

GLADSTONE LAND Corp  
Form 10-K  
February 21, 2017  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

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(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2016

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
COMMISSION FILE NUMBER: 001-35795

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GLADSTONE LAND CORPORATION  
(Exact name of registrant as specified in its charter)

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MARYLAND 54-1892552  
(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) Identification No.)

1521 WESTBRANCH DRIVE, SUITE 100 22102  
MCLEAN, VIRGINIA  
(Address of principal executive offices) (Zip Code)  
(703) 287-5800

(Registrant's telephone number, including area code)

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

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

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

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

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

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

YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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YES  NO

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

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

(Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

YES  NO .

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2016, based on the closing price on that date of \$11.06 on the NASDAQ Global Market, was \$86,340,209. For the purposes of calculating this amount only, all directors and executive officers of the registrant have been deemed to be affiliates. The number of shares of the registrant's Common Stock, \$0.001 par value per share, outstanding as of February 17, 2017, was 10,024,875.

Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement, to be filed no later than April 30, 2017, relating to the Registrant's 2017 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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**FORWARD-LOOKING STATEMENTS**

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

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

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

- general volatility of the capital markets and the market price of our common stock;
- failure to maintain our qualification as a REIT and risks of changes in laws that affect REITs;
- risks associated with negotiation and consummation of pending and future transactions;
- changes in our business and investment strategy;
- the adequacy of our cash reserves and working capital;
- our failure to successfully integrate and operate acquired properties and operations;

- defaults upon or non-renewal of leases by tenants;
- decreased rental rates or increased vacancy rates;
- the degree and nature of our competition, including other REITs;
- availability, terms and deployment of capital, including the ability to maintain and borrow under our line of credit, arrange for long-term mortgages on our properties and raise equity capital;
- our Adviser's ability to identify, hire and retain highly-qualified personnel in the future;
- changes in the environment, our industry, interest rates or the general economy;
- changes in real estate and zoning laws and increases in real property tax rates;

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

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

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

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PART I

ITEM 1. BUSINESS

Corporate Overview

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

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

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

We generally lease our properties on a triple-net basis, an arrangement under which, in addition to rent, the tenant is required to pay the related taxes, insurance costs (including drought insurance if we were to acquire properties that depend upon rainwater for irrigation), maintenance and other operating costs. We may also elect to sell farmland at certain times, such as when the land could be developed by others for urban or suburban uses. We do not currently intend to enter into the business of growing, packing or marketing farmed products; however, if we do so in the future, we expect that it would be through a taxable REIT subsidiary ("TRS").

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

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

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



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

### Fiscal Year 2016 Highlights

During 2016, we:

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

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

### Our Investment Objectives and Our Strategy

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

**Owning Farms and Farm-Related Real Estate for Income.** We own and intend to acquire additional farms and farm-related properties and lease them to independent and corporate farming operations, including sellers who desire to continue farming the land after we acquire the property from them. We expect to hold acquired properties for many years and to generate stable and increasing rental income from leasing these properties.

**Owning Farms and Farm-Related Real Estate for Appreciation.** We intend to lease acquired properties over the long term. However, from time to time we may sell one or more properties if we believe it to be in the best interests of our stockholders and best to maintain the overall value of our farmland portfolio. Potential purchasers may include real estate developers desiring to develop the property or financial purchasers seeking to acquire property for investment purposes. Accordingly, we will seek to acquire properties that we believe have potential for long-term appreciation in value. We have not sold any properties to date.

**Continue Expanding our Operations Geographically.** Our properties are currently located in seven states across the U.S., and we expect that we will acquire properties in other farming regions of the U.S. in the future. While our primary regions of focus are the Pacific West and the Southeastern regions of the United States, we believe other regions of the U.S., such as the Northwest and Mid-Atlantic regions, offer attractive locations for expansion, and, to a lesser extent, we also expect to seek farmland acquisitions in certain regions of the Midwest, as well as other areas in the United States.

**Continue Expanding our Crop Varieties.** Currently, the majority of tenants who farm our properties grow annual row crops dedicated to fresh produce, such as berries (e.g., strawberries and raspberries) and fresh vegetables (e.g., tomatoes, lettuce and bell peppers). We have also expanded further into certain permanent crops, such as almonds, blueberries and pistachios; and, to a lesser extent, commodity crops, such as corn and beans. We will seek to continue our recent expansion into other permanent crops, such as bush, tree and vine crops (e.g., fruits and nuts), and commodity crops (e.g., wheat, rice and corn), while maintaining our focus on annual row-crop properties growing

fresh produce.

• **Using Leverage.** To maximize our number of investments, we intend to borrow through loans secured by long-term mortgages on our properties, and we may also borrow funds on a short-term basis or incur other indebtedness.

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

### Our Investment Process

#### Types of Investments

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

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

#### Property Acquisitions and Leasing

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

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

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

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### Underwriting Criteria and Due Diligence Process

#### Selecting the Property

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

Our Adviser works with real estate contacts in agricultural markets throughout the United States to assess available properties and farming areas. We believe that our Adviser is experienced in selecting valuable farmland and will use this expertise to identify promising properties. The following is a list of important factors in our selection of farmland: Water availability. Availability of water is essential to farming. We will seek to purchase properties with ample access to water through an operating well on site or rights to use a well or other source that is located nearby.

Additionally, we may, in the future, consider acquiring properties that rely on rainfall for water if the tenant on that property mitigates the drought risk by purchasing drought insurance. Typically, leases on properties that would rely on rainfall would be longer term in nature. We do not currently own any properties that rely on rainfall for water, nor do we have any plans to acquire such properties.

Soil composition. In addition to water, for farming efforts to be successful, the soil must be suitable for growing crops. We will not buy or finance any real property that does not have soil conditions that we believe are favorable for growing the crops farmed on the property, except to the extent that a portion of an otherwise suitable property, while not favorable for growing the crops farmed on the property, may be utilized to build structures used in the farming business, such as cooling facilities, packinghouses, silos, greenhouses, storage facilities and distribution centers.

Location. Farming also requires optimal climate and growing seasons. We typically seek to purchase properties in locations that take advantage of climate conditions that are needed to grow fresh produce row crops. We intend to continue to expand throughout the U.S. in locations with productive farmland and financially sound farming tenants.

Price. We intend to purchase and finance properties that we believe are a good value and that we will be able to profitably rent for farming over the long term. Generally, the closer a property is located to urban developments, the higher the value of the property. As a result, properties that are currently located in close proximity to urban developments are likely to be too expensive to justify farming over an extended period of time, and, therefore, we are unlikely to invest in such properties.

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

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

The comparable value of similar real property in the same general area of the prospective property. In this regard, comparable property is hard to define since each piece of real estate has its own distinct characteristics. But to the extent possible, comparable property in the area that has sold or is for sale will be used to determine if the price being paid for the property is reasonable.

The comparable real estate rental rates for similar properties in the same area of the prospective property.

Alternative uses for the property to determine if there is another use for the property that would give it higher value, including potential future conversion to urban or suburban uses such as commercial or residential development.  
• The assessed value as determined by the local real estate taxing authority.

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

### Underwriting the Tenant, Due Diligence Process and Negotiating Lease Provisions

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

- **Experience.** We believe that experience is the most significant characteristic when determining the creditworthiness of a tenant. Therefore, we seek to rent our properties to farmers that have an extensive track record of farming their particular crops successfully.
- **Financial Strength.** We seek to rent to farming operations that have financial resources to invest in planting and harvesting their crops. We generally require annual financial statements of the tenant to evaluate the financial capability of the tenant and its ability to perform its obligations under the lease.

**Adherence to Quality Standards.** We seek to lease our properties to those farmers that are committed to farming in a manner that will generate high-quality crops. We intend to identify such commitment through their track records of selling produce into established distribution chains and outlets.

**Lease Provisions that Enhance and Protect Value.** When deemed appropriate, our Adviser attempts to include lease provisions that require our consent to specified tenant activity or require the tenant to satisfy specific operating tests. These provisions may include, for example, requiring the tenant to meet operational or financial covenants or to indemnify us against environmental and other contingent liabilities. We believe that these provisions serve to protect our investments from changes in the operating and financial characteristics of a tenant that may impact its ability to satisfy its obligations to us or that could reduce the value of our properties. Our Adviser generally also seeks covenants requiring tenants to receive our consent prior to any change in control of the tenant.

**Credit Enhancement.** To mitigate risk and enhance the likelihood of tenants satisfying their lease obligations, our Adviser may also seek cross-default provisions if a tenant has multiple obligations to us or seek a letter of credit or a guaranty of lease obligations from each tenant's corporate affiliates, if any. We believe that these types of credit enhancements, if obtained, provide us with additional financial security. These same enhancements may apply to mortgage loans.

**Diversification.** Our Adviser will seek to diversify our portfolio to avoid dependence on any one particular tenant or geographic location. By diversifying our portfolio, our Adviser intends to reduce the adverse effect on our portfolio of a single underperforming investment or a downturn in any particular geographic region. Many of the areas in which we purchase or finance properties are likely to have their own microclimates and, although they appear to be in close proximity to one another, generally will not be similarly affected by weather or other natural occurrences at the same time. We currently own properties in seven different states across the U.S., and over time, we expect to expand our geographic focus to other areas of the Southeast, Pacific Northwest, Midwest and Mid-Atlantic. We will also attempt to continue diversifying our portfolio of properties by seeking additional farmland that grows permanent crops, such as bush, tree and vine crops (e.g., fruits and nuts), and commodity crops (e.g., wheat, rice and corn), while maintaining our current focus of owning and leasing farmland that grows fresh produce row crops. Refer to Note 3, "Real Estate and Lease Intangibles," in the accompanying notes to our Consolidated Financial Statements for a summary of our portfolio diversification and concentrations.

While our Adviser seeks tenants it believes to be creditworthy, tenants are not required to meet any minimum rating established by an independent credit rating agency. Our Adviser's standards for determining whether a particular tenant is creditworthy will vary in accordance with a variety of factors relating to specific prospective tenants. The

creditworthiness of a tenant is determined on a tenant-by-tenant and case-by-case basis. Therefore, general standards for creditworthiness cannot be applied. We monitor our tenants' credit quality on an ongoing basis by, among other things, periodically conducting site visits to the properties to ensure farming operations are taking place and to assess the general maintenance of the properties. To date, no changes to credit quality of our tenants have been identified, and all tenants continue to pay pursuant to the terms of their respective leases.



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### Mortgage Loans

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

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

### Other Investments

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

### Use of Leverage

Our strategy is to use borrowings as a financing mechanism in amounts that we believe will maximize the return to our stockholders. We generally expect to enter into borrowing arrangements directly or indirectly through our Operating Partnership. Our governing documents and policies do not impose a limitation on the amount we may borrow against any single investment property, nor do they impose a limitation on our overall level of borrowing. We believe that, by operating on a leveraged basis, we will have more funds available and, therefore, will be able to make more investments than would otherwise be possible. We believe that this will result in a more diversified portfolio. Our Adviser and Administrator will use its best efforts to obtain financing on the most favorable terms available to us.

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

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

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

### Other Investment Policies

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

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

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conditions, with a view to achieving maximum capital appreciation. No assurance can be given that the foregoing objective will be realized. The selling price of a property which is subject to a net lease will be determined in large part by the amount of rent payable under the lease and the creditworthiness of the tenant. In connection with our sales of properties we may lend the purchaser all or a portion of the purchase price. In these instances, our taxable income may exceed the cash received in the sale, which could cause us to delay required distributions to our stockholders. The terms of any sale will be dictated by market terms customary in the area in which the property being sold is located and the then-prevailing economic conditions. A decision to provide financing to any purchaser would be made only after an investigation into and consideration of the same factors considered in underwriting tenants, such as creditworthiness and likelihood of future financial stability, as are undertaken when we consider a net lease transaction; see “Our Investment Process — Underwriting Criteria and Due Diligence Process — Underwriting the Tenant, Due Diligence Process and Negotiating Lease Provisions.” We may continually reinvest the proceeds of property sales in investments that either we or our Adviser believe will satisfy our investment policies. During 2016, we did not sell any properties.

### Investment Limitations

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

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

### Future Revisions in Policies and Strategies

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

### Conflict of Interest Policy

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

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We have adopted a policy that, without the approval of a majority of our independent directors, we will not: acquire from or sell to any of our officers or directors, the employees of our Adviser or Administrator, or any entity in which any of our officers, directors or such employees has an interest of more than 5%, any assets or other property; borrow from any of our directors or officers, the employees of our Adviser or Administrator, or any entity in which any of our officers, directors or such employees has an interest of more than 5%; or engage in any other transaction with any of our directors or officers, the employees of our Adviser or Administrator, or any entity in which any of our directors, officers or such employees has an interest of more than 5%.

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

the material facts relating to the common directorship or interest and as to the transaction are disclosed to our Board of Directors or a committee of our Board, and our Board or the committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the directors not interested in the contract or transaction, even if the disinterested directors do not constitute a quorum of the Board or committee;

the fact of the common directorship or interest is disclosed to our stockholders entitled to vote on the contract or transaction, and the contract or transaction is approved or ratified by a majority of the votes cast by the stockholders entitled to vote on the matter, other than shares owned of record or beneficially by the interested director, corporation or entity; or

the contract or transaction is fair and reasonable to us as of the time authorized, approved or ratified by the Board of Directors, a committee or the stockholders.

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

### Code of Ethics

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

### Our Adviser and Administrator

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

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

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

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

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

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

### Adviser Duties and Authority under the Advisory Agreement

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

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

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

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

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

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

Our Adviser and Administrator also engage in other business ventures and, as a result, their resources are not dedicated exclusively to our business. For example, our Adviser and Administrator also serve as the external adviser

and administrator, respectively, to Gladstone Capital and Gladstone Investment, both publicly-traded business development companies affiliated with us, and Gladstone Commercial, a publicly-traded REIT, also affiliated with us. However, under the Advisory Agreement, our Adviser is required to devote sufficient resources to the administration of our affairs to discharge its obligations under the

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

Employees

We do not currently have any employees and do not expect to have any employees in the foreseeable future. Currently, services necessary for our business are provided by individuals who are employees of our Adviser and our Administrator pursuant to the terms of the Advisory Agreement and the Administration Agreement, respectively. Each of our executive officers is an executive officer of each our Adviser and our Administrator. We expect that approximately 15% to 20% of the full-time employees of our Adviser and our Administrator will spend substantial time on our matters during the 2017 calendar year. To the extent that we acquire more investments, we anticipate that the number of employees of our Adviser and our Administrator who devote time to our matters will increase and the number of our Adviser’s employees working out of local offices, if any, where we buy land will also increase. As of December 31, 2016, our Adviser and our Administrator, collectively, had 63 full-time employees. A breakdown thereof is summarized by functional area in the table below:

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

Competition

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

Environmental Matters

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

Tenants

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

Financial Information about Segments

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





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Available Information

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

ITEM 1A. RISK FACTORS

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

Risks Relating to Our Business and Operations

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

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

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

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

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

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

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

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

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

significant time lag between commencement of development and commercial productivity for permanent crop development farms subjects us to greater risks due to fluctuations in the general economy and adverse weather conditions;

expenditure of money and time on development that may not be completed;

inability to achieve rental rents per acre at newly-developed farms to make the properties profitable;

higher than estimated costs, including labor and planting, irrigation or other related costs;

possible delay in development due to a number of factors, including weather, labor disruptions, regulatory approvals, acts of terror or other acts of violence, or acts of God (such as fires, earthquakes or floods).

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

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

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

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

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

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

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

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

To remain competitive with alternative investments, our distribution rate may exceed our cash available for distribution, including cash generated from operations. In the event this happens, we intend to fund the difference out of any excess cash on hand or from borrowings under our revolving credit facility. If we do not have sufficient cash available for distribution generated by our assets to pay the annual distribution set by our Board of Directors, or if cash available for distribution decreases in future periods, the market price of our common stock could decrease. All distributions will be made at the discretion of our Board of Directors and will depend on our earnings, our financial condition, whether we are able to maintain our qualification as a REIT and other factors as our Board of Directors may deem relevant from time to time. We may not be able to make distributions in the future. In addition, some of our distributions may include a return of capital. To the extent that our Board of Directors approves distributions in excess of our then current and accumulated earnings and profits, these excess distributions would generally be considered a return of capital for federal income tax purposes to the extent of your adjusted tax basis in your shares. A return of capital is not taxable, but it has the effect of reducing your adjusted tax basis in your investment. To the extent that distributions exceed the adjusted tax basis of your shares, such excess will be treated for tax purposes as a gain from the sale or exchange of your shares. If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

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

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

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

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

payments.

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

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

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

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

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

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

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

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

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

Currently, 5 of our 59 farms are subject to variable rent leases that are based on the success of the tenants' harvests each year; however, they also include guarantees of a minimum amount of rental income that satisfy our investment return criteria. While we do not expect variable rent leases based on crop harvest to make up a significant portion of our overall leased portfolio, we intend to enter into additional variable rent leases. We anticipate that each variable



rent lease will have a floor that guarantees a minimum amount of rental income that satisfies our investment return criteria; however, such leases will still be impacted by factors related to the success of the tenant's harvest, including, but not limited to, declining crop prices and lower-than-average crop production, that may result in us receiving less rent than anticipated or projected when entering into such leases. A reduction in the rent we receive could have a material adverse effect on our cash flow and ability to make distributions to our stockholders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

To maintain our qualification as a REIT, we generally must distribute to our stockholders at least 90% of our taxable income each year, excluding capital gains. Because of this distribution requirement, it is not likely that we will be able to fund a significant portion of our future capital needs, including property acquisitions, from retained earnings.

Therefore, we may acquire additional capital from the issuance of securities senior to our common shares, including

borrowings or other indebtedness, preferred shares (such as our Term Preferred Stock) or the issuance of other securities. This capital may not be available on favorable terms or at all. Our access to additional capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings.

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

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preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for common stockholders.

Any inability to access additional financing on terms that are favorable to us may adversely affect our ability to grow and our business generally.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Failure to succeed in new markets may have adverse consequences.



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

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

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

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

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

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

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

- responsibility and liability for the cost of removal or remediation of hazardous substances released on our properties, which may include herbicides and pesticides, generally without regard to our knowledge of or responsibility for the presence of the contaminants;

- liability for the costs of removal or remediation of hazardous substances at disposal facilities for persons who arrange for the disposal or treatment of these substances; and

- potential liability for claims by third parties for damages resulting from environmental contaminants.

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

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

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

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

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

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

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

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

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

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

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

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

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

ability to make lease payments and may adversely affect our liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

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

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

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

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

The United States' President and Congress have called for consideration of proposals relating to a variety of issues. We believe that these and other potential proposals could have varying degrees of impact on us, ranging from minimal to material. At this time, we are unable to predict with certainty what level of impact specific proposals could have on us. In particular, newly-elected government officials have indicated that they will materially alter certain legislation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Amendment or outright repeal of the Dodd-Frank Act, including rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals that may be proposed in the United States Congress, may limit our revenues, impose fees or taxes on us, or intensify the regulatory framework in which we operate in ways that are not currently identifiable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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Our articles of incorporation prohibit ownership of more than 3.3% of the outstanding shares of our capital stock by one person, except for certain qualified institutional investors, which are limited to holding 9.8% of our common stock. Currently, our chairman, chief executive officer and president, David Gladstone, owns approximately 19.4% of our common stock, and the Gladstone Future Trust, for the benefit of Mr. Gladstone's children, owns approximately 6.7% of our common stock, in each case pursuant to an exception approved by our Board of Directors and in compliance with our charter. In addition, the David and Lorna Gladstone Foundation, of which David Gladstone is the CEO and Chairman, owns 2.1% of our common stock. The ownership restriction may discourage a change of control and may deter individuals or entities from making tender offers for our capital stock, which offers might otherwise be financially attractive to our stockholders or which might cause a change in our management.

Our Board is divided into three classes, with the term of the directors in each class expiring every third year. At each annual meeting of stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. After election, a director may only be removed by our stockholders for cause. Election of directors for staggered terms with limited rights to remove directors makes it more difficult for a hostile bidder to acquire control of us. The existence of this provision may negatively impact the price of our securities and may discourage third-party bids to acquire our securities. This provision may reduce any premiums paid to stockholders in a change in control transaction.

The Control Share Acquisition Act provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by the corporation's disinterested stockholders by a vote of two-thirds of the votes entitled to be cast on the matter. Shares of stock owned by interested stockholders, that is, by the acquirer, by officers or by directors who are employees of the corporation, are excluded from shares entitled to vote on the matter. "Control shares" are voting shares of stock that would entitle the acquirer to exercise voting power in electing directors within one of three increasing ranges of voting power. The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation. Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions of our common stock by David Gladstone or any of his affiliates. This statute could have the effect of discouraging offers from third parties to acquire us and increasing the difficulty of successfully completing this type of offer by anyone other than Mr. Gladstone or any of his affiliates.

Certain provisions of Maryland law applicable to us prohibit business combinations with:

any person who beneficially owns 10% or more of the voting power of our common stock, referred to as an "interested stockholder;"

an affiliate of ours who, at any time within the two-year period prior to the date in question, was an interested stockholder; or

an affiliate of an interested stockholder.

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

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

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be advisable and in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter (i) eliminates our directors' and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty

established by a final judgment and that is material to the cause of action and (ii) requires us to indemnify directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, our stockholders and we may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

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

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

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

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

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

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

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

common stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us. Further, holders of our Term Preferred Stock rank senior in priority of dividend payments, which may restrict our ability to declare and pay dividends to our common stockholders at the current rate, or at all.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

stockholders.

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

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

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

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

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

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

85% of our ordinary income for that year;

95% of our capital gain net income for that year; and

100% of our undistributed taxable income from prior years.

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

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

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

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

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



point in time, we are unable to comply with the ownership diversification requirements, we could fail to maintain our qualification as a REIT, which could require us to pay taxes and negatively impact our cash available for future distribution.

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

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

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

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

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

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

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

• whether your investment is consistent with the applicable provisions of the Employee Retirement Income Security Act (“ERISA”), or the Code;

• whether your investment will produce unrelated business taxable income to the benefit plan; and

• your need to value the assets of the benefit plan annually.

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

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

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

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

We have elected to treat Land Advisers as a TRS. We may also form other TRSs as part of our overall business strategy. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS.

Overall, no more than 25% (or 20% beginning with our taxable year commencing January 1, 2018) of the value of a REIT’s assets may consist of stock or securities of one or more TRSs. A TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to ensure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are

not conducted on an arm's-length basis.

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

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

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

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

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

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

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

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

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

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

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

Payment of accrued dividends on the Term Preferred Stock will be subordinated to all of our existing and future debt and will be structurally subordinate to the obligations of our subsidiaries. In addition, we may issue additional shares of another class or series of preferred stock ranking on parity with the Term Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up. None of the

provisions relating to the Term Preferred Stock relate to or limit our indebtedness or afford the holders of the Term Preferred Stock protection in the event of a highly-leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Term Preferred Stock, other than in connection with a Change of

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

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

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

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

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

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards, meaning that the company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have chosen to take advantage of this extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for private companies for as long as we maintain our emerging company status and do not revoke this election. Accordingly, the accounting standards that we apply while we remain an emerging growth company may differ materially from the accounting standards applied by other similar public companies, including emerging growth companies that have elected to opt out of this extended transition period. This election could have a material impact on our financial statements and the comparability of our financial statements to the financial statements of similar public companies. This potential lack of comparability could make it more difficult for investors to value our securities, which could have a material impact on the price of our common stock or Term Preferred Stock.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

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

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

<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 associated with the properties, and adjusted for accumulated depreciation and amortization. Includes Investments in real estate, net and Lease

intangibles, net; plus net above-market lease values included in Other assets; and less net below-market lease values, deferred revenue and unamortized tenant improvements included in Other liabilities, each as shown on the accompanying Consolidated Balance Sheet.

- (2) Excludes approximately \$1.4 million of deferred financing costs related to mortgage notes and bonds payable included in Mortgage notes and bonds payable, net on the accompanying Consolidated Balance Sheet.
- (3) There are three agricultural leases and one commercial lease on this property. Each of the agricultural leases expires on June 30, 2017, and the commercial lease expires on June 30, 2018.
- (4) There are two leases in place on this property, one expiring on June 30, 2017, and the other expiring on June 30, 2019.
- (5) The lease agreement on this property includes two terms. The rental period for the land expires on February 28, 2021, and the rental period for the facilities expires on June 30, 2021.



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ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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## PART II

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

## Market Information

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

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

## Distribution Information

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

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

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

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



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Stockholder Information

As of February 14, 2017:

with regards to our common stock, there were 8 registered holders of record and approximately 6,275 beneficial owners;

with regards to our Term Preferred Stock, there was 1 registered holder of record and approximately 1,100 beneficial owners; and

with regards to our OP Units, other than the Company, there were five holders of our OP Units. After a mandatory one-year holding period, our OP Units are redeemable at the option of the holder for cash or, at our election, shares of our common stock on a one-for-one basis.

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

Stock Performance Graph

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

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

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

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

ITEM 6. SELECTED FINANCIAL DATA

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

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

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

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

We adopted ASU 2015-03 and ASU 2015-05 (each as defined in Note 2, "Summary of Significant Accounting Policies," in the accompanying notes to our consolidated financial statements) during the year ended December 31, 2016, which, collectively, require the presentation of debt issuance costs (other than line of credit arrangements) on the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred financing costs. All periods presented have been retroactively adjusted.

Representative of the principal balances outstanding, excluding debt issuance costs, of all borrowings (short- and long-term), including mortgage notes and bonds payable and borrowings under our line of credit, plus our Term Preferred Stock.

Excludes OP Units held by third parties. As of December 31, 2016, there were 1,449,258 OP Units held by third parties; there were no OP Units held outside of the Company prior to 2016.

- (5) Funds from operations is a term developed by NAREIT and is defined below. A reconciliation of net income to funds from operation is also below.
- (6) Adjusted funds from operations is defined below. A reconciliation of net income to adjusted funds from operation is also below.
- (7) 2013 distributions included a one-time declaration to distribute the final amount of remaining earnings and profits from prior years.
- (8) As presented in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Net Asset Value.”

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

NAREIT developed funds from operations (“FFO”) as a relative non-GAAP supplemental measure of operating performance of an equity REIT to recognize that income-producing real estate historically has not depreciated on the same basis determined under GAAP. FFO, as defined by NAREIT, is net income (computed in accordance with GAAP), excluding gains or losses from sales of property and impairment losses on property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. We further present core FFO (“CFFO”) and adjusted FFO (“AFFO”) as additional non-GAAP financial measures of our operational performance, as we believe both CFFO and AFFO improve comparability on a period-over-period basis and are more useful supplemental metrics for investors to use in assessing

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

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

We calculate CFFO by adjusting FFO for the following items:

**Acquisition-related expenses.** Acquisition-related expenses (i.e., due diligence costs) are incurred for investment purposes and do not correlate with the ongoing operations of our existing portfolio. Further, due to the inconsistency in which these costs are incurred and how they are treated for accounting purposes, we believe the exclusion of these expenses improves comparability of our operating results on a period-to-period basis.

**Acquisition-related accounting fees.** Certain auditing and accounting fees we incur are directly related to acquisitions and vary depending on the number and complexity of acquisitions completed during a period. Due to the inconsistency in which these costs are incurred, we believe the exclusion of these expenses improves comparability of our results on a period-to-period basis. We modified our definition of AFFO to include an adjustment for these costs beginning with the three months ended March 31, 2015, and will apply the same modified definition of AFFO for all prior periods presented to provide consistency and better comparability.

**Income tax provision.** As a REIT, we generally will not be subject to federal income taxes on amounts distributed to our stockholders, provided we meet certain conditions. As such, we believe it is beneficial for investors to view our results of operations excluding the impact of income taxes.

**Other adjustments.** We will adjust for certain non-recurring charges and receipts and will explain such adjustments accordingly.

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

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

**Amortization of deferred financing costs.** The amortization of costs incurred to obtain financing is excluded from AFFO, as it is a non-cash expense item that is not directly related to the performance of our properties.

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

FFO, CFFO and AFFO do not represent cash flows from operating activities in accordance with GAAP, which, unlike FFO, CFFO and AFFO, generally reflects all cash effects of transactions and other events in the determination of net income, and should not be considered an alternative to net income as an indication of our performance or to cash flows from operations as a measure of liquidity or ability to make distributions. Comparisons of FFO, CFFO and AFFO, using the NAREIT definition for



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

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

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

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

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

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

(1) 2015, and (iii) insurance proceeds received during 2015 as a result of the same fire. 2014 adjustments consist of the removal of (i) repairs incurred as a result of the aforementioned fire that were expensed during 2014, and (ii) insurance proceeds received during 2014 as a result of the same fire.

(2)

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

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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### OVERVIEW

#### General

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

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

We were incorporated in 1997, primarily for the purpose of operating strawberry farms through our former subsidiary, Coastal Berry Company, LLC (“Coastal Berry”), an entity that provided growing, packaging, marketing and distribution of fresh berries and other agricultural products. We operated Coastal Berry as our primary business until 2004, when it was sold to Dole Food Company (“Dole”). Since 2004, our operations have consisted solely of leasing our farms to third-party tenants. We do not currently intend to enter into the business of growing, packing or marketing farmed products; however, if we do so in the future, we expect that it would be through a taxable REIT subsidiary (“TRS”). We conduct substantially all of our investment activities through, and all of our properties are held, directly or indirectly, by, Gladstone Land Limited Partnership (the “Operating Partnership”). Gladstone Land Corporation controls the sole general partner of the Operating Partnership and currently owns, directly or indirectly, approximately 87.4% of the units of limited partnership interest in the Operating Partnership (“OP Units”). We have the ability and expectation to continue to offer equity ownership in our Operating Partnership by issuing OP Units from time to time, in whole or in part, in exchange for agricultural real property. By structuring our acquisitions in this manner, the sellers of the real estate will generally be able to defer the realization of capital gains until they redeem the OP Units or sell the OP Units for cash. Persons who receive OP Units in our Operating Partnership in exchange for real estate or interests in entities that own real estate will be entitled to cause us to redeem these OP Units for cash or, at our election, shares of our common stock on a one-for-one basis at any time after holding the OP Units for one year. We intend to continue to lease our farms and farm-related facilities to independent or corporate farming operations that sell their products through national corporate marketers-distributors, and we expect to continue to earn rental income from our farmland investments.

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

#### Objectives and Strategies

Our principal business objective is to maximize stockholder returns through a combination of: (i) monthly cash distributions to our stockholders, which we hope to sustain and increase through long-term growth in cash flows from increased rents; (ii) appreciation of our land; and (iii) capital gains derived from the sale of our properties. Our

primary strategy to achieve our business objective is to invest in a diversified portfolio of triple-net leased farmland and properties related to farming operations.

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

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

## Portfolio Diversity

Since our initial public offering in January 2013 (the “IPO”), we have expanded our portfolio from 12 farms leased to 7 different, unrelated tenants to a current portfolio of 59 farms leased to 40 different, unrelated tenants. While our focus remains in farmland suitable for growing fresh produce annual row crops, we have also begun to diversify our portfolio into farmland suitable for other crop types, including permanent crops, consisting primarily of almonds, pistachios and blueberries, and certain commodity crops, consisting primarily of corn and beans. The following table summarizes the different sources of revenues for our properties owned and with leases in place as of and for the years ended December 31, 2016 and 2015:

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

Includes berries and other fruits, such as melons, raspberries and strawberries, and vegetables, such as arugula,

(1) broccoli, cabbage, carrots, celery, cilantro, cucumbers, edamame, green beans, kale, lettuce, mint, onions, peas, peppers, potatoes, radicchio, spinach and tomatoes.

(2) Includes alfalfa, barley, corn, edible beans, grass, popcorn, soybeans and wheat.

(3) Includes almonds, avocados, blueberries, lemons and pistachios.

Consists primarily of rental revenue from: (i) farm-related facilities, such as coolers, packinghouses, distribution

(4) centers, residential houses for tenant farmers and other minor farm-related buildings; (ii) a surface area lease with an oil company on a small parcel of one of our properties; and (iii) unused areas on certain of our farms.

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

| State | As of and For the Year Ended December 31, 2016 |      |        |            | As of and For the Year Ended December 31, 2015 |      |        |            | Annualized GAAP Rental Revenue as of 12/31/2016 |            |
|-------|--|------|--------|------------|--|------|--------|------------|---|------------|
|       | Total  | % of | Rental | % of Total | Total  | % of | Rental | % of Total | Total   | % of Total |

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

Leases

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

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

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

Lease Expirations

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

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

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

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

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

Business Environment

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

household income is dedicated towards food.

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

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

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

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

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

Recent Developments

Investment and Leasing Activity

Property Acquisitions

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

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

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

As partial consideration for the acquisition of this property, we issued 745,879 OP Units, constituting an aggregate

(2) fair value of approximately \$6.5 million as of the acquisition date. We incurred \$25,500 of legal costs in connection with the issuance of these OP Units.

Acquisition accounted for as a business combination under Accounting Standards Codification ("ASC") 805. As

(3) such, all acquisition-related costs were expensed as incurred, other than direct leasing costs, which were capitalized. In aggregate, we incurred \$9,520 of direct leasing costs in connection with these acquisitions.

Acquisition accounted for as an asset acquisition under ASC 360. As such, all acquisition-related costs were

(4) capitalized and allocated among the identifiable assets acquired. The figures above represent only the costs paid for or accrued for as of the date of this filing.

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

As partial consideration for the acquisition of this property, we issued 125,677 OP Units, constituting an aggregate

(6) fair value of approximately \$1.5 million as of the acquisition date. We incurred \$8,235 of legal costs in connection with the issuance of these OP Units.

As partial consideration for the acquisition of this property, we issued 343,750 OP Units, constituting an aggregate

(7) fair value of approximately \$3.9 million as of the acquisition date. We incurred \$21,710 of legal costs in connection with the issuance of these OP Units.

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

with the issuance of these OP Units.

#### Existing Properties

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

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

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

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

**Parrish Road.** On April 5, 2016, we reimbursed the tenant \$500,000, which represented our portion of the costs incurred to construct certain irrigation improvements on the farm. As stipulated in the lease, as of April 1, 2016, we began earning an additional \$139,073 of annualized, straight-line rental income on this farm throughout the remaining lease term. In addition, in connection with our acquisition of the property in March 2015, we committed to providing \$745,000 as additional consideration and reimbursements of certain costs, contingent upon the approval by a local water management district of increases in certain water permits on the property. During the year ended December 31, 2016, these water permits were approved, and we remitted \$745,000 to the tenant, who was also the seller of the property.

#### **Espinosa Road:**

On July 5, 2016, we received payment of approximately \$164,000 (including \$4,000 of accrued interest) from the California Department of Transportation ("CalTrans") in connection with the settlement of the eminent

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

On August 25, 2016, we renewed the lease with the tenant, which was originally set to expire on October 31, 2016. The lease was renewed for an additional four years, through October 31, 2020, with annualized, straight-line rental income of \$997,017, representing a 28.1% increase over that of the previous lease. In connection with the renewal, we also assumed the responsibility for the property taxes, which were the tenant's responsibility under the old lease. Factoring in the additional property tax expense with the increased rental rate, the expected overall increase in annualized net income from the property over the term of the new lease is expected to be 9.0% higher than that under the old lease.

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

#### Financing Activity

##### MetLife Credit Facility

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

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

Among other changes, the amendment to the MetLife Facility:

- increased the overall loan-to-value ratio on the underlying properties pledged as collateral under the MetLife Facility from 58% to 60%;

- reduced the blended interest rate on all previously-disbursed amounts under the 2015 MetLife Term Note by 19 basis points, from 3.35% to 3.16%;

- extended the fixed-rate term of the 2015 MetLife Term Note by 76 months, through January 5, 2027; and

- extended the draw period under the 2015 MetLife Term Note by one year, through December 31, 2018.

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

#### Farm Credit

##### Farm Credit CFL

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

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

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

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

During the three months ended March 31, 2016, we received interest patronage, or refunded interest, from Farm Credit CFL, representing a 16.1% refund of the interest accrued on all borrowings from Farm Credit CFL during the year ended December

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

**Farm Credit West**

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

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

<sup>(1)</sup> Rates represent the stated interest rates, before interest patronage.

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

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

**Farmer Mac Facility**

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

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

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

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

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

**Term Preferred Stock**

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

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

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

Common Stock At-the-Market Program

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

Our Adviser and Administrator

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

Advisory Agreement

Base Management Fee

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

Incentive Fee

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

• no incentive fee in any calendar quarter in which our Pre-Incentive fee FFO does not exceed the hurdle rate of 1.75% (7% annualized);

• 100% of the amount of the Pre-Incentive fee FFO that exceeds the hurdle rate, but is less than 2.1875% in any calendar quarter (8.75% annualized); and

• 20% of the amount of our Pre-Incentive fee FFO that exceeds 2.1875% in any calendar quarter (8.75% annualized).

Quarterly Incentive Fee Based on FFO

Pre-Incentive Fee FFO

(expressed as a percentage of adjusted stockholders' equity)





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Percentage of Pre-Incentive Fee FFO allocated to incentive fee

Administration Agreement

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

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

Emerging Growth Company

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

Critical Accounting Policies

The preparation of our financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make judgments that are subjective in nature to make certain estimates and assumptions. Application of these accounting policies involves the exercise of judgment regarding the use of assumptions as to future uncertainties, and, as a result, actual results could materially differ from these estimates. A summary of all of our significant accounting policies are provided in Note 2, "Summary of Significant Accounting Policies," in the accompanying notes to our consolidated financial statements, located elsewhere in this Form 10-K, and a summary of our critical accounting policies is below. We consider these policies to be critical because they involve estimates and assumptions that require complex, subjective or significant judgments in their application and that materially affect our results of operations. There were no material changes in our critical accounting policies during the year ended December 31, 2016; however, we early adopted ASU 2017-01 (as defined below), effective October 1, 2016, which is discussed further below.

Purchase Price Allocation

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

values, lease origination costs and tenant relationships, based in each case on their fair values.

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

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the Definition of a Business" (as further described in Note 2, "Summary of Significant Accounting Pronouncements," under the caption, "—Recently-Issued Accounting Pronouncements," in the accompanying consolidated financial statements), acquisitions of farmland already being operated as rental property were generally considered to be business combinations under Accounting Standards Codification ("ASC") 805, "Business Combinations." However, after our early adoption of ASU 2017-01, effective October 1, 2016, we now generally consider both types of acquisitions to be asset acquisitions under ASC 360, "Property Plant and Equipment." ASC 360 requires us to capitalize the transaction costs incurred in connection with the acquisition, whereas ASC 805 required that all costs related to the acquisition be expensed as incurred, rather than capitalized into the cost of the acquisition.

Whether our acquisitions are treated as an asset acquisition under ASC 360 or a business combination under ASC 805, the fair value of the purchase price is allocated among the assets acquired and any liabilities assumed by valuing the property as if it was vacant. The "as-if-vacant" value is allocated to land, buildings, improvements and horticulture, based on management's determination of the relative fair values of such assets and liabilities as of the date of acquisition.

Management's estimates of fair value are made using methods similar to those used by independent appraisers, such as a sales comparison approach, a cost approach and either an income capitalization approach or discounted cash flow analysis. Factors considered by management in its analysis include an estimate of carrying costs during hypothetical, expected lease-up periods, taking into consideration current market conditions and costs to execute similar leases. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired and liabilities assumed. In estimating carrying costs, management also includes lost reimbursement of real estate taxes, insurance and other operating expenses, as well as estimates of lost rental income at market rates during the hypothetical, expected lease-up periods, which typically range from 1 to 24 months, depending on specific local market conditions.

When we acquire a property with a prior rental history, we may also record above- or below-market lease values related to the in-place leases based on the present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place lease agreements and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining, non-cancelable term of the lease. When present, we will amortize the fair value of capitalized above-market lease values, included in Other assets on the accompanying Consolidated Balance Sheets, as a reduction of rental income on a straight-line basis over the remaining, non-cancelable terms of the respective leases; and we will amortize the capitalized below-market lease values, included in Other liabilities on the accompanying Consolidated Balance Sheets, as an increase to rental income on a straight-line basis over the remaining, non-cancelable terms of the respective leases, including that of any fixed-price or below-market renewal options. Since the majority of our transactions include either sale-leaseback transactions with newly-originated leases at market rates or the assumption of short-term leases upon acquisition, we do not expect that the values assigned to above- and below-market, in-place leases will be significant for the majority of our transactions.

Management will also estimate costs to execute similar leases, including leasing commissions, legal and other related expenses, to the extent such costs are not already incurred in connection with a new lease origination as part of the transaction. The total amount of the remaining intangible assets acquired, which typically consists of in-place lease values and tenant relationship values, are allocated based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with that respective tenant. Characteristics to be considered by management in allocating these values include the nature and extent of our existing business relationship with the tenant, prospects for developing additional business with the tenant, the tenant's credit quality and our expectations of lease renewals (including those existing under the terms of the current lease agreement), among other factors. The value of in-place leases and unamortized lease origination costs are amortized to amortization expense on a straight-line basis over the remaining, non-cancelable terms of the respective leases, which currently range from 2 to 10 years. The value of tenant relationship intangibles, which is the benefit to us resulting from the likelihood of an existing tenant renewing its lease at the existing property or entering into a lease at a different property we own, is amortized to amortization expense over the remaining lease term and any anticipated renewal periods in the respective leases.

Should a tenant terminate its lease, the unamortized portion of the above- or below-market lease values, in-place lease values, lease origination costs and tenant relationship values will be immediately charged to the appropriate income or expense account.

**Recently-Issued Accounting Pronouncements**

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

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## RESULTS OF OPERATIONS

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

With regard to the comparison between the year ended December 31, 2016 versus 2015:

Same-property basis represents properties owned as of December 31, 2014, and were not vacant at any point during either period presented.

Properties acquired during the prior-year periods are properties acquired during the year ended December 31, 2015.

Properties acquired subsequent to prior-year period are properties acquired subsequent to December 31, 2015.

Properties with vacancy represent properties that were vacant at any point during any period presented. We had one property that was vacant for a portion of the year ended December 31, 2016, and two properties that were vacant for a portion of the year ended December 31, 2015.

With regard to the comparison between the year ended December 31, 2015 versus 2014:

Same-property basis represents properties owned as of December 31, 2013, and were not vacant at any point during either period presented.

Properties acquired during the prior-year periods are properties acquired during the year ended December 31, 2014.

Properties acquired subsequent to prior-year period are properties acquired subsequent to December 31, 2014.

Properties with vacancy represent properties that were vacant at any point during any period presented. We had two properties that were vacant for a portion of the year ended December 31, 2015, and two properties that were vacant for a portion of the year ended December 31, 2014.

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

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

NM = Not Meaningful

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## Operating Revenues

## Same-property Analysis

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

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

## Other Operating Revenues

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

## Operating Expenses

## Same-property Analysis

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

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

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

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

**Other Operating Expenses**

Acquisition-related expenses generally consist of legal fees and fees incurred for third-party reports prepared in connection with potential acquisitions and the related due diligence analyses. Acquisition-related expenses decreased for the year ended December 31, 2016, as compared to the prior year, primarily due to the difference in accounting treatment of such expenses incurred in connection with the properties acquired during each of the respective periods (i.e., acquisition costs are capitalized under ASC 360 if the acquisition is considered an asset acquisition, whereas such costs are expensed under ASC 805 if the acquisition is treated as a business combination). We also incurred additional state document stamp taxes on deed transfers incurred in connection with the acquisition of certain properties during the prior year.

The aggregate net fees to our Adviser, including both the management and incentive fees, increased for the year ended December 31, 2016, as compared to the prior year. For the year ended December 31, 2016, the gross management fee increased by approximately \$198,000, primarily due to additional common equity raised over the past two years.

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

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



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

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Other Income (Expense)

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

Interest expense increased for the year ended December 31, 2016, as compared to the prior year, primarily due to increased overall borrowings. The weighted-average principal balance of our aggregate borrowings (excluding our Term Preferred Stock) outstanding for the year ended December 31, 2016, was approximately \$176.6 million, as compared to \$118.3 million for the prior year. Including interest patronage received on our Farm Credit CFL borrowings, the overall effective interest rate charged on our aggregate borrowings, excluding the impact of deferred financing costs, was 3.22% for the year ended December 31, 2016, as compared to 3.42% for the prior year. During the year ended December 31, 2016, we paid aggregate distributions on our Term Preferred Stock (which distributions are treated as a component of interest expense) of approximately \$677,000. There was no Term Preferred Stock outstanding during 2015.

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

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

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

For the  
Years  
Ended  
December  
31,  
2015