 24, 2015	0.04000
	October 13, 2015	December 18, 2015	December 31, 2015	0.04000
	Year ended December 31, 2015			
2014	January 7, 2014	January 22, 2014	January 31, 2014	\$ 0.03000
	January 7, 2014	February 19, 2014	February 28, 2014	0.03000
	January 7, 2014	March 17, 2014	March 31, 2014	0.03000
	April 8, 2014	April 21, 2014	April 30, 2014	0.03000
	April 8, 2014	May 20, 2014	May 30, 2014	0.03000
	April 8, 2014	June 19, 2014	June 30, 2014	0.03000
	July 15, 2014	July 25, 2014	August 5, 2014	0.03000
	July 15, 2014	August 20, 2014	August 29, 2014	0.03000
	July 15, 2014	September 19, 2014	September 30, 2014	0.03000
	October 7, 2014	October 22, 2014	October 31, 2014	0.03000
	October 7, 2014	November 17, 2014	November 26, 2014	0.03000
	October 7, 2014	December 19, 2014	December 31, 2014	0.03000
	Year ended December 31, 2014			

During the years ended December 31, 2016, 2015 and 2014, we paid aggregate distributions to common stockholders of approximately \$5.0 million, \$4.1 million and \$2.5 million, respectively.

For federal income tax characterization purposes, distributions paid to common stockholders may be characterized as ordinary income, capital gains, return of capital or a combination thereof. The characterization of distributions on our common stock during each of the last three years is reflected in the following table:

For the Years Ended December 31,	Ordinary Income	Return of Capital	Long-term Capital Gain
2016	30.65818 %	69.34182 %	0.00000 %
2015	62.29540 %	37.34781 %	0.35679 %
2014	95.66078 %	4.33922 %	0.00000 %

Registration Statement

We filed a universal registration statement on Form S-3 (File No. 333-194539) with the SEC on March 13, 2014, which the SEC declared effective on April 2, 2014. This universal registration statement permits us to issue up to an aggregate of \$300.0 million in securities, consisting of common stock, senior common stock, preferred stock, subscription rights, debt securities and depository shares, including through separate, concurrent offerings of two or more of such securities. As of December 31, 2016, we have issued 2,188,014 shares of common stock for gross proceeds of approximately \$23.6 million and 1,150,000 shares of preferred stock for gross proceeds of approximately \$28.8 million under this universal registration statement.

At-the-Market Program

On August 7, 2015, we entered into equity distribution agreements (commonly referred to as “at-the-market agreements” or our “Sales Agreements”) with Cantor Fitzgerald & Co. and Ladenburg Thalmann & Co., Inc. (each a “Sales Agent”), under which we may issue and sell, from time to time and through the Sales Agents, shares of our common stock having an aggregate offering price of up to \$30.0 million (the “ATM Program”). During the year ended December 31, 2016, we issued and sold 31,934 shares of our common stock at an average sales price of \$11.29 per share under the ATM Program for gross proceeds of approximately \$360,000 and net proceeds of \$355,000. Through December 31, 2016, we have issued and sold a total of 64,561 shares of our common stock at an average sales price of \$10.23 per share for gross proceeds of approximately \$660,000 and net proceeds of \$650,000.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Obligations

In connection with the lease we executed upon our acquisition of Bear Mountain in September 2015, we agreed to fund the development of the property into an almond orchard. The development will include the removal of 274 acres of old grape vineyards, the installation of a new irrigation system, including the drilling of three new wells, and the planting of over 800 acres of new almond trees. The project is estimated to cost approximately \$8.1 million and is expected to be completed during the three months ending March 31, 2017. As stipulated in the lease, we will earn additional rent on the total cost of the development project commensurate with the yield on the initial acquisition and based on the timing of related cash disbursement made by us. As of December 31, 2016, we have expended or accrued approximately \$8.0 million related to this project, and, as a result, we expect to receive approximately \$5.0 million of additional rent through the remainder of the lease term, which expires January 9, 2031.

Litigation

We are not currently subject to any material known or threatened litigation.

NOTE 9. EARNINGS (LOSS) PER SHARE OF COMMON STOCK

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the years ended December 31, 2016, 2015 and 2014, computed using the weighted-average number of shares outstanding during the respective periods. The non-controlling limited partners' outstanding OP Units (which may be redeemed for shares of common stock) have been excluded from the diluted earnings per share calculation, as there would be no effect on the amounts since the non-controlling limited partners' share of income (loss) would also be added back to (subtracted from) net income (loss). Net income (loss) figures are presented net of non-controlling interests in the earnings (loss) per share calculation.

	2016	2015	2014
Net income (loss) attributable to the Company	\$ 448,102	\$ 568,545	\$ (125,133)
Weighted average number of common shares outstanding – basic and diluted	10,007,350	8,639,397	6,852,917
Earnings (loss) per common share – basic and diluted	\$ 0.04	\$ 0.07	\$ (0.02)

For the year ended December 31, 2016, the weighted-average number of OP Units held by non-controlling limited partners was 766,351. There were no OP Units held by anyone other than the Company during 2015 or 2014.

NOTE 10. QUARTERLY FINANCIAL INFORMATION (unaudited)

The following table reflects the quarterly results of operations for the years ended December 31, 2016 and 2015:

Fiscal Year 2016:	Quarter Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Operating revenues	\$ 3,682,677	\$ 4,244,441	\$ 4,469,174	\$ 4,920,325
Operating expenses	(2,282,477)	(2,650,404)	(2,663,340)	(2,663,809)
Other expenses	(1,160,208)	(1,478,177)	(1,771,233)	(2,173,481)
Net income	239,992	115,860	34,601	83,035
Less net income attributable to non-controlling interests	(5,576)	(8,047)	(2,718)	(9,045)
Net income attributable to the Company	\$ 234,416	\$ 107,813	\$ 31,883	\$ 73,990
Earnings per weighted average common shares – basic and diluted	\$ 0.02	\$ 0.01	\$ —	\$ 0.01
Weighted average common shares outstanding – basic and diluted	9,992,941	9,992,941	10,018,331	10,024,875

Fiscal Year 2015:	Quarter Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Operating revenues	\$ 2,625,724	\$ 2,783,853	\$ 3,083,553	\$ 3,408,331
Operating expenses	(1,671,211)	(1,889,182)	(1,915,900)	(1,856,387)
Other expenses	(929,939)	(924,960)	(961,258)	(1,184,079)
Net income (loss)	24,574	(30,289)	206,395	367,865
Earnings (loss) per weighted average common shares – basic and diluted	\$ 0.01	\$ —	\$ 0.02	\$ 0.04
Weighted average common shares outstanding – basic and diluted	7,753,717	8,439,855	9,060,314	9,282,280

NOTE 11. SUBSEQUENT EVENTS

Investing Activity

On January 12, 2017, we acquired one farm in Martin County, Florida ("Citrus Boulevard"), for \$54.0 million. The property is comprised of 3,748 acres of farmland and will be farmed for miscellaneous organic vegetables. At closing, we executed a new, 7-year, partial-net lease that includes annual escalations and five, 5-year extension options. The lease provides for minimum annualized, straight-line rents of approximately \$2.9 million. We will account for this acquisition as an asset acquisition in accordance with ASC 360.

Financing Activity

In connection with the acquisition of Citrus Boulevard, on January 12, 2017, we issued four separate bonds (the "Bonds") under our Farmer Mac Facility, for which we received total proceeds of \$32.4 million. The Bonds, which are interest-only, have terms ranging from 3 to 7 years and will bear interest at fixed rates ranging 2.80% to 3.63% throughout their respective terms, with a weighted-average interest rate of 3.33%. In addition, we drew \$18.5 million on one of our MetLife Lines of Credit.

Distributions

On January 10, 2017, our Board of Directors declared the following monthly cash distributions to common stockholders:

Record Date	Payment Date	Distribution per Common Share	Dividends per Series A Term Preferred Share
January 20, 2017	January 31, 2017	\$ 0.04300	\$ 0.1328125
February 16, 2017	February 28, 2017	0.04300	0.1328125
March 22, 2017	March 31, 2017	0.04300	0.1328125
Total:		\$ 0.12900	\$ 0.3984375

The same amounts paid to common stockholders will be paid as distributions on each OP Unit held by non-controlling limited partners of the Operating Partnership as of the above record dates.

GLADSTONE LAND CORPORATION
SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2016

Location and Description of Property	Date Acquired	Encumbrances	Initial Cost			Subsequent Capitalized Additions			Total Cost				Accumulated Depreciation ⁽²⁾
			Land and Land Improvements	Buildings & Improvements	Horticulture	Land Improvements	Buildings & Improvements	Horticulture	Land and Land Improvements	Buildings & Improvements	Horticulture	Total ⁽¹⁾	
Santa Cruz County, California:													
Land & Improvements	6/16/1997	\$ 6,917,247	\$ 4,350,000	\$ —	\$ —	\$ —	\$ 579,307	\$ —	\$ 4,350,000	\$ 579,307	\$ —	\$ 4,929,307	\$ (182,758)
Ventura County, California:													
Land, Buildings & Improvements	9/15/1998	26,956,919	9,895,497	5,255,736	—	—	284,698	—	9,895,497	5,540,434	—	15,435,931	(3,405,946)
Santa Cruz County, California:													
Land & Improvements	1/3/2011	6,032,246	8,328,475	—	—	468,456	527,341	—	8,796,931	527,341	—	9,324,272	(54,075)
Hillsborough County, Florida:													
Land, Buildings & Improvements	8/9/2012	2,640,000	2,513,696	909,491	—	162,059	667,042	—	2,675,755	1,576,533	—	4,252,288	(414,346)
Hillsborough County, Florida:													
Land, Buildings & Improvements	9/12/2012	2,389,500	2,198,728	1,657,339	—	—	473,172	—	2,198,728	2,130,511	—	4,329,239	(554,041)
Marion County, Oregon:													
Land, Buildings & Improvements	5/31/2013	1,705,915	2,493,809	703,453	—	1,102	416,115	—	2,494,911	1,119,568	—	3,614,479	(211,803)
Monterey County, California:													
Land, Buildings & Improvements	10/21/2013	4,323,279	7,186,774	164,114	—	—	1,674,620	—	7,186,774	1,838,734	—	9,025,508	(115,449)
Ventura County, California:													
Land, Buildings, Improvements & Horticulture	12/16/2013	1,698,795	2,847,948	72,753	34,690	3,405	677,067	—	2,851,353	749,820	34,690	3,635,863	(176,153)
Morrow County, Oregon:													
Land & Improvements	12/27/2013	8,137,938	12,937,446	1,118,325	—	3,646	133,527	—	12,941,092	1,251,852	—	14,192,944	(226,226)
Cochise County, Arizona:													
Land, Buildings & Improvements	12/27/2013	4,236,814	6,167,902	572,283	—	7,800	1,462,107	—	6,175,702	2,034,390	—	8,210,092	(531,898)
Santa Cruz County, California:													
Land, Building & Improvements	6/13/2014	3,522,201	5,576,138	206,636	—	—	—	—	5,576,138	206,636	—	5,782,774	(132,524)
Ventura County, California:													
Land, Buildings & Improvements	7/23/2014	3,524,744	6,219,293	504,673	—	—	51,237	—	6,219,293	555,910	—	6,775,203	(76,970)
Kern County, California:													
Land & Improvements	7/25/2014	3,933,167	5,840,750	67,000	—	—	993,319	—	5,840,750	1,060,319	—	6,901,069	(91,060)
Manatee County, Florida:													
Land, Buildings & Improvements	9/29/2014	7,329,862	8,466,185	5,426,170	—	(385)	569,607	—	8,465,800	5,995,777	—	14,461,577	(1,147,002)
Ventura County, California:													
Land, Buildings & Improvements	10/29/2014	13,732,770	23,672,902	350,454	—	—	—	—	23,672,902	350,454	—	24,023,356	(75,932)
Ventura County, California:													
Land & Improvements	11/4/2014	3,675,000	5,859,721	91,848	—	—	2,210	—	5,859,721	94,058	—	5,953,779	(20,305)
Monterey County, California:													
Land, Buildings & Improvements	1/5/2015	10,178,000	15,852,466	581,879	—	(155,798)	—	—	15,696,668	581,879	—	16,278,547	(216,120)
Manatee County, Florida:													
Land, Buildings & Improvements	3/10/2015	2,374,680	2,403,064	1,871,285	—	—	—	—	2,403,064	1,871,285	—	4,274,349	(297,591)
Hendry County, Florida:													
Land, Buildings & Improvements	6/25/2015	9,360,000	14,410,840	788,986	—	—	—	—	14,410,840	788,986	—	15,199,826	(185,297)
Holt County, Nebraska													

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Land, Buildings & Improvements	8/20/2015	3,301,000	4,690,369	786,137	—	—	—	—	4,690,369	786,137	—	5,476,506	(89,475)
Rock County, Nebraska													
Land, Buildings & Improvements	8/20/2015	3,301,000	4,862,314	612,821	—	—	—	—	4,862,314	612,821	—	5,475,135	(109,325)
Kern County, California:													
Land & Improvements	9/3/2015	11,279,182	18,893,101	497,001	—	612,881	5,684,167	1,375,677	19,505,982	6,181,168	1,375,677	27,062,827	(240,290)
Hendry County, Florida:													
Land, Buildings & Improvements	11/2/2015	2,165,760	3,243,825	738,835	—	1,956	446	—	3,245,781	739,281	—	3,985,062	(132,102)
Cochise County, Arizona:													
Land, Buildings & Improvements	12/23/2015	3,210,000	4,233,865	1,502,479	—	5,408	107,937	—	4,239,273	1,610,416	—	5,849,689	(133,651)
Saguache County, Colorado:													
Land, Buildings & Improvements	3/3/2016	15,303,500	16,755,814	8,348,131	—	—	—	—	16,755,814	8,348,131	—	25,103,945	(932,693)
Fresno County, California:													
Land, Improvements & Horticulture	4/5/2016	9,161,418	3,623,219	1,228,279	11,455,057	—	—	—	3,623,219	1,228,279	11,455,057	16,306,555	(320,676)
Saint Lucie County, Florida:													
Land, Buildings & Improvements	7/1/2016	3,072,602	4,164,623	970,992	—	—	—	—	4,164,623	970,992	—	5,135,615	(48,550)
Baca County, Colorado:													
Land & Buildings	9/1/2016	3,051,727	6,167,465	213,511	—	—	—	—	6,167,465	213,511	—	6,380,976	(4,745)
Stanislaus County, California:													
Land & Improvements	9/14/2016	7,273,282	14,114,337	45,465	—	—	—	—	14,114,337	45,465	—	14,159,802	—
Merced County, California:													
Land & Improvements	9/14/2016	6,713,799	12,844,650	504,445	—	—	—	—	12,844,650	504,445	—	13,349,095	—
Fresno County, California:													
Land, Improvements & Horticulture	10/13/2016	3,900,000	2,936,506	138,817	3,451,960	—	—	—	2,936,506	138,817	3,451,960	6,527,283	(38,013)
Baca County, Colorado:													
Land & Improvements	12/28/2016	5,900,005	11,430,267	277,551	—	—	—	—	11,430,267	277,551	—	11,707,818	—
Miscellaneous Investments													
Land, Buildings, Improvements & Horticulture	N/A	8,456,677	9,684,585	2,905,462	1,456,004	7,405	216,622	(14,195)	9,691,990	3,122,084	1,441,809	14,255,883	(900,957)
		<u>\$ 208,759,029</u>	<u>\$ 264,866,574</u>	<u>\$ 39,112,351</u>	<u>\$ 16,397,711</u>	<u>\$ 1,117,935</u>	<u>\$ 14,520,541</u>	<u>\$ 1,361,482</u>	<u>\$ 265,984,509</u>	<u>\$ 53,632,892</u>	<u>\$ 17,759,193</u>	<u>\$ 337,376,594</u>	<u>\$ (11,065,973)</u>

(1) The aggregate cost for land, buildings, improvements and horticulture for federal income tax purposes is approximately \$319.8 million.

(2) The Company computes depreciation using the straight-line method over the shorter of the estimated useful life or 39 years for buildings and improvements, the shorter of the estimated useful life or 25 years for horticulture, 5 to 7 years for equipment and fixtures and the shorter of the useful life or the remaining lease term for tenant improvements.

The following table reconciles the change in the balance of real estate during the years ended December 31, 2016, 2015 and 2014, respectively:

	2016	2015	2014
Balance, beginning of period	\$ 228,417,837	\$ 148,371,478	\$ 78,478,053
<i>Additions:</i>			
Acquisitions during the period	100,356,160	75,078,078	67,287,231
Improvements	8,772,590	5,036,926	2,726,734
<i>Deductions:</i>			
Dispositions during period	(169,993)	(68,645)	(120,540)
Purchase price adjustments	—	—	—
Balance, end of period	<u>\$ 337,376,594</u>	<u>\$ 228,417,837</u>	<u>\$ 148,371,478</u>

The following table reconciles the change in the balance of accumulated depreciation during the years ended December 31, 2016, 2015 and 2014, respectively:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance, beginning of period	\$ 6,634,412	\$ 4,431,290	\$ 3,166,870
Additions during period	4,445,756	2,203,122	1,264,420
Dispositions during period	(14,195)	—	—
Balance, end of period	<u>\$ 11,065,973</u>	<u>\$ 6,634,412</u>	<u>\$ 4,431,290</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2016, 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 December 31, 2016, 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.

Management's Annual Report on Internal Control over Financial Reporting

Refer to Management's Report on Internal Controls over Financial Reporting located in Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

We will file a definitive Proxy Statement for our 2017 Annual Meeting of Stockholders (the "2017 Proxy Statement") with the SEC, pursuant to Regulation 14A, not later than 120 days after December 31, 2016. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of the 2017 Proxy Statement that specifically address the items set forth herein are incorporated by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is hereby incorporated by reference from our 2017 Proxy Statement under the captions "Election of Directors to Class of 2020," "Information Regarding the Board of Directors and Corporate Governance," "Report of the Compensation Committee of the Board of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" and the sub-caption "Code of Business Conduct and Ethics."

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is hereby incorporated by reference from our 2017 Proxy Statement under the captions "Executive Compensation," "Director Compensation" and "Report of the Compensation Committee of the Board of Directors" and the sub-caption "Compensation Committee Interlocks and Insider Participation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is hereby incorporated by reference from our 2017 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 is hereby incorporated by reference from our 2017 Proxy Statement under the captions "Transactions with Related Persons" and "Information Regarding the Board of Directors and Corporate Governance."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is hereby incorporated by reference from our 2017 Proxy Statement under the sub-captions "Independent Registered Public Accounting Firm Fees" and "Pre-Approval Policy and Procedures" under the caption "Ratification of Selection of Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a. DOCUMENTS FILED AS PART OF THIS REPORT

1. The following financial statements are filed herewith:

Report of Independent Registered Public Accounting Firm
 Consolidated Balance Sheets as of December 31, 2016 and 2015
 Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014
 Consolidated Statements of Equity for the years ended December 31, 2016, 2015 and 2014
 Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014
 Notes to Financial Statements

2. Financial statement schedules

Schedule III – Real Estate and Accumulated Depreciation is filed herewith.

All other schedules are omitted because they are not applicable, or because the required information is included in the financial statements or notes thereto.

3. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the Securities and Exchange Commission:

Exhibit Number	Exhibit Description
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 on 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 on November 15, 2012.
3.3	Articles Supplementary 6.375% Series A Cumulative Term Preferred Stock, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-35795), filed on August 11, 2016.
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 on December 27, 2012.
4.2	Form of Indenture, incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-3 (File No. 333-194539), filed on March 13, 2014.
4.3	Form of Certificate for 6.375% Series A Cumulative Term Preferred Stock, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35795), filed on August 11, 2016.
10.1	Amended and Restated Investment Advisory Agreement, dated February 1, 2013, by and between Gladstone Land Corporation and Gladstone Management Corporation, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35795), filed on February 4, 2013.
10.2	Second Amended and Restated Administration Agreement, dated February 1, 2013, by and between Gladstone Land Corporation and Gladstone Administration, LLC, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-35795), filed on February 4, 2013.
10.3	Loan Agreement, dated April 30, 2014, by and among Gladstone Land Limited Partnership, as borrower, Gladstone Land Corporation, as guarantor, and Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35795), filed on May 14, 2014.
10.4	Loan Guaranty Agreement, dated April 30, 2014, by Gladstone Land Corporation for the benefit of Metropolitan Life Insurance Company, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-35795), filed on May 14, 2014.

- 10.5 Promissory Note (Note A), dated April 30, 2014, by Gladstone Land Limited Partnership, as borrower, in favor of Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 001-35795), filed on May 14, 2014.
- 10.6 Promissory Note (Note B—RELOC), dated April 30, 2014, by Gladstone Land Limited Partnership, as borrower, in favor of Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K (File No. 001-35795), filed on May 14, 2014.
- 10.7 Agreement of Purchase and Sale, dated August 11, 2014, by and between Gladstone Land Corporation and Oxnard Plains, LLC, and Santa Clara Plains, LLC, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35795), filed on November 3, 2014.
- 10.8 First Amended and Restated Agreement of Limited Partnership of Gladstone Land Limited Partnership, dated October 7, 2014, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35795), filed on October 14, 2014.
- 10.9 Advantage Bond Purchase Agreement, dated December 5, 2014, by and among Gladstone Lending Company, LLC, Farmer Mac Mortgage Securities Corporation and Federal Agricultural Mortgage Corporation, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35795), filed on December 17, 2014.
- 10.10 Pledge and Security Agreement, dated December 5, 2014, by and among Gladstone Lending Company, LLC, Farmer Mac Mortgage Securities Corporation and Federal Agricultural Mortgage Corporation, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-35795), filed on December 17, 2014.
- 10.11 Controlled Equity Offering Sales Agreement, dated August 7, 2015, by and among Gladstone Land Corporation, Gladstone Land Limited Partnership and Cantor Fitzgerald & Co., incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K (File No. 001-35785), filed on August 7, 2015.
- 10.12 Controlled Equity Offering Sales Agreement, dated August 7, 2015, by and among Gladstone Land Corporation, Gladstone Land Limited Partnership and Ladenburg Thalmann & Co. Inc., incorporated by reference to Exhibit 1.2 to the Current Report on Form 8-K (File No. 001-35785), filed on August 7, 2015.
- 10.13 Third Amendment to Loan Agreement, dated September 3, 2015, by and among Gladstone Land Limited Partnership, as borrower, Gladstone Land Corporation, as guarantor, and Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35795), filed on September 10, 2015.
- 10.14 First Amendment to Promissory Note (Note A), dated September 3, 2015, by Gladstone Land Limited Partnership, as borrower, in favor of Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-35795), filed on September 10, 2015.
- 10.15 First Amendment to Promissory Note (Note B), dated September 3, 2015 by Gladstone Land Limited Partnership, as borrower, in favor of Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 001-35795), filed on September 10, 2015.
- 10.16 Agreement of Purchase and Sale, dated February 11, 2016, between Gunbarrel Road Alamosa, LLC, as Purchaser, and Ernest Myers and Virginia Myers, collectively, as Seller, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35975), filed on March 9, 2016.
- 10.17 Agreement of Purchase and Sale, dated February 17, 2016, between Gunbarrel Road Alamosa, LLC, as Purchaser, and SAM Investments, Inc., as Seller, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-35795), filed on March 9, 2016.
- 10.18 Contribution Agreement, dated February 17, 2016, by and among Gunbarrel Road Alamosa, LLC, Gladstone Land Corporation, Gladstone Land Partners, LLC, and Gladstone Land Limited Partnership, collectively, as Recipient Parties, and SAM Investments, Inc., as Contributor, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 001-35795), filed on March 9, 2016.
- 10.19 Contribution Agreement, dated February 17, 2016, by and among Gunbarrel Road Alamosa, LLC, Gladstone Land Corporation, Gladstone Land Partners, LLC, and Gladstone Land Limited Partnership, collectively, as Recipient Parties, and Mountain Valley Produce, LLC, as Contributor, incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K (File No. 001-35795), filed on March 9, 2016.
- 10.20 Amendment No. 1 to Advantage Bond Purchase Agreement, dated June 16, 2016, by and among Gladstone Lending Company, LLC, as Issuer, Farmer Mac Mortgage Securities Corporation, as Purchaser, and Federal Agricultural Mortgage Corporation, as Guarantor, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 001-35795), filed on June 20, 2016.

10.21	First Amendment to the First Amended and Restated Agreement of Limited Partnership of Gladstone Land Limited Partnership, dated August 10, 2016, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35795), filed on August 11, 2016.
10.22	Real Property Purchase and Sale Agreement, and Joint Escrow Instructions, dated September 13, 2016, by and between Diego Ranch Stanislaus, LP, as buyer, and Washington San Joaquin Farms, LLC, as seller, incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 001-35795), filed on November 14, 2016.
10.23	Contribution Agreement, dated September 13, 2016, by and between Gladstone Land Limited Partnership, as recipient, and Washington San Joaquin Farms, LLC, as contributor, incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 001-35795), filed on November 14, 2016.
10.24	Real Property Purchase and Sale Agreement, and Joint Escrow Instructions, dated September 13, 2016, by and between Nevada Ranch Merced, LP, as buyer, and Washington San Joaquin Farms, LLC, as seller, incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q (File No. 001-35795), filed on November 14, 2016.
10.25	Fourth Amendment to Loan Agreement, dated October 5, 2016, by and among Gladstone Land Limited Partnership, as borrower, Gladstone Land Corporation, as guarantor, and Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K (File No. 001-35795), filed on October 11, 2016.
10.26	Second Amendment to Promissory Note (Note A), dated October 5, 2016, by Gladstone Land Limited Partnership, as borrower, in favor of Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K (File No. 001-35795), filed on October 11, 2016.
10.27	Second Amendment to Promissory Note (Note B), dated October 5, 2016, by Gladstone Land Limited Partnership, as borrower, in favor of Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K (File No. 001-35795), filed on October 11, 2016.
10.28	Promissory Note (Note C – 2016 Term Facility), dated October 5, 2016, by Gladstone Land Limited Partnership, as borrower, in favor of Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K (File No. 001-35795), filed on October 11, 2016.
10.29	Promissory Note (Note D – 2016 RELOC), dated October 5, 2016, by Gladstone Land Limited Partnership, as borrower, in favor of Metropolitan Life Insurance Company, as lender, incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K (File No. 001-35795), filed on October 11, 2016.
10.30	Agreement of Purchase and Sale, dated November 17, 2016, by and between Citrus Boulevard Stuart, LLC, as purchaser, and Pero Greenridge Farms, LLC, and PFF Land Holdings, LLC, collectively, as sellers (filed herewith).
11	Computation of Per-Share Earnings from Operations (included in the notes to the audited financial statements contained in this Report).
12	Statement of Computation of Ratio of Earnings to Fixed Charges (filed herewith)
21	List of Subsidiaries of the Registrant (filed herewith).
23	Consent of PricewaterhouseCoopers, LLP (filed herewith).
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 (filed herewith).
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed 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 Annual Report on Form 10-K are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of December 31, 2016, and December 31, 2015, (ii) the Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014, (iii) the Consolidated Statements of Equity for the years ended December 31, 2016, 2015, and 2014, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014 and (v) the Notes to the Consolidated Financial Statements.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 21, 2017

By: /s/ Lewis Parrish
Lewis Parrish
Chief Financial Officer

Date: February 21, 2017

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

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 21, 2017	By: <u>/s/ David Gladstone</u> David Gladstone Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)
Date: February 21, 2017	By: <u>/s/ Terry Lee Brubaker</u> Terry Lee Brubaker Vice Chairman, Chief Operating Officer and Director
Date: February 21, 2017	By: <u>/s/ Lewis Parrish</u> Lewis Parrish Chief Financial Officer (principal financial and accounting officer)
Date: February 21, 2017	By: <u>/s/ Paul Adelgren</u> Paul Adelgren Director
Date: February 21, 2017	By: <u>/s/ Michela A. English</u> Michela A. English Director
Date: February 21, 2017	By: <u>/s/ Caren D. Merrick</u> Caren D. Merrick Director
Date: February 21, 2017	By: <u>/s/ John Outland</u> John Outland Director
Date: February 21, 2017	By: <u>/s/ Anthony W. Parker</u> Anthony W. Parker Director
Date: February 21, 2017	By: <u>/s/ Walter H. Wilkinson, Jr.</u> Walter H. Wilkinson, Jr. Director

AGREEMENT OF PURCHASE AND SALE
(Pero - Citrus Boulevard \$54,000,000)

THIS AGREEMENT OF PURCHASE AND SALE (the "Agreement") is made as of the 17th day of November, 2016 (the "Effective Date"), between **PERO GREENRIDGE FARMS LLC**, a Florida limited liability company ("Greenridge") and **PFF LAND HOLDINGS LLC**, Florida limited liability company ("PFF") and together with Greenridge, the "Seller") and **CITRUS BOULEVARD STUART, LLC**, a Delaware limited liability company, 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:

"Agreed Value" shall mean a price or value per acre equal to \$14,408 per acre during the 2017 calendar year and increasing by two percent (2%) each calendar year thereafter. To illustrate the foregoing, the Agreed Value(s) for the initial ten (10) years after Closing (inclusive of 2017) is set forth on Schedule I attached hereto.

"Closing Date" shall mean, subject to the terms and provisions of this Agreement, January 13, 2017 (or such earlier date as the parties may mutually agree).

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

"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 Five Hundred Thousand and NO/100 dollars (\$500,000.00), together with all interest accrued thereon.

"GAP" shall mean good agricultural practices.

"Gladstone" shall mean Gladstone Land Corporation, a Maryland corporation.

"Greenridge Land" shall mean that certain real property located in Martin County, State of Florida, as more particularly described on Exhibit A-1 attached hereto and incorporated herein by reference, together with all rights (including without limitation all mineral rights, if any, owned by Greenridge), easements, hereditaments and appurtenances thereunto belonging.

"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 January 4, 2017. Notwithstanding the foregoing, Purchaser may extend the Inspection Period by fifteen (15) additional days by written notice to Seller prior to the 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, grain bins, silos, other storage bins, an open air shed, together with all other 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 well structures, pumps, pump stations, motors, casings, risers, above and below ground pipes and pipelines, canal stations and pumps, culverts, overhead irrigation equipment, drip irrigation equipment, pivot irrigation equipment, accessories and all related power and control units and systems, as applicable, including without limitation the “Purchaser Items” listed on Schedule 2 attached hereto, but EXPRESSLY EXCLUDING, however all those certain existing discharge pumps and related motors (“Discharge Pumps”) expressly set forth on Schedule 2 attached hereto shall remain the property of Seller at Closing and shall be removed by Tenant at the expiration or earlier termination of the Lease (defined below) as further described therein. All the Irrigation Equipment shall be deemed to be part of the Improvements to be conveyed to Purchaser.

“Land” shall mean the PFF Land and the Greenridge Land.

“Landlord Capital Expenditures” shall mean any funds or amounts expended by Purchaser (as landlord under the Lease) for improvements to the Property which either result in a new structure, prolong or extend the remaining useful life of any existing asset, improvement or item of property located on the Premises beyond a period of one (1) year, increase the size or production capacity of any existing asset, improvement or item of property located on the Property, or improve the efficiency or safety of any existing asset, improvement or item of property located on the Property.

“Lease shall mean that certain Agricultural Lease with a term commencing as of the Closing Date executed by Purchaser, as landlord, and Tenant (defined below), in substantially the form attached hereto as Exhibit D.

“Lease Guarantor” shall mean Pero Family Farms Food Company, LLC, a Florida limited liability company, which is an affiliate of Seller.

“Lease Guaranty” shall mean that certain Guaranty of Agricultural Lease executed by Lease Guarantor in favor of Purchaser, as landlord under the Lease, in substantially the form attached hereto as Exhibit E.

“Permitted Exceptions” shall have the meaning set forth in Section 8(b).

“Personal Property” shall mean any personal 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.

“PFF Land” shall mean that certain real property located in Martin County, State of Florida, as more particularly described on Exhibit A-2 attached hereto and incorporated herein by reference, together with all rights (including without limitation all mineral rights, if any, owned by PFF), easements, hereditaments and appurtenances thereunto belonging.

“Property” shall mean the Land, Improvements, and Personal Property, specifically including without limitation all Water Rights and EXPRESSLY EXCLUDING the Crops and the Discharge Pumps.

“Purchase Price” shall mean the total amount of Fifty-Four Million and NO/100 dollars (\$54,000,000.00), subject to adjustment as expressly set forth in this Agreement. The Purchase Price shall be allocated as follows: Forty-Four Million Four Hundred Sixty-Nine Thousand and NO/100 (\$44,469,000.00) for the Greenridge Land and Nine Million Five Hundred Thirty-One Thousand and NO/100 (\$9,531,000.00) for the PFF Land.

“Purchaser’s Address” shall mean:

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

With copy to:

Gladstone Land Corporation
Attn: Joseph Van Wingerden
1521 Westbranch Drive
Suite 200
McLean, VA 22102
(703) 287-5914 (T)
(703) 287-5801 (F)
Email: Joe.V@gladstonecompanies.com

With additional copy to:

Bass Berry & Sims PLC
Attention: Robert P. McDaniel, Jr.
100 Peabody Place, Suite 900
Memphis, TN 38103
(901) 543-5946 (T)
(888) 765-6437 (F)
Email: rmcdaniel@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; provided, however, that for purposes of this Agreement, the Pursuit Costs shall not exceed One Hundred Thousand and NO/100 Dollars (\$100,000.00) in the aggregate.

“Seller’s Address” shall mean:

PFF Land Holdings LLC, and
Pero Greenridge Farms LLC
Attn: Peter Pero
14095 State Road 7

Delray Beach, FL 33446
561-498-5771 (T)
561-496-4009 (F)
Email: perop@perofamilyfarms.com

with copy to:

Greenberg Traurig, P.A.
Attn: Richard J. Giusto
333 S.E. 2nd Avenue
Miami, FL 33131
305.579.0559 (T)
305.961.5559 (F)
Email: GiustoR@gtlaw.com

“Tenant” shall mean Pero Family Farms, LLC, a Florida limited liability company, which is an affiliate of Seller.

“Title Company” shall mean: Chicago Title Insurance Company.

“Title Company’s Address” shall mean:

Chicago Title Insurance Company
Attn: Melodie T. Rochelle
Vice President and Sr. Commercial Title Office
5516 Falmouth St., Ste. 200
Richmond, VA 23230
(804) 521-5713 (T)
(804) 521-5756 (F)
(804) 477-4771 (C)
Email: melodie.rochelle@fnf.com

“Water Rights” shall mean all water and water rights, well and well rights, and surface rights and interests that are appurtenant to or available for use on the Property, including without limitation those used to conduct farming operations on the Property.

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 Effective Date, Purchaser shall deposit the Earnest Money with the Title Company by wire transfer or certified or cashier’s check. Said Earnest Money shall be held and disbursed 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, and shall deliver to Seller copies of all third party reports obtained by Purchaser in connection with its due diligence as consideration for entering into this Agreement, by delivering written termination notice to Seller at any time prior to the expiration of the Inspection Period. If Purchaser does not so terminate this Agreement, the Earnest Money shall thereafter be non-refundable to Purchaser except as expressly otherwise set forth in this Agreement, and this Agreement shall remain in effect.

Within five (5) days after the Effective Date, Seller shall deliver to Purchaser at Seller's sole expense the Due Diligence Materials to the extent such Due Diligence Materials are in Seller's possession or control. Except as specifically set forth herein, Seller makes no representations or warranties as to the truth, accuracy, completeness, methodology of preparation or otherwise concerning any engineering or environmental reports or any other materials, data or other information supplied to Purchaser in connection with Purchaser's inspection of the Property (e.g., that such materials are complete, accurate or the final version thereof. It is the parties' express understanding and agreement that any materials which Purchaser is allowed to review are provided only for Purchaser's convenience in making its own examination and determination prior to the expiration of the Inspection Period as to whether it wishes to purchase the Property, and, in doing so, Purchaser shall rely exclusively on its own independent investigation and evaluation of every aspect of the Property and not on any materials supplied by Seller. 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 expressly excluding, however, information protected by attorney client privilege. Seller shall also provide any other information relating to the entity formation, authority or financial information of the Tenant or the Lease Guarantor that is reasonably requested by Purchaser expressly excluding, however, information protected by attorney client privilege. Notwithstanding the foregoing or anything herein to the contrary, Seller represents and warrants to Purchaser that the financial information listed in Item (O) on Exhibit C and provided to Purchaser are true, accurate and complete in all material respects. In addition, Seller shall permit Purchaser to request and obtain any and all information regarding the Property in the possession of or available to Paul Whalen and/or TAC Environmental, and Seller hereby consents to the provision of the same by Paul Whalen and/or TAC Environmental. Notwithstanding the foregoing, Seller makes no representation or warranty of any kind with respect to any information provided to Purchaser by Paul Whalen and/or TAC Environmental.

a) Purchaser agrees that, in making any physical or environmental inspections of the Property, Purchaser and all of Purchaser's agents entering onto the Property shall carry not less than \$2,000,000 in the aggregate and \$1,000,000 per occurrence of commercial general liability insurance insuring all activity and conduct of Purchaser and such representatives while exercising such right of access and naming Seller as additional insureds. Purchaser represents and warrants that it carries not less than \$2,000,000 in the aggregate and \$1,000,000 per occurrence of commercial general liability insurance with contractual liability endorsement which insures Purchaser's indemnity obligations hereunder, and will provide Seller with written evidence of same prior to entry on the Property.

b) Purchaser is a knowledgeable owner of real estate properties. Purchaser has previously reviewed and considered the nature of this transaction and believes that the Inspection Period will give Purchaser the opportunity to thoroughly investigate the Property and all aspects of the transaction. In electing to proceed with the transaction, Purchaser shall have determined that the Property is satisfactory to Purchaser in all respects and is purchasing the Property in its "As-Is, Where-Is" condition, with all faults. Purchaser acknowledges and agrees that the Purchase Price was negotiated on the basis of this being an "As-Is, Where-Is" transaction; and the "As-Is, Where-Is"

nature of the transaction was a material inducement for Seller to enter into this Agreement. Purchaser has not relied and will not rely on any representation of Seller other than as expressly set forth in this Agreement. Purchaser further acknowledges and agrees that, except for the specific representations made by Seller in this Agreement, Seller has made no representations, is not willing to make any representations, and has not held out any inducements to Purchaser other than those (if any) exclusively set forth in this Agreement; and Seller is not and shall not be liable or bound in any manner by any express or implied warranties, guaranties, statements, representations or information pertaining to the Property, except as may be specifically set forth in this Agreement.

c) Purchaser acknowledges that, except as expressly provided in this Agreement, neither Seller nor any of its agents have made, and specifically negate and disclaim, any representations, promises, covenants, agreements, or guaranties of any kind or character, whatsoever, whether express or implied, oral or written, of, as to, concerning, or with respect to (i) the value, nature, quality or condition of Property, including, without limitation, the water, soil and geology, (ii) the suitability of the Property for any and all activities and uses which may be conducted thereon, (iii) the compliance of or by the Property with any laws, rules, ordinances or regulations of any applicable governmental authority, (iv) the habitability, merchantability, marketability, profitability or fitness for a particular purpose of the Property, (v) the existence of any endangered or protected animal or plant species on the Property, or (vi) any other matter with respect to the Property, and specifically, that Seller nor any of its agents have made, specifically negate and disclaim, any representations or warranties regarding compliance of the Property with any environmental protection, pollution or land use laws, rules, regulations, orders or requirements, including without limitation, those pertaining to solid waste, as defined by the U.S. Environmental Protection Agency Regulations at 40 C.F.R. Part 261, or the disposal or existence, in or on the Property, of any hazardous substances, as defined by the comprehensive environmental Response Compensation and Liability Act of 1980, as amended, and the regulations promulgated thereunder. Except with respect to Seller's express representations, warranties or statements herein, Purchaser shall rely solely on its own investigation of the Property and not on any statements, representations, warranties or information made or provided or to be provided by Seller or its agents or contractors. Seller shall not be liable or bound in any manner by any verbal or written representations, warranties or information pertaining to the Property or the operation thereof, furnished by any party purporting to act on behalf of Seller, except as expressly provided or set forth herein.

d) PURCHASER and Gladstone (collectively "Purchaser Parties") AGREE (WHICH AGREEMENT SHALL SURVIVE CLOSING OR TERMINATION OF THIS AGREEMENT FOR A PERIOD OF SIX (6) MONTHS) TO INDEMNIFY, DEFEND, AND HOLD SELLER FREE AND HARMLESS FROM ANY LOSS, INJURY, DAMAGE, CLAIM, LIEN, COST OR EXPENSE, INCLUDING ATTORNEYS' FEES AND COSTS, ARISING OUT OF A BREACH OF THE FOREGOING AGREEMENTS BY PURCHASER IN CONNECTION WITH THE INSPECTION OF THE PROPERTY, OR OTHERWISE FROM THE EXERCISE BY PURCHASER OR PURCHASER'S AGENTS OF THE RIGHT OF ACCESS ON THE PROPERTY (COLLECTIVELY, "PURCHASER'S INDEMNITY OBLIGATIONS"). THIS SECTION 5(F) SHALL SURVIVE CLOSING OR THE TERMINATION OF THIS AGREEMENT FOR A PERIOD OF SIX (6) MONTHS. PURCHASER PARTIES HEREBY ACKNOWLEDGE AND AGREE THAT IN THE EVENT THAT PRIOR TO THE EFFECTIVE DATE, PURCHASER, OR ANY OF ITS EMPLOYEES, AGENTS, CONTRACTORS, CONSULTANTS, OR OTHER REPRESENTATIVES, HAVE ENTERED ONTO THE PROPERTY TO INSPECT, TEST, SURVEY OR OTHERWISE EXAMINE THE PROPERTY, AND THE RECORDS RELATING THERETO, THE INDEMNITY SET FORTH IN THIS SECTION 5(F) OF THIS AGREEMENT SHALL APPLY

RETROACTIVELY TO THE DATE OF SUCH INSPECTIONS, TESTING, SURVEYING, AND EXAMINATION.

6. Costs and Prorations.

a) Purchaser shall pay the costs of any Survey obtained by Purchaser pursuant to Section 9 hereof, the costs of any Phase I environmental report obtained by Purchaser, all expenses incident to any financing obtained for the purchase of the Property, the cost of any endorsements to the owner's title policy or loan policies desired by Purchaser, any and all costs and expenses of architectural, engineering and other inspection and feasibility studies and reports incident to Purchaser's inspections, the premium for Purchaser's Title Policy, and any costs of production of the title search or abstract for the Property to the extent not included in the premium for Purchaser's Title Policy (defined below). Seller shall pay for preparation of the deed of transfer, and all transfer taxes, document stamps or documentary stamp taxes and recording costs applicable to the deed of transfer. All other closing costs shall be borne in accordance with the custom in Martin County, Florida.

b) Property taxes and assessments constituting a lien against the Property for the year in which the Closing occurs and all other unpaid assessments, utilities, and similar costs with respect to the Property shall be prorated between the parties as of the Closing Date. 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.

a) 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:

(1) 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 reasonably requested and were agreed to in writing by the Title Company prior to the expiration of the Inspection Period.

(2) 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.

(3) There shall have been no material or adverse change to the financial condition of Tenant or Lease Guarantor from the Effective Date prior to Closing.

(4) The Lease and Lease Guaranty shall be in full force and effect in accordance with their respective terms and conditions.

b) Purchaser acknowledges that as a condition precedent to Seller's obligations hereunder, the following shall occur on or before the Closing Date (or any earlier date indicated

below), which condition may be waived by Seller in its sole discretion that: (i) each and every representation and warranty of Purchaser set forth in Section 11 shall be true and correct in all material respects, (ii) Purchaser shall not be in default under any of its other material obligations under this Agreement, as of Closing, and (iii) to the extent Purchaser obtains purchase money financing or a mortgage encumbering the Property, Purchaser delivers to tenant an executed Subordination Non-Disturbance and Attornment Agreement in the form required under the Lease (“SNDA”).

8. Closing: Deeds.

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 Title Company 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, Greenridge and PFF shall each separately convey to Purchaser good, marketable and insurable title to their respective real property and improvements by special warranty deed acceptable to Purchaser and the Title Company (the “Deeds”), subject only 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 Greenridge Land description and the PFF Land description in the respective Deeds shall be the property description from Greenridge’s and PFF’s respective vesting deeds; provided, that if Purchaser obtains a Survey of the Property, Greenridge and PFF also agree to execute and deliver recordable Quit Claim Deeds to Purchaser at Closing using the Survey description, if different from the description in the vesting deeds. To the extent necessary and appropriate to convey Water Rights, Greenridge and PFF shall execute and deliver assignments of permits or interests or by other appropriate conveyance (“Water Rights Conveyance Instruments”) in addition to the Deeds and other instruments provided for herein in form and substance reasonably acceptable to Purchaser.

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 certified to Purchaser, Seller, and Title Company (“Survey”).

10. Title. During the Inspection Period (but as soon as is practicable after the Effective Date), the Title Company 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 date which is thirty (30) days after the Effective Date 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 matters thereafter revealed by a title update by subsequent Title Objection Notice to Seller. Within five (5) 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). In the event that Seller does not deliver written notice to Purchaser of any title or Survey objections which Seller elects not to cure within such five (5) day period, Seller shall be deemed to have elected to not cure all such objections. Within five (5) 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 mortgage, judgment or other lien created by, through or under Seller for a liquidated sum encumbering the Property to be released at or before Closing.

11. Representations and Warranties.

a) 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:

(1) Other than the Tenant under the Lease the term of which shall commence at Closing, there are and there will be no parties in possession of any portion of the Property as lessees or sublessees, and no other party has been granted an oral or written license, lease, sublease, option, purchase agreement or other right pertaining to the use, purchase or possession of any portion of the Property. 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.

(2) The Seller has not granted, created or assumed any mortgage, deed of trust or other security interest or loan document or indebtedness related to or secured by the Property.

(3) There are no Contracts which encumber or bind the Property or Seller which will be binding on Purchaser, or which Purchaser will be required to assume, at Closing.

(4) 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 either Greenridge or PFF is a party or by which Greenridge, PFF 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.

(5) The Seller has not received any written notice of any violation of any ordinance, regulation, law, statute, rule or restriction relating to the Property.

(6) 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 Greenridge, PFF, Tenant, Lease Guarantor or the Property.

(7) Greenridge and PFF have been duly organized and are validly existing under the laws of the State of Florida. Greenridge and PFF have the full right and authority to enter into this Agreement and (collectively) to transfer all of the Property to be conveyed by Seller pursuant hereto and to consummate or (collectively) cause to be consummated the transactions contemplated herein to be made by Seller. The person signing this Agreement on behalf of Greenridge and PFF 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 Greenridge, PFF or the Property.

(8) Intentionally omitted.

(9) There is no pending or threatened condemnation or similar proceeding or assessment affecting the Property or any part thereof nor has Seller received any written notice of a potential condemnation by any governmental authority. Seller shall pay prior to closing and satisfy all claims and mechanics' liens for work done or materials furnished, by through or under Seller, in relation to the Property. Seller has not received written notice of any plans or proposals for changes in road grade, access, or other municipal improvements which would adversely affect the Property or result in any assessment of any pending ordinance authorizing improvements, the cost of which might be assessed against Purchaser or the Property.

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

(11) Neither Greenridge nor PFF is party to any litigation which is still pending affecting the Property, the Property is not the subject of any litigation, and neither Greenridge nor PFF Seller has received written notice of any threatened litigation affecting or relating to the Property. Neither Tenant nor Lease Guarantor is a party to any litigation that would have a material adverse impact on their ability to perform their obligations under the Lease and/or Lease Guaranty.

(12) Greenridge and PFF represent that neither Greenridge nor PFF nor any of their affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents is, nor will they become, a person or entity with whom United States persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not engage in any dealings or transactions or be otherwise associated with such persons or entities. The foregoing representations shall survive Closing and any termination of this Agreement.

(13) Seller has not 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. Seller has not ever used the Property as a dump or storage site (whether permanent or temporary) for any hazardous material. Seller has not received any written notices for any violations of law relating to hazardous materials. 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. Seller has not placed nor operated any underground or aboveground storage tanks on the Property.

The representations and warranties made in Section 11(a) of this Agreement shall survive the Closing for a period of six (6) months. Written notification of any claim must be received by Seller within six (6) months of the Closing Date or such claim shall be forever barred and Seller shall have no liability with respect thereto. In addition, upon Seller's receipt of written notification of any such claim, Seller shall first be afforded at least thirty (30) days to cure any breach of Seller's representations and warranties prior to Purchaser's filing any claim in connection therewith. The aggregate liability of Greenridge for breach of any representations and warranties with respect to the Greenridge Land shall not exceed one percent (1%) of the Purchase Price allocated to the Greenridge Land and the aggregate liability of PFF for breach of any representations and warranties with respect to the PFF Land shall not exceed one percent (1%) of the Purchase

Price allocated to the PFF Land; and recovery of actual damages up to that amount is Purchaser's sole and exclusive remedy for any such breach; provided, however, Seller shall have no liability to Purchaser for matters disclosed by Seller or discovered by Purchaser prior to Closing. Notwithstanding anything herein to the contrary, breaches of any representation or warranty hereunder arising as a result of the fraud of Purchaser shall not be subject to (i) the six (6) month survival limit but shall continue to survive thereafter or (ii) the one percent (1%) caps above. The provisions of this Subparagraph shall survive the Closing.

b) As of the date hereof and as of the Closing Date, Purchaser represents, warrants and covenants to Seller that:

(1) Purchaser is duly organized, validly existing and in good standing under the laws of the State in which it was organized, is authorized to do business in the State in which the Land is located, has duly authorized the execution and performance of this Agreement, and such execution and performance will not violate any material term of its organizational documents.

(2) Purchaser is acting as principal in this transaction with authority to close the transaction.

(3) No petition in bankruptcy (voluntary or otherwise), assignment for the benefit of creditors, or petition seeking reorganization or arrangement or other action under federal or state bankruptcy laws is pending against or contemplated by Purchaser.

(4) Purchaser acknowledges that, by the Closing Date, Purchaser will have had sufficient opportunity to inspect the Property fully and completely at its expense in order to ascertain to its satisfaction the extent to which the Property complies with applicable zoning, building, environmental, health and safety and all other laws, codes and regulations.

(5) Purchaser represents that neither Purchaser nor any of its affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents is, nor will they become, a person or entity with whom United States persons or entities are restricted from doing business under regulations of OFAC of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not engage in any dealings or transactions or be otherwise associated with such persons or entities. The foregoing representations shall survive Closing and any termination of this Agreement. Notwithstanding anything contained in the foregoing to the contrary, Purchaser shall have no duty to investigate or confirm that any shareholders of Gladstone Land Corporation or unit holders of Gladstone Land Limited Partnership are in compliance with the provisions of this Section 11(b)(v), and any violation by any such shareholders or unit holders shall not be a breach or default by Seller hereunder.

The representations and warranties made in Section 11(b) of this Agreement shall survive the Closing for a period of six (6) months. Written notification of any claim must be received by Purchaser within six (6) months of the Closing Date or such claim shall be forever barred and Purchaser shall have no liability with respect thereto. In addition, upon Purchaser's receipt of written notification of any such claim, Purchaser shall first be afforded at least thirty (30) days to cure any breach of Purchaser's representations and warranties prior to Seller's filing any claim in connection therewith. The aggregate liability of Purchaser for breach of any representations and warranties shall not exceed one percent (1%) of the Purchase Price; and recovery of actual damages up to that amount is Seller's sole and exclusive remedy for any such breach; provided, however, Purchaser shall have no liability to Seller for matters disclosed by Purchaser or discovered by Seller

prior to Closing. Notwithstanding anything herein to the contrary, breaches of any representation or warranty hereunder arising as a result of the fraud of Purchaser shall not be subject to (i) the six (6) month survival limit but shall continue to survive thereafter or (ii) the one percent (1%) cap above. The provisions of this Subparagraph shall survive the Closing.

12. Broker and Broker's Commission. Purchaser and Seller each represent and warrant to the other that such party has not incurred an obligation to any broker or agent in connection with the transaction contemplated hereby. Purchaser Parties hereby covenant and agree to defend, indemnify and hold harmless Seller and Seller hereby covenants and agrees to defend, indemnify and hold harmless the Purchaser Parties against and from any and all loss, expense (including without limitation reasonable attorneys' fees), 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 shall survive the Closing of this transaction or any termination of this Agreement.

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, provided that Seller has been given notice at least twenty-four (24) hours prior to any such survey or inspection. In connection with any such surveys or inspections, Purchaser and Purchaser's agents shall (i) maintain the insurance coverages provided for in Section 5(c) and (ii) provide Seller insurance certificates establishing such coverage. Notwithstanding the foregoing, Purchaser is prohibited from conducting any phase II environmental site assessments without obtaining Seller's prior written consent, which consent may be withheld in Seller's sole and absolute discretion; provided, however, that if Purchaser's phase I environmental site assessment requires or recommends that a phase II environmental site assessment should be conducted, and Seller declines permission to conduct a phase II environmental site assessment or other supplemental environmental testing and Purchaser terminates this Agreement then, notwithstanding anything herein to the contrary, in addition to a refund of the Earnest Money to Purchaser, Seller shall reimburse Purchaser for all Pursuit Costs within three (3) business days after such termination. Purchaser Parties hereby agree to indemnify, defend and to hold Seller, Seller's agents and employees and the Property harmless from and against any all losses, costs, damages, claims or liabilities including, but not limited to, mechanic's and materialmen's liens and attorneys' fees, arising out of or in connection with Purchaser's access to or entry upon the Property under this Section 13, unless caused by the gross negligence or willful misconduct of Seller (but not the existence of any condition discovered in the course of Purchaser's inspections and testing). Notwithstanding anything to the contrary contained in this Agreement, the provisions of this Section 13 shall survive the Closing and any cancellation or termination of this Agreement.

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, Seller learns or becomes aware of damage to the Property (or any Improvements or Irrigation Equipment) as the result of fire or other casualty, Seller shall immediately notify Purchaser in writing.

16. Condition of Property. Subsequent to the Effective Date and prior to Closing, Seller shall use and maintain the Property in accordance with its past practices and ordinary maintenance, but shall not be required to provide any extraordinary maintenance nor any capital expenditures.

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 a New Agreement after expiration of the Inspection Period unless Purchaser has approved the same in writing.

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 above. 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 above. 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 wrongful 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, including without limitation the failure of any condition precedent to Purchaser's obligations herein, the Earnest Money shall promptly be refunded to Purchaser. If

this transaction fails to close by reason of Seller's wrongful failure to perform its obligations under this Agreement, 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 three (3) business days after Purchaser's termination of this Agreement, or (ii) obtain specific performance of this Agreement. Seller waives the right to assert the defense of the lack of mutuality in any suit for specific performance instituted by Purchaser. In the event of any litigation between the parties under this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and court costs at all trial and appellate levels. The provisions of this Section 19 shall survive the Closing or termination of this Agreement coextensively with other surviving provisions of 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. Greenridge and PFF also shall execute and deliver (or cause to be executed and delivered) to the Title Company at Closing, for it to hold in escrow pending Purchaser's payment of the Purchase Price: (i) the Deeds; (ii) for both Greenridge and PFF, a certificate with respect to Section 1445 of the Internal Revenue Code stating, among other things, that each 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 F; (iv) Seller's representation and warranty downdate certificate under Section 11; (v) the Lease, (vi) the Lease Guaranty, (vii) the Water Rights Conveyance Instruments, if applicable; and (viii) 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. Purchaser shall execute and/or deliver to the Title Company at Closing: (i) the Lease; (ii) the General Assignment substantially in the form attached hereto as Exhibit F; (iii) the SNDA, if applicable; (iv) the Memorandum (as hereinafter defined) and (v) such other documents reasonably necessary or appropriate to complete and evidence the transaction contemplated hereby, as reasonably requested by the Seller or Title Company.

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, subject to the Lease.

25. Applicable Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Florida and venue for any civil action brought hereunder shall lie in the Florida state courts in Martin County, 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 neither Seller nor Purchaser shall have the right to assign its rights hereunder. Notwithstanding the foregoing, Purchaser shall have the right to assign its rights hereunder to Gladstone or an entity wholly owned by Gladstone, provided that (i) Purchaser gives Seller at least five (5) days prior written notice and (ii) the assignee executes an agreement whereby the assignee assumes the rights and obligations of Purchaser

hereunder. Upon the occurrence of such an assignment, Purchaser shall be released from any further liability arising from and after the date of such assignment.

27. Surviving Clauses. The provisions of this Agreement relating to tax prorrations after Closing, Purchaser Parties' indemnification with respect to its entering upon the Property prior to Closing, the "as-is" waiver and releases in Section 5, Seller's and Purchaser's representations and warranties in Section 11 subject to the limitations set forth therein, Seller's agreement to cooperate with a Rule 3-14 audit, the mutual covenants of Seller and Purchaser Parties to indemnify each other, as the case may be, as set forth in Section 12, the remedies of Section 19 and the confidentiality provisions of Section 33 shall not merge into the Deeds 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. Either party may structure the purchase or sale of the Property as a like kind exchange under Internal Revenue Code Section 1031, at such party's sole cost and expense. The non-exchanging party shall reasonably cooperate therein, provided that the non-exchanging party shall incur no material costs, expenses or liabilities in connection with the any such exchange and the non-exchanging party shall not be required to take title to or contract for purchase or sale of any other property. If the exchanging party uses a qualified intermediary to effectuate the exchange, any assignment of the rights or obligations of the exchanging party hereunder shall not relieve, release or absolve the exchanging party of its obligations to the non-exchanging party hereunder. The exchanging party shall reimburse the non-exchanging party for all reasonable out-of-pocket expenses, if any, incurred by the non-exchanging party in effectuating any such 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. Rule 3-14 Audit. Seller agrees to reasonably cooperate, at no cost or expense to Seller, with Purchaser in connection with any Rule 3-14 audit that Purchaser may conduct with respect to the Property within one (1) year after the Closing Date.

31. Calculation of Time Periods. Unless otherwise specified, in computing any period of time described herein, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday for national banks in the location where the Property is located, in which event the period shall run until the end of the next day which is neither a Saturday, Sunday, or legal holiday. Unless otherwise specified, the last day of any period of time described herein shall be deemed to end at 5:00 p.m. local time in the state in which the Property is located.

32. Counterparts. This Agreement may be executed in any number of identical counterparts, any or all of which may contain signatures of fewer than all of the parties, and delivered by email or facsimile transmission, all of which shall be taken together as a single instrument.

33. Confidentiality. Unless Seller specifically and expressly otherwise agrees in writing, Purchaser agrees that (a) the results of all inspections, analyses, studies and similar reports relating to the Property prepared by or for Purchaser utilizing any information acquired in whole or in part through the exercise of Purchaser's inspection rights; and (b) all information (the "Proprietary Information") regarding the Property of whatsoever nature made available to Purchaser by Seller or Seller's agents or representatives is confidential and shall not be disclosed to any other person except those assisting Purchaser with the transaction, or Purchaser's lender, if any, and then only upon Purchaser making such persons aware of the confidentiality restriction (in which event Purchaser shall be responsible for such person's breach of such

confidentiality restrictions, as if such breach were committed by Purchaser) except where disclosure is required by a court of competent jurisdiction or other similar requirement of a governmental agency or by law. Purchaser agrees not to use or allow to be used any such information for any purpose other than to determine whether to proceed with the contemplated purchase, or if Closing is consummated, in connection with the operation of the Property post-Closing. Further, if the purchase and sale contemplated hereby fails to close for any reason whatsoever, Purchaser agrees to return to Seller, or cause to be returned to Seller, all Proprietary Information. Notwithstanding any other term of this Agreement, the provisions of this Section 33 shall survive Closing or the termination of this Agreement.

34. Right of First Refusal. As a material inducement for Seller to enter into and consummate this transaction, at Closing, Seller shall reserve and Purchaser shall be deemed to have granted Seller a right of first refusal (“**ROFR**”) in accordance with the terms of this Section 34. Following Closing, in the event that (i) Purchaser decides to offer to sell all or any portion of the Property or Purchaser’s interest therein (“**Offer to Sell**”) or (ii) Purchaser receives from a third party a bona fide offer to purchase all or any portion of the Property or Purchaser’s interest therein that Purchaser desires to accept (“**Third Party Offer**”), Purchaser shall promptly send Seller a notice of such Offer to Sell or Third Party Offer (containing all material terms thereof). In the event that Purchaser transmits an Offer to Sell, Seller shall have the right, within thirty (30) days following the receipt of the Offer to Sell to enter into a contract with Purchaser to purchase Purchaser’s interest in the Property (or portion thereof) on the terms and conditions set forth in the Offer to Sell. In the event that Purchaser transmits a Third Party Offer, Seller shall have the right, within thirty (30) days following the receipt of the Third Party Offer, to enter into a contract with Purchaser to purchase Purchaser’s interest in the Property (or portion thereof) on the terms and conditions set forth in the Third Party Offer. Any decision by Seller not to exercise its ROFR rights with respect to any Offer to Sell or Third Party Offer shall not preclude Seller from exercising such rights with respect to a future Offer to Sell or Third Party Offer. Notwithstanding the foregoing or anything herein to the contrary, in the event Seller fails to exercise its ROFR rights under this Section 34, and Purchaser consummates the transaction contemplated in the Offer to Sell or Third Party Offer, Purchaser and Seller acknowledge and agree that Seller shall have no further ROFR rights with respect to the portion of or interest in the Property conveyed thereunder. Notwithstanding anything herein to the contrary, the ROFR rights under this Section 34 shall not apply to any foreclosure sale or deed in lieu of foreclosure sale by the holder of any mortgage or deed of trust on the Property or to a condemnation, eminent domain or similar proceeding. In addition, and notwithstanding anything herein to the contrary, the ROFR and all related rights of Seller shall expire automatically and be of no further force and effect upon the expiration or earlier termination of the Lease. In the event that the Lease expires or is terminated as to only a portion of the Property, the ROFR shall expire automatically and be of no further force and effect as such portion. The provisions of this Section 34 shall expressly survive the Closing.

35. Threshold Sales. In the event Purchaser receives a written Third Party Offer to purchase the Property or any portion thereof for a purchase price that is equal to or greater than \$18,730.00 per acre that Purchaser intends to accept (“**Threshold Offer**”) then the following provisions shall control:

a) Purchaser shall comply with its obligations set forth in Section 34 and Seller, at Seller’s option, may exercise its ROFR in accordance with Section 34. In the event Seller elects to exercise its ROFR with respect to a Threshold Offer, the purchase price Seller shall pay at closing will be the amount of such Threshold Offer, less an amount equal to fifty percent (50%) of the Profit (as hereinafter defined).

b) In the event Seller elects not to exercise its ROFR with respect to a Threshold Offer then upon such closing, Purchaser shall deliver to Seller fifty percent (50%) of the Profit from the closing proceeds.

c) Notwithstanding the foregoing or anything herein to the contrary, (i) Purchaser shall only be permitted to sell portions of the Property a maximum of five (5) times during the entirety of the Lease Term or any extension thereof, (ii) the portions of the Property that are sold must be conveyed in a contiguous fashion and (iii) Purchaser must begin with a sale of the northern portion of the Property and then proceed to sell the southern portion of the Property. For the avoidance of doubt, Purchaser is prohibited from selling any portion of the southern portion of the Property until it sells the northern portion of the Property.

d) For the purposes of this Section 35, “**Profit**” shall mean the Threshold Offer gross purchase price, minus the Agreed Value of the Property (or applicable Portion thereof), minus the amount of any Landlord Capital Expenditures made with respect to the portion of the Property being sold, and minus any reasonable and customary third party out of pocket costs, fees and expenses incurred by Purchaser directly in connection with the sale of the Property. (i.e. Threshold Offer purchase price - Agreed Value - Landlord Capital Expenditures - costs/expenses = Profit). Notwithstanding the foregoing, when calculating Landlord Capital Expenditures for the purpose of determining Profit, the amount of the capital expenditure shall be divided by the total amount of acres on the Property (as determined by the survey) and then multiplied by the total amount of acres being sold. For the avoidance of doubt, Purchaser shall only be entitled to reduce from the Profit a proportionate amount of the particular capital expenditure attributable to the acreage being sold.

e) The provisions of this Section 35 shall expressly survive the Closing or any future termination of the Lease. Notwithstanding the foregoing, any rights of Seller with respect to the ROFR (and Purchaser's obligation to provide the ROFR to Seller) shall be limited to the term of the Lease, as more particularly set forth in Section 34 above and shall expire automatically upon the expiration or earlier termination of the Lease as provided above.

36. Memorandum. The parties agree to record at Closing, in the Public Records of Martin County, a Memorandum (“**Memorandum**”) evidencing the ROFR and Seller's profit participation rights provided for in Sections 34 and 35 respectively, in form and substance reasonably acceptable to Purchaser, Seller and Seller's title company. Purchaser shall obtain the consent and written joinder to the Memorandum of any and all holders of mortgages that will encumber Property at Closing.

[counterpart signature pages to follow]

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

PURCHASER:

CITRUS BOULEVARD STUART, LLC,
a Delaware limited liability company

By: Gladstone Land Limited Partnership, a
Delaware limited partnership, its Sole Member

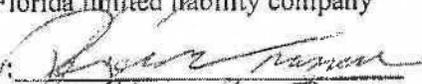
By: Gladstone Land Partners, LLC, a Delaware limited liability company, its General Partner

By: Gladstone Land Corporation, a
Maryland corp.ora;io~, its Manager

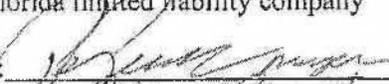
By: /s/ David Gladstone
Name: David Gladstone
Title: CEO

SELLER:

PERO GREENRIDGE FARMS LLC,
a Florida limited liability company

By: 
Name: Peter F. Bennett
Title: Manager

PFF LAND HOLDINGS LLC,
a Florida limited liability company

By: 
Name: Peter F. Bennett
Title: Manager

JOINDER OF GLADSTONE LAND CORPORATION

The undersigned acknowledges the existence and validity of the foregoing Agreement. By signing below, the undersigned hereby joins in the Agreement and agrees to be bound by the terms, conditions, obligations and provisions contained therein including but not limited to the terms set forth in Sections 5(f), 11, 12, 13 and 33 of the Agreement as described therein.

IN **WITNESS WHEREOF**, the undersigned has caused this Joinder to be executed as of the day and year first written above.

GLADSTONE LAND CORPORATION, a
Maryland corporation
By: /s/ David Gladstone
Name: David Gladstone
Title: CEO

EXHIBIT A-1

GREENRIDGE LAND

PARCEL 1A:

A parcel of land lying in portions of Sections 4, 5, 6, 7, 8, 9, 14, 15, 16, 21, 22, 23 and 27, Township 39 South, Range 40 East, Martin County, Florida, more particularly described as follows, to-wit:

Begin at the Southwest corner of Section 7 and run North 00°11'13" East along the West line of said Section 7 a distance of 2,648.87 feet to the West one quarter corner of said Section 7; thence North 00°12'01" East along said West line a distance of 2,647.72 feet to the Southwest corner of Section 6; thence North 00°16'38" East along the West line thereof a distance of 2,649.62 feet to the West one quarter corner of said Section 6; thence North 00°08'10" East along the West line of said Section 6 a distance of 124.72 feet to a point; thence South 89°48'10" East a distance of 5,278.52 feet to the West line of Section 5; thence South 89°48'10" East a distance of 2,079.83 feet to the Southwest corner of lands conveyed to Mr. Michael Zarrella as recorded in Official Record Book 164, Page 258, public records of Martin County, Florida; thence continue South 89°48'10" East along the South line of said Zarrella property a distance of 2,805.71 feet to the Southeast corner of said property; thence continue South 89°48'10" East a distance of 208.72 feet to the easterly right-of-way line of the S-1 Canal and the westerly property line of lands conveyed to Mr. William J. Matheson as recorded in Official Records Book 340, Page 1231, public records of Martin County, Florida; thence southerly along the East right-of-way line of said S-1 Canal the following courses and distances: South 22°54'28" East along the West line of said Matheson property a distance of 491.65 feet to the East line of Section 5; thence continue South 22°54'28" East along the West line of said Matheson property a distance of 2,625.68 feet to the South line of Section 4 and the Northwest corner of lands conveyed to Charles O. Melear and Jimmy E. Melear as recorded in Official Records Book 220, Page 348, public records of Martin County, Florida; thence South 22°45'48" East along the West line of said Melear property a distance of 4,256.91 feet to the Northwest corner of Parcel 1 of lands conveyed to Melear Bros. Dairy, Inc. as recorded in Official Record Book 334, Page 198, public records of Martin County, Florida; thence continue South 22°45'48" East along said Melear Bros. Dairy, Inc. property a distance of 1,460.24 feet to the South line of Section 9; thence continue South 22°45'48" East a distance of 531.88 feet; thence South 32°45'17" East a distance of 2,259.06 feet to the beginning of a curve concave to the Northeast, having a radius of 1,766.00 feet; thence southeasterly along the arc of said curve, through a central angle of 26°27'40", a distance of 815.60 feet to the intersection with the East line of said Section 16; thence continue along the above mentioned curve, through a central angle of 11°18'13" a distance of 348.41 feet to the South line of said Melear Bros. Dairy, Inc. property and the North right-of-way line of the S-2 Canal; thence South 89°35'32" East nontangent to the aforementioned curve and along the North line of said S-2 Canal a distance of 3,283.27 feet to the Southwest corner of lands conveyed to Golden Bear Land Company, Inc. as recorded in Official Record Book 554, Page 361, public records of Martin County, Florida; thence continue South 89°35'32" East along the South line of said Golden Bear Land Company, Inc. property a distance of 1,660.62 feet to the East line of said Section 15; thence continue South 89°35'32" East a distance of 93.20 feet to the westerly right-of-way line of Citrus Boulevard (County Road 726), said point being on a curve concave to the Southwest having a radius of 5,679.58 feet and a chord bearing of South 00°06'56" East;

thence southerly along the arc of said curve through a central angle of 00°48'26", a distance of 80.00 feet to the South right-of-way line of the S-2 Canal; thence North 89°35'32" West parallel and 80.00 feet South of, as measured at right angles to, the North right-of-way line of said S-2 Canal a distance of 93.99 feet to the East line of said Section 15; thence North 89°35'32" West and continuing along said described line a distance of 4,734.69 feet to the easterly right-of-way line of the S-1 Canal and a point of a nontangent curve concave to the Southwest, having a radius of 1,575.00 feet; thence southeasterly along the arc of said curve having a chord bearing of South 48° 57' 26" East and a central angle of 31°37'36", a distance of 869.38 feet; thence South 33°08'39" East along the East right-of-way line of the S-1 Canal a distance of 1,855.52 feet to a point; thence South 89°39'37" East along a line that is parallel to and 55.00 feet North of, as measured at right angles to, the South line of Section 15, a distance of 3,056.23 feet to the East line of said Section 15; thence South 89°34' 48" East along a line that is parallel to and 55.00 feet North of, as measured at right angles to, the South line of Section 14, a distance of 98.82 feet to the westerly right-of-way line of said Citrus Boulevard; thence South 00°19' 04" West along the West line of said Citrus Boulevard a distance of 55.00 feet to a point on the South line of Section 14, said point bearing South 89°34'48" East a distance of 98.95 feet from the Southwest corner of said Section 14; thence continue South 00°19'04" West along said West line of said Citrus Boulevard a distance of 970.53 feet to the beginning of a curve concave to the Northwest having a radius of 3,769.72 feet; thence southerly along said right-of-way line and the arc of said curve, through a central angle of 31°08'47" a distance of 2,049.25 feet to a point of compound curvature of a curve concave to the Northwest having a radius of 2,814.79 feet; thence southwesterly along said right-of-way line and the arc of said curve, through a central angle of 36°48'39" a distance of 1,808.41 feet; thence South 68°16' 30" West a distance of 3,710.39 feet to the intersection with the West line of Section 27; thence North 00°34'20" East, departing the northerly right-of-way line of said Citrus Boulevard, a distance of 146.35 feet to the Southwest corner of Section 22; thence North 00° 07'41" East a distance of 2,033.56 feet to a point that is 3,288.30 feet South of the Northwest corner of said Section 22, as measured along the section line; thence North 26°36'02" West a distance of 3,688.57 feet to a point 1,659.00 feet West of the Northeast corner of Section 21, as measured along the North line of said Section 21; thence North 26° 07'18" West a distance of 5,955.05 feet to the intersection with the North line of Section 16; thence North 89°35'37" West along the North line of said Section 16 a distance of 998.45 feet to the Northwest corner of said Section 16; thence North 89°32'12" West along the South line of Section 8 a distance of 5,284.04 feet to the Southwest corner of said Section 8; thence North 89°32'28" West along the South line of Section 7 a distance of 5,263.65 feet to the Point of Beginning.

LESS AND EXCEPT the land conveyed to Ginn-La St. Lucie Ltd., LLLP in Special Warranty Deed recorded July 15, 2005 in Official Records Book 2036, Page 2350.

Parcel 2A (S-2 Canal):

Commence at the Southwest corner of Section 14, Township 39 South, Range 40 East, Martin County, Florida; thence run South 89°34'48" East along the South line of said Section 14 a distance of 198.95 feet to the point of intersection with the easterly right-of-way line of Citrus Boulevard (County Road 726) and the centerline of S. W. Greenridge Street, as shown and recorded on the Plat of Greenridge Estates, Plat Book 7, Page 45, public records of Martin County, Florida; thence North 00°19'04" East along the East right-of-way line of said Citrus Boulevard a distance of 30.00 feet to the intersection with

the North right- of-way line of said S. W. Greenridge Street; thence continue North 00°19'04" East along the East line of said Citrus Boulevard a distance of 2,114.17 feet to the South right-of-way line of the S-2 Canal and the Point of Beginning; thence continue North 00°19'04" East along the East line of said Citrus Boulevard a distance of 9.85 feet to the beginning of a curve concave to the Southwest having a radius of 5,779.58 feet; thence northerly along the arc of said curve and the easterly right-of-way line of said Citrus Boulevard through a central angle of 00°41'44" a distance of 70.15 feet to the Southwest corner of lands conveyed to Stuart Cut Flowers, Inc. as recorded in Official Record Book 421, Page 2014, public records of Martin County, Florida, and the North right-of-way line of the S-2 Canal; thence South 89°41'35" East a distance of 2,533.05 feet to the Southeast corner of said Stuart Cut Flowers, Inc. property; thence continue South 89°41'35" East a distance of 11.68 feet to the westerly right- of-way line of S. W. Greenridge Lane as shown on said Plat of Greenridge Estates; thence South 31°27'08" West along the westerly right-of-way line of said S. W. Greenridge Lane a distance of 93.47 feet to the South right-of-way line of the S-2 Canal; thence North 89°41'35" West a distance of 2,495.97 feet to the Point of Beginning.

Parcel 3:

A parcel of land located in Section 14, Township 39 South, Range 40 East, Martin County, Florida, more particularly described as follows, to-wit:

This parcel of land is labeled as "Drainage R/W (Not Included)" in the Plat of Greenridge Estates as recorded in Plat Book 7, Page 45, public records of Martin County, Florida, and is bounded on the North by the South line of Lot 6 according to the Plat thereof; bounded on the South by the North line of Lot 7 according to the Plat thereof; bounded on the West by the East right-of-way line of S. W. Greenridge Lane according to the Plat thereof; and bounded on the East by the westerly right-of-way line of the St. Lucie Canal as recorded in Plat Book 2, page 35, public records of Martin County, Florida.

Parcel 4:

Being a parcel of land located in Section 22, Township 39 South, Range 40 East, Martin County, Florida, more particularly described as follows, to-wit:

This parcel of land is bounded on the Southwest by the northeasterly line of Lot 25 of the Plat of Greenridge West, as recorded in Plat Book 9, Page 32, public records of Martin County, Florida; bounded on the Southeast by the northwesterly right-of-way line of the St. Lucie Canal, as recorded in Plat Book 2, page 35, public records of Martin County, Florida; bounded on the Northeast by the Southwest line of Lot 32, according to the Plat of Greenridge Estates, as recorded in Plat Book 7, Page 45, public records of Martin County, Florida; and bounded on the Northwest by the southeasterly right-of-way line of Citrus Boulevard (County Road 726).

Parcel 5:

Being a parcel of land located in Sections 22 and 27, Township 39 South, Range 40 East, Martin County, Florida, more particularly described as follows, to-wit:

A parcel of land labeled "Not a part of this Plat", according to the Plat of Greenridge West, as recorded in Plat Book 9, Page 32, public records of Martin County, Florida, said parcel being bounded on the Northeast by the southwesterly lot line of Lot 5, according to the Plat thereof; bounded on the Southwest by the northeasterly line of Lot 4, according to the Plat thereof; bounded on the Southeast by the "Cane Slough Spillway" of the St. Lucie Canal, as recorded in Plat Book 2, Page 35, public records of Martin County, Florida; and bounded on the Northwest by the southeasterly right-of-way line of Citrus Boulevard (County Road 726).

Parcel 6:

The North 120.00 feet of the following described Parcel:

A parcel of land lying in portions of Sections 14 and 15, Township 39 South, Range 40 East, Martin County, Florida, more particularly described as follows: To wit: Commence at the Southwest corner of Section 7 of said Township and run North 00°11'13" East along the West line of said Section 7, a distance of 2648.87 feet to the West one quarter corner of said Section 7; thence North 00°12'01" East along said West line, a distance of 2647.72 feet to the Southwest corner of Section 6; thence North 00°16'38" East along the West line thereof, a distance of 2649.62 feet to the West one quarter corner of said Section 6; thence North 00°08'10" East along the West line of said Section 6, a distance of 124.72 feet to a point; thence South 89°48'10" East, a distance of 5278.52 feet to the West line of Section 5; thence South 89°48'10" East, a distance of 2079.83 feet to the Southwest corner of lands conveyed to Mr. Michael Zarrella as recorded in Official Records Book 164, Page 258, Public Records of Martin County, Florida; thence continue South 89°48'10" East along the South line of said Zarrella property, a distance of 2805.71 feet to the Southeast corner of said property; thence continue South 89°48'10" East, a distance of 208.72 feet to the Easterly right-of-way line of the S-1 Canal and the Westerly property line of lands conveyed to Mr. William J. Matheson as recorded in Official Records Book 340, Page 1231, Public Records of Martin County, Florida; thence Southerly along the East right-of-way line of said S-1 Canal the following courses and distances: Thence South 22°54'28" East along the West line of said Matheson property a distance of 491.65 feet to the East line of Section 5; thence continue South 22°54'28" East along the West line of said Matheson property, a distance of 2625.68 feet to the South line of Section 4 and the Northwest corner of lands conveyed to Charles O. Melear and Jimmy E. Melear as recorded in Official Records Book 220, Page 348, Public Records of Martin County, Florida; thence South 22°45'48" East along the West line of said Melear property, a distance of 4256.91 feet to the Northwest corner of Parcel 1 of lands conveyed to Melear Bros. Dairy, Inc., as recorded in Official Records Book 334, Page 198; thence continue South 22°45'48" East along said Melear Bros. Dairy, Inc. property, a distance of 1460.24 feet to the South line of Section 9; thence continue South 22°45'48" East a distance of 531.88 feet; thence South 32°45'17" East a distance of 2259.06 feet to the beginning of a curve concave to the Northeast, having a radius of 1766.00 feet; thence Southeasterly along the arc of said curve, through a central angle of 26°27'40", a distance of 815.60 feet to the intersection with the East line of said Section 16; thence continue along the above mentioned curve, through a central angle of 11°18'13", a distance of 348.41 feet to the South line of said Melear Bros. Dairy, Inc. property and the North right-of-way line of the S-2 Canal; thence continue along the above mentioned curve, through a central angle of 01°07'57", a distance of 34.91 feet to a point of reverse curvature of a curve concave to the Southwest, having a radius of 1575.00 feet; thence Southeasterly along the arc of said curve, through a central angle of 06°52'53", a distance of 189.16 feet to the POINT OF BEGINNING; thence continue along the above

mentioned curve, through a central angle of $31^{\circ}37'36''$, a distance of 869.38 feet; thence South $33^{\circ}08'39''$ East along the East right-of-way line of the S-1 Canal, a distance of 1855.52 feet to a point; thence South $89^{\circ}39'36''$ East, departing the S-1 Canal right-of-way, along a line that is parallel to and 55.00 feet North of, as measured at right angles to, the South line of Section 15, a distance of 3056.23 feet to the East line of said Section 15; thence South $89^{\circ}34'48''$ East along a line that is parallel to and 55.00 feet North of, as measured at right angles to, the South line of Section 14, a distance of 98.82 feet to the Westerly right-of-way line of said Citrus Boulevard; thence North $00^{\circ}19'04''$ East along said Citrus Boulevard right-of-way a distance of 2098.84 feet to the beginning of a curve concave to the West, having a radius of 5679.58 feet; thence Northerly along the arc of said curve, through a central angle of $00^{\circ}01'47''$, a distance of 2.94 feet to the South right-of-way line of the S-2 Canal and a point 80.00 feet South of, as measured at right angles to the South line of lands conveyed to Golden Bear Land Company, Inc. and as recorded in Official Records Book 554, Page 361, Martin County Public Records; thence North $89^{\circ}35'32''$ West, non-tangent to the aforementioned curve, a distance of 4828.68 feet to the POINT OF BEGINNING.

EXHIBIT A-2

PFF LAND

Parcel I

All of the Plat of Polo Club, according to the map or plat thereof as recorded in Plat Book 16, Page 67, Public Records of Martin County, Florida, less and excepting those lands conveyed to the Polo Club Property Owners Association, Inc., as recorded in Quit Claim Deed recorded in O.R. Book 2298, Page 1078, Public Records of Martin County, Florida, more particularly described as follows: All Streets and rights-of-way drainage easements, utility easements, water detention easements, bridle path easements, access easements, wetland preservation areas and all other common areas dedicated to the Polo Club Property Owners Association, Inc., as recorded in Plat Book 16, Page 67, of the Public Records of Martin County, Florida (collectively the "Common Areas")

Together with all easement rights in respect of the following parcels to-wit:

Parcel II:

Easement rights as set forth in Agreement to Terminate Existing Easement and to Grant New Access Easement recorded in O.R. Book 2312, Page 1168, of the Public Records of Martin County, Florida.

Parcel III:

Easement rights as set forth in Ingress, Egress and Cross Access Easement Agreement recorded in O.R. Book 2112, Page 2167, of the Public Records of Martin County, Florida.

Parcel IV:

Easement rights as set forth in Drainage Agreement recorded in O.R. Book 1990, Page 1906, of the Public Records of Martin County, Florida.

Parcel V:

Easement rights as set forth in Grant of Easement recorded in O.R. Book 637, Page 1213, of the Public Records of Martin County, Florida, as affected by Agreement recorded in O.R. Book 740, Page 1706, of the Public Records of Martin County, Florida.

Parcel VI:

Easement rights as set forth in Special Warranty Deeds recorded in O.R. Book 769, Page 1403, and O.R. Book 769, Page 1412, of the Public Records of Martin County, Florida.

Parcel VII:

Easement rights as set forth in Deed recorded in O.R. Book 164, Page 258, of the Public Records of Martin County, Florida.

Parcel VIII:

Easement rights as set forth in Deed recorded in O.R. Book 164, Page 1906, of the Public Records of Martin County, Florida.

Parcel IX:

Easement rights as set forth in Deed recorded in O.R. Book 621, Page 2298, of the Public Records of Martin County, Florida.

EXHIBIT B

CERTAIN IRRIGATION EQUIPMENT

<u>Area Location</u>	<u>Make</u>	<u>Model</u>	<u>Description</u>	<u>Serial #</u>	<u>Unit ID#</u>
Greenridge pump station at river	John Deere	6090L	6 cylinder	RG6090L117693	M255
Greenridge pump station at river	36" Pickup Pipe	N/A	N/A	N/A	N/A
Greenridge pump station at river	John Deere	6090L	6 cylinder	RG6090L118094	M256
Greenridge pump station at river	36" Pickup Pipe	N/A	N/A	N/A	N/A
Greenridge pump station at river	John Deere	6090L	6 cylinder	RG6090L120529	M273
Greenridge pump station at river	36" Pickup Pipe	N/A	N/A	N/A	N/A
South ridge pump house	John Deere	4045	4 cylinder	PE4045T177272	M257
South ridge pump house	24" Pickup Pipe	N/A	N/A	N/A	N/A
South ridge pump house	John Deere	4039	4 cylinder	T04039T377006	M174
South ridge pump house	24" Pickup Pipe	N/A	N/A	N/A	N/A
Middle ridge pump house	John Deere	4045	4 cylinder	PE4045L256087	M268
Middle ridge pump house	24" Pickup Pipe	N/A	N/A	N/A	N/A
Middle ridge pump house	John Deere	4045	4 cylinder	PE4045L256086	M269
Middle ridge pump house	24" Pickup Pipe	N/A	N/A	N/A	N/A
Middle ridge	John Deere		6 Cylinder		M199
Middle Ridge	24" Pickup Pipe		Out Pump		
North ridge pump house	John Deere	4039	4 cylinder	T04039T377007	M169
North ridge pump house	24" Pickup Pipe	N/A	N/A	N/A	N/A
North ridge pump house	John Deere	4045	4 cylinder	PE4045L254983	M266
North ridge pump house	24" Pickup Pipe	N/A	N/A	N/A	N/A
North Ridge	John Deere		4 Cy in pump		M110
North Ridge	18" Pickup Pipe		n/a		n/a
Flag area A	John Deere	4039	4 cylinder	T04039D476133	M108
Flag area A	24" Pickup Pipe	N/A	N/A	N/A	N/A
Flag area A	John Deere	4045	4 cylinder	PE4045L256084	M267
Flag area A	24" Pickup Pipe	N/A	N/A	N/A	N/A
Flag area A drip station	John Deere	6068	6 cylinder	PE6068L274871	N/A
Flag area B	John Deere	6068	6 cylinder	PE6068T276692	M263
Flag area B	Johnson Gear Co.		Gear well pump	165771	N/A
Flag area B drip station	John Deere	4045	4 cylinder	PE4045L268179	N/A
Flag area C					

EXHIBIT C

DUE DILIGENCE MATERIALS

- (a) Any plans, drawings, specifications and engineering and architectural studies and work (including “as built” plans and drawings) with regard to the Property;
- (b) Any appraisals, surveys, title policy(ies) or title work of the Property obtained during the period during which Seller has owned the Property or otherwise in Seller’s possession;
- (c) Copies of all correspondence in Seller’s possession relating to any lease or Government Payments;
- (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, 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) Copies of any warranties relating to any Improvements or Personal Property (including without limitation Irrigation Equipment) included in the Property;
- (k) Any information in Seller’s possession or control from any governmental agency or authority regarding the Property.
- (l) Copies of any notices and correspondence received from any governmental agency of authority regarding the Property;
- (m) Copies of any notices and correspondence received from third-parties claiming an interest or right in and to the Property, or any portion thereof;
- (n) Copies of any certificates, applications, permits or other documents related to or evidencing Water Rights associated with the Property or any portion thereof;
- (o) Copies of the most current and up to date financial statements for the Tenant and Lease Guarantor and for years 2015, 2014 and 2013;
- (p) Copies of any well, pump, and water quality tests done over the past three (3) years; and
- (q) An inventory of all wells and pumps located on the Premises, together with the location, age, and output of each.

SCHEDULE 1

AGREED VALUES

2017	\$14,408.00 per acre
2018	\$14,696.16 per acre
2019	\$14,990.08 per acre
2020	\$15,289.88 per acre
2021	\$15,595.68 per acre
2022	\$15,907.59 per acre
2023	\$16,225.74 per acre
2024	\$16,550.25 per acre
2025	\$16,881.26 per acre
2026	\$17,218.89 per acre

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for each of the years ended December 31, 2016, 2015, 2014, 2013 and 2012. For the purposes of computing the ratio, earnings have been calculated by adding fixed charges to pre-tax income (loss) from continuing operations before capitalized interest and non-controlling interests. Fixed charges consist of interest costs (whether expensed or capitalized), amortization of deferred financing costs and the estimated portion of rent expense that represents interest (based on the portion of the fees allocated to us by our Adviser and Administrator, pursuant to the Advisory Agreement and Administration Agreement, respectively). The information below is presented on an unaudited basis.

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Earnings:					
Pre-tax net income (loss) from continuing operations	\$ 473,488	\$ 568,545	\$ (98,631)	\$ 295,047	\$ 900,692
Add: fixed charges	6,695,494	4,163,085	2,011,020	1,119,816	1,007,493
Total earnings	\$ 7,168,982	\$ 4,731,630	\$ 1,912,389	\$ 1,414,863	\$ 1,908,185
Fixed charges:					
Interest expensed and capitalized ⁽¹⁾	6,451,151	4,053,676	1,955,800	1,088,616	947,514
Amortization of deferred financing costs	241,302	106,806	53,286	30,024	59,472
Estimated interest component of rent expense	3,041	2,603	1,934	1,176	507
Total fixed charges	\$ 6,695,494	\$ 4,163,085	\$ 2,011,020	\$ 1,119,816	\$ 1,007,493
Ratio of earnings to fixed charges⁽²⁾	1.1	1.1	N/A	1.3	1.9

⁽¹⁾ Interest expensed includes dividends paid on our mandatorily-redeemable term preferred stock.

⁽²⁾ For the year ended December 31, 2014, earnings, as defined, were not sufficient to cover fixed charges by 98,631.

SUBSIDIARIES OF GLADSTONE LAND CORPORATION

Arizona

East Shelton Road, LLC
Reagan Road Willcox, LLC

California

Bear Mountain Arvin, LP
Broadway Road Moorpark, LLC
Calaveras Avenue Coalinga, LP
Central Avenue Kerman, LP
Dalton Lane Watsonville, LLC
Diego Ranch Stanislaus, LP
Dufau Road Oxnard, LP
Espinosa Road Salinas, LP
Natividad Road Salinas, LLC
Naumann Road Oxnard, LP
Nevada Ranch Merced, LP
San Andreas Road Watsonville, LLC
Santa Clara Avenue Oxnard, LP
Spring Valley Road Watsonville, LP
Sycamore Road Arvin, LP
West Beach Street Watsonville, LLC
West Gonzales Road Oxnard, LLC

Colorado

Baca County Edler, LLC
Gunbarrel Road Alamosa, LLC
Horse Creek Baca, LLC

Delaware

Gladstone California Farmland GP, LLC
Gladstone Land Advisers, Inc.
Gladstone Land Limited Partnership
Gladstone Land Partners, LLC
Gladstone Lending Company, LLC

Florida

Colding Loop Road Wimauma, LLC
Corbitt Road Immokalee, LLC
Immokalee Exchange, LLC
Keysville Road Plant City, LLC
Lithia Road Plant City, LLC
McIntosh Road Dover, LLC
Orange Avenue Fort Pierce, LLC
Parrish Road Duette, LLC
Trapnell Road Plant City, LLC
Wauchula Road Duette, LLC

Michigan

20th Avenue South Haven, LLC
38th Avenue Covert, LLC

Nebraska

Holt County Stuart, LLC
Rock County Bassett, LLC

Oregon

Collins Road Clatskanie, LLC
Oregon Trail Highway, LLC
Sequoia Street Brooks, LLC

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-194539) of Gladstone Land Corporation of our report dated February 21, 2017, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
McLean, Virginia
February 21, 2017

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

I, David Gladstone, certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(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: February 21, 2017

/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, Lewis Parrish, certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(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: February 21, 2017

/s/ Lewis Parrish

Lewis Parrish
Chief Financial Officer and
Assistant 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 Annual Report on Form 10-K for the year ended December 31, 2016 ("Form 10-K"), filed concurrently herewith by the Company, fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K 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: February 21, 2017

/s/ David Gladstone

David Gladstone

Chief Executive Officer and

Chairman of the Board of Directors

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

The undersigned, the Chief Financial Officer and Assistant 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 Annual Report on Form 10-K for the year ended December 31, 2016 ("Form 10-K"), filed concurrently herewith by the Company, fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K 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: February 21, 2017

/s/ Lewis Parrish

Lewis Parrish
Chief Financial Officer and
Assistant Treasurer