

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended MARCH 31, 2019

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)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class  | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common stock, \$0.001 par value per share                                    | LAND              | The Nasdaq Stock Market, LLC              |
| 6.375% Series A Cumulative Term Preferred Stock, \$0.001 par value per share | LANDP             | The Nasdaq Stock Market, LLC              |

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

|                         |                          |                           |                                     |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer         | <input checked="" type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
|                         |                          | Emerging growth company   | <input type="checkbox"/>            |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

[Table of Contents](#)

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

The number of shares of the registrant's Common Stock, \$0.001 par value per share, outstanding as of May 6, 2019, was 18,462,219.

---

**GLADSTONE LAND CORPORATION**  
**FORM 10-Q FOR THE QUARTER ENDED**  
**MARCH 31, 2019**

**TABLE OF CONTENTS**

|                       | <u>PAGE</u>   |
|-----------------------|---|
| <b><u>PART I</u></b>  | <b><u>FINANCIAL INFORMATION</u></b>   |
| <u>ITEM 1.</u>        | <u>Financial Statements (Unaudited):</u>  |
|                       | <u>Condensed Consolidated Balance Sheets as of March 31, 2019, and December 31, 2018</u> <span style="float: right;"><u>3</u></span>                  |
|                       | <u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018</u> <span style="float: right;"><u>4</u></span> |
|                       | <u>Condensed Consolidated Statements of Equity for the three months ended March 31, 2019 and 2018</u> <span style="float: right;"><u>5</u></span>     |
|                       | <u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018</u> <span style="float: right;"><u>6</u></span> |
|                       | <u>Notes to Condensed Consolidated Financial Statements</u> <span style="float: right;"><u>8</u></span>   |
| <u>ITEM 2.</u>        | <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> <span style="float: right;"><u>27</u></span>             |
| <u>ITEM 3.</u>        | <u>Quantitative and Qualitative Disclosures About Market Risk</u> <span style="float: right;"><u>42</u></span>  |
| <u>ITEM 4.</u>        | <u>Controls and Procedures</u> <span style="float: right;"><u>42</u></span>   |
| <b><u>PART II</u></b> | <b><u>OTHER INFORMATION</u></b>   |
| <u>ITEM 1.</u>        | <u>Legal Proceedings</u> <span style="float: right;"><u>43</u></span>   |
| <u>ITEM 1A.</u>       | <u>Risk Factors</u> <span style="float: right;"><u>43</u></span>  |
| <u>ITEM 2.</u>        | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> <span style="float: right;"><u>43</u></span>                                       |
| <u>ITEM 3.</u>        | <u>Defaults Upon Senior Securities</u> <span style="float: right;"><u>43</u></span>   |
| <u>ITEM 4.</u>        | <u>Mine Safety Disclosures</u> <span style="float: right;"><u>43</u></span>   |
| <u>ITEM 5.</u>        | <u>Other Information</u> <span style="float: right;"><u>43</u></span>   |
| <u>ITEM 6.</u>        | <u>Exhibits</u> <span style="float: right;"><u>44</u></span>  |
| <u>SIGNATURES</u>     | <u>45</u>   |

---

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GLADSTONE LAND CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per-share data)  
(Unaudited)

|   | March 31, 2019    | December 31, 2018 |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| Investments in real estate, net   | \$ 541,451        | \$ 538,953        |
| Lease intangibles, net  | 5,364             | 5,686             |
| Cash and cash equivalents   | 23,108            | 14,730            |
| Other assets, net   | 6,026             | 5,750             |
| <b>TOTAL ASSETS</b>   | <b>\$ 575,949</b> | <b>\$ 565,119</b> |
| <b>LIABILITIES AND EQUITY</b>   |                   |                   |
| <b>LIABILITIES:</b>   |                   |                   |
| Borrowings under lines of credit  | \$ 100            | \$ 100            |
| Notes and bonds payable, net  | 333,835           | 335,788           |
| Series A cumulative term preferred stock, \$0.001 par value; \$25.00 per share liquidation preference; 2,000,000 shares authorized, 1,150,000 shares issued and outstanding as of March 31, 2019, and December 31, 2018, net  | 28,183            | 28,124            |
| Accounts payable and accrued expenses   | 6,715             | 9,152             |
| Due to related parties, net   | 676               | 945               |
| Other liabilities, net  | 11,671            | 9,957             |
| <b>Total liabilities</b>  | <b>381,180</b>    | <b>384,066</b>    |
| Commitments and contingencies (Note 7)  |                   |                   |
| <b>EQUITY:</b>  |                   |                   |
| Stockholders' equity:   |                   |                   |
| Series B cumulative redeemable preferred stock, \$0.001 par value; \$25.00 per share liquidation preference; 6,500,000 shares authorized; 1,891,709 shares issued and outstanding as of March 31, 2019; 1,144,393 shares issued and outstanding as of December 31, 2018 | 2                 | 1                 |
| Common stock, \$0.001 par value; 91,500,000 shares authorized; 18,462,219 shares issued and outstanding as of March 31, 2019; 17,891,340 shares issued and outstanding as of December 31, 2018  | 18                | 18                |
| Additional paid-in capital  | 223,480           | 202,053           |
| Distributions in excess of accumulated earnings   | (28,731)          | (25,826)          |
| Total stockholders' equity  | 194,769           | 176,246           |
| Non-controlling interests in Operating Partnership  | —                 | 4,807             |
| <b>Total equity</b>   | <b>194,769</b>    | <b>181,053</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>\$ 575,949</b> | <b>\$ 565,119</b> |

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

**GLADSTONE LAND CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except share and per-share data)  
(Unaudited)

|  | For the Three Months Ended March 31, |                 |
|--|--------------------------------------|-----------------|
|  | 2019                                 | 2018            |
| <b>OPERATING REVENUES:</b>   |                                      |                 |
| Lease revenue  | \$ 7,830                             | \$ 6,694        |
| Other operating revenues   | —                                    | 2,551           |
| Total operating revenues   | 7,830                                | 9,245           |
| <b>OPERATING EXPENSES:</b>   |                                      |                 |
| Depreciation and amortization  | 2,597                                | 2,189           |
| Property operating expenses  | 816                                  | 428             |
| Base management fee  | 905                                  | 656             |
| Administration fee   | 306                                  | 274             |
| General and administrative expenses                                  | 550                                  | 553             |
| Other operating expenses   | —                                    | 2,359           |
| Total operating expenses   | 5,174                                | 6,459           |
| Credits to fees from Adviser   | (569)                                | —               |
| Total operating expenses, net of credits to fees                     | 4,605                                | 6,459           |
| <b>OTHER INCOME (EXPENSE):</b>                                       |                                      |                 |
| Other income   | 826                                  | 315             |
| Interest expense   | (3,453)                              | (2,832)         |
| Dividends declared on Series A cumulative term preferred stock       | (458)                                | (458)           |
| Loss on dispositions of real estate assets, net                      | (32)                                 | —               |
| Property and casualty loss   | —                                    | (129)           |
| Total other expense, net   | (3,117)                              | (3,104)         |
| <b>NET INCOME (LOSS)</b>   | <b>108</b>                           | <b>(318)</b>    |
| Net (income) loss attributable to non-controlling interests          | (3)                                  | 21              |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY</b>                 | <b>105</b>                           | <b>(297)</b>    |
| Dividends declared on Series B cumulative redeemable preferred stock | (601)                                | —               |
| <b>NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>                  | <b>\$ (496)</b>                      | <b>\$ (297)</b> |
| <b>LOSS PER COMMON SHARE:</b>  |                                      |                 |
| Basic and diluted  | \$ (0.03)                            | \$ (0.02)       |
| <b>WEIGHTED-AVERAGE SHARES OF COMMON STOCK OUTSTANDING:</b>          |                                      |                 |
| Basic and diluted  | 18,028,826                           | 13,957,732      |

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

**GLADSTONE LAND CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
(In thousands, except share data)  
(Unaudited)

|  | Series B Preferred Stock |              | Common Stock        |              | Additional<br>Paid-in<br>Capital | Distributions<br>in Excess of<br>Accumulated<br>Earnings | Total<br>Stockholders'<br>Equity | Non-<br>Controlling<br>Interests | Total<br>Equity   |
|--|--------------------------|--------------|---------------------|--------------|----------------------------------|--|----------------------------------|----------------------------------|-------------------|
|  | Number<br>of Shares      | Par<br>Value | Number<br>of Shares | Par<br>Value |                                  |  |                                  |                                  |                   |
| Balance at December 31, 2017   | —                        | \$ —         | 13,791,574          | \$ 14        | \$ 129,705                       | \$ (19,802)  | \$ 109,917                       | \$ 8,034                         | \$ 117,951        |
| Redemption of OP Units   | —                        | —            | 7,700               | —            | 63                               | —  | 63                               | (463)                            | (400)             |
| Issuance of common stock, net  | —                        | —            | 1,416,925           | 1            | 16,714                           | —  | 16,715                           | —                                | 16,715            |
| Net loss   | —                        | —            | —                   | —            | —                                | (297)  | (297)                            | (21)                             | (318)             |
| Distributions—OP Units and common stock  | —                        | —            | —                   | —            | —                                | (1,851)  | (1,851)                          | (129)                            | (1,980)           |
| Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership | —                        | —            | —                   | —            | (492)                            | —  | (492)                            | 492                              | —                 |
| <b>Balance at March 31, 2018</b>   | <b>—</b>                 | <b>\$ —</b>  | <b>15,216,199</b>   | <b>\$ 15</b> | <b>\$ 145,990</b>                | <b>\$ (21,950)</b>                                       | <b>\$ 124,055</b>                | <b>\$ 7,913</b>                  | <b>\$ 131,968</b> |
| Balance at December 31, 2018   | 1,144,393                | \$ 1         | 17,891,340          | \$ 18        | \$ 202,053                       | (25,826)   | \$ 176,246                       | \$ 4,807                         | \$ 181,053        |
| Issuance of preferred stock, net   | 747,916                  | 1            | —                   | —            | 16,703                           | —  | 16,704                           | —                                | 16,704            |
| Redemptions of preferred stock   | (600)                    | —            | —                   | —            | (13)                             | —  | (13)                             | —                                | (13)              |
| Redemption of OP Units   | —                        | —            | 570,879             | —            | 4,714                            | —  | 4,714                            | (4,714)                          | —                 |
| Common stock issuance costs  | —                        | —            | —                   | —            | (20)                             | —  | (20)                             | —                                | (20)              |
| Net income   | —                        | —            | —                   | —            | —                                | 105  | 105                              | 3                                | 108               |
| Dividends—Series B Preferred Stock   | —                        | —            | —                   | —            | —                                | (601)  | (601)                            | —                                | (601)             |
| Distributions—OP Units and common stock  | —                        | —            | —                   | —            | —                                | (2,409)  | (2,409)                          | (53)                             | (2,462)           |
| Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership | —                        | —            | —                   | —            | 43                               | —  | 43                               | (43)                             | —                 |
| <b>Balance at March 31, 2019</b>   | <b>1,891,709</b>         | <b>\$ 2</b>  | <b>18,462,219</b>   | <b>\$ 18</b> | <b>\$ 223,480</b>                | <b>\$ (28,731)</b>                                       | <b>\$ 194,769</b>                | <b>\$ —</b>                      | <b>\$ 194,769</b> |

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

**GLADSTONE LAND CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

|  | For the Three Months Ended March 31, |          |
|--|--------------------------------------|----------|
|  | 2019                                 | 2018     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                      |          |
| Net income (loss)  | \$ 108                               | \$ (318) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                                      |          |
| Depreciation and amortization  | 2,597                                | 2,189    |
| Amortization of debt issuance costs  | 150                                  | 143      |
| Amortization of deferred rent assets and liabilities, net                                | (80)                                 | (90)     |
| Bad debt expense   | 6                                    | 1        |
| Loss on dispositions of real estate assets, net  | 32                                   | —        |
| Property and casualty loss   | —                                    | 129      |
| Changes in operating assets and liabilities:   |                                      |          |
| Other assets, net  | (136)                                | (1,659)  |
| Accounts payable and accrued expenses and Due to related parties, net                    | (2,277)                              | (1,132)  |
| Other liabilities, net   | 2,032                                | 3,488    |
| Net cash provided by operating activities  | 2,432                                | 2,751    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                      |          |
| Acquisition of new real estate assets  | (2,304)                              | (5,032)  |
| Capital expenditures on existing real estate assets                                      | (3,063)                              | (4,478)  |
| Change in deposits on real estate acquisitions and investments, net                      | (350)                                | 200      |
| Net cash used in investing activities  | (5,717)                              | (9,310)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                                      |          |
| Proceeds from issuance of preferred and common equity                                    | 18,482                               | 17,486   |
| Offering costs   | (1,729)                              | (685)    |
| Payments for redemptions of OP Units   | —                                    | (400)    |
| Redemption of Series B Preferred Stock   | (13)                                 | —        |
| Borrowings from mortgage notes and bonds payable   | 1,440                                | 1,260    |
| Repayments of mortgage notes and bonds payable   | (3,450)                              | (3,118)  |
| Borrowings from lines of credit  | —                                    | 7,500    |
| Repayments of lines of credit  | —                                    | (13,600) |
| Payments of financing fees   | (4)                                  | (163)    |
| Dividends paid on Series B cumulative redeemable preferred stock                         | (601)                                | —        |
| Distributions paid on common stock   | (2,409)                              | (1,851)  |
| Distributions paid to non-controlling interests in Operating Partnership                 | (53)                                 | (129)    |
| Net cash provided by financing activities  | 11,663                               | 6,300    |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                                     | 8,378                                | (259)    |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD   | 14,730                               | 2,938    |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD   | \$ 23,108                            | \$ 2,679 |

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

**GLADSTONE LAND CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**(In thousands)**  
**(Unaudited)**

|   | For the Three Months Ended March 31, |       |
|---|--------------------------------------|-------|
|   | 2019                                 | 2018  |
| <b>NON-CASH OPERATING, INVESTING, AND FINANCING INFORMATION:</b>  |                                      |       |
| Operating lease right-of-use assets included in Other assets, net   | \$ 208                               | \$ —  |
| Operating lease liabilities included in Other liabilities, net  | 167                                  | —     |
| Real estate additions included in Accounts payable and accrued expenses and Due to related parties, net                     | 1,428                                | 4,621 |
| Real estate additions included in Other liabilities, net  | —                                    | 33    |
| Stock offering and OP Unit issuance costs included in Accounts payable and accrued expenses and Due to related parties, net | 58                                   | 109   |
| Financing fees included in Accounts payable and accrued expenses and Due to related parties, net                            | 11                                   | 48    |

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

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

**NOTE 1. BUSINESS AND ORGANIZATION**

**Business and Organization**

Gladstone Land Corporation (the “Company”) is an agricultural real estate investment trust (“REIT”) that was re-incorporated in Maryland on March 24, 2011, having been originally incorporated in California on June 14, 1997. Upon the pricing of our initial public offering on January 29, 2013, our shares of common stock began trading on the Nasdaq Global Market (“Nasdaq”) under the symbol “LAND.” We are primarily in the business of owning and leasing farmland, and 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, all of the units of limited partnership interest 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 March 31, 2019, and December 31, 2018, the Company owned 100.0% and approximately 96.9%, respectively, of the outstanding OP Units (see Note 8, “Equity,” for additional discussion regarding OP Units).

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 and to perform certain small-scale farming business operations. We have elected for Land Advisers to be treated as a taxable REIT subsidiary (“TRS”) of ours. Since we currently own 100% of the voting securities of Land Advisers, its financial position and results of operations are consolidated within our financial statements.

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 (see Note 6, “Related-Party Transactions,” for additional discussion regarding our Adviser and Administrator).

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**

**Interim Financial Information**

Our interim financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q in accordance with Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of our management, all adjustments (consisting solely of normal recurring accruals) necessary for the fair statement of financial statements for the interim period have been included. The interim financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 26, 2019 (the “Form 10-K”). The results of operations for the three months ended March 31, 2019, are not necessarily indicative of the results that may be expected for other interim periods or for the full fiscal year.

**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.

**Impairment of Real Estate Assets**

We account for the impairment of our tangible and identifiable intangible real estate assets in accordance with Accounting Standards Codification (“ASC”) 360, “Property, Plant, and Equipment” (“ASC 360”), which requires us to periodically review the carrying value of each property to determine whether indicators of impairment exist. If circumstances support the

possibility of impairment, we prepare a projection of the total undiscounted future cash flows of the specific property (without interest charges), including proceeds from disposition, and compare them to the net book value of the property to determine whether the carrying value of the property is recoverable. 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 portfolio each quarter for any impairment indicators and perform an impairment analysis on those select properties that have an indication of impairment. As of March 31, 2019, and December 31, 2018, we concluded that none of our properties were impaired. There have been no impairments recognized on our real estate assets since our inception.

### Crop Sales

From October 17, 2017, through July 31, 2018, Land Advisers operated a 169-acre farm located in Ventura County, California, under a short-term lease (see Note 6, “*Related-Party Transactions—TRS Lease Assumption*” for further discussion on this lease assignment). Costs incurred by Land Advisers in operating the farm generally consisted of growing costs (including the costs of land preparation, plants, fertilizers and pesticides, and labor costs), harvesting and selling costs (including labor costs for harvesting, packaging and cooling costs, and sales commissions), and certain overhead costs (including management/oversight costs). Revenue from the sale of harvested crops were recognized when the harvested crops had been delivered to the facility and title had transferred and were recorded using the market price on the date of delivery. Accumulated costs were charged to cost of products sold (based on percentage of gross revenue from sales) as the related crops were harvested and sold.

Revenue from the sale of harvested crops and accumulated costs allocated to the crops sold during the three months ended March 31, 2018, are shown in the following table (dollars in thousands, except for footnotes):

|                                    | <b>For the Three Months Ended<br/>March 31, 2018</b> |         |
|------------------------------------|--|---------|
| Sales revenue <sup>(1)</sup>       | \$   | 2,546   |
| Cost of sales <sup>(2)(3)(4)</sup> |  | (2,359) |

<sup>(1)</sup> Included within Other operating revenues on the accompanying Condensed Consolidated Statement of Operations.

<sup>(2)</sup> Included within Other operating expenses on the accompanying Condensed Consolidated Statement of Operations.

<sup>(3)</sup> Excludes rent expense owed to the Company and interest expense owed on a loan from the Company to Land Advisers, both of which expenses were eliminated in consolidation.

<sup>(4)</sup> Excludes the allocation of a fee earned by our Adviser from Land Advisers of approximately \$66,000 during the three months ended March 31, 2018, which is included within Management Fee on the accompanying Condensed Consolidated Statements of Operations (see Note 6, “*Related-Party Transactions—TRS Fee Arrangements—TRS Expense Sharing Agreement*” for further discussion on this fee).

The lease to Land Advisers expired on July 31, 2018, after which we leased the farm to a new, unrelated third-party tenant under a 10-year lease that commenced on August 1, 2018.

### 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 Sections 856-860 of the Internal Revenue Code of 1986, as amended (the “Code”). As a REIT, we generally are not subject to federal corporate 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 (excluding net capital gains) to our stockholders and meet certain other conditions. As such, in general, 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 (such as Land Advisers), if any. From October 17, 2017, through July 31, 2018, Land Advisers, which is subject to federal and state income taxes, assumed the operations on one of our farms in California (see Note 6, “*Related-Party Transactions—TRS Lease Assumption*”). There was no taxable income or loss from Land Advisers for the tax year ended December 31, 2018, nor was there any for the three months ended March 31, 2019.

Should we have any taxable income or loss in the future, we will account for any income taxes in accordance with the provisions of ASC 740, “Income Taxes,” using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases (including for operating loss, capital loss, and tax credit carryforwards) and are calculated using the enacted tax rates and laws expected to be in effect when such amounts are realized or settled. In addition, we will establish valuation allowances for tax benefits when we believe it is more-likely-than-not (defined as a likelihood of more than 50%) that such assets will not be realized.

### Reclassifications

On the accompanying Condensed Consolidated Statement of Operations for the three months ended March 31, 2019, operating rental revenue has been reclassified to be displayed in accordance with ASU 2016-02 (as defined below), which was adopted on January 1, 2019, and acquisition-related expenses have been reclassified to be included within general and administrative expenses. These reclassifications had no impact on previously-reported net income (loss), equity, or net change in cash and cash equivalents.

### 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 each of March, April, May, and December of 2016. 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. We adopted ASU 2014-09 on January 1, 2018, using the modified retrospective method, under which the cumulative effect of initially applying the guidance was recognized at the date of initial application. Our adoption of ASU 2014-09 did not have 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, whereas the majority of our revenue is from rental income pursuant to net-lease agreements, with very little being attributed to tenant recoveries. The impact of ASU 2014-09 did not take effect until the new leasing standard (ASU 2016-02, as defined below) became effective on January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842): An Amendment of the FASB Accounting Standards Codification” (“ASU 2016-02”), which supersedes the previous leasing standard, ASC 840, “Leases.” 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 similarly to operating leases under the previous leasing standard. The new standard requires lessors to account for leases using an approach that is substantially equivalent to that under the previous standard for sales-type leases, direct financing leases, and operating leases. We adopted ASU 2016-02 on January 1, 2019, using the modified retrospective method, under which we recorded the cumulative effect of applying the new guidance as of the adoption date. We also elected the package of practical expedients permitted under the transition guidance (which included that: (i) an entity need not reassess whether any expired or existing contracts are or contain leases, (ii) an entity need not reassess the lease classification for any expired or existing leases, and (iii) an entity need not reassess initial direct costs for any existing leases), the land easement practical expedient to carry forward existing accounting treatment on existing land easements, and the lease and non-lease component combined practical expedient. In addition, we elected the short-term lease exception, which allows us to account for leases with a term of 12 months or less similar to existing operating leases. We currently have two operating ground lease arrangements with terms greater than one year for which we are the lessee. See Note 7, “Commitments and Contingencies—Ground Lease Obligations,” for further discussion on the impact of our adoption of ASU 2016-02 and the assumptions used in determine the related right-of-use asset and lease liability.

### NOTE 3. REAL ESTATE AND INTANGIBLE ASSETS

All of our properties are wholly-owned on a fee-simple basis, except where noted. The following table provides certain summary information about the 86 farms we owned as of March 31, 2019 (dollars in thousands, except for footnotes):

| Location               | No. of Farms | Total Acres   | Farm Acres    | Net Cost Basis <sup>(1)</sup> | Encumbrances <sup>(2)</sup> |
|------------------------|--------------|---------------|---------------|-------------------------------|-----------------------------|
| California             | 33           | 10,147        | 9,336         | \$ 249,319                    | \$ 166,109                  |
| Florida                | 22           | 17,184        | 12,981        | 154,297                       | 96,772                      |
| Arizona <sup>(3)</sup> | 6            | 6,280         | 5,228         | 55,340                        | 22,008                      |
| Colorado               | 10           | 31,448        | 24,513        | 41,790                        | 25,046                      |
| Nebraska               | 3            | 3,254         | 2,701         | 12,847                        | 8,490                       |
| Washington             | 1            | 746           | 417           | 8,709                         | 5,190                       |
| Texas                  | 1            | 3,667         | 2,219         | 8,393                         | 5,280                       |
| Oregon                 | 3            | 418           | 363           | 6,003                         | 3,312                       |
| Michigan               | 5            | 446           | 291           | 4,990                         | 2,740                       |
| North Carolina         | 2            | 310           | 295           | 2,313                         | 1,270                       |
|                        | <b>86</b>    | <b>73,900</b> | <b>58,344</b> | <b>\$ 544,001</b>             | <b>\$ 336,217</b>           |

[Table of Contents](#)

- (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 (excluding improvements paid for by the tenant) and Lease intangibles, net; plus net above-market lease values and lease incentives included in Other assets, net; and less net below-market lease values and other deferred revenue included in Other liabilities, net; each as shown on the accompanying Condensed Consolidated Balance Sheets.
- (2) Excludes approximately \$2.3 million of debt issuance costs related to mortgage notes and bonds payable, included in Mortgage notes and bonds payable, net on the accompanying Condensed Consolidated Balance Sheet.
- (3) Includes two farms in which we own a leasehold interest via ground leases with the State of Arizona that expire in February 2022 and February 2025, respectively. In total, these two farms consist of 1,368 total acres and 1,221 farm acres and had an aggregate net cost basis of approximately \$2.5 million as of March 31, 2019 (included in Lease intangibles, net on the accompanying Condensed Consolidated Balance Sheet).

**Real Estate**

The following table sets forth the components of our investments in tangible real estate assets as of March 31, 2019, and December 31, 2018 (dollars in thousands):

|                                 | March 31, 2019    | December 31, 2018 |
|---------------------------------|-------------------|-------------------|
| Real estate:                    |                   |                   |
| Land and land improvements      | \$ 419,602        | \$ 417,310        |
| Irrigation and drainage systems | 73,864            | 71,583            |
| Horticulture                    | 49,057            | 48,894            |
| Farm-related facilities         | 18,534            | 18,510            |
| Other site improvements         | 6,717             | 6,707             |
| Real estate, at gross cost      | 567,774           | 563,004           |
| Accumulated depreciation        | (26,323)          | (24,051)          |
| <b>Real estate, net</b>         | <b>\$ 541,451</b> | <b>\$ 538,953</b> |

Real estate depreciation expense on these tangible assets was approximately \$2.3 million and \$1.9 million for the three months ended March 31, 2019 and 2018, respectively.

Included in the figures above are amounts related to improvements made on certain of our properties paid for by our tenants but owned by us, or tenant improvements. As of March 31, 2019, and December 31, 2018, we recorded tenant improvements, net of accumulated depreciation, of approximately \$2.3 million and \$2.4 million, respectively. We recorded both depreciation expense and additional lease revenue related to these tenant improvements of approximately \$74,000 and \$76,000 during the three months ended March 31, 2019 and 2018, respectively.

**Intangible Assets and Liabilities**

The following table summarizes the carrying values of certain lease intangible assets and the related accumulated amortization as of March 31, 2019, and December 31, 2018 (dollars in thousands):

|                               | March 31, 2019  | December 31, 2018 |
|-------------------------------|-----------------|-------------------|
| Lease intangibles:            |                 |                   |
| Leasehold interest – land     | \$ 3,498        | \$ 3,498          |
| In-place leases               | 2,046           | 2,046             |
| Leasing costs                 | 1,965           | 1,963             |
| Tenant relationships          | 414             | 414               |
| Lease intangibles, at cost    | 7,923           | 7,921             |
| Accumulated amortization      | (2,559)         | (2,235)           |
| <b>Lease intangibles, net</b> | <b>\$ 5,364</b> | <b>\$ 5,686</b>   |

Total amortization expense related to these lease intangible assets was approximately \$324,000 and \$293,000 for the three months ended March 31, 2019 and 2018, respectively.

The following table summarizes the carrying values of certain lease intangible assets or liabilities included in Other assets, net or Other liabilities, net, respectively, on the accompanying Condensed Consolidated Balance Sheets and the related accumulated amortization or accretion, respectively, as of March 31, 2019, and December 31, 2018 (dollars in thousands):

| Intangible Asset or Liability                                       | March 31, 2019                  |                                      | December 31, 2018               |                                      |
|---|---------------------------------|--------------------------------------|---------------------------------|--------------------------------------|
|   | Deferred Rent Asset (Liability) | Accumulated (Amortization) Accretion | Deferred Rent Asset (Liability) | Accumulated (Amortization) Accretion |
| Above-market lease values and lease incentives <sup>(1)</sup>       | \$ 216                          | \$ (51)                              | \$ 126                          | \$ (18)                              |
| Below-market lease values and other deferred revenue <sup>(2)</sup> | (917)                           | 240                                  | (917)                           | 202                                  |
|   | <b>\$ (701)</b>                 | <b>\$ 189</b>                        | <b>\$ (791)</b>                 | <b>\$ 184</b>                        |

<sup>(1)</sup> Net above-market lease values and lease incentives are included as part of Other assets, net on the accompanying Condensed Consolidated Balance Sheets, and the related amortization is recorded as a reduction of Lease revenue on the accompanying Condensed Consolidated Statements of Operations.

<sup>(2)</sup> Net below-market lease values and other deferred revenue are included as a part of Other liabilities, net on the accompanying Condensed Consolidated Balance Sheets, and the related accretion is recorded as an increase to Lease revenue on the accompanying Condensed Consolidated Statements of Operations.

Total amortization related to above-market lease values and lease incentives was approximately \$33,000 and \$2,000 for the three months ended March 31, 2019 and 2018, respectively. Total accretion related to below-market lease values and other deferred revenue was approximately \$38,000 and \$17,000 for the three months ended March 31, 2019 and 2018, respectively.

## Acquisitions

Upon our adoption of ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," on October 1, 2016, most acquisitions, including those with a prior leasing history, are generally treated as an asset acquisition under ASC 360. For acquisitions accounted for as asset acquisitions under ASC 360, all acquisition-related costs, other than those costs that directly related to either originating new leases we execute upon acquisition or reviewing in-place leases we assumed upon acquisition, are capitalized and included as part of the fair value allocation of the identifiable tangible and intangible assets acquired or liabilities assumed. Upon our adoption of ASU 2016-02 on January 1, 2019, costs that directly related to either negotiating and originating new leases or reviewing assumed leases (generally, external legal costs) are expensed as incurred, whereas these costs were generally capitalized as part of leasing costs under the previous leasing standard. 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. Unless otherwise noted, all properties acquired during 2019 and 2018 were accounted for as asset acquisitions under ASC 360.

### 2019 Acquisitions

During the three months ended March 31, 2019, we acquired one new farm, which is summarized in the table below (dollars in thousands):

| Property Name | Property Location | Acquisition Date | Total Acreage | No. of Farms | Primary Crop(s)          | Lease Term | Renewal Options | Total Purchase Price | Acquisition Costs <sup>(1)</sup> | Annualized Straight-line Rent <sup>(2)</sup> | New Long-term Debt |
|---------------|-------------------|------------------|---------------|--------------|--------------------------|------------|-----------------|----------------------|----------------------------------|--|--------------------|
| Somerset Road | Lincoln, NE       | 1/22/2019        | 695           | 1            | Popcorn and edible beans | 4.9 years  | 1 (5 years)     | \$ 2,400             | \$ 31                            | \$ 126                                       | \$ 1,440           |
|               |                   |                  | <b>695</b>    | <b>1</b>     |                          |            |                 | <b>\$ 2,400</b>      | <b>\$ 31</b>                     | <b>\$ 126</b>                                | <b>\$ 1,440</b>    |

<sup>(1)</sup> Includes approximately \$4,000 of aggregate external legal fees associated with negotiating and originating the lease associated with this acquisition, which costs were expensed in the period incurred.

<sup>(2)</sup> Annualized straight-line rent is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP, and excludes contingent rental payments, such as participation rents.

During the three months ended March 31, 2019, we recognized operating revenues of approximately \$24,000 and net income of approximately \$2,000 related to the above acquisition.

### 2018 Acquisitions

During the three months ended March 31, 2018, we acquired two new farms, which are summarized in the table below (dollars in thousands, except for footnotes):

| 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 <sup>(1)</sup> | New Long-term Debt |
|-----------------------------|-------------------|------------------|---------------|--------------|---------------------|------------|-----------------|----------------------|-------------------|--|--------------------|
| Taft Highway <sup>(2)</sup> | Kern, CA          | 1/31/2018        | 161           | 1            | Potatoes and Melons | N/A        | N/A             | \$ 2,945             | \$ 32             | \$ —   | \$ 1,473           |
| Cemetery Road               | Van Buren, MI     | 3/13/2018        | 176           | 1            | Blueberries         | 9.6 years  | None            | 2,100                | 39                | 150  | 1,260              |
|                             |                   |                  | <b>337</b>    | <b>2</b>     |                     |            |                 | <b>\$ 5,045</b>      | <b>\$ 71</b>      | <b>\$ 150</b>                                | <b>\$ 2,733</b>    |

<sup>(1)</sup> Annualized straight-line rent is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP, and excludes contingent rental payments, such as participation rents.

[Table of Contents](#)

(2) Farm was purchased with no lease in place at the time of acquisition.

During the three months ended March 31, 2018, in the aggregate, we recognized operating revenues of approximately \$8,000 and a net loss of approximately \$5,000 related to the above acquisitions.

**Purchase Price Allocations**

The allocation of the aggregate purchase price for the farms acquired during each of the three months ended March 31, 2019 and 2018 is as follows (dollars in thousands):

| Acquisition Period | Land and Land Improvements | Irrigation & Drainage Systems | Horticulture | Farm-related Facilities | In-place Leases | Leasing Costs | Total Purchase Price |
|--------------------|----------------------------|-------------------------------|--------------|-------------------------|-----------------|---------------|----------------------|
| 2019 Acquisitions  | \$ 2,090                   | \$ 310                        | \$ —         | \$ —                    | \$ —            | \$ —          | \$ 2,400             |
| 2018 Acquisitions  | 3,256                      | 582                           | 961          | 123                     | 76              | 47            | 5,045                |

**Significant Existing Real Estate Activity**

**Leasing Activity**

The following table summarizes certain leasing activity that occurred on our existing properties during the three months ended March 31, 2019 (dollars in thousands, except footnotes):

| Farm Locations       | Number of Leases | Total Farm Acres | PRIOR LEASES <sup>(1)</sup>                        |                                      |   | NEW LEASES <sup>(2)</sup>                          |                        |                                      |   |
|----------------------|------------------|------------------|--|--------------------------------------|---|--|------------------------|--------------------------------------|---|
|                      |                  |                  | Total Annualized Straight-line Rent <sup>(3)</sup> | # of Leases with Participation Rents | Lease Structures (# of NNN / NN) <sup>(4)</sup> | Total Annualized Straight-line Rent <sup>(3)</sup> | Wtd. Avg. Term (Years) | # of Leases with Participation Rents | Lease Structures (# of NNN / NN) <sup>(4)</sup> |
| AZ, CA, FL, MI, & NE | 11               | 4,375            | \$ 2,143   | 1                                    | 8 / 4   | \$ 2,127   | 3.2                    | 3                                    | 8 / 3   |

(1) Includes a farm that was previously vacant.

(2) In connection with certain of these leases, we committed to provide aggregate capital of up to \$420,000 for certain improvements on these farms.

(3) Annualized straight-line rent is based on the minimum cash rental payments guaranteed under the leases (presented on an annualized basis), as required under GAAP, and excludes contingent rental payments, such as participation rents.

(4) "NNN" refers to leases under triple-net lease arrangements, and "NN" refers to leases under partial-net lease arrangements. For a description of each of these types of lease arrangements, see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Leases—General."

See Note 10, "Subsequent Events—Leasing Activity" for additional leasing activity that occurred subsequent to March 31, 2019.

**Project Completion**

During the year ended December 31, 2018, we replaced 23 irrigation pivots on one of our properties in Colorado at a total cost of approximately \$1.4 million. Pursuant to a lease amendment executed during the three months ended March 31, 2019, in connection with this project, we will earn additional straight-line rental income of approximately \$117,000 per year throughout the remaining term of the lease, which expires on February 28, 2021.

**Future Minimum Lease Payments**

We account for all of our leasing arrangements in which we are the lessor as operating leases. The majority of our leases are subject to fixed rental increases, and a small subset of our lease portfolio includes lease payments based on an index, such as the consumer price index ("CPI"). In addition, several of our leases contain participation rent components based on the gross revenues earned on the respective farms. Most of our leases also include tenant renewal options; however, these renewal options are generally based on then-current market rates and are therefore typically excluded from the determination of the minimum lease term. Our leases do not generally include tenant termination options.

The following table summarizes the future lease payments to be received under non-cancelable leases as of March 31, 2019, and December 31, 2018 (dollars in thousands):

| Period     | Future Lease Payments <sup>(1)</sup> |                   |
|------------|--------------------------------------|-------------------|
|            | March 31, 2019                       | December 31, 2018 |
| 2019       | \$ 20,546                            | \$ 30,290         |
| 2020       | 28,179                               | 26,917            |
| 2021       | 21,131                               | 20,980            |
| 2022       | 20,285                               | 19,775            |
| 2023       | 19,718                               | 19,413            |
| Thereafter | 62,793                               | 59,934            |
|            | <b>\$ 172,652</b>                    | <b>\$ 177,309</b> |

<sup>(1)</sup> Excludes variable rent payments, such as potential rent increases that are based on CPI or future contingent rents based on a percentage of the gross revenues earned on the respective farms.

## Portfolio Diversification and Concentrations

### Diversification

The following table summarizes the geographic locations (by state) of our farms owned and with leases in place as of and for the three months ended March 31, 2019 and 2018 (dollars in thousands):

| State                     | As of and For the Three Months Ended March 31, 2019 |               |                  |                 |                          | As of and For the Three Months Ended March 31, 2018 |               |                  |                 |                          |
|---------------------------|---|---------------|------------------|-----------------|--------------------------|---|---------------|------------------|-----------------|--------------------------|
|                           | Number of Farms                                     | Total Acres   | % of Total Acres | Lease Revenue   | % of Total Lease Revenue | Number of Farms                                     | Total Acres   | % of Total Acres | Lease Revenue   | % of Total Lease Revenue |
| California <sup>(1)</sup> | 33  | 10,147        | 13.7%            | \$ 3,734        | 47.7%                    | 29  | 8,241         | 13.0%            | \$ 3,030        | 45.3%                    |
| Florida                   | 22  | 17,184        | 23.2%            | 2,339           | 29.9%                    | 16  | 11,006        | 17.4%            | 1,754           | 26.2%                    |
| Colorado                  | 10  | 31,448        | 42.6%            | 696             | 8.9%                     | 10  | 31,450        | 49.6%            | 686             | 10.3%                    |
| Arizona                   | 6   | 6,280         | 8.5%             | 539             | 6.9%                     | 6   | 6,280         | 9.9%             | 532             | 7.9%                     |
| Texas                     | 1   | 3,667         | 5.0%             | 131             | 1.7%                     | —   | —             | —%               | —               | —%                       |
| Oregon                    | 3   | 418           | 0.6%             | 128             | 1.6%                     | 4   | 2,313         | 3.7%             | 307             | 4.6%                     |
| Washington                | 1   | 746           | 1.0%             | 122             | 1.5%                     | 1   | 746           | 1.2%             | 121             | 1.8%                     |
| North Carolina            | 2   | 310           | 0.4%             | 60              | 0.8%                     | 2   | 310           | 0.5%             | 49              | 0.7%                     |
| Nebraska                  | 3   | 3,254         | 4.4%             | 60              | 0.8%                     | 2   | 2,559         | 4.0%             | 145             | 2.2%                     |
| Michigan                  | 5   | 446           | 0.6%             | 21              | 0.2%                     | 5   | 446           | 0.7%             | 70              | 1.0%                     |
| <b>TOTALS</b>             | <b>86</b>   | <b>73,900</b> | <b>100.0%</b>    | <b>\$ 7,830</b> | <b>100.0%</b>            | <b>75</b>   | <b>63,351</b> | <b>100.0%</b>    | <b>\$ 6,694</b> | <b>100.0%</b>            |

<sup>(1)</sup> According to the California Chapter of the American Society of Farm Managers and Rural Appraisers, there are eight distinct growing regions within California; our farms are spread across four of these growing regions.

### Concentrations

#### Credit Risk

As of March 31, 2019, our farms were leased to 64 different, unrelated third-party tenants, with certain tenants leasing more than one farm. One unrelated third-party tenant (“Tenant A”) leases five of our farms, and aggregate lease revenue attributable to Tenant A accounted for approximately \$1.1 million, or 14.1%, of the total lease revenue recorded during the three months ended March 31, 2019. If Tenant A fails to make rental payments, elects to terminate its leases prior to their expirations, or does not renew its leases (and we cannot re-lease the farms on satisfactory terms), there could be a material adverse effect on our financial performance and ability to continue operations. No other individual tenant represented greater than 10.0% of the total lease revenue recorded during the three months ended March 31, 2019.

#### Geographic Risk

Farms located in California and Florida accounted for approximately \$3.7 million (47.7%) and \$2.3 million (29.9%), respectively, of the total lease revenue recorded during the three months ended March 31, 2019. 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 our total lease revenue recorded during the three months ended March 31, 2019.

**NOTE 4. BORROWINGS**

Our borrowings as of March 31, 2019, and December 31, 2018, are summarized below (dollars in thousands):

|  | Carrying Value as of |                   | As of March 31, 2019                                     |                                     |
|--|----------------------|-------------------|--|-------------------------------------|
|  | March 31, 2019       | December 31, 2018 | Stated Interest Rates <sup>(1)</sup><br>(Range; Wtd Avg) | Maturity Dates<br>(Range; Wtd Avg)  |
| <b>Notes and bonds payable:</b>                |                      |                   |  |                                     |
| Fixed-rate notes payable                       | \$ 245,488           | \$ 247,249        | 3.16%–5.70%; 3.97%                                       | 6/1/2020–12/1/2043; January 2032    |
| Fixed-rate bonds payable                       | 90,629               | 90,877            | 2.80%–4.57%; 3.55%                                       | 12/11/2019–9/13/2028; November 2022 |
| Total notes and bonds payable                  | 336,117              | 338,126           |  |                                     |
| Debt issuance costs – notes and bonds payable  | (2,282)              | (2,338)           | N/A  | N/A                                 |
| <b>Notes and bonds payable, net</b>            | <b>\$ 333,835</b>    | <b>\$ 335,788</b> |  |                                     |
| <b>Variable-rate revolving lines of credit</b> | <b>\$ 100</b>        | <b>\$ 100</b>     | 5.05%  | 4/5/2024                            |
| <b>Total borrowings, net</b>                   | <b>\$ 333,935</b>    | <b>\$ 335,888</b> |  |                                     |

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

As of March 31, 2019, the above borrowings were collateralized by 86 farms with an aggregate net book value of approximately \$544.0 million. The weighted-average interest rate charged on the above borrowings (excluding the impact of debt issuance costs and before any interest patronage, or refunded interest) was 3.93% and 3.52% for the three months ended March 31, 2019, and 2018, respectively. In addition, 2018 interest patronage from our Farm Credit Notes Payable (as defined below), which we recorded during the three months ended March 31, 2019, resulted in a 21.2% reduction (approximately 95 basis points) to the stated interest rates on such borrowings. We are unable to estimate the amount of interest patronage to be received, if any, related to interest accrued during 2019 on our Farm Credit Notes Payable.

As of March 31, 2019, we were in compliance with all covenants applicable to the above borrowings.

**MetLife Borrowings**

**MetLife Facility**

On May 9, 2014, we closed on a credit facility (the “MetLife Facility”) with Metropolitan Life Insurance Company (“MetLife”). As a result of subsequent amendments, the MetLife Facility currently consists of an aggregate of \$200.0 million of term notes (the “MetLife Term Notes”) and \$75.0 million of revolving equity lines of credit (the “MetLife Lines of Credit”). The following table summarizes the pertinent terms of the MetLife Facility as of March 31, 2019 (dollars in thousands, except for footnotes):

| Issuance                    | Aggregate Commitment      | Maturity Dates | Principal Outstanding | Interest Rate Terms                          | Undrawn Commitment       |
|-----------------------------|---------------------------|----------------|-----------------------|--|--------------------------|
| MetLife Term Notes          | \$ 200,000 <sup>(1)</sup> | 1/5/2029       | \$ 124,283            | 3.30%, fixed through 1/4/2027 <sup>(2)</sup> | \$ 64,374 <sup>(3)</sup> |
| MetLife Lines of Credit     | 75,000                    | 4/5/2024       | 100                   | 3-month LIBOR + 2.25% <sup>(4)</sup>         | 74,900 <sup>(3)</sup>    |
| Total principal outstanding |                           |                | <b>\$ 124,383</b>     |  |                          |

<sup>(1)</sup> If the aggregate commitment under this facility is not fully utilized by December 31, 2019, MetLife has the option to be relieved of its obligation to disburse the additional funds under the MetLife Term Notes.

<sup>(2)</sup> Represents the blended interest rate as of March 31, 2019. 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, 2019, the MetLife Term Notes are also subject to an unused fee ranging from 0.10% to 0.20% on undrawn amounts (based on the balance drawn under the MetLife Term Notes).

<sup>(3)</sup> Based on the properties that were pledged as collateral under the MetLife Facility, as of March 31, 2019, the maximum additional amount we could draw under the facility was approximately \$20.4 million.

<sup>(4)</sup> The interest rate on the MetLife Lines of Credit is subject to a minimum annualized rate of 2.50%, plus an unused fee ranging from 0.10% to 0.20% on undrawn amounts (based on the balance drawn under each line of credit). The interest rate spread will be subject to adjustment on October 5, 2019. As of March 31, 2019, the interest rate on the MetLife Lines of Credit was 5.05%.

**Farm Credit Notes Payable**

From time to time since September 2014, we, through certain subsidiaries of our Operating Partnership, have entered into various loan agreements (collectively, the “Farm Credit Notes Payable”) with eight different Farm Credit associations

(collectively, “Farm Credit”). During the three months ended March 31, 2019, we entered into the following loan agreement with Farm Credit (dollars in thousands):

| Issuer                    | Date of Issuance | Amount   | Maturity Date | Principal Amortization | Interest Rate Terms <sup>(1)</sup>                          |
|---------------------------|------------------|----------|---------------|------------------------|---|
| Premier Farm Credit, FLCA | 2/7/2019         | \$ 1,440 | 11/1/2043     | 25.0 years             | 5.45%, fixed through October 31, 2023 (variable thereafter) |

<sup>(1)</sup> Stated rate is before interest patronage, as described below.

Interest patronage, or refunded interest, on our borrowings from the various Farm Credit associations is generally recorded upon receipt and is included within Other income on our Condensed Consolidated Statements of Operations. Receipt of interest patronage typically occurs in the first half of the calendar year following the calendar year in which the respective interest payments are made. During the three months ended March 31, 2019, we recorded interest patronage of approximately \$700,000 related to interest accrued on loans from Farm Credit during the year ended December 31, 2018, which resulted in a 21.2% reduction (approximately 95 basis points) to the stated interest rates on such borrowings.

#### Debt Service – Aggregate Maturities

Scheduled principal payments of our aggregate notes and bonds payable as of March 31, 2019, for the succeeding years are as follows (dollars in thousands):

| Period   | Scheduled Principal Payments |
|--|------------------------------|
| For the remaining nine months ending December 31: 2019 | \$ 8,953                     |
| For the fiscal years ending December 31: 2020          | 28,181                       |
| 2021   | 16,205                       |
| 2022   | 38,645                       |
| 2023   | 32,420                       |
| 2024   | 23,508                       |
| Thereafter   | 188,205                      |
|  | <b>\$ 336,117</b>            |

#### 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 March 31, 2019, the aggregate fair value of our long-term, fixed-rate notes and bonds payable was approximately \$332.1 million, as compared to an aggregate carrying value (excluding unamortized related debt issuance costs) of approximately \$336.1 million. The fair value of our long-term, fixed-rate 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 March 31, 2019, is deemed to approximate their aggregate carrying value of \$100,000.

#### NOTE 5. SERIES A TERM PREFERRED STOCK

In August 2016, we completed a public offering of 6.375% Series A Cumulative Term Preferred Stock, par value \$0.001 per share (the “Series A Term Preferred Stock”), at a public offering price of \$25.00 per share. As a result of this offering

(including the underwriters' exercise of their option to purchase additional shares to cover over-allotments), we issued a total of 1,150,000 shares of the Series A 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. The Series A Term Preferred Stock is traded under the ticker symbol "LANDP" on Nasdaq.

Generally, we were not permitted to redeem shares of the Series A Term Preferred Stock prior to September 30, 2018, except in limited circumstances to preserve our qualification as a REIT. Beginning on September 30, 2018, we were permitted to 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 Series A Term Preferred Stock have a mandatory redemption date of September 30, 2021, and are not convertible into our common stock or any other securities. As of March 31, 2019, no shares of Series A Term Preferred Stock have been redeemed.

We incurred approximately \$1.2 million in total offering costs related to this issuance, which have been recorded net of the Series A Term Preferred Stock as presented on the accompanying Condensed Consolidated Balance Sheets and are being amortized over the mandatory redemption period as a component of interest expense on the accompanying Condensed Consolidated Statements of Operations. The Series A Term Preferred Stock is recorded as a liability on our accompanying Condensed Consolidated Balance Sheets 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 similarly to interest expense on the accompanying Condensed Consolidated Statements of Operations.

As of March 31, 2019, the fair value of our Series A Term Preferred Stock was approximately \$29.6 million, as compared to the carrying value (exclusive of unamortized offering costs) of approximately \$28.8 million. The fair value of our Series A 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 per-share price as of March 31, 2019, of \$25.73.

For information on the dividends declared by our Board of Directors and paid by us on the Series A Term Preferred Stock during the three months ended March 31, 2019 and 2018, see Note 8, "Equity—Distributions."

## NOTE 6. RELATED-PARTY TRANSACTIONS

### Our Adviser and Administrator

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. Both our Adviser and Administrator are affiliates of ours, as their parent company is owned and controlled by David Gladstone, our chairman, chief executive officer, and president. In addition, two of our executive officers, Mr. Gladstone and Terry Brubaker (our vice chairman and chief operating officer), serve as directors and executive officers of each of our Adviser and Administrator, and Michael LiCalsi, our general counsel and secretary, serves as our Administrator's president, general counsel, and secretary. We have entered into an investment advisory agreement with our Adviser, as amended from time to time (the "Advisory Agreement"), and an administration agreement with our Administrator (the "Administration Agreement"). A summary of the compensation terms for each of the Advisory Agreement and the Administration Agreement is below.

#### *Advisory Agreement*

Pursuant to the Advisory Agreement, our Adviser is compensated in the form of a base management fee and, each as applicable, an incentive fee, a capital gains fee, and a termination fee. Each of these fees is described below.

#### *Base Management Fee*

A base management fee is paid quarterly and is calculated as 2.0% per annum (0.50% per quarter) of the prior calendar quarter's total adjusted equity, which is defined as total equity plus total mezzanine equity, if any (each as reported on our balance sheet), adjusted to exclude unrealized gains and losses and certain other one-time events and non-cash items ("Total Adjusted Equity"). During the three months ended March 31, 2019, our Adviser granted us a non-contractual, unconditional, and irrevocable waiver of approximately \$568,700, which was applied as a credit against the base management fee for the three months ended March 31, 2019.

#### *Incentive Fee*

An incentive fee is calculated and payable quarterly in arrears if the Pre-Incentive Fee FFO for a particular quarter exceeds a hurdle rate of 7.5% (7.0% annualized) of the prior calendar quarter's Total Adjusted Equity. For purposes of this calculation, Pre-Incentive Fee FFO is defined in the Advisory Agreement as FFO (also as defined in the Advisory Agreement) accrued by the Company during the current calendar quarter (prior to any incentive fee calculation for the current calendar quarter), less any dividends paid on preferred stock securities that are not treated as a liability for GAAP purposes. Our Adviser will receive:

(i) no incentive fee in any calendar quarter in which the Pre-Incentive Fee FFO does not exceed the hurdle rate; (ii) 100% of the Pre-Incentive Fee FFO with respect to that portion of such Pre-Incentive Fee FFO, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and (iii) 20% of the amount of the Pre-Incentive Fee FFO, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized).

#### *Capital Gains Fee*

A capital gains-based incentive fee will be calculated and payable in arrears at the end of each fiscal year (or upon termination of the Advisory Agreement). The capital gains fee shall equal: (i) 15% of the cumulative aggregate realized capital gains minus the cumulative aggregate realized capital losses, minus (ii) any aggregate capital gains fees paid in prior periods. For purposes of this calculation, realized capital gains and losses will be calculated as (x) the sales price of the property, minus (y) any costs to sell the property and the then-current gross value of the property (which includes the property's original acquisition price plus any subsequent, non-reimbursed capital improvements). At the end of each fiscal year, if this figure is negative, no capital gains fee shall be paid.

#### *Termination Fee*

In the event of our termination of the Amended Advisory Agreement for any reason, a termination fee would be payable to the Adviser equal to three times the sum of the average annual base management fee and incentive fee earned by the Adviser during the 24-month period prior to such termination.

#### *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. As approved by our Board of Directors, our allocable portion of the Administrator's expenses is 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.

#### *TRS Lease Assumption*

On October 17, 2017, Land Advisers entered into an Assignment and Assumption of Agricultural Lease (the "Assigned TRS Lease") with the previously-existing tenant on a 169-acre farm located in Ventura County, California. The Assigned TRS Lease, as amended, expired on July 13, 2018. In addition, in connection with the initial operations on the farm, on October 17, 2017, Land Advisers issued a \$1.7 million unsecured promissory note to the Company that matured in July 31, 2018, and bore interest at a rate equal to the prime rate plus a spread of 5.0% per annum. All inter-company amounts related to the Assigned TRS Lease and the promissory note were eliminated in consolidation, and, as a result, no rental or interest income from Land Advisers was recorded by us on the Consolidated Statement of Operations during the three months ended March 31, 2018. Effective August 1, 2018, this farm was leased to a new, unrelated third-party tenant under a 10-year lease.

#### *TRS Fee Arrangements*

In connection with the assumption of the Assigned TRS Lease, in exchange for services provided by our Adviser to Land Advisers, our Adviser and Land Advisers entered into an Expense Sharing Agreement (the "TRS Expense Sharing Agreement"). In addition, to account for the time our Administrator's staff spends on activities related to Land Advisers, we adopted a policy wherein a portion of the fee paid by the Company to our Administrator pursuant to the Administration Agreement would be allocated to Land Advisers (the "TRS Administration Fee Allocation"). No such fees were incurred during the three months ended March 31, 2019.

#### *TRS Expense Sharing Agreement*

Pursuant to the TRS Expense Sharing Agreement, our Adviser was responsible for maintaining the day-to-day operations on the farm leased to Land Advisers from October 17, 2017, through July 31, 2018. In exchange for such services, Land Advisers compensated our Adviser through reimbursement of certain expenses incurred by our Adviser, including Land Advisers' pro-rata share of our Adviser's payroll and related benefits (based on the percentage of each employee's time devoted to matters related to Land Advisers in relation to the time such employees devoted to all affiliated funds, collectively, advised by our Adviser) and general overhead expenses (based on the total general overhead expenses incurred by our Adviser multiplied by the ratio of hours worked by our Adviser's employees on matters related to Land Advisers to the total hours worked by our Adviser's employees).

Costs incurred by our Adviser, while payable by Land Advisers, were initially accumulated and deferred and then allocated to costs of sales as the related crops were harvested and sold. During the three months ended March 31, 2018, approximately

\$66,000 of the total accumulated costs incurred by our Adviser was allocated to the costs of crops sold and is included within Base management fee on the accompanying Condensed Consolidated Statement of Operations for the three months ended March 31, 2018.

*TRS Administration Fee Allocation*

Under to the TRS Administration Fee Allocation, a portion of the fee owed by us to our Administrator under the Administration Agreement was allocated to Land Advisers based on the percentage of each employee's time devoted to matters related to Land Advisers in relation to the total time such employees devoted to the Company.

During the three months ended March 31, 2018, approximately \$12,000 of the administration fee paid by us was allocated to Land Advisers. This allocation is included within Administration fee on the accompanying Condensed Consolidated Statement of Operations for the three months ended March 31, 2018.

**Gladstone Securities**

On April 11, 2017, we entered into an agreement with Gladstone Securities for it to act as our non-exclusive agent to assist us with arranging financing for our properties (the "Financing Arrangement Agreement"). Gladstone Securities is a privately-held broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Gladstone Securities is an affiliate of ours, as its parent company is owned and controlled by Mr. Gladstone, who also serves on the board of managers of Gladstone Securities.

*Financing Arrangement Agreement*

We pay Gladstone Securities a financing fee in connection with the services it provides to us for securing financing on our properties. Depending on the size of the financing obtained, the maximum amount of the financing fee, which is payable upon closing of the respective financing, ranges from 0.5% to 1.0% of the amount of financing obtained. The amount of the financing fee may be reduced or eliminated as determined by us and Gladstone Securities after taking into consideration various factors, including, but not limited to, the involvement of any unrelated third-party brokers and general market conditions. During the three months ended March 31, 2019, we paid total financing fees to Gladstone Securities of approximately \$2,000. No financing fees were paid to Gladstone Securities during the three months ended March 31, 2018. Through March 31, 2019, the total amount of financing fees paid to Gladstone Securities represented approximately 0.12% of the total financings secured since the Financing Arrangement Agreement has been in place.

*Dealer-Manager Agreement*

On January 10, 2018, we entered into a dealer-manager agreement, which was amended and restated on May 31, 2018 (the "Dealer-Manager Agreement"), with Gladstone Securities, whereby Gladstone Securities serves as our exclusive dealer-manager in connection with the primary offering of our Series B Preferred Stock (each as defined in Note 8, "Equity—Series B Preferred Stock"). Pursuant to the Dealer-Manager Agreement, Gladstone Securities provides certain sales, promotional, and marketing services to us in connection with the offering of the Series B Preferred Stock, and we generally will pay Gladstone Securities: (i) selling commissions of up to 7.0% of the gross proceeds from sales of Series B Preferred Stock in the Primary Offering (the "Selling Commissions"), and (ii) a dealer-manager fee of 3.0% of the gross proceeds from sales of Series B Preferred Stock in the Primary Offering (the "Dealer-Manager Fee"). Gladstone Securities may, in its sole discretion, remit all or a portion of the Selling Commissions and may also reallocate all or a portion of the Dealer-Manager Fees to participating broker-dealers and wholesalers in support of the offering. The terms of the Dealer-Manager Agreement were approved by our board of directors, including all of its independent directors. During the three months ended March 31, 2019, we paid total selling commissions and dealer-manager fees to Gladstone Securities in connection with sales of the Series B Preferred Stock of approximately \$1.7 million (of which approximately \$1.6 million were then remitted by Gladstone Securities to unrelated third-parties involved in the offering, including participating broker-dealers and wholesalers). Such fees are netted against the gross proceeds received from sales of the Series B Preferred Stock and are included within Additional paid-in capital on the accompanying Condensed Consolidated Balance Sheets. No selling commissions or dealer-manager fees were paid to Gladstone Securities during the three months ended March 31, 2018. Through March 31, 2019, approximately 93.9% of the total selling commissions and dealer-manager fees paid to Gladstone Securities have been remitted to unrelated third-parties involved in the offering.

**Related-Party Fees**

The following table summarizes related-party fees paid or accrued for and reflected in our accompanying condensed consolidated financial statements (dollars in thousands):

|  | <b>For the Three Months Ended March 31,</b> |                              |
|--|---|------------------------------|
|  | <b>2019</b>                                 | <b>2018</b>                  |
| Base management fee <sup>(1)(2)</sup>  | \$ 905                                      | \$ 656 <sup>(3)</sup>        |
| Credits from non-contractual, unconditional, and irrevocable waiver granted by Adviser’s board of directors <sup>(2)</sup> | (569)                                       | —                            |
| <b>Total fees to our Adviser, net</b>  | <b>\$ 336</b>                               | <b>\$ 656</b>                |
| <b>Administration fee<sup>(1)(2)</sup></b>   | <b>\$ 306</b>                               | <b>\$ 274 <sup>(4)</sup></b> |
| Selling Commissions and Dealer-Manager Fees <sup>(1)(5)</sup>  | \$ 1,654                                    | \$ —                         |
| Financing fees <sup>(1)(6)</sup>   | 2   | —                            |
| <b>Total fees to Gladstone Securities</b>  | <b>\$ 1,656</b>                             | <b>\$ —</b>                  |

<sup>(1)</sup> Pursuant to the agreements with the respective related-party entities, as discussed above.

<sup>(2)</sup> Reflected as a line item on our accompanying Condensed Consolidated Statements of Operations.

<sup>(3)</sup> Includes the allocation of approximately \$66,000 of the total accumulated costs incurred by our Adviser as a result of the crops harvested and sold on the farm operated by Land Advisers during the three months ended March 31, 2018, as further described above under “TRS Expense Sharing Agreement.”

<sup>(4)</sup> Includes the portion of administration fee that was allocated to Land Advisers (approximately \$12,000), as further described above under “TRS Administration Fee Allocation.”

<sup>(5)</sup> Included within Additional paid-in capital on the accompanying Condensed Consolidated Balance Sheets. Gladstone Securities remitted approximately \$1.6 million of these fees to unrelated third-parties involved in the offering (including participating broker-dealers and wholesalers) during the three months ended March 31, 2019.

<sup>(6)</sup> Included within Notes and bonds payable, net on the Condensed Consolidated Balance Sheets and amortized into Interest expense on the Condensed Consolidated Statements of Operations. Financing fees paid to Gladstone Securities during the three months ended March 31, 2019 represented approximately 0.15% of the total financings secured during the period.

**Related-Party Fees Due**

Amounts due to related parties on our accompanying Condensed Consolidated Balance Sheets as of March 31, 2019, and December 31, 2018, were as follows (dollars in thousands):

|  | March 31, 2019 | December 31, 2018  |
|--|----------------|--------------------|
| <b>Due from Gladstone Securities<sup>(1)</sup></b> | <b>\$ —</b>    | <b>\$ 20</b>       |
| Base management fee                                | 905            | 736                |
| Capital gains fee <sup>(2)</sup>                   | —              | (150)              |
| Credits to fees <sup>(3)</sup>                     | (569)          | (44)               |
| Other <sup>(4)</sup>                               | (4)            | 63                 |
| <b>Total due to Adviser</b>                        | <b>332</b>     | <b>605</b>         |
| Administration fee                                 | 306            | 340 <sup>(5)</sup> |
| <b>Total due to Administrator</b>                  | <b>306</b>     | <b>340</b>         |
| Selling Commissions and Dealer-Manager Fees        | 58             |                    |
| Other <sup>(1)</sup>                               | (20)           |                    |
| <b>Due to Gladstone Securities</b>                 | <b>38</b>      | <b>—</b>           |
| <b>Total due to related parties<sup>(6)</sup></b>  | <b>\$ 676</b>  | <b>\$ 945</b>      |

- <sup>(1)</sup> Other amounts due from Gladstone Securities represent costs for certain sales, promotional, or marketing services related to the offering of the Series B Preferred Stock paid for by us on behalf of Gladstone Securities. At March 31, 2019, such amounts are netted against other amounts owed to Gladstone Securities and included within Due to related parties, net; at December 31, 2018, such amounts are included within Other assets, net on our accompanying Condensed Consolidated Balance Sheets.
- <sup>(2)</sup> The credit to the capital gains fee as of December 31, 2018, was a result of capital losses recorded in connection with dispositions of certain real estate assets during year ended December 31, 2018, which resulted in a reduction of the capital gains fee accrued for earlier in fiscal year 2018.
- <sup>(3)</sup> The credits received from our Adviser during the three months ended March 31, 2019, and December 31, 2018, were granted as non-contractual, unconditional, and irrevocable waivers to be applied as credits against the base management fee.
- <sup>(4)</sup> Other amounts due to or from our Adviser primarily relate to miscellaneous general and administrative expenses either paid by our Adviser on our behalf or by us on our Adviser's behalf. The balance owed to our Adviser as of December 31, 2018, includes premium payments for certain insurance policies made by our Adviser on our behalf.
- <sup>(5)</sup> Includes approximately \$9,000 owed by Land Advisers to our Administrator as of December 31, 2018, in accordance with the TRS Administration Fee Allocation, as discussed above.
- <sup>(6)</sup> Reflected as a line item on our accompanying Condensed Consolidated Balance Sheets.

## NOTE 7. COMMITMENTS AND CONTINGENCIES

### Operating Obligations

In connection with a lease amendment we executed on one of our Oregon farms in May 2017, we committed to provide up to \$1.8 million of capital for anticipated improvements on the farm, including irrigation upgrades and the planting of new blueberry bushes, which improvements are expected to be completed by December 31, 2020. As stipulated in the lease amendment, we will begin earning additional rent on the cost of the improvements as the funds are disbursed by us at an initial annual rate of 6.5%, which rate is subject to annual escalations and market resets. As of March 31, 2019, we have expended or accrued approximately \$1.0 million related to this project.

In connection with the lease we executed upon our acquisition of our two North Carolina farms in June 2017, we committed to provide up to \$300,000 of capital to support additional plantings and infrastructure on the farm, which improvements are expected to be completed by June 30, 2020. As stipulated in the lease agreement, we will earn additional rent on the total cost of the improvements as disbursements are made by us at a rate commensurate with the annual yield on the farmland (as determined by each year's minimum cash rent per the lease). As of March 31, 2019, we have expended or accrued approximately \$166,000 related to this project.

In connection with the lease we executed upon our acquisition of a 361-acre farm in California in August 2017, we committed to provide up to \$4.0 million of capital to fund the development of additional vineyard acreage on the farm, which development is expected to be completed by March 31, 2020. As stipulated in the lease agreement, we will earn additional rent on the total cost of the improvements as the funds are disbursed by us at an initial annual rate of 6.0%, which is subject to annual escalations. As of March 31, 2019, we have expended or accrued approximately \$1.6 million related to this project.

In connection with a lease amendment we executed on one of our Oregon farms in May 2018, we committed to provide up to approximately \$250,000 of capital for certain irrigation improvements on the farm, which are expected to be completed by May 1, 2019. As a result of this project, the lease amendment provides for additional, fixed rental payments that are subject to annual escalations. As of March 31, 2019, we have expended or accrued approximately \$18,000 related to this project.

In connection with the lease we executed upon our acquisition of five farms totaling 5,630 acres in Collier and Hendry Counties, Florida, in July 2018, we committed to provide up to \$2.0 million of capital for certain irrigation improvements on

the farms throughout the term of the lease, which expires on June 30, 2025. While no specific plans for such improvements have been developed yet, if and when any capital is deployed by us, as stipulated in the lease agreement, we will earn additional rent on the total cost of the improvements as disbursements are made by us at a rate commensurate with the annual yield on the farmland (as determined by each year's minimum cash rent per the lease). To date, we have not expended or accrued anything related to this project.

### Ground Lease Obligations

In connection with two farms acquired on June 1, 2017, through a leasehold interest, we assumed two ground lease arrangements under which we are the lessee (with the State of Arizona as the lessor). These two operating ground leases expire in February 2022 and February 2025, and neither lease contains any extension, renewal, or termination options. Upon our adoption of ASU 2016-02 on January 1, 2019, we recognized an operating lease right-of-use asset of approximately \$218,000 and an operating lease liability of approximately \$213,000 as a result of these ground leases. These values were determined by discounting the respective future minimum lease payments using a discount rate equivalent to treasury rates with similar terms plus a spread ranging from 2.47% to 2.53%.

As of March 31, 2019, we had recorded the following as a result of these operating ground leases (dollars in thousands, except for footnotes):

|  |        |
|--|--------|
| Operating lease right-of-use assets <sup>(1)</sup> | \$ 208 |
| Operating lease liabilities <sup>(2)</sup>         | 167    |
| Weighted-average remaining lease term (years)      | 5.3    |
| Weighted-average discount rate                     | 4.20%  |

<sup>(1)</sup> Operating lease right-of-use assets are shown net of accrued lease payments of approximately \$41,000 and are included within Other assets, net on the accompanying Condensed Consolidated Balance Sheet.

<sup>(2)</sup> Included within Other liabilities, net on the accompanying Condensed Consolidated Balance Sheet.

As a result of these ground leases, during each of the three months ended March 31, 2019 and 2018, we recorded lease expense (included within Property operating expenses on the accompanying Condensed Consolidated Statement of Operations) of approximately \$12,000. Future lease payments due under the remaining non-cancelable terms of these leases as of March 31, 2019, and December 31, 2018, are as follows (dollars in thousands):

| Period                                 | Future Lease Payments <sup>(1)</sup> |                   |
|--|--------------------------------------|-------------------|
|  | March 31, 2019                       | December 31, 2018 |
| 2019                                   | \$ —                                 | \$ 47             |
| 2020                                   | 47                                   | 47                |
| 2021                                   | 47                                   | 47                |
| 2022                                   | 30                                   | 30                |
| 2023                                   | 30                                   | 30                |
| Thereafter                             | 31                                   | 31                |
| Total undiscounted lease payments      | 185                                  | 232               |
| Less: imputed interest                 | (18)                                 | —                 |
| <b>Present value of lease payments</b> | <b>\$ 167</b>                        | <b>\$ 232</b>     |

<sup>(1)</sup> Annual lease payments are set at the beginning of each year to then-current market rates (as determined by the State of Arizona). The amounts shown above represent estimated amounts based on the lease rates currently in place.

### Litigation

In the ordinary course of business, we may be involved in legal proceedings from time to time. We are not currently subject to any material known or threatened litigation.

## NOTE 8. EQUITY

### Amendment to Articles of Incorporation

On January 10, 2018, we filed with the Maryland Department of Assessments and Taxation Articles Supplementary to reclassify and designate 6,500,000 shares of our authorized and unissued shares of capital stock as shares of Series B Preferred

Stock (as defined below). The reclassification decreased the number of shares classified as common stock from 98,000,000 to 91,500,000.

### Stockholders' Equity

As of March 31, 2019, there were 6,500,000 shares of Series B Preferred Stock (as defined below), par value \$0.001 per share, authorized, with 1,891,709 shares issued and outstanding worth an aggregate liquidation value of approximately \$47.3 million; and 91,500,000 shares of common stock, par value \$0.001 per share, authorized, with 18,462,219 shares issued and outstanding. As of December 31, 2018, there were 6,500,000 shares of Series B Preferred Stock (as defined below), par value \$0.001 per share, authorized, with 1,144,393 shares issued and outstanding worth an aggregate liquidation value of approximately \$28.6 million; and 91,500,000 shares of common stock, par value \$0.001 per share, authorized, with 17,891,340 shares issued and outstanding.

### Non-Controlling Interests in Operating Partnership

We consolidate our Operating Partnership, which is a majority-owned partnership. As of March 31, 2019, and December 31, 2018, we owned 100.0% and approximately 96.9%, 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.

Information related to OP Units tendered for redemption during the three months ended March 31, 2019 and 2018 is provided in the table below (dollars in thousands, except per-share amounts):

| Period                            | OP Units Tendered for Redemption | Shares of Common Stock Issued | OP Units Redeemed with Cash | Aggregate Cash Payment | Aggregate Cash Paid per OP Unit |
|-----------------------------------|----------------------------------|-------------------------------|-----------------------------|------------------------|---------------------------------|
| Three Months Ended March 31, 2019 | 570,879                          | 570,879                       | 0                           | \$ —                   | \$ —                            |
| Three Months Ended March 31, 2018 | 37,500                           | 7,700                         | 29,800                      | 400                    | 13.42                           |

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 OP Units and the Company elects to satisfy that redemption through the issuance of common stock, 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 March 31, 2019, and December 31, 2018, there were 0 and 570,879 OP Units held by non-controlling limited partners outstanding, respectively.

### Registration Statement

On March 30, 2017, we filed a universal registration statement on Form S-3 (File No. 333-217042) with the SEC (the "2017 Registration Statement") to replace our previous registration statement, which expired on April 1, 2017. The 2017 Registration Statement, which was declared effective by the SEC on April 12, 2017, permits us to issue up to an aggregate of \$300.0 million in securities, consisting of common stock, preferred stock, warrants, debt securities, depository shares, subscription rights, and units, including through separate, concurrent offerings of two or more of such securities. Through March 31, 2019, we have issued a total of 5,396,030 shares of common stock (excluding 1,215,565 shares of common stock issued in exchange for certain OP Units that were tendered for redemption) for gross proceeds of approximately \$67.5 million, and 1,892,309 shares of Series B Preferred Stock (as defined below) for gross proceeds of approximately \$46.6 million under the 2017 Registration Statement.

### 2018 Equity Issuances

#### *Series B Preferred Stock*

On May 31, 2018, we filed a prospectus supplement with the SEC for a continuous public offering of up to 6,000,000 shares (the “Primary Offering”) of our newly-designated 6.00% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred Stock”) at an offering price of \$25.00 per share for gross proceeds of up to \$150.0 million and expected net proceeds, after deducting dealer-manager fees, selling commissions, and estimated expenses of the offering payable by us, of up to approximately \$131.3 million, assuming all shares of the Series B Preferred Stock are sold in the Primary Offering. The Series B Preferred Stock is being offered on a continuous, “reasonable best efforts” basis by Gladstone Securities, the dealer-manager for the Primary Offering. See Note 6, “*Related-Party Transactions—Gladstone Securities—Dealer-Manager Agreement,*” for a discussion of the fees and commissions to be paid to Gladstone Securities in connection with the offering of the Series B Preferred Stock.

During the three months ended March 31, 2019, we sold 747,916 shares of the Series B Preferred Stock for gross proceeds of approximately \$18.5 million and net proceeds (after deducting selling commissions and dealer-manager fees borne by us) of approximately \$16.8 million. In addition, 600 shares of the Series B Preferred Stock were tendered for redemption at a cash redemption price of \$22.50 per share. As a result, we paid a total redemption price of approximately \$13,000 to redeem and retire these shares. As of March 31, 2019, excluding selling commissions and dealer-manager fees, we have incurred approximately \$861,000 of total costs related to this offering, which are initially recorded as deferred offering costs (included within Other assets, net on the accompanying Condensed Consolidated Balance Sheets) and are applied against the gross proceeds received from the offering through additional paid-in capital as shares of the Series B Preferred Stock are sold. See Note 10, “*Subsequent Events,*” for sales of Series B Preferred Stock completed subsequent to March 31, 2019.

The offering of the Series B Preferred Stock will terminate on the date that is the earlier of either June 1, 2023 (unless terminated earlier or extended by our Board of Directors), or the date on which all 6,000,000 shares offered in the Primary Offering are sold (the “Termination Date”). There is currently no public market for shares of the Series B Preferred Stock; however, we intend to apply to list the Series B Preferred Stock on Nasdaq or another national securities exchange within one calendar year after the offering’s Termination Date, though there can be no assurance that a listing will be achieved in such timeframe, or at all.

**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 three months ended March 31, 2019, there were no shares issued under the ATM Program. Through March 31, 2019, we have issued and sold a total of 1,595,591 shares of our common stock at an average sales price of \$12.87 per share for gross proceeds of approximately \$20.5 million and net proceeds of approximately \$20.2 million.

**Distributions**

The per-share distributions to preferred and common stockholders declared by our Board of Directors and paid by us (except as noted) during the three months ended March 31, 2019 and 2018 are reflected in the table below.

| Issuance                                     | For the Three Months Ended March 31, |              |
|--|--------------------------------------|--------------|
|  | 2019                                 | 2018         |
| Series A Term Preferred Stock <sup>(1)</sup> | \$ 0.3984375                         | \$ 0.3984375 |
| Series B Preferred Stock <sup>(2)</sup>      | 0.375                                | —            |
| Common Stock <sup>(3)</sup>                  | 0.13335                              | 0.13275      |

<sup>(1)</sup> Treated similar to interest expense on the accompanying Condensed Consolidated Statements of Operations.

<sup>(2)</sup> Of the dividends declared on the Series B Preferred Stock by our Board of Directors on January 8, 2019, approximately \$236,000 was paid (as scheduled) by us on April 4, 2019. The resulting dividend payable is included within Accounts payable and accrued expenses on the accompanying Condensed Consolidated Balance Sheets as of March 31, 2019.

<sup>(3)</sup> The same amounts were paid as distributions on each OP Unit held by non-controlling limited partners of the Operating Partnership.

**NOTE 9. LOSS PER SHARE OF COMMON STOCK**

The following table sets forth the computation of basic and diluted loss per common share for the three months ended March 31, 2019 and 2018, computed using the weighted average number of shares outstanding during the respective periods. Net loss figures are presented net of non-controlling interests in the earnings per share calculations. The non-controlling

limited partners' outstanding OP Units (which may be redeemed for shares of common stock) have been excluded from the diluted loss per share calculation, as there would be no effect on the amounts since the non-controlling limited partners' share of loss would also be added back to net loss.

|  | Three months ended March 31,                     |                  |
|--|--|------------------|
|  | 2019   | 2018             |
|  | (Dollars in thousands, except per-share amounts) |                  |
| Net loss attributable to common stockholders                             | \$ (496)   | \$ (297)         |
| Weighted average shares of common shares outstanding – basic and diluted | 18,028,826                                       | 13,957,732       |
| <b>Loss per common share – basic and diluted</b>                         | <b>\$ (0.03)</b>                                 | <b>\$ (0.02)</b> |

The weighted-average number of OP Units held by non-controlling limited partners was 433,393 and 977,272, for the three months ended March 31, 2019 and 2018, respectively.

#### NOTE 10. SUBSEQUENT EVENTS

##### Acquisition Activity

On April 9, 2019, we acquired a 928-acre farm in Madera County, California, that grows pistachios for approximately \$28.6 million. At closing, we entered into a 10.6-year, triple-net lease agreement with an unrelated third-party tenant that also includes two, 5-year extension options. The lease, which consists of a fixed cash rent component plus a variable rent component based on the gross crop revenues earned on the farm, provides for minimum annualized, straight-line rents of approximately \$1.7 million. We will account for this acquisition as an asset acquisition in accordance with ASC 360.

On April 19, 2019, we entered into two separate purchase agreements with an unrelated third-party for the purchase of multiple parcels of irrigated farmland located in Fresno County, California. The aggregate purchase price is expected to be approximately \$70.0 million and is expected to close in two phases, with the first phase expected to be completed during the three months ending September 30, 2019, and the second phase to be completed during the three months ending December 31, 2019. However, the acquisition of this property is subject to customary terms and conditions and termination rights for transactions of this type, including a due diligence inspection period for us, and there can be no assurance that this prospective acquisition will be consummated by a certain time, or at all.

##### Leasing Activity

The following table summarizes the leasing activity that occurred on our existing properties subsequent to March 31, 2019 (dollars in thousands):

| Farm Locations | Number of Leases | Total Farm Acres | PRIOR LEASE  |                                      |                                  | NEW LEASES   |                        |                                      |                                  |
|----------------|------------------|------------------|--|--------------------------------------|----------------------------------|--|------------------------|--------------------------------------|----------------------------------|
|                |                  |                  | Total Annualized Straight-line Rent <sup>(1)</sup> | # of Leases with Participation Rents | Lease Structures (# of NNN / NN) | Total Annualized Straight-line Rent <sup>(1)</sup> | Wtd. Avg. Term (Years) | # of Leases with Participation Rents | Lease Structures (# of NNN / NN) |
| FL             | 1                | 56               | \$ 15  | 0                                    | 0 / 1                            | \$ 63  | 3.0                    | 0                                    | 0 / 1                            |

<sup>(1)</sup> Annualized straight-line rent is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP, and excludes contingent rental payments, such as participation rents.

##### Equity Activity

##### Sales of Series B Preferred Stock

Subsequent to March 31, 2019, through the date of this filing, we have sold 345,031 shares of the Series B Preferred Stock for gross proceeds of approximately \$8.5 million and net proceeds of approximately \$7.8 million. Total Selling Commissions and Dealer-Manager Fees earned by Gladstone Securities as a result of these sales were approximately \$767,000 (of which approximately \$725,000 was remitted by Gladstone Securities to unrelated third-parties involved in the offering, such as participating broker-dealers and wholesalers).

##### Distributions

On April 9, 2019, our Board of Directors declared the following monthly cash distributions to holders of our preferred and common stock:

| <u>Issuance</u>                       | <u>Record Date</u>  | <u>Payment Date</u> | <u>Distribution per Share</u> |                  |
|---------------------------------------|---|---------------------|-------------------------------|------------------|
| <b>Series A Term Preferred Stock:</b> | April 22, 2019  | April 30, 2019      | \$                            | 0.1328125        |
|                                       | May 22, 2019  | May 31, 2019        |                               | 0.1328125        |
|                                       | June 19, 2019   | June 28, 2019       |                               | 0.1328125        |
|                                       | <b>Total Series A Term Preferred Stock Distributions:</b> |                     | <b>\$</b>                     | <b>0.3984375</b> |
| <b>Series B Preferred Stock:</b>      | April 24, 2019  | May 3, 2019         | \$                            | 0.125            |
|                                       | May 22, 2019  | May 31, 2019        |                               | 0.125            |
|                                       | June 26, 2019   | July 5, 2019        |                               | 0.125            |
|                                       | <b>Total Series B Preferred Stock Distributions:</b>      |                     | <b>\$</b>                     | <b>0.375</b>     |
| <b>Common Stock:</b>                  | April 22, 2019  | April 30, 2019      | \$                            | 0.04450          |
|                                       | May 22, 2019  | May 31, 2019        |                               | 0.04450          |
|                                       | June 19, 2019   | June 28, 2019       |                               | 0.04450          |
|                                       | <b>Total Common Stock Distributions:</b>                  |                     | <b>\$</b>                     | <b>0.13350</b>   |

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

*All statements contained herein, other than historical facts, may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely," or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our business, financial condition, liquidity, results of operations, funds from operations or prospects to be materially different from any future business, financial condition, liquidity, results of operations, funds from operations or prospects expressed or implied by such forward-looking statements. For further information about these and other factors that could affect our future results, please see the captions titled "Forward-Looking Statements" and "Risk Factors" in this report and our Annual Report on Form 10-K for the year ended December 31, 2018 (the "Form 10-K"). We caution readers not to place undue reliance on any such forward-looking statements, which are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q (the "Quarterly Report"), except as required by law.*

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

### OVERVIEW

#### General

We are an externally-managed, agricultural real estate investment trust ("REIT") that is engaged in the business of owning and leasing farmland. We are not a grower of crops, nor do we typically farm the properties we own. We currently own 87 farms comprised of 74,828 acres located across 10 states in the U.S. We also own several farm-related facilities, such as cooling facilities, packinghouses, processing facilities, and various storage facilities.

We conduct substantially all of our 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, 100.0% of the units of limited partnership interest in the Operating Partnership ("OP Units"). In addition, we have elected for Gladstone Land Advisers, Inc. ("Land Advisers"), a wholly-owned subsidiary of ours, to be treated as a taxable REIT subsidiary ("TRS").

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.

#### 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 87 farms leased to 64 different, unrelated tenants. While our focus remains in farmland suitable for growing fresh produce annual row crops, we have also diversified our portfolio into farmland suitable for other crop types, including permanent crops (e.g., almonds, blueberries, pistachios, and wine grapes) and, to a lesser extent, certain commodity crops (e.g., beans and corn). The following table summarizes the different geographic locations (by state) of our farms owned and with leases in place as of and for the three months ended March 31, 2019 and 2018 (dollars in thousands):

| State                     | As of and For the Three Months Ended March 31, 2019 |               |                  |                 |                          | As of and For the Three Months Ended March 31, 2018 |               |                  |                 |                          |
|---------------------------|---|---------------|------------------|-----------------|--------------------------|---|---------------|------------------|-----------------|--------------------------|
|                           | Number of Farms                                     | Total Acres   | % of Total Acres | Lease Revenue   | % of Total Lease Revenue | Number of Farms                                     | Total Acres   | % of Total Acres | Lease Revenue   | % of Total Lease Revenue |
| California <sup>(1)</sup> | 33  | 10,147        | 13.7%            | \$ 3,734        | 47.7%                    | 29  | 8,241         | 13.0%            | \$ 3,030        | 45.3%                    |
| Florida                   | 22  | 17,184        | 23.2%            | 2,339           | 29.9%                    | 16  | 11,006        | 17.4%            | 1,754           | 26.2%                    |
| Colorado                  | 10  | 31,448        | 42.6%            | 696             | 8.9%                     | 10  | 31,450        | 49.6%            | 686             | 10.3%                    |
| Arizona                   | 6   | 6,280         | 8.5%             | 539             | 6.9%                     | 6   | 6,280         | 9.9%             | 532             | 7.9%                     |
| Texas                     | 1   | 3,667         | 5.0%             | 131             | 1.7%                     | —   | —             | —%               | —               | —%                       |
| Oregon                    | 3   | 418           | 0.6%             | 128             | 1.6%                     | 4   | 2,313         | 3.7%             | 307             | 4.6%                     |
| Washington                | 1   | 746           | 1.0%             | 122             | 1.5%                     | 1   | 746           | 1.2%             | 121             | 1.8%                     |
| North Carolina            | 2   | 310           | 0.4%             | 60              | 0.8%                     | 2   | 310           | 0.5%             | 49              | 0.7%                     |
| Nebraska                  | 3   | 3,254         | 4.4%             | 60              | 0.8%                     | 2   | 2,559         | 4.0%             | 145             | 2.2%                     |
| Michigan                  | 5   | 446           | 0.6%             | 21              | 0.2%                     | 5   | 446           | 0.7%             | 70              | 1.0%                     |
| <b>TOTALS</b>             | <b>86</b>   | <b>73,900</b> | <b>100.0%</b>    | <b>\$ 7,830</b> | <b>100.0%</b>            | <b>75</b>   | <b>63,351</b> | <b>100.0%</b>    | <b>\$ 6,694</b> | <b>100.0%</b>            |

<sup>(1)</sup> According to the California Chapter of the American Society of Farm Managers and Rural Appraisers, there are eight distinct growing regions within California; our farms are spread across four of these growing regions.

## Leases

### General

Most of our leases are on a triple-net basis, an arrangement under which, in addition to rent, the tenant is required to pay the related taxes, insurance costs, maintenance, and other operating costs. Our leases generally have original terms ranging from 3 to 10 years for farms growing row crops and 5 to 15 years for farms growing permanent crops (in each case, often with options to extend the lease further). Rent is generally payable to us in advance on either an annual or semi-annual basis, with such rent typically subject to periodic escalation clauses provided for within the lease. Currently, 64 of our farms are leased on a pure, triple-net basis, 19 farms are leased on a partial-net basis (with us, as landlord, responsible for all or a portion of the related property taxes), and 4 farms leased on a gross basis (with the landlord responsible for the related property taxes, insurance, and maintenance on the property). Additionally, 23 of our farms are leased under agreements that include a participation rent component based on the gross revenues earned on the respective farms.

### Lease Expirations

Agricultural leases are often short-term in nature, so in any given year, we may have multiple leases up for extension or renewal. The following table summarizes the lease expirations by year for the farms owned and with leases in place as of March 31, 2019 (dollars in thousands):

| Year                 | Number of Expiring Leases | Expiring Leased Acreage | % of Total Acreage | Lease Revenue for the Three Months Ended March 31, 2019 | % of Total Lease Revenue |
|----------------------|---------------------------|-------------------------|--------------------|---|--------------------------|
| 2019                 | 3 <sup>(1)</sup>          | 4,967                   | 6.7%               | \$ 183  | 2.3%                     |
| 2020                 | 12                        | 32,975                  | 44.6%              | 1,801   | 23.0%                    |
| 2021                 | 11                        | 8,921                   | 12.1%              | 616   | 7.9%                     |
| 2022                 | 4                         | 325                     | 0.4%               | 233   | 3.0%                     |
| 2023                 | 6                         | 5,846                   | 7.9%               | 1,148   | 14.7%                    |
| 2024                 | 4                         | 2,576                   | 3.5%               | 456   | 5.8%                     |
| Thereafter           | 21                        | 18,283                  | 24.8%              | 3,353   | 42.8%                    |
| Other <sup>(2)</sup> | 7                         | 7                       | —%                 | 40  | 0.5%                     |
| <b>Totals</b>        | <b>68</b>                 | <b>73,900</b>           | <b>100.0%</b>      | <b>\$ 7,830</b>   | <b>100.0%</b>            |

<sup>(1)</sup> Includes one lease that was renewed for an additional period of three years subsequent to March 31, 2019 (see “Recent Developments—Portfolio Activity—Existing Properties—Leasing Activity” below for additional information on this and other recent leasing activities).

<sup>(2)</sup> Consists of ancillary leases (e.g., oil, gas, and mineral leases, telecommunications leases, etc.) on certain of our farms.

## Recent Developments

### Portfolio Activity

*Property Acquisitions*

Since January 1, 2019, through the date of this filing, we have acquired two farms, which are summarized in the table below (dollars in thousands, except for footnotes):

| Property Name        | Property Location | Acquisition Date | Total Acreage | No. of Farms | Primary Crop(s)          | Lease Term | Renewal Options | Total Purchase Price | Acquisition Costs <sup>(1)</sup> | Annualized Straight-line Rent <sup>(2)</sup> |
|----------------------|-------------------|------------------|---------------|--------------|--------------------------|------------|-----------------|----------------------|----------------------------------|--|
| Somerset Road        | Lincoln, NE       | 1/22/2019        | 695           | 1            | Popcorn and edible beans | 4.9 years  | 1 (5 years)     | \$ 2,400             | \$ 31                            | \$ 126                                       |
| Greenhills Boulevard | Madera, CA        | 4/9/2019         | 928           | 1            | Pistachios               | 10.6 years | 2 (5 years)     | 28,550               | 137                              | 1,721 <sup>(3)</sup>                         |
|                      |                   |                  | <b>1,623</b>  | <b>2</b>     |                          |            |                 | <b>\$ 30,950</b>     | <b>\$ 168</b>                    | <b>\$ 1,847</b>                              |

<sup>(1)</sup> Acquisitions were accounted for as asset acquisitions in accordance with Accounting Standards Codification 360, "Property, Plant, and Equipment." As such, all acquisition-related costs (other than external legal fees associated with negotiating and originating the leases associated with the acquisitions, which costs were expensed in the period incurred) were capitalized and allocated among the identifiable assets acquired. The figures above represent only costs paid or accrued for as of the date of this filing.

<sup>(2)</sup> Annualized straight-line rent is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP, and excludes contingent rental payments, such as participation rents.

<sup>(3)</sup> Lease provides for a participation rent component based on the gross crop revenues earned on the farm. The rent figure above represents only the minimum cash guaranteed under the lease.

*Existing Properties*

Leasing Activity

The following table summarizes the leasing activity that has occurred on our existing properties since January 1, 2019 (dollars in thousands, except footnotes):

| Farm Locations       | Number of Leases | Total Farm Acres | PRIOR LEASES <sup>(1)</sup>                        |                                      |                                  | NEW LEASES <sup>(2)</sup>                          |                        |                                      |                                  |
|----------------------|------------------|------------------|--|--------------------------------------|----------------------------------|--|------------------------|--------------------------------------|----------------------------------|
|                      |                  |                  | Total Annualized Straight-line Rent <sup>(3)</sup> | # of Leases with Participation Rents | Lease Structures (# of NNN / NN) | Total Annualized Straight-line Rent <sup>(3)</sup> | Wtd. Avg. Term (Years) | # of Leases with Participation Rents | Lease Structures (# of NNN / NN) |
| AZ, CA, FL, MI, & NE | 12               | 4,431            | \$ 2,158   | 1                                    | 8 / 4                            | \$ 2,189   | 3.2                    | 3                                    | 8 / 4                            |

<sup>(1)</sup> Includes a farm that was previously vacant.

<sup>(2)</sup> In connection with certain of these leases, we committed to provide aggregate capital of up to \$420,000 for certain improvements on these farms.

<sup>(3)</sup> Annualized straight-line rent is based on the minimum cash rental payments guaranteed under the leases (presented on an annualized basis), as required under GAAP, and excludes contingent rental payments, such as participation rents.

Project Completions

During the year ended December 31, 2018, we replaced 23 irrigation pivots on one of our properties in Colorado at a total cost of approximately \$1.4 million. Pursuant to a lease amendment executed during the three months ended March 31, 2019, in connection with this project, we will earn additional straight-line rental income of approximately \$117,000 per year throughout the remaining term of the lease, which is currently set to expire on February 28, 2021.

For information on certain other ongoing capital improvement projects, see Note 7, "Commitments and Contingencies—Operating Obligations," in the accompanying notes to our consolidated financial statements.

*Financing Activity*

*Debt Activity*

| Issuer                    | Date of Issuance | Amount   | Maturity Date | Principal Amortization | Interest Rate Terms <sup>(1)</sup>                          |
|---------------------------|------------------|----------|---------------|------------------------|---|
| Premier Farm Credit, FLCA | 2/7/2019         | \$ 1,440 | 11/1/2043     | 25.0 years             | 5.45%, fixed through October 31, 2023 (variable thereafter) |

<sup>(1)</sup> Stated rate is before refunded interest, or interest patronage (as described further in Note 4, "Borrowings," in the accompanying notes to our condensed consolidated financial statements).

Gladstone Securities, LLC, ("Gladstone Securities"), an affiliate of ours, earned total financing fees of approximately \$2,000 in connection with securing this financing.

*Equity Activity*

Series B Preferred Stock

On May 31, 2018, we filed a prospectus supplement with the U.S. Securities and Exchange Commission (the “SEC”) for a continuous public offering of up to 6,000,000 shares (the “Primary Offering”) of our newly-designated 6.00% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred Stock”) at an offering price of \$25.00 per share for gross proceeds of up to \$150.0 million and expected net proceeds (after deducting dealer-manager fees, selling commissions, and estimated expenses of the offering payable by us) of up to approximately \$131.3 million, assuming all shares of the Series B Preferred Stock are sold in the Primary Offering. The Series B Preferred Stock is being offered on a continuous, “reasonable best efforts” basis by Gladstone Securities, LLC, our dealer-manager for the Primary Offering. See Note 6, “*Related-Party Transactions—Gladstone Securities—Dealer-Manager Agreement*,” within the accompanying notes to our condensed consolidated financial statements for more details on the Dealer-Manager Agreement.

From January 1, 2019, through the date of this filing, we sold 1,092,947 shares of the Series B Preferred Stock for gross proceeds of approximately \$27.0 million and net proceeds (after deducting selling commissions and dealer-manager fees borne by us) of approximately \$24.6 million. Aggregate selling commissions and dealer-manager fees paid to Gladstone Securities as a result of these sales were approximately \$2.4 million (of which approximately \$2.3 million was remitted by Gladstone Securities to unrelated third-parties involved in the offering, such as participating broker-dealers and wholesalers). In addition, to date, 600 shares of the Series B Preferred Stock have been tendered for redemption at a cash redemption price of \$22.50 per share. As such, we paid a total redemption price of approximately \$13,500 to redeem and retire these shares.

The offering of the Series B Preferred Stock will terminate on the date that is the earlier of either June 1, 2023 (unless terminated earlier or extended by our Board of Directors), or on the date on which all 6,000,000 shares offered in the Primary Offering are sold (the “Termination Date”). There is currently no public market for shares of the Series B Preferred Stock; however, we intend to apply to list the Series B Preferred Stock on Nasdaq or another national securities exchange within one calendar year after the Termination Date, though there can be no assurance that a listing will be achieved in such timeframe, or at all.

#### OP Unit Redemptions

From January 1, 2019, through the date of this filing, a total of 570,879 OP Units were tendered for redemption by non-controlling OP Unitholders, and we satisfied the redemption by issuing 570,879 shares of common stock in exchange for the tendered OP Units. Currently, there are no outstanding OP Units held by non-controlling OP Unitholders.

#### **Our Adviser and Administrator**

We are externally managed pursuant to contractual arrangements with our Adviser and our Administrator (both affiliates of ours), which collectively employ all of our personnel and pay their salaries, benefits, and general expenses directly. The investment advisory agreement with our Adviser, as amended (the “Advisory Agreement”), and the administration agreement with our Administrator (the “Administration Agreement”) each became effective February 1, 2013.

A summary of the compensation terms for the Advisory Agreement is provided in Note 6, “*Related-Party Transactions*,” within the accompanying notes to our condensed consolidated financial statements.

#### **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 our significant accounting policies is provided in Note 2 to our consolidated financial statements in our Form 10-K. There were no material changes to our critical accounting policies during the three months ended March 31, 2019.

#### **Smaller Reporting Company Status**

We currently qualify as a “smaller reporting company” under Rule 12b-2 of the Exchange Act, which is defined as a company with a public equity float of less than \$250 million or less than \$100 million in annual revenues for the previous year and no public float. Companies can also qualify as a smaller reporting company if they have annual revenues of less than \$100 million for the previous year and a public float of less than \$700 million. As a smaller reporting company, we have reduced disclosure requirements for our public filings, including the reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

## **RESULTS OF OPERATIONS**

For the purposes of the following discussions on certain operating revenues and expenses with regard to the comparison between the three months ended March 31, 2019 and 2018:

- Same-property basis represents properties owned as of December 31, 2017, and were not vacant at any point during either period presented;
- Properties acquired during the prior-year period are properties acquired during the three months ended March 31, 2018 (including one farm that we purchased without a lease in place and was mostly vacant during a majority of the period);
- Properties acquired subsequent to prior-year period are properties acquired subsequent to March 31, 2018; and
- Disposed of, vacant, or self-operated farms represent properties that were either (i) disposed of during either period presented, (ii) vacant (either wholly or partially) at any point during either period presented, or (iii) operated by a wholly-owned subsidiary of ours (in which case no rental revenue would have been recognized on our consolidated statements of operations). We sold one farm during the three months ended September 30, 2018, and we had two farms that were vacant for a portion of the three months ended March 31, 2019. In addition, one of our farms was leased to Land Advisers during a portion of the three months ended March 31, 2018.

**A comparison of our operating results for the three months ended March 31, 2019 and 2018 is below (dollars in thousands):**

|   | For the Three Months Ended March 31, |          | \$ Change | % Change |
|---|--------------------------------------|----------|-----------|----------|
|   | 2019                                 | 2018     |           |          |
| <b>Operating revenues:</b>                                  |                                      |          |           |          |
| Lease revenue:  |                                      |          |           |          |
| Fixed base rents, net                                       | \$ 7,773                             | \$ 6,672 | \$ 1,101  | 16.5%    |
| Variable rents  | 57                                   | 22       | 35        | 159.1%   |
| Total lease revenue   | 7,830                                | 6,694    | 1,136     | 17.0%    |
| Other operating revenues                                    | —                                    | 2,551    | (2,551)   | NM       |
| Total operating revenues                                    | 7,830                                | 9,245    | (1,415)   | (15.3)%  |
| <b>Operating expenses:</b>                                  |                                      |          |           |          |
| Depreciation and amortization                               | 2,597                                | 2,189    | 408       | 18.6%    |
| Property operating expenses                                 | 816                                  | 428      | 388       | 90.7%    |
| Base management fee, net of credits                         | 336                                  | 656      | (320)     | (48.8)%  |
| Administration fee  | 306                                  | 274      | 32        | 11.7%    |
| General and administrative expenses                         | 550                                  | 553      | (3)       | (0.5)%   |
| Other operating expenses                                    | —                                    | 2,359    | (2,359)   | NM       |
| Total operating expenses, net of credits                    | 4,605                                | 6,459    | (1,854)   | (28.7)%  |
| Operating income  | 3,225                                | 2,786    | 439       | 15.8%    |
| <b>Other income (expense):</b>                              |                                      |          |           |          |
| Other income  | 826                                  | 315      | 511       | 162.2%   |
| Interest expense  | (3,453)                              | (2,832)  | (621)     | 21.9%    |
| Dividends declared on Series A Term Preferred Stock         | (458)                                | (458)    | —         | —%       |
| Loss on dispositions of real estate assets, net             | (32)                                 | —        | (32)      | NM       |
| Property and casualty loss                                  | —                                    | (129)    | 129       | NM       |
| Total other expense, net                                    | (3,117)                              | (3,104)  | (13)      | 0.4%     |
| Net income (loss)   | 108                                  | (318)    | 426       | NM       |
| Net (income) loss attributable to non-controlling interests | (3)                                  | 21       | (24)      | NM       |
| Net income (loss) attributable to the Company               | 105                                  | (297)    | 402       | NM       |
| Dividends declared on Series B Preferred Stock              | (601)                                | —        | (601)     | NM       |
| Net loss attributable to common stockholders                | \$ (496)                             | \$ (297) | \$ (199)  | 67.0%    |

NM = Not Meaningful

### Operating Revenues

*Same-property Analysis (dollars in thousands)*

|   | For the Three Months Ended March 31, |                 |                 |              |
|---|--------------------------------------|-----------------|-----------------|--------------|
|   | 2019                                 | 2018            | \$ Change       | % Change     |
| Lease revenue—Fixed base rents, net:                |                                      |                 |                 |              |
| Same-property basis                                 | \$ 6,302                             | \$ 6,328        | \$ (26)         | (0.4)%       |
| Properties acquired during prior-year period        | 80                                   | 8               | 72              | 900.0%       |
| Properties acquired subsequent to prior-year period | 1,175                                | —               | 1,175           | —%           |
| Disposed of, vacant, or self-operated properties    | 216                                  | 336             | (120)           | (35.7)%      |
| Total fixed base rents, net                         | <u>\$ 7,773</u>                      | <u>\$ 6,672</u> | <u>\$ 1,101</u> | <u>16.5%</u> |

On a same-property basis, fixed base rents for the three months ended March 31, 2019, decreased by 0.4% from the prior-year period, primarily due to decreases in the fixed base rent component of certain of our recent lease renewals, partially offset by additional revenue earned on recent capital improvements completed on certain of our properties. Fixed base rents from acquired properties increased for the three months ended March 31, 2019, as compared to the prior-year period, due to the additional revenues recorded from owning the two farms we acquired during the three months ended March 31, 2018, for the full three-month period ended March 31, 2019, coupled with additional revenues earned on the 12 new farms we acquired subsequent to March 31, 2018. Fixed base rents from disposed of, vacant, or self-operated properties decreased for the three months ended March 31, 2019, as compared to the prior-year period, due primarily to the loss of rental income on a farm sold in July 2018, coupled with vacancies on two of our farms in Nebraska during a portion of the three months ended March 31, 2019. This decrease was partially offset by the rental revenue earned on a 169-acre farm in California that was previously operated by Land Advisers, as revenue from rents owed to us by Land Advisers was eliminated upon consolidation. Effective August 1, 2018, this farm was leased to a new, unrelated third-party tenant under a 10-year lease.

Variable rents consist of participation rents earned on certain of our farms (which amounts are based on the gross revenues earned on the respective farms) and tenant-reimbursed property-operating expenses on certain of our farms (including property taxes, insurance premiums, and other property-related expenses), or tenant recovery revenue. During the three months ended March 31, 2019 and 2018, we earned approximately \$27,000 and \$16,000, respectively, of participation rents from two blueberry farms located in North Carolina. In addition, during the three months ended March 31, 2019 and 2018, we recorded tenant recovery revenue of approximately \$30,000 and \$6,000, respectively, which amounts were also recorded as property operating expenses during the respective periods. The increase in tenant recovery revenue for the three months ended March 31, 2019, as compared to the prior-year period, was due to additional contractual reimbursements of property taxes on certain of our farms.

Other operating revenues primarily represent revenue earned from sales of harvested crops on a farm that was operated by Land Advisers from October 17, 2017, until July 31, 2018, at which time the farm was leased to a new, unrelated third-party tenant under a 10-year lease.

**Operating Expenses**
*Same-property Analysis (dollars in thousands)*

|   | For the Three Months Ended March 31, |                 |               |              |
|---|--------------------------------------|-----------------|---------------|--------------|
|   | 2019                                 | 2018            | \$ Change     | % Change     |
| Depreciation and amortization:                      |                                      |                 |               |              |
| Same-property basis                                 | \$ 2,308                             | \$ 2,103        | \$ 205        | 9.7%         |
| Properties acquired during prior-year period        | 30                                   | 8               | 22            | 275.0%       |
| Properties acquired subsequent to prior-year period | 202                                  | —               | 202           | —%           |
| Disposed of, vacant, or self-operated properties    | 57                                   | 78              | (21)          | (26.9)%      |
|   | <u>\$ 2,597</u>                      | <u>\$ 2,189</u> | <u>\$ 408</u> | <u>18.6%</u> |

Depreciation and amortization expense on a same-property basis increased for the three months ended March 31, 2019, as compared to the prior-year period, primarily as a result of additional depreciation on site improvements completed on certain properties subsequent to December 31, 2017, partially offset by the expiration of certain lease intangible amortization periods subsequent to December 31, 2017. Depreciation and amortization expense on acquired properties increased for the three months ended March 31, 2019, as compared to the prior-year period, due to the additional depreciation and amortization expense recorded from owning the two farms we acquired during the three months ended March 31, 2018, coupled with the additional depreciation and amortization expense incurred on the 12 new farms we acquired subsequent to March 31, 2018. Depreciation and amortization expense on disposed of, vacant, or self-operated properties decreased for the three months ended March 31, 2019, as compared to the prior-year period, primarily as a result of a farm sold in July 2018.

*Same-property Analysis (dollars in thousands)*

| Property operating expenses:                                 | For the Three Months Ended March 31, |               |               |              |
|--|--------------------------------------|---------------|---------------|--------------|
|  | 2019                                 | 2018          | \$ Change     | % Change     |
| Same-property basis  | \$ 711                               | \$ 387        | \$ 324        | 83.7%        |
| Properties acquired during prior-year period                 | 25                                   | 2             | 23            | 1,150.0%     |
| Properties acquired subsequent to prior-year period          | 15                                   | —             | 15            | —%           |
| Disposed of, vacant, or self-operated properties             | 35                                   | 33            | 2             | 6.1%         |
| Tenant-reimbursed property operating expenses <sup>(1)</sup> | 30                                   | 6             | 24            | 400.0%       |
|  | <b>\$ 816</b>                        | <b>\$ 428</b> | <b>\$ 388</b> | <b>90.7%</b> |

<sup>(1)</sup> Represents certain operating expenses (real estate taxes, insurance premiums, and other property-operating expenses) paid by us that, per the respective leases, are required to be reimbursed to us by the tenant. Corresponding amounts were also recorded as lease revenue during the respective periods.

Property operating expenses consist primarily of real estate taxes, repair and maintenance expense, insurance premiums, and other miscellaneous operating expenses paid for certain of our properties. Property operating expenses on a same-property basis increased by approximately \$324,000 for the three months ended March 31, 2019, as compared to the prior-year period. This increase was primarily driven by temporary generator rental costs for newly-drilled wells on one of our properties, as well as additional expenses incurred related to obtaining certain permits on one of our California properties. We expect the generator rental expense to continue into the second quarter of 2019 at a reduced level and concluding by June 30, 2019. Property operating expenses on acquired properties increased for the three months ended March 31, 2019, as compared to the prior-year period, primarily due to additional miscellaneous property-operating expenses incurred on certain of the new farms we acquired subsequent to December 31, 2017. Property operating expenses on disposed of, vacant, or self-operated properties for the three months ended March 31, 2019, remained relatively flat as compared to the prior-year period. The increase in tenant-reimbursed property operating expenses for the three months ended March 31, 2019, as compared to the prior-year period, was due to additional property taxes paid by us on certain of our properties, for which the tenant is contractually obligated to reimburse us per the respective leases.

The base management fee to our Adviser, net of any credits, decreased for the three months ended March 31, 2019, as compared to the prior-year period, primarily due to an increased fee credit during the current-year period. For the three months ended March 31, 2019, the gross base management fee increased by approximately \$249,000 from the prior-year period, primarily due to additional equity raised since January 1, 2018. From January 1, 2018, through March 31, 2019, we have raised approximately \$86.7 million of net proceeds (net of both direct costs and allocated indirect costs) through sales of our Series B Preferred Stock, follow-on common stock offerings, our ATM Program, all of which increased the base on which the base management fee is calculated. In addition, during the three months ended March 31, 2019, our Adviser granted us a non-contractual, unconditional, and irrevocable waiver of approximately \$569,000 to be applied against the base management fee.

The administration fee paid to our Administrator increased for the three months ended March 31, 2019, as compared to the prior-year period, primarily due to higher overall costs incurred by our Administrator and our using a higher share of our Administrator's resources in relation to those used by other funds and affiliated companies serviced by our Administrator.

General and administrative expenses, which consist primarily of professional fees, director fees, stockholder-related expenses, overhead insurance, acquisition-related costs for investments no longer being pursued, and other miscellaneous expenses, remained relatively flat for the three months ended March 31, 2019, as compared to the prior-year period.

Other operating expenses represent the portion of growing costs, harvesting and selling costs, and certain overhead costs allocated to the costs of crops sold on a farm that was operated by Land Advisers from October 17, 2017, until July 31, 2018. During the three months ended March 31, 2018, we allocated approximately \$2.4 million of costs to the crops sold during the period (excluding the allocation of fees earned by our Adviser from Land Advisers of approximately \$66,000). Effective August 1, 2018, the farm was leased to a new, unrelated third-party tenant under a 10-year lease.

**Other Income (Expense)**

Other income, which consists primarily of interest patronage received from Farm Credit (as defined in Note 4, "Borrowings," in the accompanying notes to our condensed consolidated financial statements) and interest earned on short-term investments, increased for the three months ended March 31, 2019, as compared to the prior-year period, primarily driven by additional interest patronage received from Farm Credit (due to increased borrowings from Farm Credit). During the three months ended March 31, 2019, we recorded approximately \$700,000 of interest patronage from Farm Credit related to interest accrued during 2018, compared to approximately \$314,000 of interest patronage recorded during the prior-year period. The receipt of interest patronage received from Farm Credit during 2019 resulted in a 21.2% decrease (approximately 95 basis points) in our effective interest rate on our aggregate borrowings from Farm Credit during the year ended December 31, 2018. In addition, during the three months ended March 31, 2019, we recognized \$110,000 of income as a result of accumulated deferred revenue related to

a sale agreement for one of our farms that was terminated. Payments received from the potential buyer of the farm were initially deferred and recognized as income upon termination of the agreement.

Interest expense increased for the three months ended March 31, 2019, as compared to the prior-year period, primarily due to increased overall borrowings. The weighted-average principal balance of our aggregate borrowings (excluding our Series A Term Preferred Stock) outstanding for the three months ended March 31, 2019, was approximately \$336.3 million, as compared to approximately \$305.3 million for the prior-year period. Including interest patronage received on certain of our Farm Credit borrowings, the overall effective interest rate charged on our aggregate borrowings (excluding the impact of debt issuance costs) was 3.10% for each of the three months ended March 31, 2019 and 2018.

During each of three months ended March 31, 2019 and 2018, we paid aggregate distributions on our Series A Term Preferred Stock (which distributions are treated similar to interest expense) of approximately \$458,000.

During the three months ended March 31, 2019, we recorded a net loss of approximately \$32,000 related to the disposal of certain irrigation improvements on one of our farms.

The property and casualty loss incurred during the three months ended March 31, 2018, related to a natural disaster that damaged certain irrigation improvements on one of our properties. We estimated the aggregate carrying value of the damaged improvements to be approximately \$129,000, and we recognized the write-down in the carrying value of the assets as a property and casualty loss during the three months ended March 31, 2018.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

Since our IPO in January 2013, we have invested approximately \$541.5 million in 77 new farms, and we have expended or accrued an additional \$26.5 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, as defined below under “—Debt Capital”), and issuances of additional equity securities. Our current available liquidity is approximately \$20.7 million, consisting of approximately \$5.6 million in cash on hand and, based on the current level of collateral pledged, \$15.1 million of availability under the MetLife Facility (subject to compliance with covenants).

As of March 31, 2019, our total-debt-to-total-capitalization ratio (including our Series A Term Preferred Stock as debt), at book value, was 65.0%, which is down from 66.8% as of December 31, 2018. However, on a fair value basis, our total-debt-to-total capitalization ratio (including our Series A Term Preferred Stock as debt) as of March 31, 2019, was 56.9%, which is down from 57.4% as of December 31, 2018 (see “Non-GAAP Financial Information—Net Asset Value” below for an explanation of our fair value process).

### Future Capital Needs

Our short- and long-term liquidity requirements consist primarily of making distributions to stockholders (including to non-controlling OP Unitholders, if any) 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 Series A Term Preferred Stock and Series B 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 Series A Term Preferred Stock and Series B 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, but not limited to, shares of common stock through our ATM Program, OP Units through our Operating Partnership as consideration for future acquisitions, and shares of our Series B Preferred Stock), 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 facilities. We continue to actively seek and evaluate acquisitions of additional farms and farm-related facilities that satisfy our investment criteria, and our pipeline of potential acquisitions remains healthy. We have several properties under signed purchase and sale agreements that we hope to consummate during 2019. We also have many other properties that are in various other stages of our due diligence process, including several properties under signed, non-binding letters of intent. However, 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 net cash flows from operating, investing, and financing activities for the three months ended March 31, 2019 and 2018 (dollars in thousands):

|   | For the Three Months Ended March 31, |          |           |            |
|---|--------------------------------------|----------|-----------|------------|
|   | 2019                                 | 2018     | \$ Change | % Change   |
| Net change in cash from:                |                                      |          |           |            |
| Operating activities                    | \$ 2,432                             | \$ 2,751 | \$ (319)  | (11.6)%    |
| Investing activities                    | (5,717)                              | (9,310)  | 3,593     | (38.6)%    |
| Financing activities                    | 11,663                               | 6,300    | 5,363     | 85.1 %     |
| Net change in Cash and cash equivalents | \$ 8,378                             | \$ (259) | \$ 8,637  | (3,334.7)% |

**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. Cash provided by operating activities decreased for the three months ended March 31, 2019, as compared to the prior-year period, primarily due to the timing of certain rental receipts and increased interest payments made during the three months ended March 31, 2019.

**Investing Activities**

The decrease in cash used in investing activities during the three months ended March 31, 2019, as compared to the prior-year period, was primarily due to a decrease in aggregate cash paid for acquisitions of new farms and capital improvements on existing farms during the three months ended March 31, 2019, which was approximately \$4.1 million less than the prior-year period.

**Financing Activities**

The increase in cash provided by financing activities during the three months ended March 31, 2019, as compared to the prior-year period, was primarily due to a decrease in net repayments of borrowings, as net repayments of borrowings for the three months ended March 31, 2019, decreased by approximately \$5.9 million from that of the prior-year period. Partially offsetting this was an increase in distributions paid on certain equity securities, including our Series B Preferred Stock, common stock, and OP Units.

**Debt Capital****MetLife**

As amended on December 15, 2017, our facility with Metropolitan Life Insurance Company (“MetLife”) consists of a total of \$200.0 million of term notes and \$75.0 million of revolving equity lines of credit (the “MetLife Facility”). In aggregate, we currently have approximately \$124.3 million outstanding under the term notes that bears interest at a fixed rate of 3.30% per annum (which rate is fixed until January 5, 2027) and \$5.4 million outstanding under the lines of credit that currently bears interest at a weighted-average rate of 4.59% (which rates are variable). While approximately \$134.0 million of the full commitment amount under the MetLife Facility remains undrawn (including amortizing principal payments made on the term notes), based on the level of collateral pledged, we currently have approximately \$15.1 million of availability under the MetLife Facility.

**Farmer Mac**

As amended on June 16, 2016, our agreement with Federal Agricultural Mortgage Corporation (“Farmer Mac”) provided for bond issuances up to an aggregate amount of \$125.0 million (the “Farmer Mac Facility”) by December 11, 2018, after which Farmer Mac had the option to be relieved of its obligation to purchase additional bonds under this facility. As of December 11, 2018, we had issued aggregate bonds of approximately \$108.7 million under the Farmer Mac Facility, and Farmer Mac is not obligated to purchase the remaining unissued bonds. We are currently in discussions with Farmer Mac to both expand the size of the facility and extend the borrowing period; however, there is no guarantee that we will be able to reach terms favorable to us, if at all. We currently have \$90.6 million of bonds outstanding under the facility that bear interest at a weighted-average

interest rate of 3.55% (which rates are fixed throughout the bonds' respective terms) and have a weighted-average maturity date of November 2022.

#### **Farm Credit**

Since September 2014, we have closed on 23 separate loans with eight different Farm Credit associations (for additional information, see Note 4, "Borrowings," in the accompanying notes to our condensed consolidated financial statements) for an aggregate amount of approximately \$114.2 million (the "Farm Credit Notes Payable"). We currently have approximately \$104.3 million outstanding under the Farm Credit Notes Payable that bear interest at an expected weighted-average effective interest rate (net of expected interest patronage) of 3.83% (which rates are fixed, on a weighted-average basis, until September 2024) and have a weighted-average maturity date of September 2036. While we do not have any additional availability under any of our Farm Credit programs based on the properties currently pledged as collateral, we expect to enter into additional borrowing agreements with existing and new Farm Credit associations in connection with certain potential new acquisitions in the future.

#### **Equity Capital**

The following table provides information on equity sales that have occurred since January 1, 2019 (dollars in thousands, except per-share amounts):

| Type of Issuance                        | Number of Shares Sold | Weighted-average Offering Price Per Share | Gross Proceeds | Net Proceeds |
|---|-----------------------|---|----------------|--------------|
| Series B Preferred Stock <sup>(1)</sup> | 1,092,947             | \$ 24.71                                  | \$ 27,012      | \$ 24,591    |

<sup>(1)</sup> Includes 600 shares that were redeemed by us during the three months ended March 31, 2019.

Our 2017 Registration Statement (as defined in Note 8, "Equity—Registration Statement") permits us to issue up to an aggregate of \$300.0 million in securities (including approximately \$29.3 million originally reserved for issuance under our ATM Program and up to \$150.0 million reserved for issuance of shares of the Series B Preferred Stock), consisting of common stock, preferred stock, warrants, debt securities, depository shares, subscription rights, and units, including through separate, concurrent offerings of two or more of such securities. To date, we have issued approximately \$67.5 million of common stock (including approximately \$19.9 million through our ATM Program) and approximately \$55.1 million of Series B Preferred Stock under the 2017 Registration Statement.

In addition, we have the ability to, and expect to in the future, issue additional OP Units to third parties as consideration in future property acquisitions.

#### **Off-Balance Sheet Arrangements**

As of March 31, 2019, we did not have any material off-balance sheet arrangements.

### **NON-GAAP FINANCIAL INFORMATION**

#### **Funds from Operations, Core Funds from Operations and Adjusted Funds from Operations**

The National Association of Real Estate Investment Trusts ("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 as 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, the value of which 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- and disposition-related expenses.* Acquisition- and disposition-related expenses (including due diligence costs on acquisitions not consummated and certain auditing and accounting fees incurred directly related to completed acquisitions or dispositions) are incurred for investment purposes and do not correlate with the ongoing operations of our existing portfolio. Further, certain auditing and accounting fees incurred vary depending on the number and complexity of acquisitions or dispositions completed during a period. Due to the inconsistency in which these costs are incurred and how they have historically been treated for accounting purposes, we believe the exclusion of these expenses improves comparability of our operating results on a period-to-period basis.

*Other adjustments.* We will adjust for certain non-recurring charges and receipts and will explain such adjustments accordingly. During the three months ended June 30, 2018, we modified our definitions of CFFO and AFFO to exclude the net incremental impact of the farming operations conducted through Land Advisers, as we do not anticipate this to be an ongoing aspect of our core operations. As such, we believe the exclusion of these amounts improves comparability of our operating results on a period-to-period basis and will apply the same modified definitions of CFFO and AFFO for all prior-year periods presented to provide consistency and better comparability.

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 lease incentives and accretion related to below-market lease values, other deferred revenue, and tenant improvements, resulting in rental income reflected on a modified accrual cash basis. In addition to these adjustments, we also modify the calculation of cash rents within 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 further adjust 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.
- *Amortization of debt issuance 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 operating 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 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.

[Table of Contents](#)

The following table provides a reconciliation of our FFO, CFFO, and AFFO for the three months ended March 31, 2019 and 2018 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 (dollars in thousands, except per-share amounts):

|   | For the Three Months Ended March 31, |                 |
|---|--------------------------------------|-----------------|
|   | 2019                                 | 2018            |
| <b>Net income (loss)</b>  | <b>\$ 108</b>                        | <b>\$ (318)</b> |
| Plus: Real estate and intangible depreciation and amortization  | 2,597                                | 2,189           |
| Plus: Losses on dispositions of real estate assets, net         | 32                                   | —               |
| <b>FFO</b>  | <b>2,737</b>                         | <b>1,871</b>    |
| Less: Dividends declared on Series B Preferred Stock            | (601)                                | —               |
| <b>FFO available to common stockholders and OP Unitholders</b>  | <b>2,136</b>                         | <b>1,871</b>    |
| Plus: Acquisition- and disposition-related expenses             | 139                                  | 156             |
| Plus: Other charges, net <sup>(1)</sup>                         | 3                                    | 163             |
| <b>CFFO available to common stockholders and OP Unitholders</b> | <b>2,278</b>                         | <b>2,190</b>    |
| Net rent adjustment   | 34                                   | (251)           |
| Plus: Amortization of debt issuance costs                       | 150                                  | 143             |
| <b>AFFO available to common stockholders and OP Unitholders</b> | <b>\$ 2,462</b>                      | <b>\$ 2,082</b> |
| Weighted-average common shares outstanding – basic and diluted  | 18,028,826                           | 13,957,732      |
| Weighted-average OP Units outstanding <sup>(2)</sup>            | 433,393                              | 977,271         |
| Weighted-average total shares outstanding                       | 18,462,219                           | 14,935,003      |
| Diluted FFO per weighted-average total share                    | \$ 0.12                              | \$ 0.13         |
| Diluted CFFO per weighted-average total share                   | \$ 0.12                              | \$ 0.15         |
| Diluted AFFO per weighted-average total share                   | \$ 0.13                              | \$ 0.14         |

<sup>(1)</sup> Consists of a property and casualty loss recorded during the three months ended March 31, 2018, and additional repairs incurred and expensed during each period as a result of damage caused to certain irrigation improvements on our farms by natural disasters.

<sup>(2)</sup> Represents OP Units held by third parties during the periods.

**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, one challenge is determining the fair value of the real estate in order to allow stockholders to see the value of the real estate increase or decrease over time, which we believe 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 generally 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 via a full appraisal at least once every three years, with interim values generally being determined by either: (i) a restricted appraisal (a “desk appraisal”) performed by an independent, third-party appraiser, or (ii) 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, including the sales comparison, income capitalization (or a discounted cash flow analysis), and cost approaches of valuation. In performing their analyses, the appraisers typically (i) conducted site visits to the properties (where full appraisals were performed), (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 March 31, 2019, determined by each method is shown in the table below (dollars in thousands, except in footnotes):

| Valuation Method                     | Number of Farms | Total Acres   | Farm Acres    | Net Cost Basis <sup>(1)</sup> | Current Fair Value | % of Total Fair Value |
|--------------------------------------|-----------------|---------------|---------------|-------------------------------|--------------------|-----------------------|
| Purchase Price                       | 12              | 12,472        | 8,849         | \$ 88,824                     | \$ 88,781          | 14.3%                 |
| Third-party Appraisal <sup>(2)</sup> | 74              | 61,428        | 49,495        | 455,177                       | 531,653            | 85.7%                 |
| <b>Total</b>                         | <b>86</b>       | <b>73,900</b> | <b>58,344</b> | <b>\$ 544,001</b>             | <b>\$ 620,434</b>  | <b>100.0%</b>         |

<sup>(1)</sup> 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 us that were associated with the properties, and adjusted for accumulated depreciation and amortization.

<sup>(2)</sup> Appraisals performed between June 2018 and March 2019.

Some of the significant assumptions used by appraisers and the Valuation Team in valuing our portfolio as of March 31, 2019, 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:

|  | Range<br>(Low - High) | Weighted<br>Average |
|--|-----------------------|---------------------|
| <b>Land Value (per farmable acre)</b>  | \$600 – \$87,500      | \$ 33,045           |
| <b>Market Rent (per farmable acre)</b> | \$250 – \$4,600       | \$ 2,508            |
| <b>Market Capitalization Rate</b>      | 3.75% – 6.43%         | 4.32%               |

Note: Figures in the table above apply only to the farmland portion of our portfolio and exclude assumptions made relating to farm-related property (e.g., cooling facilities), and other structures on our properties (e.g., residential housing), 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).

[Table of Contents](#)

Management believes that the purchase prices of the farms acquired during the previous 12 months and the most recent appraisals available for the farms acquired prior to the previous 12 months fairly represent the current market values of the properties as of March 31, 2019, 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 March 31, 2019, from the prior value basis as of December 31, 2018, is provided in the table below (dollars in thousands):

|   |                   |
|---|-------------------|
| <b>Total portfolio fair value as of December 31, 2018</b>                       | <b>\$ 617,866</b> |
| Plus: Acquisition of one new farm during the three months ended March 31, 2019  | 2,400             |
| <i>Plus net value appreciation during the three months ended March 31, 2019</i> |                   |
| 29 farms valued via third-party appraisals                                      | \$ 168            |
| Total net appreciation for the three months ended March 31, 2019                | 168               |
| <b>Total portfolio fair value as of March 31, 2019</b>                          | <b>\$ 620,434</b> |

Management also determined fair values of all of its long-term borrowings and preferred stock. Using a discounted cash flow analysis, management determined that the fair value of all long-term encumbrances on our properties as of March 31, 2019, was approximately \$332.1 million, as compared to a carrying value (excluding unamortized related debt issuance costs) of approximately \$336.1 million. In addition, using the closing stock price as of March 31, 2019, the fair value of the Series A Term Preferred stock was determined to be approximately \$29.6 million, as compared to a carrying value (excluding unamortized related issuance costs) of approximately \$28.8 million. Finally, pursuant to Financial Industry Regulatory Authority Rule 2310(b)(5), with the assistance of a third-party valuation expert, we determined the estimated value of our Series B Preferred Stock to be \$25.00 per share as of March 31, 2019 (see Exhibit 99.1 to this Form 10-Q).

**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 farms and farm-related properties and provide an estimated net asset value (“NAV”) 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).

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 March 31, 2019, we estimate the NAV per common share to be \$12.30. A reconciliation of NAV to total equity, which we believe is the most directly-comparable GAAP measure, is provided below (dollars in thousands, except per-share data):

|   |                   |
|---|-------------------|
| Total equity per balance sheet  | \$ 194,769        |
| <i>Fair value adjustment for long-term assets:</i>                                  |                   |
| Less: net cost basis of tangible and intangible real estate holdings <sup>(1)</sup> | \$ (544,001)      |
| Plus: estimated fair value of real estate holdings <sup>(2)</sup>                   | 620,434           |
| Net fair value adjustment for real estate holdings                                  | 76,433            |
| <i>Fair value adjustment for long-term liabilities:</i>                             |                   |
| Plus: book value of aggregate long-term indebtedness <sup>(3)</sup>                 | 364,867           |
| Less: fair value of aggregate long-term indebtedness <sup>(3)(4)</sup>              | (361,688)         |
| Net fair value adjustment for long-term indebtedness                                | 3,179             |
| <b>Estimated NAV</b>  | <b>274,381</b>    |
| Less: fair value of Series B Preferred Stock <sup>(5)</sup>                         | (47,293)          |
| <b>Estimated NAV available to common stockholders and OP Unitholders</b>            | <b>\$ 227,088</b> |
| Total common shares and OP Units outstanding <sup>(6)</sup>                         | 18,462,219        |
| <b>Estimated NAV per common share</b>   | <b>\$ 12.30</b>   |

<sup>(1)</sup> Per Net Cost Basis as presented in the table above.

[Table of Contents](#)

- (2) Per Current Fair Value as presented in the table above.
- (3) Includes the principal balances outstanding of all long-term borrowings (consisting of notes and bonds payable) and the Series A Term Preferred Stock.
- (4) Long-term notes and bonds payable were valued using a discounted cash flow model. The Series A Term Preferred Stock was valued based on its closing stock price as of March 31, 2019.
- (5) Valued at the security's liquidation value, as discussed above.
- (6) Includes 18,462,219 shares of common stock and no OP Units held by non-controlling limited partners.

A quarterly roll-forward in the estimated NAV per common share for the three months ended March 31, 2019, is provided below

|   |           |               |
|---|-----------|---------------|
| <b>Estimated NAV per common share and OP Unit as of December 31, 2018</b> | <b>\$</b> | <b>12.88</b>  |
| Less net loss   |           | (0.03)        |
| <i>Plus net change in valuations:</i>                                     |           |               |
| Net change in unrealized fair value of farmland portfolio <sup>(1)</sup>  | \$        | 0.01          |
| Net change in unrealized fair value of long-term indebtedness             |           | <u>(0.32)</u> |
| Net change in valuations  |           | (0.31)        |
| Less distributions  |           | (0.13)        |
| Less dilutive effect of equity issuances <sup>(2)</sup>                   |           | (0.11)        |
| <b>Estimated NAV per common share as of March 31, 2019</b>                | <b>\$</b> | <b>12.30</b>  |

<sup>(1)</sup> The net change in unrealized fair value of farmland portfolio consists of three components: (i) an increase of \$0.01 due to the net appreciation in value of 29 farms that were valued during the three months ended March 31, 2019, (ii) an increase of \$0.14 due to the aggregate depreciation and amortization expense recorded during the three months ended March 31, 2019, and (iii) a decrease of \$0.14 due to capital improvements made on certain properties that have not yet been considered in the determination of the respective properties' estimated fair values.

<sup>(2)</sup> Reflective of shares of our Series B Preferred Stock issued during the three months ended March 31, 2019.

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 our NAV per common share to be \$12.30 as of March 31, 2019, based on the calculation above, the closing price of our common stock on March 31, 2019, was \$12.65, and it has subsequently traded between \$12.13 and \$12.81 per share.

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. Further, 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.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

This Item is not applicable to smaller reporting companies.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

As of March 31, 2019, 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, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2019, in providing a reasonable level of assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in applicable SEC rules and forms, including providing a reasonable level of assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of necessarily achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. For a discussion of these risks, please refer to the section captioned, “Item 1A. Risk Factors,” in our Form 10-K. There have been no material changes to risks associated with our business or investment in our securities from those previously set forth in the report described above.

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

*Sales of Unregistered Securities*

During the three months ended March 31, 2019, we issued 570,879 shares of common stock in exchange for 570,879 OP Units that were held by certain limited partners of our Operating Partnership in connection with certain of our prior acquisitions. OP Units are generally redeemable for cash or, at our discretion, exchangeable into shares of our common stock on a one-for-one basis. The cash redemption amount per OP Unit is based on the market price of shares of our common stock at the time of redemption. These shares of common stock were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. We relied on the exemption under Section 4(a)(2) based upon factual representations received from the limited partners who received the shares of common stock.

*Issuer Purchases of Equity Securities*

None.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

**EXHIBIT INDEX**

| Exhibit Number | Exhibit Description   |
|----------------|---|
| 3.1            | <a href="#">Articles of Incorporation, 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.</a>                     |
| 3.2            | <a href="#">Amended and Restated Bylaws, incorporated by reference to Exhibit 3.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-183965), filed on November 15, 2012.</a>                  |
| 3.3            | <a href="#">Articles Supplementary establishing the 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.</a>   |
| 3.4            | <a href="#">Articles of Amendment, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-35795), filed on July 12, 2017.</a>   |
| 3.5            | <a href="#">Articles Supplementary establishing the 6.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-35795), filed on May 31, 2018.</a> |
| 4.1            | <a href="#">Form of Common Stock Certificate, 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.</a>             |
| 4.2            | <a href="#">Form of Indenture, incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-3 (File No. 333-217042), filed on March 30, 2017.</a>   |
| 4.3            | <a href="#">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.</a>                   |
| 4.4            | <a href="#">Form of Certificate for 6.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35795), filed on May 31, 2018.</a>                 |
| 31.1           | <a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>  |
| 31.2           | <a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>  |
| 32.1           | <a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</a>  |
| 32.2           | <a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</a>  |
| 99.1           | <a href="#">Estimated Value Methodology for Series B Cumulative Redeemable Preferred Stock at March 31, 2019 (filed herewith)</a>   |
| 101.INS***     | XBRL Instance Document  |
| 101.SCH***     | XBRL Taxonomy Extension Schema Document   |
| 101.CAL***     | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.LAB***     | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE***     | XBRL Taxonomy Extension Presentation Linkbase Document  |
| 101.DEF***     | XBRL Definition Linkbase  |

\*\*\* Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in eXtensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets as of March 31, 2019, and December 31, 2018, (ii) the Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018, (iii) the Condensed Consolidated Statements of Equity for the three months ended March 31, 2019 and 2018, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018, and (v) the Notes to the Condensed Consolidated Financial Statements.

**SIGNATURES**

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

**Gladstone Land Corporation**

Date: May 7, 2019

By: /s/ Lewis Parrish  
Lewis Parrish  
Chief Financial Officer and  
Assistant Treasurer

Date: May 7, 2019

By: /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, David Gladstone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gladstone Land Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: May 7, 2019

/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 quarterly report on Form 10-Q of Gladstone Land Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: May 7, 2019

/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 Quarterly Report on Form 10-Q for the three months ended March 31, 2019 ("Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: May 7, 2019

/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 Quarterly Report on Form 10-Q for the three months ended March 31, 2019 ("Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: May 7, 2019

/s/ Lewis Parrish

---

Lewis Parrish  
Chief Financial Officer and  
Assistant Treasurer

Pursuant to FINRA Rule 2310(b)(5), Gladstone Land Corporation (the “Company”) determined the estimated value as of March 31, 2019, of its 6.00% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred Stock”), \$25.00 stated value per share, with the assistance of a third-party valuation service. In particular, the third-party valuation service reviewed the amount resulting from the consolidated total equity of the Company (as reflected on the Company’s Condensed Consolidated Balance Sheet within its Quarterly Report on Form 10-Q for the year ended March 31, 2019 (the “Form 10-Q”), which was prepared in accordance with U.S. generally accepted accounting principles), adjusted for the fair value of its long-term assets (i.e., its real estate holdings) and long-term liabilities (each as disclosed within the Form 10-Q (to which this exhibit is attached) under “Non-GAAP Financial Information—Net Asset Value”), divided by the number of shares of the Company’s Series B Preferred Stock outstanding. Based on this methodology and because the result from the calculation above is greater than the \$25.00 per share state value of the Company’s Series B Preferred Stock, the Company has determined that the estimated value of its Series B Preferred Stock as of March 31, 2019 is \$25.00 per share.