

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **JUNE 30, 2018**

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number: **001-35795**

GLADSTONE LAND CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of
incorporation or organization)

54-1892552

(I.R.S. Employer Identification No.)

**1521 WESTBRANCH DRIVE, SUITE 100
MCLEAN, VIRGINIA**

(Address of principal executive offices)

22102

(Zip Code)

(703) 287-5800

(Registrant's telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

The number of shares of the registrant's Common Stock, \$0.001 par value per share, outstanding as of August 7, 2018, was 16,070,616.

GLADSTONE LAND CORPORATION
FORM 10-Q FOR THE QUARTER ENDED
JUNE 30, 2018

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2018	December 31, 2017
ASSETS		
Investments in real estate, net	\$ 463,274	\$ 449,486
Lease intangibles, net	5,078	5,492
Cash and cash equivalents	2,583	2,938
Crop inventory	—	1,528
Other assets, net	4,276	2,834
TOTAL ASSETS	\$ 475,211	\$ 462,278
LIABILITIES AND EQUITY		
LIABILITIES:		
Borrowings under lines of credit	\$ 3,500	\$ 10,000
Mortgage notes and bonds payable, net	289,924	291,002
Series A cumulative term preferred stock, par value \$0.001 per share; \$25.00 per share liquidation preference; 2,000,000 shares authorized, 1,150,000 shares issued and outstanding as of June 30, 2018, and December 31, 2017, net	28,007	27,890
Accounts payable and accrued expenses	9,958	7,398
Due to related parties, net	807	940
Other liabilities, net	7,864	7,097
Total liabilities	340,060	344,327
Commitments and contingencies (Note 8)		
EQUITY:		
Stockholders' equity:		
Series B cumulative redeemable preferred stock, \$0.001 par value; 6,500,000 shares authorized, 20,280 shares issued and outstanding as of June 30, 2018; no shares authorized, issued, or outstanding as December 31, 2017	—	—
Common stock, \$0.001 par value; 91,500,000 shares authorized, 16,023,872 shares issued and outstanding as of June 30, 2018; 98,000,000 shares authorized, 13,791,574 shares issued and outstanding as of December 31, 2017	16	14
Additional paid-in capital	155,106	129,705
Distributions in excess of accumulated earnings	(25,763)	(19,802)
Total stockholders' equity	129,359	109,917
Non-controlling interests in Operating Partnership	5,792	8,034
Total equity	135,151	117,951
TOTAL LIABILITIES AND EQUITY	\$ 475,211	\$ 462,278

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
OPERATING REVENUES:				
Rental revenue	\$ 6,632	\$ 5,994	\$ 13,320	\$ 11,742
Tenant recovery revenue	2	2	8	4
Other operating revenues	4,760	—	7,311	—
Total operating revenues	<u>11,394</u>	<u>5,996</u>	<u>20,639</u>	<u>11,746</u>
OPERATING EXPENSES:				
Depreciation and amortization	2,242	1,599	4,430	3,071
Property operating expenses	318	259	746	542
Acquisition-related expenses	—	37	131	46
Management fee	754	530	1,411	924
Incentive fee	—	76	—	427
Administration fee	275	219	549	445
General and administrative expenses	367	370	790	782
Other operating expenses	5,140	—	7,498	—
Total operating expenses	<u>9,096</u>	<u>3,090</u>	<u>15,555</u>	<u>6,237</u>
Credits to fees from Adviser	(174)	—	(174)	—
Total operating expenses, net of credits to fees	<u>8,922</u>	<u>3,090</u>	<u>15,381</u>	<u>6,237</u>
OPERATING INCOME	<u>2,472</u>	<u>2,906</u>	<u>5,258</u>	<u>5,509</u>
OTHER INCOME (EXPENSE):				
Other income	9	—	323	185
Interest expense	(2,815)	(2,193)	(5,646)	(4,350)
Distributions attributable to Series A cumulative term preferred stock	(458)	(458)	(916)	(916)
Property and casualty loss	—	—	(129)	—
Loss on write-down of inventory	(1,060)	—	(1,060)	—
Total other expense, net	<u>(4,324)</u>	<u>(2,651)</u>	<u>(7,428)</u>	<u>(5,081)</u>
NET (LOSS) INCOME	<u>(1,852)</u>	<u>255</u>	<u>(2,170)</u>	<u>428</u>
Net loss (income) attributable to non-controlling interests	110	(28)	131	(49)
NET (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY	<u>(1,742)</u>	<u>227</u>	<u>(2,039)</u>	<u>379</u>
Dividends declared on Series B cumulative redeemable preferred stock	(3)	—	(3)	—
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ (1,745)</u>	<u>\$ 227</u>	<u>\$ (2,042)</u>	<u>\$ 379</u>
(LOSS) EARNINGS PER COMMON SHARE:				
Basic and diluted	<u>\$ (0.11)</u>	<u>\$ 0.02</u>	<u>\$ (0.14)</u>	<u>\$ 0.03</u>
WEIGHTED-AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and diluted	<u>15,506,512</u>	<u>11,850,624</u>	<u>14,736,400</u>	<u>11,127,199</u>
Distributions declared per share of common stock	<u>\$ 0.133</u>	<u>\$ 0.131</u>	<u>\$ 0.266</u>	<u>\$ 0.260</u>

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

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

	Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Distributions in Excess of Accumulated Earnings	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
	Number of Shares	Par Value	Number of Shares	Par Value					
Balance at December 31, 2016	—	\$ —	10,024,875	\$ 10	\$ 90,082	\$ (13,402)	\$ 76,690	\$ 11,087	\$ 87,777
Issuance of OP Units as consideration in real estate acquisitions, net	—	—	—	—	—	—	—	—	—
Issuance of common stock, net	—	—	1,825,749	2	19,563	—	19,565	—	19,565
Net income	—	—	—	—	—	379	379	49	428
Distributions—OP Units and common stock	—	—	—	—	—	(2,918)	(2,918)	(376)	(3,294)
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	—	—	(625)	—	(625)	625	—
Balance at June 30, 2017	—	\$ —	11,850,624	\$ 12	\$109,020	\$ (15,941)	\$ 93,091	\$ 11,385	\$104,476
Balance at December 31, 2017	—	\$ —	13,791,574	\$ 14	\$129,705	\$ (19,802)	\$ 109,917	\$ 8,034	\$117,951
Redemption of OP Units	—	—	251,267	—	2,028	—	2,028	(2,549)	(521)
Issuance of preferred stock, net	20,280	—	—	—	455	—	455	—	455
Issuance of common stock, net	—	—	1,981,031	2	23,601	—	23,603	—	23,603
Net loss	—	—	—	—	—	(2,039)	(2,039)	(131)	(2,170)
Dividends—Series B Preferred Stock	—	—	—	—	—	(3)	(3)	—	(3)
Distributions—OP Units and common stock	—	—	—	—	—	(3,919)	(3,919)	(245)	(4,164)
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	—	—	(683)	—	(683)	683	—
Balance at June 30, 2018	20,280	\$ —	16,023,872	\$ 16	\$155,106	\$ (25,763)	\$ 129,359	\$ 5,792	\$135,151

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

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

	For the Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (2,170)	\$ 428
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	4,430	3,071
Amortization of debt issuance costs	289	236
Amortization of deferred rent assets and liabilities, net	(180)	(115)
Bad debt expense	31	—
Property and casualty loss	129	—
Loss on write-down of inventory	1,060	—
Changes in operating assets and liabilities:		
Crop inventory and Other assets, net	(237)	48
Accounts payable and accrued expenses and Due to related parties, net	317	1,318
Other liabilities, net	813	(307)
Net cash provided by operating activities	<u>4,482</u>	<u>4,679</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of new real estate	(5,036)	(82,950)
Capital expenditures on existing real estate	(11,356)	(1,624)
Proceeds from sale of real estate	132	—
Change in deposits on real estate acquisitions and investments, net	(300)	(565)
Net cash used in investing activities	<u>(16,560)</u>	<u>(85,139)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common and preferred equity	25,113	20,722
Offering costs	(935)	(1,225)
Payments for redemption of OP Units	(521)	—
Borrowings from mortgage notes and bonds payable	2,733	49,001
Repayments of mortgage notes and bonds payable	(3,777)	(2,568)
Borrowings from lines of credit	9,100	38,000
Repayments of lines of credit	(15,600)	(19,500)
Payments of financing fees	(225)	(348)
Distributions paid on common stock	(3,919)	(2,918)
Distributions paid to non-controlling interests in Operating Partnership	(246)	(376)
Net cash provided by financing activities	<u>11,723</u>	<u>80,788</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(355)	328
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,938	2,438
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 2,583</u>	<u>\$ 2,766</u>
NON-CASH INVESTING AND FINANCING INFORMATION:		
Real estate additions included in Other assets, net	—	15
Real estate additions included in Accounts payable and accrued expenses and Due to related parties, net	4,120	647
Loss on disposals of real estate assets included in Accounts payable and accrued expenses and Due to related parties, net	8	—
Real estate additions included in Other liabilities, net	136	33
Stock offering and OP Unit issuance costs included in Accounts payable and accrued expenses and Due to related parties, net	194	140
Financing fees included in Accounts payable and accrued expenses and Due to related parties, net	2	45

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

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

NOTE 1. BUSINESS AND ORGANIZATION

Business and Organization

Gladstone Land Corporation (the “Company”) is an agricultural real estate investment trust (“REIT”) that was re-incorporated in Maryland on March 24, 2011, having been previously re-incorporated in Delaware on May 25, 2004. We are primarily in the business of owning and leasing farmland, and we conduct substantially all of our operations through a subsidiary, Gladstone Land Limited Partnership (the “Operating Partnership”), a Delaware limited partnership. As we currently control the sole general partner of the Operating Partnership and own, directly or indirectly, a majority of the units of limited partnership interest in the Operating Partnership (“OP Units”), the financial position and results of operations of the Operating Partnership are consolidated within our financial statements. As of June 30, 2018, and December 31, 2017, the Company owned 95.7% and 93.2%, respectively, of the outstanding OP Units (see Note 7, “Equity,” for additional discussion regarding OP Units).

Gladstone Land Advisers, Inc. (“Land Advisers”), a Delaware corporation and a subsidiary of ours, was created to collect any non-qualifying income related to our real estate portfolio and to perform certain small-scale farming business operations. We have elected for Land Advisers to be treated as a taxable REIT subsidiary (“TRS”) of ours. From October 17, 2017, through July 31, 2018, Land Advisers operated a 169-acre farm located in Ventura County, California, under a short-term lease (see Note 6, “Related-Party Transactions—TRS Lease Assumption” for further discussion on this lease assignment). On June 11, 2018, we entered into a new 10-year lease agreement (to commence August 1, 2018) with a new, unrelated third-party tenant to operate this farm. Since we currently own 100% of the voting securities of Land Advisers, its financial position and results of operations are consolidated within our financial statements.

Subject to certain restrictions and limitations, and pursuant to contractual agreements, our business is managed by Gladstone Management Corporation (the “Adviser”), a Delaware corporation, and administrative services are provided to us by Gladstone Administration, LLC (the “Administrator”), a Delaware limited liability company. Our Adviser and Administrator are both affiliates of ours (see Note 6, “Related-Party Transactions,” for additional discussion regarding our Adviser and Administrator).

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information

Our interim financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q in accordance with Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of our management, all adjustments (consisting solely of normal recurring accruals) necessary for the fair statement of financial statements for the interim period have been included. The interim financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 20, 2018 (the “Form 10-K”). The results of operations for the three and six months ended June 30, 2018, are not necessarily indicative of the results that may be expected for other interim periods or for the full fiscal year.

Use of Estimates

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

Impairment of Real Estate Assets

We account for the impairment of our tangible and identifiable intangible real estate assets in accordance with Accounting Standards Codification (“ASC”) 360, “Property, Plant, and Equipment” (“ASC 360”), which requires us to periodically review

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the carrying value of each property to determine whether indicators of impairment exist. If circumstances support the possibility of impairment, we prepare a projection of the total undiscounted future cash flows of the specific property, including proceeds from disposition without interest charges, and compare them to the net book value of the property to determine whether the carrying value of the property is recoverable. If the carrying amount is more than the aggregate undiscounted future cash flows, we would recognize an impairment loss to the extent the carrying value exceeds the estimated fair value of the property.

We evaluate our entire property portfolio each quarter for any impairment indicators and perform an impairment analysis on those select properties that have an indication of impairment. During the three months ended March 31, 2018, a lightning strike damaged certain irrigation infrastructure on one of our properties in Arizona; however, we determined no indicator of impairment existed, and no impairment loss was recorded. See “—Property and Casualty Loss” within Note 3, “Real Estate and Intangible Assets,” for additional details on this event.

As of June 30, 2018, we concluded that none of our properties were impaired. There have been no impairments recognized on our real estate assets since our inception.

Crop Inventory and Crop Sales

Crop Inventory

Costs incurred by Land Advisers in operating the 169-acre farm located in Ventura County, California, generally consisted of growing costs (including the costs of land preparation, plants, fertilizers and pesticides, and labor costs), harvesting and selling costs (including labor costs for harvesting, packaging and cooling costs, and sales commissions), and certain overhead costs (including management/oversight costs). As of June 30, 2018, we had approximately \$1.1 million of unsold crops on the farm, including approximately \$28,000 of unallocated fees earned by our Adviser from Land Advisers (see Note 6, “Related-Party Transactions—TRS Fee Arrangements,” for further discussion on this fee). However, due to certain market conditions (primarily the existence of bumper crops in all of the strawberry-growing regions within California), we were unable to sell all of the crops and therefore assessed the market value of such unsold crops to be zero as of June 30, 2018. Accordingly, we wrote down the cost of crop inventory to its estimated net realizable value of zero and recorded a loss during the three and six months ended June 30, 2018, of approximately \$1.1 million (including approximately \$28,000 of accumulated costs incurred by our Adviser that were allocated to these unsold crops (see Note 6, “Related-Party Transactions—TRS Lease Assumption—TRS Fee Arrangements—TRS Expense Sharing Agreement”)), included within Loss on write-down of inventory on the accompanying Condensed Consolidated Statement of Operations.

Crop inventory as of December 31, 2017, consisted of the following (dollars in thousands, except for footnotes):

Growing costs	\$	1,335
Overhead costs ⁽¹⁾		193
Total Crop inventory	\$	1,528

⁽¹⁾ Includes approximately \$71,000 of unallocated fees earned by our Adviser from Land Advisers as of December 31, 2017 (see Note 6, “Related-Party Transactions—TRS Fee Arrangements” for further discussion on this fee).

Crop Sales

Revenues from the sale of harvested crops are recognized when the harvested crops have been delivered to the facility and title has transferred and are recorded using the market price on the date of delivery. Accumulated costs are charged to cost of products sold (based on percentage of gross revenues from sales) as the related crops are harvested and sold.

Revenues from the sale of harvested crops and accumulated costs allocated to the crops sold are shown in the following table (dollars in thousands, except for footnotes):

	For the three months ended June 30, 2018	For the six months ended June 30, 2018
Sales revenues ⁽¹⁾	\$ 4,760	\$ 7,306
Cost of sales ⁽²⁾⁽³⁾⁽⁴⁾	(5,140)	(7,498)

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

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

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

⁽⁴⁾ Excludes the allocation of a fee earned by our Adviser from Land Advisers of approximately \$94,000 and \$161,000 during the three and six months ended June 30, 2018, respectively, which is included within Management Fee on the accompanying Condensed Consolidated Statements of Operations (see Note 6, “Related-Party Transactions—TRS Fee Arrangements—TRS Expense Sharing Agreement” for further discussion on this fee).

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There was minimal harvesting and sales activity on the farm operated by Land Advisers prior to January 1, 2018. In addition, the lease to Land Advisers for such farm expired on July 31, 2018, and the farm was subsequently leased by us to a new, unrelated third-party tenant under a lease commencing on August 1, 2018.

Income Taxes

We have operated and intend to continue to operate in a manner that will allow us to qualify as a REIT under the Sections 856-860 of the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, we generally are not subject to federal corporate income taxes on amounts that we distribute to our stockholders (except income from any foreclosure property), provided that, on an annual basis, we distribute at least 90% of our REIT taxable income (excluding net capital gains) to our stockholders and meet certain other conditions. As such, in general, as long as we qualify as a REIT, no provision for federal income taxes will be necessary, except for taxes on undistributed REIT taxable income and taxes on the income generated by a TRS (such as Land Advisers), if any.

On October 17, 2017, Land Advisers, which is subject to federal and state income taxes, took over the operations on one of our farms in California. There was no taxable income from Land Advisers for the year ended December 31, 2017, and, as of June 30, 2018, we do not expect to have any material taxable income or loss for the tax year ending December 31, 2018.

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

Reclassifications

Certain property-specific costs have been reclassified from general and administrative expenses to property operating expenses on the accompanying Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2018. These reclassifications had no impact on previously-reported net income, equity, or net change in cash and cash equivalents.

Recently-Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which was amended in each of March, April, May, and December of 2016. ASU 2014-09, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance and establishes a new, control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09 was adopted beginning with the three months ended March 31, 2018, using the modified retrospective method (under which the cumulative effect of initially applying the guidance was recognized at the date of initial application). Our adoption of ASU 2014-09 did not (and is not expected to) have a material impact on our results of operations or financial condition, as the primary impact of this update is related to common area maintenance and other material tenant reimbursements, whereas the majority of our revenue is from rental income pursuant to net-lease agreements, with very little being attributed to tenant recoveries. The impact of ASU 2014-09 will not take effect until the new leasing standard (ASU 2016-02, as defined below) becomes effective on January 1, 2019.

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

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In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”), which provides guidance on certain cash flow classification issues, with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified on the statement of cash flows. ASU 2016-15 was adopted beginning with the three months ended March 31, 2018, and did not have a material impact on our condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted cash (a consensus of the FASB Emerging Issues Task Force)” (“ASU 2016-18”), which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts described as restricted cash or restricted cash equivalents. Under ASU 2016-18, amounts described as restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance became effective beginning with the three months ended March 31, 2018, and did not have a material impact on our condensed consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, “Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets” (“ASU 2017-05”), which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets and in-substance nonfinancial assets in contracts with non-customers (unless other specific guidance applies). ASU 2017-05 requires derecognition once control of a distinct nonfinancial asset or in-substance nonfinancial asset is transferred. Additionally, when a company transfers its controlling interest in a nonfinancial asset but retains a non-controlling ownership interest, any non-controlling interest received is required to be measured at fair value, and the company is required to recognize a full gain or loss on the transaction. As a result of ASU 2017-05, the guidance specific to real estate sales in ASC 360-20 will be eliminated, and partial sales of real estate assets will now be subject to the same derecognition model as all other nonfinancial assets. ASU 2017-05 was adopted beginning with the three months ended March 31, 2018, utilizing the modified retrospective approach, and its adoption did not (and is not expected to) have a material impact on our condensed consolidated financial statements.

NOTE 3. REAL ESTATE AND INTANGIBLE ASSETS

All of our properties are wholly-owned on a fee-simple basis, except where noted. The following table provides certain summary information about our 75 farms as of June 30, 2018 (dollars in thousands, except for footnotes):

Location	No. of Farms	Total Acres	Farm Acres	Net Cost Basis ⁽¹⁾	Encumbrances ⁽²⁾
California	29	8,241	7,465	\$ 211,344	\$ 147,559
Florida	16	10,980	8,822	115,376	72,782
Arizona ⁽³⁾	6	6,280	5,228	49,956	22,677
Colorado	10	31,450	24,513	41,752	24,509
Oregon	4	2,313	2,003	19,863	11,934
Nebraska	2	2,559	2,101	10,545	6,602
Washington	1	746	417	9,115	5,325
Michigan	5	446	291	4,989	2,786
North Carolina	2	310	295	2,342	1,270
	75	63,325	51,135	\$ 465,282	\$ 295,444

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

⁽²⁾ Excludes approximately \$2.0 million of debt issuance costs related to mortgage notes and bonds payable, included in Mortgage notes and bonds payable, net on the accompanying Condensed Consolidated Balance Sheet.

⁽³⁾ Includes two farms in which we own a leasehold interest via ground leases with the State of Arizona that expire in February 2022 and February 2025, respectively. In total, these two farms consist of 1,368 total acres and 1,221 farm acres and had a net cost basis of approximately \$2.9 million as of June 30, 2018 (included in Lease intangibles, net on the accompanying Condensed Consolidated Balance Sheet).

Real Estate

The following table sets forth the components of our investments in tangible real estate assets as of June 30, 2018, and December 31, 2017 (dollars in thousands):

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	June 30, 2018	December 31, 2017
Real estate:		
Land and land improvements	\$ 360,576	\$ 356,316
Irrigation systems	62,158	50,282
Buildings	18,463	18,191
Horticulture	35,928	34,803
Other improvements	6,687	6,551
Real estate, at gross cost	483,812	466,143
Accumulated depreciation	(20,538)	(16,657)
Real estate, net	\$ 463,274	\$ 449,486

Real estate depreciation expense on these tangible assets was approximately \$2.0 million and \$3.9 million for the three and six months ended June 30, 2018, respectively, and \$1.4 million and \$2.7 million for the three and six months ended June 30, 2017, respectively.

Included in the figures above are amounts related to tenant improvements, which are improvements made on certain of our properties paid for by our tenants but owned by us. As of each of June 30, 2018, and December 31, 2017, we recorded tenant improvements, net of accumulated depreciation, of approximately \$2.4 million. We recorded both depreciation expense and additional rental revenue related to these tenant improvements of approximately \$74,000 and \$150,000 for the three and six months ended June 30, 2018, respectively, and \$53,000 and \$89,000 for three and six months ended June 30, 2017, respectively.

Intangible Assets and Liabilities

The following table summarizes the carrying values of certain lease intangible assets and the related accumulated amortization as of June 30, 2018, and December 31, 2017 (dollars in thousands):

	June 30, 2018	December 31, 2017
Lease intangibles:		
Leasehold interest – land	\$ 3,498	\$ 3,498
In-place leases	1,404	1,451
Leasing costs	1,526	1,490
Tenant relationships	439	439
Lease intangibles, at cost	6,867	6,878
Accumulated amortization	(1,789)	(1,386)
Lease intangibles, net	\$ 5,078	\$ 5,492

Total amortization expense related to these lease intangible assets was approximately \$253,000 and \$546,000 for the three and six months ended June 30, 2018, respectively, and \$210,000 and \$348,000 for the three and six months ended June 30, 2017, respectively.

The following table summarizes the carrying values of certain lease intangible assets or liabilities included in Other assets, net or Other liabilities, net, respectively, on the accompanying Condensed Consolidated Balance Sheets and the related accumulated amortization or accretion, respectively, as of June 30, 2018, and December 31, 2017 (dollars in thousands):

Intangible Asset or Liability	June 30, 2018		December 31, 2017	
	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion
Above-market lease values and lease incentives ⁽¹⁾	\$ 26	\$ (9)	\$ 26	\$ (5)
Below-market lease values and other deferred revenue ⁽²⁾	(823)	159	(823)	125
	\$ (797)	\$ 150	\$ (797)	\$ 120

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

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

Total amortization related to above-market lease values and lease incentives was approximately \$2,000 and \$4,000 for the three and six months ended June 30, 2018, respectively, and \$2,000 and \$4,000 during the three and six months ended June 30, 2017,

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respectively. Total accretion related to below-market lease values and other deferred revenue was approximately \$17,000 and \$34,000 for the three and six months ended June 30, 2018, respectively, and \$15,000 and \$30,000 for the three and six months ended June 30, 2017, respectively.

Acquisitions

Upon our adoption of ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business,” during the three months ended December 31, 2016, most acquisitions, including those with a prior leasing history, are generally treated as an asset acquisition under ASC 360. For acquisitions accounted for as asset acquisitions under ASC 360, all acquisition-related costs are capitalized and included as part of the fair value allocation of the identifiable tangible and intangible assets acquired, other than those costs that directly related to originating new leases we execute upon acquisition, which are capitalized as part of leasing costs. In addition, total consideration for acquisitions may include a combination of cash and equity securities, such as OP Units. When OP Units are issued in connection with acquisitions, we determine the fair value of the OP Units issued based on the number of units issued multiplied by the closing price of the Company’s common stock on the date of acquisition.

2018 Acquisitions

During the six months ended June 30, 2018, we acquired two new farms, which are summarized in the table below (dollars in thousands):

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs ⁽¹⁾	Annualized Straight-line Rent ⁽²⁾	New Long-term Debt
Taft Highway ⁽³⁾	Kern, CA	1/31/2018	161	1	Potatoes and Melons	N/A	N/A	\$ 2,945	\$ 32	\$ —	\$ 1,473
Cemetery Road	Van Buren, MI	3/13/2018	176	1	Blueberries	9.6 years	N/A	2,100	39	150	1,260
			<u>337</u>	<u>2</u>				<u>\$ 5,045</u>	<u>\$ 71</u>	<u>\$ 150</u>	<u>\$ 2,733</u>

⁽¹⁾ Unless noted otherwise, acquisitions were accounted for as asset acquisitions under ASC 360.

⁽²⁾ Annualized straight-line rent is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP.

⁽³⁾ Farm was purchased with no lease in place at the time of acquisition. On May 10, 2018, we entered into a new, short-term lease for a portion of the farm. The new lease is scheduled to expire on September 30, 2018, and provides for annualized straight-line rent of approximately \$27,000.

During the three and six months ended June 30, 2018, in the aggregate, we recognized operating revenues of approximately \$41,000 and \$49,000, respectively, and a net loss of approximately \$23,000 and \$28,000, respectively, related to the above acquisitions.

2017 Acquisitions

During the six months ended June 30, 2017, we acquired seven new farms, which are summarized in the table below (dollars in thousands).

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term ⁽¹⁾	Renewal Options	Total Purchase Price	Acquisition Costs ⁽²⁾	Annualized Straight-line Rent ⁽³⁾	Net Long-term Debt
Citrus Boulevard	Martin, FL	1/12/2017	3,748	1	Organic Vegetables	7.0 years	3 (5 years)	\$ 54,000	\$ 80	\$ 2,926	\$ 32,400
Spot Road ⁽⁴⁾	Yuma, AZ	6/1/2017	3,280	4	Melons and Alfalfa Hay	8.6 years	1 (10 years) & 1 (2 years)	27,500	88	1,673	15,300
Poplar Street	Bladen, NC	6/2/2017	310	2	Organic Blueberries	9.6 years	1 (5 years)	2,169	49	122 ⁽⁵⁾	1,301
			<u>7,338</u>	<u>7</u>				<u>\$ 83,669</u>	<u>\$ 217</u>	<u>\$ 4,721</u>	<u>\$ 49,001</u>

⁽¹⁾ Where more than one lease was assumed or executed, represents the weighted average lease term on the property.

⁽²⁾ Unless noted otherwise, acquisitions were accounted for as asset acquisitions under ASC 360.

⁽³⁾ Annualized straight-line rent is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP.

⁽⁴⁾ Includes two farms (1,368 total acres) acquired through a leasehold interest, with the State of Arizona as the lessor. These state leases expire in February 2022 (485 total acres) and February 2025 (883 total acres). In addition, in connection with the acquisition of this property, we assumed four in-place leases with us as the lessor or sublessor. Three of these leases are agricultural leases, with one lease expiring on June 30, 2019, and two leases expiring on September 15, 2026. The fourth lease is a residential lease that expires on September 30, 2019.

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

During the three and six months ended June 30, 2017, in the aggregate, we recognized operating revenues of approximately \$883,000 and \$1.5 million, respectively, and earnings of approximately \$429,000 and \$809,000, respectively, related to the above acquisition.

Purchase Price Allocations

The allocation of the aggregate purchase price for the farms acquired during each of the six months ended June 30, 2018 and 2017 is as follows (dollars in thousands):

Acquisition Period	Land and Land Improvements	Buildings	Irrigation & Drainage Systems	Other Improvements	Horticulture	Leasehold Interest – Land	In-place Leases	Leasing Costs	Total Purchase Price
2018 Acquisitions	\$ 3,256	\$ 123	\$ 582	\$ —	\$ 961	\$ —	76	\$ 47	\$ 5,045
2017 Acquisitions	65,839	2,123	10,336	455	706	3,488	254	468	83,669

Acquired Intangibles and Liabilities

The following table shows the weighted-average amortization periods (in years) for the intangible assets acquired and liabilities assumed in connection with new real estate acquired during the six months ended June 30, 2018 and 2017:

Intangible Assets and Liabilities	Weighted-Average Amortization Period (in Years)	
	2018	2017
Leasehold interest – land	0.0	6.9
In-place leases	9.6	9.1
Leasing costs	9.6	9.2
Above-market lease values	0.0	2.1
Below-market lease values and deferred revenue	0.0	2.3
All intangible assets and liabilities	9.6	7.3

Significant Existing Real Estate Activity

Lease Renewals

During the three months ended March 31, 2018, we terminated the leases on two of our farms in Cochise County, Arizona, early and entered into two new lease agreements with a new tenant. Each of the new leases is for a term of one year and provides for aggregate minimum rents of approximately \$480,000, which represents a decrease of approximately \$203,000 (approximately 29.7%) from that of the prior leases (before each of their terminations). However, each of the new leases also contains a variable rent component based on the total gross revenues earned by the tenants on the respective farms, whereas the prior leases were both fixed-rent leases. In addition, both of the new leases are pure, triple-net lease agreements, whereas one of the prior leases was a partial-net lease (with us responsible for the property taxes on the farm). In connection with one of the early lease terminations, on the termination date, the lease had a deferred rent liability balance of approximately \$84,000. In accordance with ASC 360-10, we recognized this balance as additional rental income during the three months ended March 31, 2018 (on the lease termination date). In connection with the other early lease termination, a full allowance of the respective lease's deferred rent asset balance (which was approximately \$50,000) was recorded to bad debt expense during the three months ended December 31, 2017. No downtime was incurred as a result of the early terminations and re-leasing of these farms, nor were any leasing commissions or tenant improvements incurred in connection with the new leases.

On June 11, 2018, we entered into a new 10-year lease agreement with a new, unrelated third-party tenant on the 169-acre farm located in Ventura County, California, previously farmed by Land Advisers. The new lease commenced on August 1, 2018, and provides for annualized straight-line rent of approximately \$667,000, which represents a decrease of approximately \$91,000, or 12.0%, from that of the previous lease that was assigned to Land Advisers (see Note 6, "Related-Party Transactions—TRS Lease Assumption" for further discussion on this lease assignment). However, the new lease is a pure, triple-net lease, whereas the previous lease was a partial-net lease (with us, as landlord, responsible for the property taxes on the farm), which is expected to result in annual tax savings of at least \$108,000 per year.

Land Exchange

On June 7, 2018, we completed a transaction with the current tenant on one of our Florida farms where we exchanged land for total consideration consisting of both land and cash. As a result of the transaction, we sold 26 net acres for total cash proceeds of approximately \$132,000 and, after closing costs, recognized a nominal loss on the transaction.

Project Completion

In connection with a lease amendment executed on one of our Florida properties in June 2017, we committed to providing additional capital to expand and upgrade the existing cooler on the property. These improvements were completed during the three months ended March 31, 2018, at a total cost of approximately \$748,000. As a result of these improvements (and pursuant to the lease amendment), we expect to receive approximately \$302,000 of additional rental income throughout the term of the lease, which expires on June 30, 2022.

Property and Casualty Loss

In January 2018, a lightning strike damaged the power plant that supplies power to one of our Arizona properties, causing damage to certain irrigation improvements on our property. We estimated the carrying value of the improvements damaged by the lightning strike to be approximately \$129,000. During the three months ended March 31, 2018, we wrote down the carrying values of the damaged improvements by approximately \$129,000, and, in accordance with ASC 610-30, "Revenue Recognition—Other Income—Gains and Losses on Involuntary Conversions," recorded a corresponding property and casualty loss on the accompanying Condensed Consolidated Statement of Operations.

Repairs were completed on the damaged irrigation improvements during the three months ended March 31, 2018. During the three months ended March 31, 2018, we incurred approximately \$81,000 to repair the damaged improvements, of which approximately \$34,000 was capitalized as real estate additions and \$47,000 was recorded as repairs and maintenance expense, which is included within Property operating expenses on the accompanying Condensed Consolidated Statements of Operations.

We are still in the process of assessing the amount expected to be recovered, as well as the collectability of such amounts; thus, no offset to the loss has been recorded as of June 30, 2018.

Portfolio Diversification and Concentrations

Diversification

The following table summarizes the geographic locations, by state, of our farms with leases to unrelated third-party tenants in place as of June 30, 2018 and 2017 (dollars in thousands):

State	As of and For the Six Months Ended June 30, 2018					As of and For the Six Months Ended June 30, 2017				
	Number of Farms	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue	Number of Farms	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue
California ⁽¹⁾	29	8,241	13.0%	\$ 6,061	45.5%	22	6,713	11.6%	\$ 5,728	48.8%
Florida	16	10,980	17.3%	3,530	26.5%	16	9,315	16.1%	3,143	26.8%
Colorado	10	31,450	49.7%	1,372	10.3%	9	30,170	52.1%	1,345	11.4%
Arizona	6	6,280	9.9%	955	7.2%	6	6,280	10.8%	512	4.3%
Oregon	4	2,313	3.7%	618	4.6%	4	2,313	4.0%	589	5.0%
Nebraska	2	2,559	4.0%	290	2.2%	2	2,559	4.4%	290	2.5%
Washington	1	746	1.2%	242	1.8%	—	—	—%	—	—%
Michigan	5	446	0.7%	170	1.3%	4	270	0.5%	125	1.1%
North Carolina	2	310	0.5%	82	0.6%	2	310	0.5%	10	0.1%
TOTALS	75	63,325	100.0%	\$ 13,320	100.0%	65	57,930	100.0%	\$ 11,742	100.0%

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

Concentrations

Credit Risk

As of June 30, 2018, our farms were leased to 51 different, unrelated third-party tenants (plus one related-party tenant), with certain tenants leasing more than one farm. One unrelated tenant ("Tenant A") leases five of our farms, and aggregate rental revenue attributable to Tenant A accounted for approximately \$2.2 million, or 16.6%, of the rental revenue recorded during the six months ended June 30, 2018. If Tenant A fails to make rental payments, elects to terminate its leases prior to their expirations, or does not renew its leases (and we cannot re-lease the farms on satisfactory terms), there could be a material adverse effect on our financial performance and ability to continue operations. No other individual tenant represented greater than 10.0% of the total rental revenue recorded during the six months ended June 30, 2018.

Geographic Risk

As of June 30, 2018, 29 of the 75 farms we owned were located in California, 16 farms were located in Florida, and 10 farms were located in Colorado. Further, our California, Florida, and Colorado farms accounted for approximately \$6.1 million (45.5%), \$3.5 million (26.5%), and \$1.4 million (10.3%), respectively, of the rental revenue recorded during the six months ended June 30, 2018. Though we seek to continue to further diversify geographically, as may be desirable or feasible, should an unexpected natural disaster occur where our properties are located, there could be a material adverse effect on our financial performance and ability to continue operations. None of our farms in California or Florida were materially impacted by the recent wildfires or hurricanes in those respective areas. No other single state accounted for more than 10.0% of the total rental revenue recorded during the six months ended June 30, 2018.

NOTE 4. BORROWINGS

Our borrowings as of June 30, 2018, and December 31, 2017 are summarized below (dollars in thousands):

	Carrying Value as of		As of June 30, 2018	
	June 30, 2018	December 31, 2017	Stated Interest Rates ⁽¹⁾ (Range; Wtd Avg)	Maturity Dates (Range; Wtd Avg)
Mortgage notes and bonds payable:				
Fixed-rate mortgage notes payable	\$ 206,393	\$ 208,469	3.16%–4.99%; 3.63%	6/1/2020–11/1/2041; June 2029
Fixed-rate bonds payable	85,551	84,519	2.38%–4.47%; 3.15%	7/30/2018–3/13/2028; August 2021
Total mortgage notes and bonds payable	291,944	292,988		
Debt issuance costs – mortgage notes and bonds payable	(2,020)	(1,986)	N/A	N/A
Mortgage notes and bonds payable, net	\$ 289,924	\$ 291,002		
Variable-rate revolving lines of credit	\$ 3,500	\$ 10,000	4.57%	4/5/2024
Total borrowings, net	\$ 293,424	\$ 301,002		

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

The weighted-average interest rate charged on the above borrowings, excluding the impact of debt issuance costs and before any interest patronage, or refunded interest, was 3.60% and 3.56% for the three and six months ended June 30, 2018, respectively, and 3.28% and 3.27% for the three and six months ended June 30, 2017, respectively. In addition, 2017 interest patronage from our Farm Credit Notes Payable (as defined below), which we received and recorded during the six months ended June 30, 2018, resulted in an 18.0% reduction (approximately 71 basis points) to the stated interest rates on such borrowings. We are unable to estimate the amount of interest patronage to be received, if any, related to interest accrued during 2018 on our Farm Credit Notes Payable.

MetLife Borrowings

MetLife Facility

On May 9, 2014, we closed on a credit facility (the “MetLife Facility”) with Metropolitan Life Insurance Company (“MetLife”). As a result of subsequent amendments, the MetLife Facility currently consists of an aggregate of \$200.0 million of term notes (the “MetLife Term Notes”) and \$75.0 million of revolving equity lines of credit (the “MetLife Lines of Credit”). The following table summarizes the pertinent terms of the MetLife Facility as of June 30, 2018 (dollars in thousands, except for footnotes):

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Issuance	Aggregate Commitment	Maturity Dates	Principal Outstanding	Interest Rate Terms	Undrawn Commitment
MetLife Term Notes	\$ 200,000 ⁽¹⁾	1/5/2029	\$ 128,914	3.30%, fixed through 1/4/2027 ⁽²⁾	\$ 63,530 ⁽³⁾⁽⁴⁾
MetLife Lines of Credit	75,000	4/5/2024	3,500	3-month LIBOR + 2.25% ⁽⁵⁾	71,500 ⁽³⁾
Total principal outstanding			\$ 132,414		

- ⁽¹⁾ If the aggregate commitment under the MetLife Facility is not fully utilized by December 31, 2019, MetLife has the option to be relieved of its obligation to disburse the additional funds under the MetLife Term Notes.
- ⁽²⁾ Represents the blended interest rate as of June 30, 2018. Interest rates for subsequent disbursements will be based on then-prevailing market rates. The interest rate on all then-outstanding disbursements will be subject to adjustment on January 5, 2027. Through December 31, 2019, the MetLife Term Notes are also subject to an unused fee ranging from 0.10% to 0.20% on undrawn amounts (based on the balance drawn under the MetLife Term Notes).
- ⁽³⁾ Based on the properties that were pledged as collateral under the MetLife Facility, as of June 30, 2018, the maximum additional amount we could draw under the facility was approximately \$16.9 million.
- ⁽⁴⁾ Net of amortizing principal payments of approximately \$7.6 million.
- ⁽⁵⁾ The interest rate on the MetLife Lines of Credit is subject to a minimum annualized rate of 2.50%, plus an unused fee ranging from 0.10% to 0.20% on undrawn amounts (based on the balance drawn under each line of credit). The interest rate spread will be subject to adjustment on October 5, 2019. As of June 30, 2018, the interest rate on the MetLife Lines of Credit was 4.57%.

Individual MetLife Notes

The following table summarizes, in the aggregate, the terms of two additional loan agreements entered into with MetLife (collectively, the “Individual MetLife Notes”) as of June 30, 2018 (dollars in thousands):

Date of Issuance	Principal Outstanding	Maturity Date	Principal Amortization	Interest Rate Terms
5/31/2017	\$ 15,032	2/14/2022 & 2/14/2025	28.6 years	3.55% & 3.85%, fixed throughout their respective terms

As of June 30, 2018, we were in compliance with all covenants applicable to the MetLife Borrowings.

Farm Credit Notes Payable

From time to time since September 2014, we, through certain subsidiaries of our Operating Partnership, have entered into various loan agreements with certain Farm Credit associations, including Farm Credit of Central Florida, FLCA (“Farm Credit CFL”), Farm Credit West, FLCA (“Farm Credit West”), Cape Fear Farm Credit, ACA (“CF Farm Credit”), Farm Credit of Florida, ACA (“Farm Credit FL”), and Northwest Farm Credit Services, FLCA (“NW Farm Credit,” and, collectively, with the other Farm Credit associations, “Farm Credit”). During the six months ended June 30, 2018, we entered into the following loan agreement with Farm Credit (dollars in thousands):

Issuer	Date of Issuance	Amount ⁽¹⁾	Maturity Date	Principal Amortization	Interest Rate Terms ⁽²⁾
Farm Credit West	4/11/2018	\$ 1,473	5/1/2038	20.5 years	4.99%, fixed through April 30, 2023 (variable thereafter)

- ⁽¹⁾ Proceeds from this note were used to repay existing indebtedness.
- ⁽²⁾ Stated rate is before interest patronage.

The following table summarizes, in the aggregate, the pertinent terms of the loans outstanding from Farm Credit (collectively, the “Farm Credit Notes Payable”) as of June 30, 2018 (dollars in thousands, except for footnotes):

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Issuer	# of Loans Outstanding	Dates of Issuance	Maturity Dates	Principal Outstanding	Stated Interest Rate ⁽¹⁾
Farm Credit CFL	7	9/19/2014 – 7/13/2017	6/1/2020 – 10/1/2040	\$ 24,274	4.29% ⁽²⁾
Farm Credit West	5	4/4/2016 – 4/11/2018	5/1/2037 – 11/1/2041	25,332	4.08% ⁽³⁾
CF Farm Credit	1	6/14/2017	7/1/2022	1,270	4.41% ⁽⁴⁾
Farm Credit FL	1	8/9/2017	3/1/2037	5,727	4.70% ⁽⁵⁾
NW Farm Credit	1	9/8/2017	9/1/2024	5,325	4.41% ⁽⁶⁾
Total	15			\$ 61,928	

⁽¹⁾ Represents the weighted-average, blended rate (before interest patronage, as discussed below) on the respective borrowings as of June 30, 2018.

⁽²⁾ In April 2018, we received interest patronage of approximately \$142,000 related to interest accrued on loans from Farm Credit CFL during the year ended December 31, 2017, which resulted in a 15.1% reduction (approximately 58 basis points) to the stated interest rates on such borrowings. In April 2017, we received interest patronage related to loans from Farm Credit CFL of approximately \$124,000.

⁽³⁾ In February 2018, we received interest patronage of approximately \$126,000 related to interest accrued on loans from Farm Credit West during the year ended December 31, 2017, which resulted in a 19.7% reduction (approximately 75 basis points) to the stated interest rates on such borrowings. In February 2017, we received interest patronage related to loans from Farm Credit West of approximately \$59,000.

⁽⁴⁾ In April 2018, we received interest patronage of approximately \$11,000 related to interest accrued on loans from CF Farm Credit during the year ended December 31, 2017, which resulted in a 36.6% reduction (approximately 161 basis points) to the stated interest rates on such borrowings. We did not receive any interest patronage related to loans from CF Farm Credit prior to 2018.

⁽⁵⁾ In April 2018, we received interest patronage of approximately \$27,000 related to interest accrued on loans from Farm Credit FL during the year ended December 31, 2017, which resulted in a 24.6% reduction (approximately 115 basis points) to the stated interest rates on such borrowings. We did not receive any interest patronage related to loans from Farm Credit FL prior to 2018.

⁽⁶⁾ In February 2018, we received interest patronage of approximately \$17,000 related to interest accrued on loans from NW Farm Credit during the year ended December 31, 2017, which resulted in a 22.7% reduction (approximately 100 basis points) to the stated interest rates on such borrowings. We did not receive any patronage related to loans from NW Farm Credit prior to 2018.

Interest patronage, or refunded interest, on our borrowings from the various Farm Credit associations is generally recorded upon receipt and is included in Other income on our Condensed Consolidated Statements of Operations. Receipt of interest patronage typically occurs in the first half of the calendar year following the year in which the respective interest payments are made.

As of June 30, 2018, we were in compliance with all covenants applicable to the Farm Credit Notes Payable.

Farmer Mac Facility

On December 5, 2014, we, through certain subsidiaries of our Operating Partnership, entered into a bond purchase agreement (the “Bond Purchase Agreement”) with Federal Agricultural Mortgage Corporation (“Farmer Mac”) and Farmer Mac Mortgage Securities Corporation (the “Bond Purchaser”) for a secured note purchase facility. As amended, the Bond Purchase Agreement provides for bond issuances up to an aggregate principal amount of \$125.0 million (the “Farmer Mac Facility”) through December 11, 2018.

During the six months ended June 30, 2018, we issued one bond, the terms of which are summarized in the table below (dollars in thousands):

Date of Issuance	Gross Proceeds ⁽¹⁾	Maturity Dates	Principal Amortization	Interest Rate Terms
3/13/2018	\$ 1,260	3/13/2028	None	4.47%, fixed throughout its respective term

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

The following table summarizes, in the aggregate, the terms of the 15 bonds outstanding under the Farmer Mac Facility as of June 30, 2018 (dollars in thousands):

Dates of Issuance	Initial Commitment	Maturity Dates	Principal Outstanding	Stated Interest Rate ⁽¹⁾	Undrawn Commitment
12/11/2014–3/13/2018	\$ 125,000 ⁽²⁾	7/30/2018–3/13/2028 ⁽³⁾	\$ 85,551	3.15%	\$ 37,858 ⁽⁴⁾

⁽¹⁾ Represents the weighted-average interest rate as of June 30, 2018.

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

⁽³⁾ Subsequent to June 30, 2018, a bond of approximately \$9.4 million that was scheduled to mature on July 30, 2018, was replaced with a new bond issuance of approximately \$10.4 million. See Note 10, “Subsequent Events,” for further details on the new issuance.

⁽⁴⁾ As of June 30, 2018, there was no additional availability to draw under the Farmer Mac Facility, as no additional properties had been pledged as collateral.

As of June 30, 2018, we were in compliance with all covenants under the Farmer Mac Facility.

Rabo Note Payable

On October 13, 2017, in connection with the acquisition of a farm, we closed on a term loan from Rabo AgriFinance, LLC (“Rabo”). The following table summarizes the terms of our loan agreement with Rabo (the “Rabo Note Payable”) as of June 30, 2018 (dollars in thousands):

<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Principal Outstanding</u>	<u>Principal Amortization</u>	<u>Stated Interest Rate</u>
10/13/2017	10/1/2022	\$ 518	25.0 years	4.59%

As of June 30, 2018, we were in compliance with all covenants under the Rabo Note Payable.

Debt Service – Aggregate Maturities

Scheduled principal payments of our aggregate mortgage notes and bonds payable as of June 30, 2018, for the succeeding years are as follows (dollars in thousands):

<u>Period</u>	<u>Scheduled Principal Payments</u>
For the remaining six months ending December 31: 2018	\$ 19,679 ⁽¹⁾
For the fiscal years ending December 31: 2019	11,111
2020	26,543
2021	7,309
2022	36,594
2023	41,377
Thereafter	149,331
	<u>\$ 291,944</u>

⁽¹⁾ Subsequent to June 30, 2018, a bond of approximately \$9.4 million that was scheduled to mature on July 30, 2018, was replaced with a new bond issuance of approximately \$10.4 million. See Note 10, “Subsequent Events,” for further details on the new bond issuance.

Fair Value

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

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

As of June 30, 2018, the aggregate fair value of our long-term, fixed-rate mortgage notes and bonds payable was approximately \$278.0 million, as compared to an aggregate carrying value (excluding unamortized related debt issuance costs) of approximately \$291.9 million. The fair value of our long-term, fixed-rate mortgage notes and bonds payable is valued using Level 3 inputs under the hierarchy established by ASC 820-10 and is calculated based on a discounted cash flow analysis, using discount rates based on management’s estimates of market interest rates on long-term debt with comparable terms. Further, due to the revolving nature of the MetLife Lines of Credit and the lack of changes in market credit spreads, their aggregate fair value as of June 30, 2018, is deemed to approximate their aggregate carrying value of \$3.5 million.

NOTE 5. SERIES A TERM PREFERRED STOCK

In August 2016, we completed a public offering of 6.375% Series A Cumulative Term Preferred Stock, par value \$0.001 per share (the “Series A Term Preferred Stock”), at a public offering price of \$25.00 per share. As a result of this offering (including the underwriters’ exercise of their option to purchase additional shares to cover over-allotments), we issued a total of 1,150,000 shares of the Series A Term Preferred Stock for gross proceeds of approximately \$28.8 million and net proceeds,

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after deducting underwriting discounts and offering expenses borne by us, of approximately \$27.6 million. The Series A Term Preferred Stock is traded under the ticker symbol, "LANDP," on the Nasdaq Global Market.

Generally, we may not redeem shares of the Series A Term Preferred Stock prior to September 30, 2018, except in limited circumstances to preserve our qualification as a REIT. On or after September 30, 2018, we may redeem the shares at a redemption price of \$25.00 per share, plus any accumulated and unpaid dividends up to, but excluding, the date of redemption. The shares of the Series A Term Preferred Stock have a mandatory redemption date of September 30, 2021, and are not convertible into our common stock or any other securities. We incurred approximately \$1.2 million in total offering costs related to this issuance, which have been recorded net of the Series A Term Preferred Stock as presented on the accompanying Condensed Consolidated Balance Sheet and are being amortized over the mandatory redemption period as a component of interest expense on the accompanying Condensed Consolidated Statements of Operations.

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

As of June 30, 2018, the fair value of our Series A Term Preferred Stock was approximately \$29.3 million, as compared to the carrying value, exclusive of offering costs, of \$28.8 million. The fair value of our Series A Term Preferred Stock is valued using Level 1 inputs under the hierarchy established by ASC 820-10, "Fair Value Measurements and Disclosures," and is calculated based on the closing per-share price as of June 30, 2018, of \$25.50.

For information on the dividends declared by our Board of Directors and paid by us on the Series A Term Preferred Stock during the six months ended June 30, 2018 and 2017, see Note 7, "Equity—Distributions."

NOTE 6. RELATED-PARTY TRANSACTIONS

Our Adviser and Administrator

We are externally managed pursuant to contractual arrangements with our Adviser and our Administrator, which collectively employ all of our personnel and pay their salaries, benefits, and general expenses directly. Both our Adviser and Administrator are affiliates of ours, as their parent company is owned and controlled by David Gladstone, our chairman, chief executive officer, and president. In addition, two of our executive officers, Mr. Gladstone and Terry Brubaker (our vice chairman and chief operating officer), serve as directors and executive officers of each of our Adviser and Administrator, and Michael LiCalsi, our general counsel and secretary, also serves as our Administrator's president, general counsel, and secretary.

The initial investment advisory agreement with our Adviser that was in effect through March 31, 2017 (the "Prior Advisory Agreement"), and the current administration agreement with our Administrator (the "Administration Agreement") each became effective February 1, 2013. On April 11, 2017, we entered into a Second Amended and Restated Investment Advisory Agreement (the "Amended Advisory Agreement") with our Adviser that became effective beginning with the three months ended June 30, 2017. Our entrance into the Amended Advisory Agreement was approved unanimously by our board of directors, including, specifically, our independent directors.

A summary of the compensation terms for each of the Prior Advisory Agreement, the Amended Advisory Agreement, and the Administration Agreement is below.

Prior Advisory Agreement

Pursuant to the Prior Advisory Agreement that was in effect through March 31, 2017, our Adviser was compensated in the form of a base management fee and, as applicable, an incentive fee. Each of these fees is described below.

Base Management Fee

We paid an annual base management fee equal to 2.0% of our adjusted stockholders' equity, which was defined as our total stockholders' equity at the end of each quarter less the recorded value of any preferred stock we may have issued.

Incentive Fee

We also paid an additional quarterly incentive fee based on funds from operations (as defined in the Prior 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"), included any realized capital gains or losses, less any distributions paid on our preferred stock, but did not include any unrealized capital gains or losses. The incentive fee rewarded our Adviser if our Pre-Incentive Fee FFO for a particular calendar quarter exceeded a hurdle rate of 1.75% (7.0% annualized) of our total stockholders' equity (as shown on the balance sheet) at the end of the quarter. Our Adviser received 100% of the amount of the Pre-Incentive Fee FFO for the

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quarter that exceeded the hurdle rate but was less than 2.1875% of our total stockholders' equity at the end of the quarter (8.75% annualized) and 20% of the amount of our Pre-Incentive Fee FFO that exceeded 2.1875% for the quarter.

Amended Advisory Agreement

Pursuant to the Amended Advisory Agreement, effective beginning with the three months ended June 30, 2017, our Adviser has been compensated in the form of a base management fee and, each as applicable, an incentive fee, a capital gains fee, and a termination fee. Each of these fees is described below.

Base Management Fee

A base management fee is paid quarterly and will be calculated as 2.0% per annum (0.50% per quarter) of the prior calendar quarter's total adjusted equity, which is defined as total equity plus total mezzanine equity, if any, each as reported on our balance sheet, adjusted to exclude unrealized gains and losses and certain other one-time events and non-cash items ("Total Adjusted Equity").

Incentive Fee

An incentive fee is calculated and payable quarterly in arrears if the Pre-Incentive Fee FFO for a particular quarter exceeds a hurdle rate of 1.75% (7.0% annualized) of the prior calendar quarter's Total Adjusted Equity. For purposes of this calculation, Pre-Incentive Fee FFO is defined in the Amended Advisory Agreement as FFO (also as defined in the Amended Advisory Agreement) accrued by the Company during the current calendar quarter (prior to any incentive fee calculation for the current calendar quarter), less any dividends paid on preferred stock securities that are not treated as a liability for GAAP purposes. Our Adviser will receive: (i) no Incentive Fee in any calendar quarter in which the Pre-Incentive Fee FFO does not exceed the hurdle rate; (ii) 100% of the Pre-Incentive Fee FFO with respect to that portion of such Pre-Incentive Fee FFO, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and (iii) 20% of the amount of the Pre-Incentive Fee FFO, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized).

Capital Gains Fee

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

Termination Fee

In the event of our termination of the Amended Advisory Agreement for any reason (with 120 days' prior written notice and the vote of at least two-thirds of our independent directors), a termination fee would be payable to the Adviser equal to three times the sum of the average annual base management fee and incentive fee earned by the Adviser during the 24-month period prior to such termination.

Administration Agreement

Pursuant to the Administration Agreement, we pay for our allocable portion of the Administrator's expenses incurred while performing services to us, including, but not limited to, rent and the salaries and benefits expenses of our Administrator's employees, including our chief financial officer, treasurer, chief compliance officer, general counsel, and secretary (who also serves as our Administrator's president, general counsel, and secretary), and their respective staffs.

TRS Lease Assumption

On October 17, 2017, the then-existing lease on one of our California farms was assigned by the tenant to Land Advisers (the "TRS Lease Assumption"). The lease assigned to Land Advisers, as amended, expired on July 31, 2018, and effective August 1, 2018 (pursuant to a new lease agreement executed on June 11, 2018), this farm began being leased out to a new, unrelated third-party tenant under a 10-year lease.

TRS Fee Arrangements

In connection with the TRS Lease Assumption, on October 23, 2017, in exchange for services provided by our Adviser to Land Advisers, our Adviser and Land Advisers entered into an Expense Sharing Agreement (the "TRS Expense Sharing Agreement"). In addition, during the three months ended December 31, 2017, to account for the time our Administrator's staff spends on activities related to Land Advisers, we adopted a policy wherein a portion of the fee paid by the Company to our

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Administrator pursuant to the Administration Agreement would be allocated to Land Advisers (the “TRS Administration Fee Allocation, and together with the TRS Expense Sharing Agreement, the “TRS Fee Arrangements”).

TRS Expense Sharing Agreement

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

Through June 30, 2018, our Adviser had incurred approximately \$189,000 of costs related to services provided to Land Advisers (approximately \$43,000 and \$118,000 of which were incurred during the three and six months ended June 30, 2018, respectively). Such costs, while payable by Land Advisers, were initially accumulated and deferred (included within Crop inventory on the accompanying Condensed Consolidated Balance Sheets) and then allocated to costs of sales as the related crops are harvested and sold. During the three and six months ended June 30, 2018, approximately \$94,000 and \$161,000, respectively, of the total accumulated costs incurred by our Adviser was allocated to the costs of crops sold and is included within Management Fee on the accompanying Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2018. The remaining \$28,000 of accumulated costs incurred by our Adviser was allocated to harvested but unsold crops held within crop inventory as of June 30, 2018. As the market value of our crop inventory was written down to zero as of June 30, 2018, all costs allocated to these crops (including the \$28,000 incurred by our Adviser) were included within Loss on write-down of inventory on the accompanying Condensed Consolidated Statement of Operations. See Note 2, “Summary of Significant Accounting Policies—Crop Inventory and Crop Sales—Crop Inventory,” for further discussion on the write-down of our crop inventory as of June 30, 2018. In addition, during the three months ended June 30, 2018, our Adviser granted Land Advisers a voluntary, irrevocable waiver of approximately \$174,000 to be applied against a portion of the fees incurred by our Adviser on behalf of Land Advisers pursuant to the TRS Expense Sharing Agreement.

TRS Administration Fee Allocation

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

During the three and six months ended June 30, 2018, approximately \$17,000 and \$30,000, respectively, of the administration fee that would have otherwise been owed by us to our Administrator was allocated to Land Advisers. This administration fee is payable by Land Advisers and is included within Administration Fee on the accompanying Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018.

Gladstone Securities

On April 11, 2017, we entered into an agreement with Gladstone Securities, LLC (“Gladstone Securities”), effective beginning with the three months ended June 30, 2017, for it to act as our non-exclusive agent to assist us with arranging financing for our properties (the “Financing Arrangement Agreement”). Gladstone Securities is a privately-held broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Gladstone Securities is an affiliate of ours, as its parent company is owned and controlled by Mr. Gladstone, who also serves on the board of managers of Gladstone Securities.

Financing Arrangement Agreement

We pay Gladstone Securities a financing fee in connection with the services it provides to us for securing financing on our properties. Depending on the size of the financing obtained, the maximum amount of the financing fee, which will be payable upon closing of the respective financing, will range from 0.5% to 1.0% of the amount of financing obtained. The amount of the financing fee may be reduced or eliminated as determined by us and Gladstone Securities after taking into consideration various factors, including, but not limited to, the involvement of any unrelated third-party brokers and general market conditions. Financing fees paid to Gladstone Securities during the six months ended June 30, 2018 was approximately \$2,000. Through June 30, 2018, the total amount of financing fees paid to Gladstone Securities represented approximately 0.12% of the total financings secured since the Financing Arrangement Agreement has been in place.

Dealer-Manager Agreement

On January 10, 2018, we entered into a dealer-manager agreement (the “Dealer-Manager Agreement”) with Gladstone Securities, whereby Gladstone Securities serves as our exclusive dealer-manager in connection with the Primary Offering of our Series B Preferred Stock (each as defined in Note 7, “Equity—Series B Preferred Stock”). Under the Dealer-Manager Agreement, Gladstone Securities provides certain sales, promotional, and marketing services to us in connection with the offering of the Series B Preferred Stock, and we will pay Gladstone Securities: (i) selling commissions of up to 7.0% of the gross proceeds from sales of Series B Preferred Stock in the Primary Offering, and (ii) a dealer-manager fee of 3.0% of the gross proceeds from sales of Series B Preferred Stock in the Primary Offering (the “Dealer-Manager Fee”). Gladstone Securities may, in its sole discretion, reallocate a portion of the Dealer-Manager Fee to participating broker-dealers in support of the Primary Offering. The terms of the Dealer-Manager Agreement were approved by our board of directors, including all of its independent directors. Through June 30, 2018, total selling commissions and dealer-manager fees paid to Gladstone Securities in connection with sales of the Series B Preferred Stock was approximately \$50,000 (all of which was paid during the three months ended June 30, 2018). Such fees are netted against the gross proceeds received from sales of the Series B Preferred Stock and are included within Additional paid-in capital on the accompanying Condensed Consolidated Balance Sheet.

Related-Party Fees

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Management fee ⁽¹⁾⁽²⁾	\$ 754 ⁽³⁾	\$ 530	\$ 1,411 ⁽³⁾	\$ 924
Incentive fee ⁽¹⁾⁽²⁾	—	76	—	427
Credits from voluntary, irrevocable waiver by Adviser’s board of directors ⁽²⁾	(174)	—	(174)	—
Total fees to our Adviser	\$ 580	\$ 606	\$ 1,237	\$ 1,351
Administration fee⁽¹⁾⁽²⁾	\$ 275 ⁽⁴⁾	\$ 219	\$ 549 ⁽⁴⁾	\$ 445
Dealer-Manager Fees to Gladstone Securities⁽¹⁾⁽⁵⁾	\$ 50	\$ —	\$ 50	\$ —
Financing Fees to Gladstone Securities⁽¹⁾⁽⁶⁾	\$ 2	\$ 2	\$ 2	\$ 2

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

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

⁽³⁾ Includes the allocation of approximately \$94,000 and \$161,000 of the total accumulated costs incurred by our Adviser as a result of the crops harvested and sold on the farm operated by Land Advisers during the three and six months ended June 30, 2018, respectively, as further described above under “TRS Expense Sharing Agreement.” Excludes an additional \$28,000 of accumulated costs incurred by our Adviser pursuant to the TRS Expense Sharing Agreement. Such costs were allocated to crop inventory that was written down to zero as of June 30, 2018, and are included within Loss on write-down of inventory on the accompanying Condensed Consolidated Statements of Operations (as discussed in more detail under “TRS Fee Arrangements—TRS Expense Sharing Agreement” above).

⁽⁴⁾ Includes the portion of administration fee that was allocated to Land Advisers (approximately \$17,000 and \$30,000 for each of the three and six months ended June 30, 2018, respectively), as further described above under “TRS Administration Fee Allocation.”

⁽⁵⁾ Included within Additional paid-in capital on the accompanying Condensed Consolidated Balance Sheet.

⁽⁶⁾ Included in Mortgage notes and bonds payable, net on the Condensed Consolidated Balance Sheets and amortized into Interest expense on the Condensed Consolidated Statements of Operations.

Related-Party Fees Due

Amounts due to related parties on our accompanying Condensed Consolidated Balance Sheets as of June 30, 2018, and December 31, 2017, were as follows (dollars in thousands):

	June 30, 2018	December 31, 2017
Management fee due to Adviser	\$ 703 ⁽¹⁾	\$ 666
Credits to fees due to Adviser ⁽²⁾	(174)	—
Other due to Adviser ⁽³⁾	3	16
Total due to Adviser	532	682
Administration fee due to Administrator	275 ⁽⁴⁾	258
Total due to Administrator	275	258
Total due to related parties⁽⁵⁾	\$ 807	\$ 940

⁽¹⁾ Includes approximately \$43,000 owed by Land Advisers to our Adviser, pursuant to the TRS Expense Sharing Agreement, as discussed above.

⁽²⁾ The credit received from our Adviser for the three and six months ended June 30, 2018, was granted as a voluntary, irrevocable waiver to be applied against the fees incurred by our Adviser on behalf of Land Advisers pursuant to the TRS Expense Sharing Agreement, as discussed above.

⁽³⁾ Other fees due to or from related parties primarily relate to miscellaneous general and administrative expenses paid by our Adviser or Administrator on our behalf or by us on our Adviser's or Administrator's behalf.

⁽⁴⁾ Includes approximately \$17,000 owed by Land Advisers to our Administrator, in accordance with the TRS Administration Fee Allocation, as discussed above.

⁽⁵⁾ Reflected as a line item on our accompanying Condensed Consolidated Balance Sheets.

NOTE 7. EQUITY

Amendment to Articles of Incorporation

On January 10, 2018, we filed with the Maryland Department of Assessments and Taxation Articles Supplementary to reclassify and designate 6,500,000 shares of our authorized and unissued shares of capital stock as shares of Series B Preferred Stock (as defined below). The reclassification decreased the number of shares classified as common stock from 98,000,000 shares immediately prior to the reclassification to 91,500,000 shares immediately after the reclassification.

Stockholders' Equity

As of June 30, 2018, there were 6,500,000 shares of Series B Preferred Stock (as defined below), par value \$0.001 per share, authorized, with 20,280 shares issued and outstanding worth an aggregate liquidation value of \$507,000; and 91,500,000 shares of common stock, par value \$0.001 per share, authorized, with 16,023,872 shares issued and outstanding. As of December 31, 2017, there were 98,000,000 shares of common stock, par value \$0.001 per share, authorized, with 13,791,574 shares issued and outstanding.

Non-Controlling Interests in Operating Partnership

We consolidate our Operating Partnership, which is a majority-owned partnership. As of June 30, 2018, and December 31, 2017, we owned approximately 95.7% and 93.2%, respectively, of the outstanding OP Units.

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

On January 16, 2018, 37,500 OP Units were tendered for redemption, and on January 17, 2018, we issued 7,700 shares of common stock in exchange for 7,700 OP Units, and we satisfied the redemption of the remaining 29,800 OP Units with a cash payment of approximately \$400,000 (approximately \$13.42 per OP Unit). On May 4, 2018, 19,230 OP Units were tendered for redemption, and on May 11, 2018, we issued 9,615 shares of common stock in exchange for 9,615 OP Units, and we satisfied the redemption of the remaining 9,615 OP Units with a cash payment of approximately \$121,000 (approximately \$12.54 per OP Unit). On June 12, 2018, 233,952 OP Units were tendered for redemption, and on June 13, 2018, we issued 233,952 shares of common stock in exchange for 233,952 OP Units. For OP Unit redemptions subsequent to June 30, 2018, see Note 10, "Subsequent Events."

Regardless of the rights described above, the Operating Partnership will not have an obligation to issue cash to a unitholder upon a redemption request if the Company elects to redeem the OP Units for shares of its common stock. When a non-Company unitholder redeems an OP Unit, non-controlling interest in the Operating Partnership is reduced, and stockholders' equity is increased.

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

As of June 30, 2018, and December 31, 2017, there were 717,423 and 1,008,105 OP Units held by non-controlling limited partners outstanding, respectively. As of June 30, 2018, all of the outstanding 717,423 OP Units were eligible to be tendered for redemption.

Registration Statement

On March 30, 2017, we filed a universal registration statement on Form S-3 (File No. 333-217042) with the SEC (the "2017 Registration Statement") to replace our previous registration statement, which expired on April 1, 2017. The 2017 Registration Statement, which was declared effective by the SEC on April 12, 2017, permits us to issue up to an aggregate of \$300.0 million in securities, consisting of common stock, preferred stock, warrants, debt securities, depository shares, subscription rights, and units, including through separate, concurrent offerings of two or more of such securities. As of June 30, 2018, we have issued a total of 3,675,106 shares of common stock (excluding 544,686 shares of common stock issued in exchange for certain OP Units that were tendered for redemption) for gross proceeds of approximately \$45.8 million, and 20,280 shares of Series B Preferred Stock (as defined below) for gross proceeds of approximately \$507,000 under the 2017 Registration Statement.

2018 Equity Issuances

Series B Preferred Stock

On January 10, 2018, we filed a prospectus supplement with the SEC for a continuous public offering of 6.00% Series B Cumulative Redeemable Preferred Stock, which offering was terminated on May 31, 2018, with no shares being sold. On May 31, 2018, we filed a new prospectus supplement with the SEC for a continuous public offering of up to 6,000,000 shares (the "Primary Offering") of our newly-designated 6.00% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") at an offering price of \$25.00 per share for gross proceeds of up to \$150.0 million and net proceeds, after deducting dealer-manager fees, selling commissions, and estimated expenses of the offering payable by us, of up to approximately \$131.3 million, assuming all shares of the Series B Preferred Stock are sold in the Primary Offering. The Series B Preferred Stock is being offered on a continuous, "reasonable best efforts" basis by Gladstone Securities, the dealer-manager for the Primary Offering. See "Gladstone Securities—Dealer-Manager Agreement" in Note 6, "Related Party Transactions," for a discussion of the fees and commissions to be paid to Gladstone Securities in connection with the offering of the Series B Preferred Stock.

The offering of the Series B Preferred Stock will terminate on the date (the "Termination Date") that is the earlier of either June 1, 2023 (unless terminated earlier or extended by our Board of Directors), or the date on which all 6,000,000 shares offered in the Primary Offering are sold.

There is currently no public market for shares of the Series B Preferred Stock; however, we intend to apply to list the Series B Preferred Stock on Nasdaq or another national securities exchange within one calendar year after the offering's Termination Date, though there can be no assurance that a listing will be achieved in such timeframe, or at all.

During the three months ended June 30, 2018, we completed the sale of 20,280 shares of the Series B Preferred Stock for gross proceeds of approximately \$507,000 and net proceeds (net of certain discounts and after deducting dealer-manager fees and selling commissions borne by us) of approximately \$456,000. No sales of the Series B Preferred Stock had been made prior to the three months ended June 30, 2018. As of June 30, 2018, excluding certain discounts, dealer-manager fees, and selling commissions, we have incurred approximately \$393,000 of total costs related to this offering, which are initially recorded as deferred offering costs (included within Other assets, net on the accompanying Condensed Consolidated Balance Sheet) and are applied against the gross proceeds received from the offering through additional paid-in capital as shares of the Series B Preferred Stock are sold. See Note 10, "Subsequent Events," for sales of Series B Preferred Stock completed subsequent to June 30, 2018.

Common Stock

Secondary Offering

On March 27, 2018, we completed a public offering of 1,100,000 shares of our common stock at a public offering price of \$12.15 per share (the "March 2018 Offering"). The March 2018 Offering settled on March 29, 2018, and resulted in gross proceeds of approximately \$13.4 million and net proceeds (after deducting underwriting discounts and direct offering expenses borne by us) of approximately \$12.7 million. On April 4, 2018, the underwriters exercised the over-allotment option in connection with the March 2018 Offering, and, as a result, we issued an additional 165,000 shares. The over-allotment settled

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on April 9, 2018, and resulted in gross proceeds of approximately \$2.0 million and net proceeds (after deducting underwriting discounts and direct offering expenses borne by us) of approximately \$1.9 million. We used the proceeds received from this offering to repay existing indebtedness and for other general corporate purposes.

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 six months ended June 30, 2018, we issued and sold 716,031 shares of our common stock at an average sales price of \$12.90 per share under the ATM Program for gross proceeds of approximately \$9.2 million and net proceeds of approximately \$9.1 million. Through June 30, 2018, we have issued and sold a total of 1,324,667 shares of our common stock at an average sales price of \$12.83 per share for gross proceeds of approximately \$17.0 million and net proceeds of approximately \$16.7 million.

Distributions

The distributions to preferred and common stockholders declared by our Board of Directors and paid by us (except as noted) during the six months ended June 30, 2018 and 2017 are reflected in the table below.

Issuance	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Series A Term Preferred Stock ⁽¹⁾	\$ 0.3984375	\$ 0.3984375	\$ 0.7968750	\$ 0.7968750
Series B Preferred Stock ⁽²⁾	0.125	—	0.125	—
Common Stock ⁽³⁾	0.13290	0.13050	0.26565	0.25950

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

⁽²⁾ On June 11, 2018, this dividend was declared by our Board of Directors for each share of Series B Preferred Stock issued and outstanding as of June 26, 2018, and was paid by us on July 5, 2018. The resulting dividend payable of approximately \$3,000 is included within Accounts Payable and Accrued Expense, on the accompanying Condensed Consolidated Balance Sheet as of June 30, 2018.

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

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Obligations

In connection with a lease amendment we executed on one of our Oregon farms in May 2017, we committed to providing up to \$1.8 million of capital for anticipated improvements on the farm, including irrigation upgrades and the planting of new blueberry bushes, which improvements are expected to be completed by December 31, 2020. As stipulated in the lease amendment, we will begin earning additional rent on the cost of the improvements as the funds are disbursed by us at an initial annual rate of 6.5%, which rate is subject to annual escalations and market resets. As a result of this project, and assuming full deployment of the capital commitment amount, we expect to receive approximately \$718,000 of additional rent throughout the term of the lease, which expires September 30, 2024. As of June 30, 2018, we have expended or accrued approximately \$921,000 related to this project.

In connection with the lease we executed upon our acquisition of our two North Carolina farms in June 2017, we committed to providing up to \$300,000 of capital over the first two years to support additional plantings and infrastructure on the farm, which improvements are expected to be completed by June 30, 2019. As stipulated in the lease agreement, we will earn additional rent on the total cost of the improvements as disbursements are made by us at a rate commensurate with the annual yield on the farmland (as determined by each year’s minimum cash rent per the lease). As a result of this project, and assuming full deployment of the capital commitment amount, we expect to receive approximately \$157,000 of additional rent throughout the term of the lease, which expires December 31, 2026. As of June 30, 2018, we have expended or accrued approximately \$166,000 related to this project.

In connection with the follow-on lease we executed upon our acquisition of a 1,884-acre farm in Florida in August 2017 (which had a commencement date of February 24, 2018), and as amended on March 23, 2018, we committed to providing up to \$2.5 million of capital in the first year of the lease to support additional plantings and infrastructure on the farm, which improvements are expected to be completed during the three months ending September 30, 2018. As stipulated in the follow-on lease agreement, we will earn additional rent on the total cost of the improvements as disbursements are made by us at a rate commensurate with the annual yield on the farmland (as determined by each year’s minimum cash rent per the lease). As a result of this project, and assuming full deployment of the capital commitment amount, we expect to receive approximately

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\$820,000 of additional rent throughout the term of the lease, which expires February 23, 2024. As of June 30, 2018, we have expended or accrued approximately \$2.4 million related to this project.

In connection with the lease we executed upon our acquisition of a 361-acre farm in California in August 2017, we committed to providing up to \$4.0 million of capital over the first two years to fund the development of additional vineyard acreage on the farm, which development is expected to be completed by August 30, 2019. As stipulated in the lease agreement, we will earn additional rent on the total cost of the improvements as the funds are disbursed by us at an initial annual rate of 6.0%, which is subject to annual escalations. As a result of this project, and assuming full deployment of the capital commitment amount, we expect to receive approximately \$2.3 million of additional rent throughout the term of the lease, which expires May 31, 2027. As of June 30, 2018, we have expended or accrued approximately \$710,000 related to this project.

Ground Lease Obligations

In connection with two farms acquired on June 1, 2017, through a leasehold interest, we assumed two ground leases under which we are the lessee (with the State of Arizona as the lessor). During the three and six months ended June 30, 2018, we recorded approximately \$12,000 and \$24,000 of lease expense (included as part of Property operating expenses on the accompanying Condensed Consolidated Statement of Operations), respectively, as a result of these ground leases. Future minimum lease payments due under the terms of these leases as of June 30, 2018, are as follows (dollars in thousands):

Period	Estimated Minimum Lease Payments Due ⁽¹⁾
For the remaining six months ending December 31: 2018	\$ 24
For the fiscal years ending December 31: 2019	47
2020	47
2021	47
2022	30
2023	30
Thereafter	30
	\$ 255

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

Litigation

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

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

The following table sets forth the computation of basic and diluted (loss) earnings per common share for the three and six months ended June 30, 2018 and 2017, computed using the weighted average number of shares outstanding during the respective periods. Net (loss) income figures are presented net of non-controlling interests in the earnings per share calculations. The non-controlling limited partners' outstanding OP Units (which may be redeemed for shares of common stock) have been excluded from the diluted (loss) earnings per share calculation, as there would be no effect on the amounts since the non-controlling limited partners' share of (loss) income would also be added back to net (loss) income.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(Dollars in thousands, except per-share amounts)			
Net (loss) income attributable to common stockholders	\$ (1,745)	\$ 227	\$ (2,042)	\$ 379
Weighted average shares of common shares outstanding – basic and diluted	15,506,512	11,850,624	14,736,400	11,127,199
(Loss) earnings per common share – basic and diluted	\$ (0.11)	\$ 0.02	\$ (0.14)	\$ 0.03

The weighted-average number of OP Units held by non-controlling limited partners was 913,552 and 945,236, for the three and six months ended June 30, 2018, respectively, and 1,449,258 for each of the three and six months ended June 30, 2017.

NOTE 10. SUBSEQUENT EVENTS

Property Disposition

On July 10, 2018, we completed the sale of a 1,895-acre farm in Morrow County, Oregon, to the existing tenant for \$20.5 million. We expect to recognize a net gain on the sale (exclusive of closing costs) of approximately \$6.7 million, which, for tax purposes, was used to acquire Owl Hammock (as defined below) as part of a like-kind exchange under Section 1031 of the Code.

Acquisition Activity

On July 12, 2018, we acquired five farms in Collier and Hendry Counties, Florida, totaling 5,630 acres (“Owl Hammock”) for approximately \$37.4 million. At closing, we entered into a sale-leaseback agreement with the seller for a seven-year, triple net lease that includes two, five-year extension options. The lease provides for minimum annualized, straight-line rents of approximately \$2.1 million.

Financing Activity

In connection with the acquisition of Owl Hammock, we entered into two new loan agreements with Farm Credit FL for total proceeds of approximately \$22.4 million. Both loans are scheduled to mature on August 1, 2043, and will bear interest (before interest patronage) at a fixed rate of 5.38% per annum through July 31, 2025, thereafter converting to a variable rate unless another fixed rate is established. Gladstone Securities earned a financing fee of approximately \$28,000 in connection with securing this financing.

On July 30, 2018, we issued a new 7-year, interest-only bond under our Farmer Mac Facility for approximately \$10.4 million. The new bond will bear interest at a fixed rate of 4.45% throughout its term and replaced a \$9.4 million bond that matured on July 30, 2018 (and bore interest at a fixed rate of 2.60% over a 3-year term), resulting in net cash proceeds to us of approximately \$1.0 million. Gladstone Securities earned a financing fee of approximately \$13,000 in connection with securing this financing.

Equity Activity

Redemption of OP Units

On July 16, 2018, 46,544 OP Units were tendered for redemption, and on July 26, 2018, we issued 46,544 shares of common stock in exchange for 46,544 OP Units.

Sales of Series B Preferred Stock

Subsequent to June 30, 2018, through the date of this filing, we have sold 89,419 shares of the Series B Preferred Stock for gross proceeds of approximately \$2.2 million and net proceeds of approximately \$2.0 million. Total sales commissions and dealer-manager fees earned by Gladstone Securities as a result of these sales were approximately \$224,000.

ATM Program

Subsequent to June 30, 2018, through the date of this filing, we have sold 200 shares of our common stock at an average sales price of \$12.75 per share under the ATM Program for gross and net proceeds of approximately \$3,000.

Distributions

On July 10, 2018, our Board of Directors declared the following monthly cash distributions to holders of our preferred and common stock:

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Issuance	Record Date	Payment Date	Distribution per Share
Series A Term Preferred Stock:	July 20, 2018	July 31, 2018	\$ 0.1328125
	August 21, 2018	August 31, 2018	0.1328125
	September 19, 2018	September 28, 2018	0.1328125
	Total Series A Term Preferred Stock Distributions:		\$ 0.3984375
Series B Preferred Stock:	July 24, 2018	August 3, 2018	\$ 0.125
	August 21, 2018	August 31, 2018	0.125
	September 25, 2018	October 5, 2018	0.125
	Total Series B Preferred Stock Distributions:		\$ 0.375
Common Stock:	July 20, 2018	July 31, 2018	\$ 0.04435
	August 21, 2018	August 31, 2018	0.04435
	September 19, 2018	September 28, 2018	0.04435
	Total Common Stock Distributions:		\$ 0.13305

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

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

All statements contained herein, other than historical facts, may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely," or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our business, financial condition, liquidity, results of operations, funds from operations or prospects to be materially different from any future business, financial condition, liquidity, results of operations, funds from operations or prospects expressed or implied by such forward-looking statements. For further information about these and other factors that could affect our future results, please see the captions titled "Forward-Looking Statements" and "Risk Factors" in this report and our Annual Report on Form 10-K for the year ended December 31, 2017 (the "Form 10-K"). We caution readers not to place undue reliance on any such forward-looking statements, which are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q (the "Quarterly Report"), except as required by law.

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

OVERVIEW

General

We are an externally-managed, agricultural real estate investment trust ("REIT") that is engaged in the business of owning and leasing farmland. We are not a grower of crops, nor do we typically farm the properties we own. We currently own 79 farms comprised of 67,060 acres across 9 states in the U.S. (Arizona, California, Colorado, Florida, Michigan, Nebraska, North Carolina, Oregon, and Washington). We also own several farm-related facilities, such as cooling facilities, packinghouses, processing facilities, and various storage facilities.

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 96.0% of the units of limited partnership interest in the Operating Partnership ("OP Units"). In addition, we have elected for Gladstone Land Advisers, Inc. ("Land Advisers"), a wholly-owned subsidiary of ours, to be treated as a taxable REIT subsidiary ("TRS").

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

Portfolio Diversity

Since our initial public offering in January 2013 (the "IPO"), we have expanded our portfolio from 12 farms leased to 7 different, unrelated tenants to a current portfolio of 79 farms leased to 53 different, unrelated tenants. While our focus remains in farmland suitable for growing fresh produce annual row crops, we have also diversified our portfolio into farmland suitable for other crop types, including permanent crops (e.g., almonds, blueberries, pistachios, and wine grapes) and certain commodity crops (e.g., 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 six months ended June 30, 2018 and 2017 (dollars in thousands):

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Revenue Source	As of and For the Six Months Ended June 30, 2018				As of and For the Six Months Ended June 30, 2017				Annualized Straight-line Rent as of June 30, 2018 ⁽¹⁾	
	Total Farmable Acres	% of Total Farmable Acres	Rental Revenue	% of Total Rental Revenue	Total Farmable Acres	% of Total Farmable Acres	Rental Revenue	% of Total Rental Revenue	Total Rental Revenue	% of Total Rental Revenue
	Annual, biennial, and short-lived perennial crops – fresh produce ⁽²⁾	14,827	29.0%	\$ 7,131	53.5%	13,516	28.8%	\$ 7,218	61.5%	\$ 14,496
Annual, biennial, and short-lived perennial crops – commodity crops ⁽³⁾	30,137	58.9%	1,980	14.9%	28,907	61.5%	1,540	13.1%	4,086	15.1%
Subtotal – Total annual, biennial, and short-lived perennial crops	44,964	87.9%	9,111	68.4%	42,423	90.3%	8,758	74.6%	18,582	68.7%
Permanent (long-lived perennial) crops ⁽⁴⁾	6,171	12.1%	3,132	23.5%	4,548	9.7%	2,026	17.3%	6,300	23.3%
Subtotal – Total crops	51,135	100.0%	12,243	91.9%	46,971	100.0%	10,784	91.9%	24,882	92.0%
Facilities and other ⁽⁵⁾	—	—	1,077	8.1%	—	—	958	8.1%	2,165	8.0%
Total	51,135	100.0%	\$ 13,320	100.0%	46,971	100.0%	\$ 11,742	100.0%	\$ 27,047	100.0%

⁽¹⁾ Annualized straight-line rent amount is based on the minimum rental payments guaranteed under the lease, as required under GAAP. Excludes contingent rental payments, such as crop-share proceeds, and excludes rent owed to us by Land Advisers.

⁽²⁾ Includes berries and other fruits, such as melons, raspberries, and strawberries; and vegetables, such as arugula, broccoli, cabbage, carrots, celery, cilantro, cucumbers, edamame, green beans, kale, lettuce, mint, onions, peas, peppers, potatoes, radicchio, spinach, and tomatoes.

⁽³⁾ Includes alfalfa, barley, corn, edible beans, grass, popcorn, soybeans, and wheat.

⁽⁴⁾ Includes almonds, apples, avocados, blackberries, blueberries, cherries, lemons, pistachios, and wine grapes.

⁽⁵⁾ Consists primarily of rental revenue from: (i) farm-related facilities, such as cooling facilities, packinghouses, distribution centers, residential houses for tenant farmers, and other farm-related buildings; (ii) two oil and gas surface area leases on small parcels of two of our properties; and (iii) unimproved or non-farmable acreage on certain of our farms.

The acquisition of additional 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 owned and with leases in place as of and for the six months ended June 30, 2018 and 2017 (dollars in thousands):

State	As of and For the Six Months Ended June 30, 2018				As of and For the Six Months Ended June 30, 2017				Annualized Straight-line Rent as of June 30, 2018 ⁽¹⁾	
	Total Acres	% of Total Acres	Total Rental Revenue	% of Total Rental Revenue	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue	Total Rental Revenue	% of Total Rental Revenue
California ⁽²⁾	8,241	13.0%	\$ 6,061	45.5%	6,713	11.6%	\$ 5,728	48.8%	\$ 12,142	44.9%
Florida	10,980	17.3%	3,530	26.5%	9,315	16.1%	3,143	26.8%	7,165	26.5%
Colorado	31,450	49.7%	1,372	10.3%	30,170	52.1%	1,345	11.4%	2,743	10.1%
Arizona	6,280	9.9%	955	7.2%	6,280	10.8%	512	4.3%	2,152	8.0%
Oregon	2,313	3.7%	618	4.6%	2,313	4.0%	589	5.0%	1,251	4.6%
Nebraska	2,559	4.0%	290	2.2%	2,559	4.4%	290	2.5%	580	2.1%
Washington	746	1.2%	242	1.8%	—	—%	—	—%	399	1.5%
Michigan	446	0.7%	170	1.3%	270	0.5%	125	1.1%	131	0.5%
North Carolina	310	0.5%	82	0.6%	310	0.5%	10	0.1%	484	1.8%
	63,325	100.0%	\$ 13,320	100.0%	57,930	100.0%	\$ 11,742	100.0%	\$ 27,047	100.0%

⁽¹⁾ Annualized straight-line amount is based on the minimum rental payments guaranteed under the lease, as required under GAAP. Excludes contingent rental payments, such as crop-share proceeds, and excludes rent owed to us by Land Advisers.

⁽²⁾ According to the California Chapter of the American Society of Farm Managers and Rural Appraisers, there are eight distinct growing regions within California; our farms are spread across four of these growing regions.

Leases

General

Our farms and facilities are currently leased to 53 different, unrelated third-party tenants that are either independent or corporate farming operations. Most of our leases are on a triple-net basis (an arrangement under which, in addition to rent, the tenant is required to pay the related taxes, insurance costs (including drought insurance if we were to acquire properties that depend upon rainwater for irrigation), maintenance, and other operating costs) and generally have original terms ranging from 3 to 10 years for farms growing row crops and 5 to 15 years for farms growing permanent crops (in each case, often with options to extend the lease further). Rent is generally payable to us in advance on either an annual or semi-annual basis, and such rent amount is typically subject to certain periodic escalations clauses provided for within the lease. Currently, our 79 farms are

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leased under agricultural leases with original terms ranging from 1 to 20 years, with 54 farms leased on a pure, triple-net basis, 23 farms leased on a partial-net basis (with us, as landlord, responsible for all or a portion of the related property taxes), and 2 farms leased on a gross basis (with the landlord responsible for the related property taxes, insurance, and maintenance on the property). Additionally, 15 of our farms are leased under agreements that include a variable rent component.

Lease Expirations

Farm leases are often short-term in nature, so in any given year, we may have multiple leases up for extension or renewal. The following table summarizes the lease expirations by year for the properties owned and with leases in place as of June 30, 2018 (dollars in thousands):

Year	Number of Expiring Leases	Expiring Leased Acreage	% of Total Acreage	Rental Revenue for the Six Months Ended June 30, 2018	% of Total Rental Revenue
2018	6 ⁽¹⁾	4,110	6.5%	\$ 473	3.6%
2019	6 ⁽²⁾	1,918	3.1%	337	2.5%
2020	12	28,497	45.0%	3,699	27.8%
2021	6	8,234	13.0%	996	7.5%
2022	3	269	0.4%	345	2.6%
2023	6	7,046	11.1%	2,629	19.7%
Thereafter	20	13,251	20.9%	4,841	36.3%
Totals	59	63,325	100.0%	\$ 13,320	100.0%

⁽¹⁾ Includes one oil and gas lease that continues on a year-to-year basis, for which we recorded rental revenue of approximately \$8,000 and \$16,000 during the three and six months ended June 30, 2018, respectively.

⁽²⁾ Includes one communications services lease and one residential lease, for which we recorded aggregate rental revenues of approximately \$1,500 and \$3,000 during the three and six months ended June 30, 2018, respectively.

We are currently in negotiations with the existing tenants on our farms that have leases scheduled to expire in 2018, 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 rental rates favorable to us, if at all, or be able to find replacement tenants, if necessary.

Recent Developments

Portfolio Activity

Property Acquisitions

Since April 1, 2018, through the date of this filing, we have acquired five farms, which are summarized in the table below (dollars in thousands, except for footnotes):

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs ⁽¹⁾	Annualized Straight-line Rent ⁽²⁾
Owl Hammock	Collier & Hendry, FL	7/12/2018	5,630	5	Vegetables and Melons	7.0 years	2 (5 years)	\$ 37,350	\$ 74	\$ 2,148

⁽¹⁾ Unless noted otherwise, acquisitions were accounted for as an asset acquisition under Accounting Standards Codification 360, "Property, Plant, and Equipment." As such, all acquisition-related costs were capitalized and allocated among the identifiable assets acquired. The figures above represent only costs paid or accrued for as of the date of this filing.

⁽²⁾ Annualized straight-line amount is based on the minimum cash rental payments guaranteed under the lease, as required under GAAP.

Existing Properties

Property Disposition

On July 10, 2018, we completed the sale of a 1,895-acre farm in Morrow County, Oregon, to the existing tenant for \$20.5 million. We expect to recognize a net gain on the sale (exclusive of closing costs) of approximately \$6.7 million, which, for tax purposes, was used to acquire Owl Hammock as part of a like-kind exchange under Section 1031 of the Internal Revenue Code of 1986, as amended.

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Land Exchange

On June 7, 2018, we completed a transaction with the current tenant on one of our Florida farms where we exchanged land for total consideration consisting of both land and cash. As a result of this transaction, we sold 26 net acres for total cash proceeds of approximately \$132,000 and, after closing costs, recognized a nominal loss on the transaction.

Leasing Activity

On June 11, 2018, we entered into a new, 10-year lease agreement with a new tenant on the 169-acre farm located in Ventura County, California, previously farmed (on a temporary basis) by Land Advisers. The new lease commenced on August 1, 2018, and provides for annualized straight-line rent of approximately \$667,000, which represents a decrease of approximately \$91,000, or 12.0%, from that of the previous lease that was assigned to Land Advisers (see “—TRS Lease Assumption” below for further discussion on this lease assignment). However, the new lease is a pure, triple-net lease, whereas the previous lease was a partial-net lease (with us, as landlord, responsible for the property taxes on the farm), which is expected to result in annual tax savings of at least \$108,000 per year.

TRS Lease Assumption

On October 17, 2017, Land Advisers entered into an Assignment and Assumption of Agricultural Lease (the “Assigned TRS Lease”) with the previously-existing tenant on one of our farms located in Ventura County, California. The Assigned TRS Lease, as amended, expired on July 31, 2018. In addition, in connection with the initial operations on the farm, on October 17, 2017, Land Advisers issued a \$1.7 million unsecured promissory note to the Company that matured on July 31, 2018, and bore interest at a rate equal to the prime rate plus a spread of 5.0% per annum.

During the six months ended June 30, 2018, revenues from the sale of harvested crops were approximately \$7.3 million, and costs allocated to these sales totaled approximately \$7.5 million (excluding the allocation of a fee earned by our Adviser from Land Advisers of approximately \$161,000, which is included within Management fee on the accompanying Condensed Consolidated Statement of Operations). These amounts (excluding the portion of the fee earned by our Adviser from Land Advisers) are included within Other operating revenues and Other operating expenses, respectively, on the accompanying Condensed Consolidated Statement of Operations. In addition, as of June 30, 2018, we had approximately \$1.1 million of unsold crops on the farm, including approximately \$28,000 of unallocated fees earned by our Adviser from Land Advisers (see Note 6, “Related-Party Transactions—TRS Fee Arrangements” within the accompanying notes to our condensed consolidated financial statements for further discussion on this fee). However, due to certain market conditions (primarily the existence of bumper crops in all of the strawberry-growing regions within California), we were unable to sell all of the crops and therefore assessed the market value of such unsold crops to be zero as of June 30, 2018. Accordingly, we wrote down the cost of crop inventory to its estimated market value of zero and recorded a loss during the six months ended June 30, 2018, of approximately \$1.1 million (including approximately \$28,000 of accumulated costs incurred by our Adviser that were allocated to these unsold crops (see Note 6, “Related-Party Transactions—TRS Lease Assumption—TRS Fee Arrangements—TRS Expense Sharing Agreement” within the accompanying notes to our condensed consolidated financial statements)), included within Loss on write-down of inventory on the accompanying Condensed Consolidated Statement of Operations.

Our Adviser granted Land Advisers a voluntary, irrevocable waiver of approximately \$174,000 to be applied against a portion of the fees incurred by our Adviser on behalf of Land Advisers pursuant to the TRS Expense Sharing Agreement (as defined in Note 6, “Related-Party Transactions—TRS Lease Assumption,” within the accompanying Notes to Condensed Consolidated Financial Statements).

The amount of rent and interest owed to us (as the parent-landlord) by Land Advisers is not qualifying income for purposes of certain of our REIT tests; however, such amounts are not expected to be at a level where we are at risk of not qualifying as a REIT. In addition, any taxable income generated by Land Advisers (whose operations are consolidated within our financial statements) are subject to corporate-level income taxes without the benefit of the deduction for dividends paid.

Financing Activity

Debt Activity

Since April 1, 2018, through the date of this filing, we have incurred the following new, long-term borrowings (dollars in thousands):

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Lender ⁽¹⁾	Aggregate Principal Amount	Maturity Date	Stated Interest Rates ⁽²⁾	Interest Rate Terms
Farm Credit West	\$ 1,473	May 2038	4.99% ⁽³⁾	Fixed through April 2023 (variable thereafter)
Farm Credit FL	22,410	August 2043	5.38% ⁽⁴⁾	Fixed through July 2025 (variable thereafter)
Farmer Mac	10,356	July 2025	4.45%	Fixed throughout term
	\$ 34,239			

⁽¹⁾ For further discussion on borrowings from each of these lenders, refer to Note 4, "Borrowings," in the accompanying notes to our condensed consolidated financial statements.

⁽²⁾ Where applicable, rate is before interest patronage, or refunded interest.

⁽³⁾ In February 2018, we received interest patronage of approximately \$126,000 related to interest accrued on loans from Farm Credit West during the year ended December 31, 2017, which resulted in a 19.7% reduction (approximately 75 basis points) to the stated interest rates on such borrowings.

⁽⁴⁾ In April 2018, we received interest patronage of approximately \$27,000 related to interest accrued on loans from Farm Credit FL during the year ended December 31, 2017, which resulted in a 24.6% reduction (approximately 115 basis points) to the stated interest rates on such borrowings.

Proceeds from these financings were used to fund new acquisitions, repay existing indebtedness, and for general corporate purposes. Gladstone Securities, LLC, ("Gladstone Securities"), an affiliate of ours, earned total financing fees of approximately \$43,000 in connection with securing these financings.

Equity Activity

OP Unit Redemptions

From April 1, 2018, through the date of this filing, a total of 299,726 OP Units were tendered for redemption. As a result, we issued 290,111 shares of common stock (in exchange for 290,111 of the tendered OP Units), and we satisfied the redemption of the remaining 9,615 of the tendered OP Units with a cash payment of approximately \$121,000 (approximately \$12.54 per OP Unit). Currently, there are 670,879 OP Units held by non-controlling limited partners outstanding and eligible to be tendered for redemption.

Series B Preferred Stock

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

The offering of the Series B Preferred Stock will terminate on the date (the "Termination Date") that is the earlier of either January 10, 2023 (unless terminated earlier or extended by our Board of Directors), or on the date on which all 6,000,000 shares offered in the Primary Offering are sold.

There is currently no public market for shares of the Series B Preferred Stock; however, we intend to apply to list the Series B Preferred Stock on Nasdaq or another national securities exchange within one calendar year after the offering's Termination Date, though there can be no assurance that a listing will be achieved in such timeframe, or at all.

From April 1, 2018, through the date of this filing, we sold 109,699 shares of the Series B Preferred Stock for gross proceeds of approximately \$2.7 million and net proceeds (net of certain discounts and after deducting dealer-manager fees and selling commissions borne by us) of approximately \$2.5 million. Total commissions and fees earned by Gladstone Securities as a result of these sales were approximately \$267,000.

Common Stock Secondary Offerings

In March 2018, we completed an overnight public offering of our common stock at a public offering price of \$12.15 per share. Including the over-allotment option (which the underwriters exercised in April 2018), the offering resulted in the issuance of 1,265,000 shares of our common stock for total gross proceeds of approximately \$15.4 million and net proceeds (after deducting underwriting discounts and direct offering expenses borne by us) of approximately \$14.6 million.

Common Stock At-the-Market Program

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On August 7, 2015, we entered into equity distribution agreements (“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”).

From April 1, 2018, through the date of this filing, we sold 399,306 shares of our common stock under the ATM Program at an average sales price of \$12.82 per share for gross proceeds of approximately \$5.1 million and net proceeds of approximately \$5.0 million. To date, we have sold 1,324,867 shares of our common stock at an average sales price of \$12.83 per share under the ATM Program for gross proceeds of approximately \$17.0 million and net proceeds (after deducting offering expenses borne by us) of approximately \$16.7 million.

Our Adviser and Administrator

We are externally managed pursuant to contractual arrangements with our Adviser and our Administrator (both affiliates of ours), which collectively employ all of our personnel and pay their salaries, benefits, and general expenses directly. The investment advisory agreement with our Adviser that was in effect through March 31, 2017 (the “Prior Advisory Agreement”), and the current administration agreement with our Administrator (the “Administration Agreement”) each became effective February 1, 2013. On April 11, 2017, we entered into the Amended Advisory Agreement with our Adviser that became effective beginning with the three months ended June 30, 2017 (the “Amended Advisory Agreement”).

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

Critical Accounting Policies

The preparation of our financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) requires management to make judgments that are subjective in nature to make certain estimates and assumptions. Application of these accounting policies involves the exercise of judgment regarding the use of assumptions as to future uncertainties, and, as a result, actual results could materially differ from these estimates. A summary of our significant accounting policies is provided in Note 2 to our consolidated financial statements in our Form 10-K. There were no material changes to our critical accounting policies during the six months ended June 30, 2018.

RESULTS OF OPERATIONS

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

- With regard to the comparison between the three months ended June 30, 2018 versus 2017:
 - Same-property basis represents properties owned as of March 31, 2017, and were not vacant at any point during either period presented;
 - Properties acquired during the prior-year period are properties acquired during the three months ended June 30, 2017;
 - Properties acquired subsequent to prior-year period are properties acquired subsequent to June 30, 2017 (including one farm acquired during the three months ended March 31, 2018, which was purchased without a lease in place and was mostly vacant during a majority of the period); and
 - Disposed of, vacant, or self-operated farms represent properties that were either (i) disposed of during either period presented, (ii) vacant (either wholly or partially) at any point during either period presented, or (iii) operated by a wholly-owned subsidiary of ours (in which case no rental revenue would have been recognized on our consolidated statements of operations). We did not have any vacancies on any properties included in the same-property analysis during either of the three months ended June 30, 2018 or 2017; however, we did sell one property during the three months ended December 31, 2017. In addition, one of our farms was leased to Land Advisers during the three months ended June 30, 2018.
- With regard to the comparison between the six months ended June 30, 2018 versus 2017:
 - Same-property basis represents properties owned as of December 31, 2016, and were not vacant at any point during either period presented;
 - Properties acquired during the prior-year period are properties acquired during the six months ended June 30, 2017;

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

A comparison of our operating results for the three and six months ended June 30, 2018 and 2017 is below (dollars in thousands):

	For the Three Months Ended June 30,		\$ Change	% Change
	2018	2017		
Operating revenues:				
Rental revenue	\$ 6,632	\$ 5,994	\$ 638	10.6%
Tenant recovery revenue	2	2	—	—%
Other operating revenues	4,760	—	4,760	NM
Total operating revenues	11,394	5,996	5,398	90.0%
Operating expenses:				
Depreciation and amortization	2,242	1,599	643	40.2%
Property operating expenses	318	259	59	22.8%
Acquisition-related expenses	—	37	(37)	(100.0)%
Management and incentive fees, net of credits	580	606	(26)	(4.3)%
Administration fee	275	219	56	25.6%
General and administrative expenses	367	370	(3)	(0.8)%
Other operating expenses	5,140	—	5,140	NM
Total operating expenses, net of credits	8,922	3,090	5,832	188.7%
Operating income	2,472	2,906	(434)	(14.9)%
Other income (expense)				
Other income	9	—	9	NM
Interest expense	(2,815)	(2,193)	(622)	28.4%
Distributions on Series A Term Preferred Stock	(458)	(458)	—	—%
Loss on write-down of inventory	(1,060)	—	(1,060)	NM
Total other expense	(4,324)	(2,651)	(1,673)	63.1%
Net (loss) income	(1,852)	255	(2,107)	(826.3)%
Net loss (income) attributable to non-controlling interests	110	(28)	138	(492.9)%
Net (loss) income attributable to the Company	(1,742)	227	(1,969)	(867.4)%
Dividends declared on Series B Preferred Stock	(3)	—	(3)	NM
Net (loss) income attributable to common stockholders	\$ (1,745)	\$ 227	(1,972)	(868.7)%

NM = Not Meaningful

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	For the Six Months Ended June 30,			
	2018	2017	\$ Change	% Change
Operating revenues:				
Rental revenue	\$ 13,320	\$ 11,742	\$ 1,578	13.4%
Tenant recovery revenue	8	4	4	100.0%
Other operating revenues	7,311	—	7,311	NM
Total operating revenues	20,639	11,746	8,893	75.7%
Operating expenses:				
Depreciation and amortization	4,430	3,071	1,359	44.3%
Property operating expenses	746	542	204	37.6%
Acquisition-related expenses	131	46	85	184.8%
Management and incentive fees, net of credits	1,237	1,351	(114)	(8.4)%
Administration fee	549	445	104	23.4%
General and administrative expenses	790	782	8	1.0%
Other operating expenses	7,498	—	7,498	NM
Total operating expenses, net of credits	15,381	6,237	9,144	146.6%
Operating income	5,258	5,509	(251)	(4.6)%
Other income (expense)				
Other income	323	185	138	74.6%
Interest expense	(5,646)	(4,350)	(1,296)	29.8%
Distributions on Series A Term Preferred Stock	(916)	(916)	—	—%
Property and casualty loss	(129)	—	(129)	NM
Loss on write-down of inventory	(1,060)	—	(1,060)	NM
Total other expense	(7,428)	(5,081)	(2,347)	46.2%
Net (loss) income	(2,170)	428	(2,598)	(607.0)%
Net loss (income) attributable to non-controlling interests	131	(49)	180	(367.3)%
Net (loss) income attributable to the Company	(2,039)	\$ 379	\$ (2,418)	(638.0)%
Dividends declared on Series B Preferred Stock	(3)	—	(3)	NM
Net (loss) income attributable to common stockholders	\$ (2,042)	\$ 379	\$ (2,421)	(638.8)%

NM = Not Meaningful

Operating Revenues

Same-property Analysis (dollars in thousands)

Rental Revenues	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
Same-property basis	\$ 5,612	\$ 5,643	\$ (31)	(0.5)%	\$ 9,862	\$ 9,815	\$ 47	0.5 %
Properties acquired during prior-year period	340	151	189	125.2 %	2,154	1,527	627	41.1 %
Properties acquired subsequent to prior-year period	680	—	680	—	1,304	—	1,304	—
Disposed of, vacant, or self-operated properties	—	200	(200)	(100.0)%	—	400	(400)	(100.0)%
	\$ 6,632	\$ 5,994	\$ 638	10.6 %	\$ 13,320	\$ 11,742	\$ 1,578	13.4 %

Rental revenues on a same-property basis decreased for the three months ended June 30, 2018, as compared to the prior-year period, by 0.5%. This decrease was primarily due to the renewal of certain leases at lower rental rates subsequent to March 31, 2017, partially offset by additional revenues earned on capital improvements constructed on certain properties since March 31, 2017. Rental revenues on a same-property basis increased for the six months ended June 30, 2018, as compared to the prior-year period, by 0.5%. This increase was primarily due to approximately \$84,000 of additional rental income recognized during the six months ended June 30, 2018, in connection with an early lease termination, as well as additional revenues earned on capital improvements constructed on certain properties since December 31, 2016, partially offset by the renewal of certain leases at lower rental rates subsequent to December 31, 2016. Rental revenues from acquired properties increased for each of

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the three and six months ended June 30, 2018, as compared to the respective prior-year periods, due to the additional revenues recorded from owning the six and seven farms we acquired during the three and six months ended June 30, 2017, respectively, for the full, three- and six-month periods ended June 30, 2018, coupled with additional revenues earned from the 11 new farms we acquired subsequent to June 30, 2017. In addition, during the three months ended March 31, 2018, we received a variable rent payment of approximately \$17,000 from a property in North Carolina that was acquired during the three months ended June 30, 2017, which was recorded as additional rental revenue upon receipt. No variable rent revenues were recorded during the three months ended June 30, 2018, or either prior-year period. Rental revenues from disposed of, vacant, or self-operated properties decreased for each of the three and six months ended June 30, 2018, as compared to the respective prior-year periods, due primarily to the loss of rental income on the one farm in California that, until July 31, 2018, was being farmed by Land Advisers (revenue from rents owed to us by Land Advisers was eliminated upon consolidation). Effective August 1, 2018, this farm began being leased out to a new, unrelated third-party tenant under a 10-year lease.

Other Operating Revenues

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

Other operating revenues primarily represent revenues earned from sales of harvested crops on the farm operated by Land Advisers, which began operating the farm on October 17, 2017.

Operating Expenses

Same-property Analysis (dollars in thousands)

Depreciation and amortization	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
Same-property basis	\$ 1,475	\$ 1,460	\$ 15	1.0 %	\$ 2,904	\$ 2,857	\$ 47	1.6 %
Properties acquired during prior-year period	345	94	251	267.0 %	665	124	541	436.3 %
Properties acquired subsequent to prior-year period	405	—	405	—	828	—	828	—
Disposed of, vacant, or self-operated properties	17	45	(28)	(62.2)%	33	90	(57)	(63.3)
	\$ 2,242	\$ 1,599	\$ 643	40.2 %	\$ 4,430	\$ 3,071	\$ 1,359	44.3 %

Depreciation and amortization expense on a same-property basis increased for each of the three and six months ended June 30, 2018, as compared to the respective prior-year periods, primarily as a result of additional depreciation on site improvements completed on certain properties subsequent to December 31, 2016, partially offset by the expiration of certain lease intangible amortization periods subsequent to December 31, 2016. Depreciation and amortization expense on acquired properties increased for each of the three and six months ended June 30, 2018, as compared to the respective prior-year periods, due to the additional depreciation and amortization expense recorded from owning the six and seven farms we acquired during the three and six months ended June 30, 2017, respectively, for the full, three- and six-month periods ended June 30, 2018, coupled with the additional depreciation and amortization expense incurred on the 11 new farms we acquired subsequent to June 30, 2017. Depreciation and amortization expenses from disposed of, vacant, or self-operated properties decreased for both the three and six months ended June 30, 2018, respectively, as a result of the property sold during the three months ended December 31, 2017.

Property operating expenses	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
Same-property basis	\$ 204	\$ 223	\$ (19)	(8.5)%	\$ 396	\$ 446	\$ (50)	(11.2)%
Properties acquired during prior-year period	55	6	49	816.7 %	229	36	193	536.1 %
Properties acquired subsequent to prior-year period	29	—	29	—	63	—	63	—
Disposed of, vacant, or self-operated properties	30	30	—	—	58	60	(2)	—
	\$ 318	\$ 259	\$ 59	22.8 %	\$ 746	\$ 542	\$ 204	37.6 %

Property operating expenses consist primarily of real estate taxes, repair and maintenance expense, insurance premiums, and other miscellaneous operating expenses paid for certain of our properties. Property operating expenses on a same-property basis decreased for each of the three and six months ended June 30, 2018, as compared to the respective prior-year periods. These decreases were primarily due to additional expenses incurred in the prior-year periods related to obtaining certain permits on two of our California properties. Property operating expenses on acquired properties increased for each of the three

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and six months ended June 30, 2018, as compared to the respective prior-year periods, primarily due to additional property taxes and other property-operating expenses (particularly repairs and maintenance expenses) incurred on certain of the new farms we acquired subsequent to December 31, 2016. Property operating expenses on disposed of, vacant, or self-operated properties remained flat during each of the three and six months ended June 30, 2018, as compared to the respective prior-year periods.

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 three months ended June 30, 2018, as compared to the prior-year period, primarily due to an increase in the number of potential acquisitions that are currently deemed probable of being consummated (as denoted by signed purchase and sale agreements), which resulted in the related expenses being capitalized. Acquisition-related expenses increased for the six months ended June 30, 2018, as compared to the prior-year period, primarily due to a larger number of transactions currently in our due diligence process, as well as a couple of properties that were previously under signed purchase and sale agreements not being consummated, which resulted in the related due diligence costs being expensed (rather than capitalized, as they would have been had the respective properties been acquired). As of June 30, 2018, we have capitalized approximately \$81,000 of acquisition-related costs (which costs were incurred during the six months ended June 30, 2018) related to farms acquired or expected to be acquired during the three months ending September 30, 2018, as these acquisitions are reasonably assured to be completed and are expected to be treated as asset acquisitions. These costs are included in Other assets, net on the accompanying Condensed Consolidated Balance Sheet as of June 30, 2018.

The aggregate fees to our Adviser, including both the management and incentive fees and net of any credits to those fees, decreased for each of the three and six months ended June 30, 2018, as compared to the respective prior-year periods. For each of the three and six months ended June 30, 2018, the gross management fee (inclusive of the allocation of fees earned by our Adviser from Land Advisers of approximately \$94,000 and \$161,000, respectively) increased by approximately \$224,000 and \$487,000, respectively, as compared to the respective prior-year periods, primarily due to additional common equity raised since January 1, 2017. From January 1, 2017, through June 30, 2018, we have raised approximately \$63.9 million of net proceeds (net of both direct costs and allocated indirect costs) through follow-on common stock offerings, our ATM Program, and sales of our Series B Preferred Stock, increasing the base on which the management fee is calculated, which, until March 31, 2017, was the book value of our common stockholders' equity, as stipulated in the Prior Advisory Agreement. Pursuant to the Amended Advisory Agreement, which became effective beginning with the three months ended June 30, 2017, the base on which the management fee is calculated was adjusted to include, among other items, the Series B Preferred Stock and the balance of non-controlling interests in our operating partnership, which further increased the management fee recorded for each of the three and six months ended June 30, 2018, respectively. The increase to the management fee during each of the three and six months ended June 30, 2018, was offset by a decrease in the incentive fee earned by our Adviser during each of the periods. During the three and six months ended June 30, 2017, our Adviser earned an incentive fee of approximately \$76,000 and \$427,000, respectively, due to our Pre-Incentive Fee FFO exceeding the required hurdle rate of the applicable equity base (which, through March 31, 2017, was total stockholders' equity, as stipulated in the Prior Advisory Agreement; beginning with the three months ended June 30, 2017, the applicable equity base was Total Adjusted Equity (which includes the Series B Preferred Stock and non-controlling interests in the Operating Partnership), as stipulated in the Amended Advisory Agreement). No incentive fee was earned by our Adviser during either of the three or six months ended June 30, 2018. See "Our Adviser and Administrator" within Note 6, "Related-Party Transactions," in the accompanying notes to our condensed consolidated financial statements for further discussion on the compensation terms stipulated in each of the Prior Advisory Agreement and the Amended Advisory Agreement. In addition, during the three and six months ended June 30, 2018, our Adviser granted Land Advisers a voluntary, irrevocable waiver of approximately \$174,000 to be applied against a portion of the fees incurred by our Adviser on behalf of Land Advisers pursuant to the TRS Expense Sharing Agreement (see Note 6, "Related-Party Transactions—TRS Lease Assumption—TRS Fee Arrangements—TRS Expense Sharing Agreement" within the accompanying notes to our condensed consolidated financial statements).

The administration fee paid to our Administrator increased for both the three and six months ended June 30, 2018, as compared to the respective prior-year periods, 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 and affiliated companies serviced by our Administrator during the three and six months ended June 30, 2018.

General and administrative expenses, which consist primarily of professional fees, director fees, stockholder-related expenses, insurance, and other miscellaneous expenses, remained relatively flat for each of the three and six months ended June 30, 2018, as compared to each of the respective prior-year periods.

Other operating expenses represent the portion of growing costs, harvesting and selling costs, and certain overhead costs allocated to the costs of crops sold on the farm operated by Land Advisers. During the three and six months ended June 30,

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2018, we allocated approximately \$5.1 million and \$7.5 million, respectively, of costs to the crops sold during the respective periods (excluding the allocation of fees earned by our Adviser from Land Advisers of approximately \$94,000 and \$161,000, respectively). Additionally, our Adviser granted Land Advisers a voluntary, irrevocable waiver of approximately \$174,000 to be applied against a portion of the fees incurred by our Adviser on behalf of Land Advisers pursuant to the TRS Expense Sharing Agreement. Land Advisers began operating the farm on October 17, 2017, under a lease that expired on July 31, 2018. Effective August 1, 2018, the farm began being leased out to a new, unrelated third-party tenant under a 10-year lease.

Other Income (Expense)

Other income, which consists primarily of interest patronage received from Farm Credit (as defined in Note 4, “Borrowings,” in the accompanying notes to our condensed consolidated financial statements) and interest earned on short-term investments, increased for both the three and six months ended June 30, 2018, as compared to the respective prior-year periods, primarily driven by additional interest patronage received from Farm Credit (due to increased borrowings from Farm Credit). During the six months ended June 30, 2018, we recorded approximately \$323,000 of interest patronage from Farm Credit (including approximately \$9,000 recorded during the three months ended June 30, 2018) related to interest accrued during 2017, compared to \$183,000 of interest patronage recorded during the six months ended June 30, 2017. The receipt of interest patronage received from Farm Credit during 2018 resulted in a 18.0% decrease (approximately 71 basis points) in our effective interest rate on our aggregate borrowings from Farm Credit during the year ended December 31, 2017.

The property and casualty loss incurred during the six months ended June 30, 2018, related to a lightning strike that damaged the power plant supplying power to one of our Arizona properties, causing damage to certain irrigation improvements on our property. We estimated the carrying value of the improvements damaged by the lightning strike to be approximately \$129,000, and we recognized the write-down in the carrying value of the assets as a property and casualty loss during the three months ended March 31, 2018.

Interest expense increased for both the three and six months ended June 30, 2018, as compared to the respective prior-year periods, primarily due to increased overall borrowings. The weighted-average principal balance of our aggregate borrowings (excluding our Series A Term Preferred Stock) outstanding for the three and six months ended June 30, 2018, was approximately \$296.4 million and \$300.8 million, respectively, as compared to approximately \$253.0 million and \$252.0 million, respectively, for the respective prior-year periods. Including interest patronage received on certain of our Farm Credit borrowings, the overall effective interest rate charged on our aggregate borrowings (excluding the impact of debt issuance costs) was 3.59% and 3.35% for the three and six months ended June 30, 2018, respectively, as compared to 3.28% and 3.12%, for the respective prior-year periods.

The loss on write-down of crop inventory recorded during the three months ended June 30, 2018, was the result of unsold crops on the farm operated by Land Advisers. Due to certain market conditions, we were unable to sell all of the crops and therefore assessed their market value to be zero as of June 30, 2018. Accordingly, we wrote down the cost of crop inventory to its estimated market value of zero and recorded a loss during the three months ended June 30, 2018, of approximately \$1.1 million (including approximately \$28,000 of accumulated costs incurred by our Adviser that were allocated to these unsold crops).

LIQUIDITY AND CAPITAL RESOURCES

Overview

Since our IPO in January 2013, we have invested approximately \$455.3 million into 69 new farms, and we have expended or accrued an additional \$34.7 million for improvements on existing properties. Our current short- and long-term sources of funds include cash and cash equivalents, cash flows from operations, borrowings (including the undrawn commitments available under the MetLife Facility and the Farmer Mac Facility, each as defined below, under “—Debt Capital”), and issuances of additional equity securities. Our current available liquidity is approximately \$18.7 million, consisting of approximately \$5.7 million in cash on hand and, based on the current level of collateral pledged, \$13.0 million of availability under the MetLife Facility, subject to compliance with covenants.

As of June 30, 2018, our total-debt-to-total-capitalization ratio (including our Series A Term Preferred Stock as debt), at book value, was 70.4%, which is down from 73.6% as of December 31, 2017. However, on a fair value basis, our total-debt-to-total capitalization ratio (including our Series A Term Preferred Stock as debt) as of June 30, 2018, was 57.9%, which is down from 61.1% as of December 31, 2017 (see “Non-GAAP Financial Information—Net Asset Value” below for an explanation of our fair value process).

Future Capital Needs

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

We believe that our current and short-term cash resources will be sufficient to fund our distributions to stockholders (including non-controlling OP Unitholders), service our debt, pay dividends on our Series A Term Preferred Stock and Series B Preferred Stock, and fund our current operating costs in the near term. We expect to meet our long-term liquidity requirements through various sources of capital, including future equity issuances (including, but not limited to, shares of common stock through our ATM Program, OP Units through our Operating Partnership as consideration for future acquisitions, and shares of our Series B Preferred Stock), long-term mortgage indebtedness and bond issuances, and other secured and unsecured borrowings.

We intend to use a significant portion of any current and future available liquidity to purchase additional farms and farm-related properties. We continue to actively seek and evaluate acquisitions of additional farms and farm-related properties that satisfy our investment criteria, and our pipeline of potential acquisitions remains healthy. We currently have three properties under signed purchase and sale agreements for an aggregate proposed purchase price of approximately \$32.5 million, which we expect to be consummated during the remaining five months of 2018. We currently have access to the capital required to complete these transactions for the proposed purchase price amounts; however, we continue to explore various options for access to additional capital, as evidenced by our recent launch of a continuous offering of the Series B Preferred Stock. We also have many other properties that are in various other stages of our due diligence process, including several properties under signed, non-binding letters of intent. However, all potential acquisitions will be subject to our due diligence investigation of such properties, and there can be no assurance that we will be successful in identifying or acquiring any properties in the future.

Cash Flow Resources

The following table summarizes total net cash flows from operating, investing, and financing activities for the six months ended June 30, 2018 and 2017 (dollars in thousands):

	For the Six Months Ended June 30,		\$ Change	% Change
	2018	2017		
Net change in cash from:				
Operating activities	\$ 4,482	\$ 4,679	\$ (197)	(4.2)%
Investing activities	(16,560)	(85,139)	68,579	(80.5)%
Financing activities	11,723	80,788	(69,065)	(85.5)%
Net change in Cash and cash equivalents	\$ (355)	\$ 328	\$ (683)	(208.2)%

Operating Activities

The majority of cash from operating activities is generated from the rental payments we receive from our tenants, which is first used to fund our property-level operating expenses, with any excess cash being primarily used for principal and interest payments on our borrowings, management fees to our Adviser, administrative fees to our Administrator, and other corporate-level expenses. Cash provided by operating activities decreased for the six months ended June 30, 2018, as compared to the prior-year period, primarily due to costs incurred in connection with the operations on the farm leased to Land Advisers and increased interest payments made during the six months ended June 30, 2018, as compared to the prior-year period, partially offset by receipts from crop sales and additional rental payments received during the six months ended June 30, 2018.

Investing Activities

The decrease in cash used in investing activities during the six months ended June 30, 2018, as compared to the prior-year period, was primarily due to a decrease in cash paid for acquisitions of new farms during the six months ended June 30, 2018, which was approximately \$77.9 million less than the prior-year period. This decrease was partially offset by an increase of approximately \$9.7 million in cash paid for capital improvements made on existing properties during the six months ended June 30, 2018, as compared to the prior-year period.

Financing Activities

The decrease in cash provided by financing activities during the six months ended June 30, 2018, as compared to the prior-year period, was primarily due to decreased net borrowings, as our net borrowings for the six months ended June 30, 2018,

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decreased by approximately \$72.5 million from that of the prior-year period. This decrease was partially offset by an increase in aggregate net cash proceeds received from issuances of new common stock (including through overnight public offerings and sales under our ATM Program) and Series B Preferred Stock during the six months ended June 30, 2018, which were approximately \$4.7 million higher than that of the prior-year period.

Debt Capital

MetLife

As amended on December 15, 2017, our facility with Metropolitan Life Insurance Company (“MetLife”) consists of a total of \$200.0 million of term notes and \$75.0 million of revolving equity lines of credit (the “MetLife Facility”). In aggregate, we currently have approximately \$126.7 million outstanding under the term notes that bear interest at a fixed rate of 3.30% per annum (which rate is fixed until January 5, 2027) and \$100,000 outstanding under the lines of credit that currently bear interest at a rate of 4.59% (which rate is variable). While approximately \$138.4 million of the full commitment amount under the MetLife Facility remains undrawn (including approximately \$9.8 million of aggregate amortizing principal payments made on the term notes), based on the level of collateral pledged, we currently have approximately \$13.0 million of availability under the MetLife Facility.

Farmer Mac

As amended on June 16, 2016, our agreement with Federal Agricultural Mortgage Corporation (“Farmer Mac”) provides for bond issuances up to an aggregate amount of \$125.0 million (the “Farmer Mac Facility”). To date, we have issued aggregate bonds of approximately \$97.5 million under the Farmer Mac Facility, and we currently have \$86.5 million outstanding that bears interest at a weighted-average interest rate of 3.37% (which rates are fixed throughout the bonds’ respective terms) and have a weighted-average maturity date of May 2022. While approximately \$36.9 million of the full commitment balance remains undrawn, we currently have no additional availability under the Farmer Mac Facility based on the level of collateral pledged. However, we expect to pledge certain additional potential new property acquisitions as collateral under the Farmer Mac Facility to utilize some or all of this remaining commitment balance. If we have not issued bonds such that the aggregate bond issuances total \$125.0 million by December 11, 2018, Farmer Mac has the option to be relieved of its obligation to purchase additional bonds under this facility. We are currently in discussions with Farmer Mac to both expand the size of the Farmer Mac Facility and extend the borrowing period thereunder.

Farm Credit

Since September 19, 2014, we have closed on 19 separate loans with five different Farm Credit associations (including Farm Credit CFL, Farm Credit West, CF Farm Credit, Farm Credit FL, and NW Farm Credit, each as defined in Note 4, “Borrowings,” in the accompanying notes to our condensed consolidated financial statements) for an aggregate amount of approximately \$92.1 million (the “Farm Credit Notes Payable”). We currently have approximately \$84.2 million outstanding under the Farm Credit Notes Payable that bear interest at an expected weighted-average effective interest rate (net of expected interest patronage) of 3.62% (which rates are fixed, on a weighted-average basis, until February 2024) and have a weighted-average maturity date of October 2034. While we do not have any additional availability under any of our Farm Credit programs based on the properties currently pledged as collateral, we expect to enter into additional borrowing agreements with existing and new Farm Credit associations in connection with certain potential new acquisitions in the future.

Equity Capital

Since January 1, 2018, through the date of this filing, we have completed one overnight common stock offering and have also issued shares of common stock through our ATM Program. In the aggregate, through these transactions, we have issued and sold a total of 1,981,231 shares of our common stock for gross proceeds of approximately \$24.6 million and net proceeds (after deducting underwriting discounts and direct offering expenses borne by us) of approximately \$23.7 million. In addition, on January 10, 2018, we launched a continuous public offering of up to \$150.0 million of newly-designated Series B Preferred Stock, which will be offered on a continuous, “reasonable best efforts” basis by Gladstone Securities. Through the date of this filing, we have sold 109,699 shares of the Series B Preferred Stock for gross proceeds of approximately \$2.7 million and net proceeds (net of certain discounts and after deducting selling commissions and dealer-manager fees borne by us) of approximately \$2.5 million. Total selling commissions and dealer-manager fees earned by Gladstone Securities as a result of these sales were approximately \$218,000.

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

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have issued approximately \$45.8 million of common stock (including approximately \$16.3 million through our ATM Program) and approximately \$2.7 million of Series B Preferred Stock under the 2017 Registration Statement.

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

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

The following table reflects our material contractual obligations as of June 30, 2018 (dollars in thousands):

Contractual Obligation	Total	Payments Due During the			
		Remaining Six Months of	Fiscal Years Ending December 31,		
			2018	2019 – 2020	2021 – 2022
Debt obligations ⁽¹⁾	\$ 295,444	\$ 19,679	\$ 37,654	\$ 43,903	\$ 194,208
Interest on debt obligations ⁽²⁾	76,468	5,322	19,263	16,694	35,189
Term Preferred Stock ⁽³⁾	28,750	—	—	28,750	—
Term Preferred Stock dividends ⁽³⁾	5,967	918	3,672	1,377	—
Operating obligations ⁽⁴⁾	4,405	1,545	2,860	—	—
Operating lease obligations ⁽⁵⁾	255	24	94	77	60
Total	\$ 411,289	\$ 27,488	\$ 63,543	\$ 90,801	\$ 229,457

⁽¹⁾ Debt obligations include all borrowings (consisting of mortgage notes and bonds payable and our lines of credit) outstanding as of June 30, 2018. Maturity dates of these debt obligations range from July 2018 to November 2041. Subsequent to June 30, 2018, a bond of approximately \$9.4 million that was scheduled to mature on July 30, 2018, was replaced with a new bond issuance. See Note 10, “Subsequent Events,” in the accompanying notes to our condensed consolidated financial statements for further details on the new bond issuance.

⁽²⁾ Interest on debt obligations includes estimated interest on our revolving equity lines of credit within the MetLife Facility. The balances and interest rates on such revolving equity lines of credit are variable, thus the amounts of interest calculated for purposes of this table were based upon the balances and interest rates in place as of June 30, 2018.

⁽³⁾ Our Series A Term Preferred Stock has a mandatory redemption date of September 30, 2021, and the related dividend payments are treated similar to interest expense on the accompanying Condensed Consolidated Statements of Operations.

⁽⁴⁾ Operating obligations represent commitments outstanding as of June 30, 2018. See Note 8, “Commitments and Contingencies,” in the accompanying notes to our condensed consolidated financial statements for further discussion on each of these operating obligations.

⁽⁵⁾ Operating lease obligations represent ground lease payments due on two of our Arizona farms (1,368 total acres), which are leased from the State of Arizona under leases expiring in February 2022 and February 2025, respectively.

Off-Balance Sheet Arrangements

As of June 30, 2018, we did not have any material off-balance sheet arrangements.

NON-GAAP FINANCIAL INFORMATION

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

The National Association of Real Estate Investment Trusts (“NAREIT”) developed funds from operations (“FFO”) as a relative non-GAAP supplemental measure of operating performance of an equity REIT to recognize that income-producing real estate historically has not depreciated on the same basis as determined under GAAP. FFO, as defined by NAREIT, is net income (computed in accordance with GAAP), excluding gains or losses from sales of property and impairment losses on property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. We further present core FFO (“CFFO”) and adjusted FFO (“AFFO”) as additional non-GAAP financial measures of our operational performance, as we believe both CFFO and AFFO improve comparability on a period-over-period basis and are more useful supplemental metrics for investors to use in assessing our operational performance on a more sustainable basis than FFO. We believe that these additional performance metrics provide investors with additional insight to how management measures our ongoing performance, as each of CFFO and AFFO (and their respective per-share amounts) are used by management and our board of directors, as appropriate, in assessing overall performance, as well as in certain decision-making analysis, including, but not limited to, the timing of acquisitions and potential equity raises (and the type of securities to offer in any such equity raises), the determination of any fee credits, and declarations of distributions on our common stock. We believe that net income is the most directly-comparable GAAP measure to each of FFO, CFFO, and AFFO.

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

We calculate CFFO by adjusting FFO for the following items:

- *Acquisition-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 have historically been treated for accounting purposes, we believe the exclusion of these expenses improves comparability of our operating results on a period-to-period basis.
- *Acquisition- and disposition-related accounting fees.* Certain auditing and accounting fees we incur are directly related to acquisitions or dispositions and vary depending on the number and complexity of acquisitions or dispositions completed during a period. Due to the inconsistency in which these costs are incurred, we believe the exclusion of these expenses improves comparability of our operating results on a period-to-period basis.
- *Other adjustments.* We will adjust for certain non-recurring charges and receipts and will explain such adjustments accordingly. During the three months ended June 30, 2018, we modified our definitions of CFFO and AFFO to exclude the net incremental impact of the farming operations conducted through Land Advisers (including revenues from crop sales, costs of such sales, the incremental management fee earned by our Adviser pursuant to the expense-sharing agreement between our Adviser and Land Advisers, the loss on write-down of inventory, and the credit granted to Land Advisers by our Adviser, collectively, the “Incremental TRS Operations”), as we do not anticipate this to be an ongoing aspect of our core operations. As such, we believe the exclusion of the Incremental TRS Operations improves comparability of our operating results on a period-to-period basis and will apply the same modified definitions of CFFO and AFFO for all prior-year periods presented to provide consistency and better comparability.

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

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

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

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

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

Diluted funds from operations (“Diluted FFO”), diluted core funds from operations (“Diluted CFFO”), and diluted adjusted funds from operations (“Diluted AFFO”) per share are FFO, CFFO, and AFFO, respectively, divided by the weighted-average number of total shares (including shares of our common stock and OP Units held by non-controlling limited partners) outstanding on a fully-diluted basis during a period. We believe that diluted earnings per share is the most directly-comparable GAAP measure to each of Diluted FFO, CFFO, and AFFO per share. Because many REITs provide Diluted FFO, CFFO, and

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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 three and six months ended June 30, 2018 and 2017 to the most directly-comparable GAAP measure, net income, and a computation of diluted FFO, CFFO, and AFFO per share, using the weighted-average number of total shares (including shares of our common stock and OP Units held by non-controlling limited partners) outstanding during the respective periods (dollars in thousands, except per-share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net (loss) income	\$ (1,852)	\$ 255	\$ (2,170)	\$ 428
Plus: Real estate and intangible depreciation and amortization	2,242	1,599	4,430	3,071
FFO	390	1,854	2,260	3,499
Less: Dividends declared on Series B Preferred Stock	(3)	—	(3)	—
FFO available to common stockholders and OP Unitholders	387	1,854	2,257	3,499
Plus: Acquisition-related expenses	—	37	131	46
Plus: Net acquisition- and disposition-related accounting fees	—	25	13	36
Plus: Other charges, net ⁽¹⁾	1,348	—	1,403	—
CFFO available to common stockholders and OP Unitholders	1,735	1,916	3,804	3,581
Net rent adjustment	(163)	(156)	(414)	(290)
Plus: Amortization of debt issuance costs	146	120	289	236
AFFO available to common stockholders and OP Unitholders	\$ 1,718	\$ 1,880	\$ 3,679	\$ 3,527
Weighted-average common shares outstanding – basic and diluted	15,506,512	11,850,624	14,736,400	11,127,199
Weighted-average OP Units outstanding ⁽²⁾	913,551	1,449,258	945,236	1,449,258
Weighted-average total shares outstanding	16,420,063	13,299,882	15,681,636	12,576,457
Diluted FFO per weighted-average total share	\$ 0.02	\$ 0.14	\$ 0.14	\$ 0.28
Diluted CFFO per weighted-average total share	\$ 0.11	\$ 0.14	\$ 0.24	\$ 0.28
Diluted AFFO per weighted-average total share	\$ 0.10	\$ 0.14	\$ 0.23	\$ 0.28

⁽¹⁾ For the three months ended June 30, 2018, this adjustment consists of the net impact of the Incremental TRS Operations, which was a net loss of approximately \$1.4 million, as well as approximately \$13,000 of non-recurring credits. For the six months ended June 30, 2018, this adjustment consists of: (i) the net impact of the Incremental TRS Operations, which was a net loss of approximately \$1.2 million; (ii) a property and casualty loss of approximately \$129,000 recorded during the three months ended March 31, 2018; and (iii) approximately \$34,000 of additional repairs incurred as a result of damage caused to irrigation improvements from a lightning strike on one of our Arizona properties, which repairs were expensed during the three months ended March 31, 2018.

⁽²⁾ Includes only OP Units held by third parties. As of June 30, 2018 and 2017, there were 717,423 and 1,449,258, respectively, OP Units held by non-controlling limited partners, representing 4.3% and 10.9%, respectively, of all OP Units issued and outstanding.

Net Asset Value

Real estate companies are required to record real estate using the historical cost basis of the real estate, adjusted for accumulated depreciation and amortization, and, as a result, the carrying value of the real estate does not typically change as the fair value of the assets change. Thus, one challenge is determining the fair value of the real estate in order to allow stockholders to see the value of the real estate increase or decrease over time, which we believe is useful to our investors.

Determination of Fair Value

Our Board of Directors reviews and approves the valuations of our properties pursuant to a valuation policy approved by our Board of Directors (the “Valuation Policy”). Such review and approval occurs in three phases: (i) prior to its quarterly meetings, the Board of Directors receives written valuation recommendations and supporting materials that are provided by professionals of the Adviser and Administrator, with oversight and direction from the chief valuation officer, who is also employed by the Administrator (collectively, the “Valuation Team”); (ii) the valuation committee of the Board of Directors (the “Valuation Committee”), which is comprised entirely of independent directors, meets to review the valuation recommendations and supporting materials; and (iii) after the Valuation Committee concludes its meeting, it and the chief valuation officer

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present the Valuation Committee’s findings to the entire Board of Directors so that the full Board of Directors may review and approve the fair values of our properties in accordance with the Valuation Policy. Further, on a quarterly basis, the Board of Directors reviews the Valuation Policy to determine if changes thereto are advisable and also reviews whether the Valuation Team has applied the Valuation Policy consistently.

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

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

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

A breakdown of the methodologies used to value our properties and the aggregate value as of June 30, 2018, determined by each method is shown in the table below (dollars in thousands, except in footnotes):

Valuation Method	Number of Farms	Total Acres	Farm Acres	Net Cost Basis ⁽¹⁾	Current Fair Value	% of Total Fair Value
Purchase Price	6	2,883	2,361	\$ 26,998	\$ 26,745	4.9%
Sales Price	1	1,895	1,640	13,850	20,500 ⁽²⁾	3.8%
Internal Valuation	4	8,075	6,069	34,702	37,149 ⁽³⁾	6.8%
Third-party Appraisal ⁽⁴⁾	64	50,472	41,065	389,732	459,050	84.5%
Total	75	63,325	51,135	\$ 465,282	\$ 543,444	100.0%

⁽¹⁾ Consists of the initial acquisition price (including the costs allocated to both tangible and intangible assets acquired and liabilities assumed), plus subsequent improvements and other capitalized costs paid for by us that were associated with the properties, and adjusted for accumulated depreciation and amortization.

⁽²⁾ Based on the sales price of a farm that was sold subsequent to June 30, 2018.

⁽³⁾ 96.6% of this valuation, or approximately \$35.9 million, is supported by values as determined by third-party appraisals performed between August 2015 and July 2017. The difference of approximately \$1.3 million represents the net appreciation of those properties since the time of such appraisals, as determined in accordance with our Valuation Policy.

⁽⁴⁾ Appraisals performed between July 2017 and June 2018.

Some of the significant assumptions used by appraisers and the Valuation Team in valuing our portfolio as of June 30, 2018, include land values per farmable acre, market rental rates per farmable acre, and capitalization rates, among others. These assumptions were applied on a farm-by-farm basis and were selected based on several factors, including comparable land sales, surveys of both existing and current market rates, discussions with other brokers and farmers, soil quality, size, location, and other factors deemed appropriate. A summary of these significant assumptions is provided in the following table:

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	Appraisal Assumptions		Internal Valuation Assumptions	
	Range (Low - High)	Weighted Average	Range (Low - High)	Weighted Average
Land Value (per farmable acre)	\$815 – \$92,176	\$ 36,951	\$4,123 – \$8,078	\$ 5,274
Market Rent (per farmable acre)	\$20 – \$4,718	\$ 1,915	\$337 – \$455	\$ 371
Market Capitalization Rate	1.14% – 5.65%	4.11%	5.00% – 5.49%	5.35%

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

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

Management believes that the purchase prices of the farms acquired during the previous 12 months, the most recent appraisals available for the farms acquired prior to the previous 12 months that were not valued internally, and the farms that were valued internally during the previous 12 months fairly represent the current market values of the properties as of June 30, 2018, and, accordingly, did not make any adjustment to these values.

A quarterly roll-forward of the change in our portfolio value for the three months ended June 30, 2018, from the prior value basis as of March 31, 2018, is provided in the table below (dollars in thousands):

Total portfolio fair value as of March 31, 2018	\$ 537,378
<i>Plus net value appreciation during the three months ended June 30, 2018:</i>	
One farm valued based on sales price ⁽¹⁾	\$ 3,740
Four farms valued internally	1,148
17 farms valued via third-party appraisals	1,178
Total net appreciation for the three months ended	6,066
Total portfolio fair value as of June 30, 2018	\$ 543,444

⁽¹⁾ Based on the sales price of a farm that was sold subsequent to June 30, 2018.

Management also determined fair values of all of its long-term borrowings and preferred stock. Using a discounted cash flow analysis, management determined that the fair value of all long-term encumbrances on our properties as of June 30, 2018, was approximately \$278.0 million, as compared to a carrying value (excluding unamortized related debt issuance costs) of approximately \$291.9 million. In addition, using the closing stock price as of June 30, 2018, the fair value of the Series A Term Preferred stock was determined to be approximately \$29.3 million, as compared to a carrying value (excluding unamortized related issuance costs) of approximately \$28.8 million. Finally, pursuant to Financial Industry Regulatory Authority Rule 2310(b)(5), with the assistance of a third-party valuation expert, we determined the estimated value of our Series B Preferred Stock to be \$25.00 per share as of June 30, 2018 (see Exhibit 99.1 to this Form 10-Q).

Calculation of Estimated Net Asset Value

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

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

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As of June 30, 2018, we estimate our NAV per common share to be \$13.51, as detailed below (dollars in thousands, except per-share data):

Total equity per balance sheet	\$	135,151
<i>Fair value adjustment for long-term assets:</i>		
Less: net cost basis of tangible and intangible real estate holdings ⁽¹⁾	\$	(465,282)
Plus: estimated fair value of real estate holdings ⁽²⁾		543,444
Net fair value adjustment for real estate holdings		78,162
<i>Fair value adjustment for long-term liabilities:</i>		
Plus: book value of aggregate long-term indebtedness ⁽³⁾		320,693
Less: fair value of aggregate long-term indebtedness ⁽³⁾⁽⁴⁾		(307,358)
Net fair value adjustment for long-term indebtedness		13,335
Estimated NAV		226,648
Less: fair value of Series B Preferred Stock ⁽⁵⁾		(507)
Estimated NAV available to common stockholders and OP Unitholders	\$	226,141
Total common shares and OP Units outstanding ⁽⁶⁾		16,741,295
Estimated NAV per common share and OP Unit	\$	13.51

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

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

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

⁽⁴⁾ Long-term mortgage notes and bonds payable were valued using a discounted cash flow model. The Series A Term Preferred Stock was valued based on its closing stock price as of June 30, 2018.

⁽⁵⁾ Valued at the security's liquidation value, as discussed above.

⁽⁶⁾ Includes 16,023,872 shares of common stock and 717,423 OP Units held by non-controlling limited partners.

A quarterly roll-forward in the estimated NAV per common share for the three months ended June 30, 2018, is provided below

Estimated NAV per common share and OP Unit as of March 31, 2018	\$	13.57
Less net loss per common share		(0.11)
<i>Plus change in valuations:</i>		
Net change in unrealized fair value of farmland portfolio ⁽¹⁾	\$	0.12
Net change in unrealized fair value of long-term indebtedness		0.11
Net change in valuations		0.23
Less distributions		(0.13)
Less net dilutive effect of aggregate equity issuances and OP Unit redemptions ⁽²⁾		(0.05)
Estimated NAV per common share and OP Unit as of June 30, 2018	\$	13.51

⁽¹⁾ The net change in unrealized fair value of farmland portfolio consists of three components: (i) an increase of \$0.37 due to the net appreciation in value of 22 farms that were valued during the three months ended June 30, 2018, (ii) an increase of \$0.14 due to the aggregate depreciation and amortization expense recorded during the three months ended June 30, 2018, and (iii) a decrease of \$0.39 due to capital improvements made on certain properties that have not yet been considered in the determination of the respective properties' estimated fair values.

⁽²⁾ Reflective of shares of common stock issued during the three months ended June 30, 2018, through the underwriters' exercise of a follow-on common stock offering and our ATM Program, as well as the redemption of certain OP Units (see Note 7, "Equity," in the accompanying notes to our condensed consolidated financial statements).

Comparison of estimated NAV and estimated NAV per common share, using the definitions above, to similarly-titled measures for other REITs, may not necessarily be meaningful due to possible differences in the calculation or application of the definition of NAV used by such REITs. In addition, the trading price of our common shares may differ significantly from our most recent estimated NAV per common share calculation. For example, while we estimated our NAV as of June 30, 2018, to be \$13.51 per share based on the calculation above, the closing price of our common stock on June 30, 2018, was \$12.67, and it has subsequently traded between \$11.36 and \$13.13 per share.

The determination of estimated NAV is subjective and involves a number of assumptions, judgments, and estimates, and minor adjustments to these assumptions, judgments, or estimates may have a material impact on our overall portfolio valuation. In addition, many of the assumptions used are sensitive to market conditions and can change frequently. Changes in the market environment and other events that may occur during our ownership of these properties may cause the values reported above to vary from the actual fair value that may be obtained in the open market. Further, while management believes the values presented reflect current market conditions, the ultimate amount realized on any asset will be based on the timing of such

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dispositions and the then-current market conditions. There can be no assurance that the ultimate realized value upon disposition of an asset will approximate the estimated fair value above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices, and other market changes that affect market-sensitive instruments. The primary market risk that we believe we are and will be exposed to is interest rate risk. Certain of our existing leases contain escalations based on market indices, and certain of our existing borrowings are subject to variable interest rates. Further, the interest rates on certain of our fixed-rate borrowings are either fixed for a finite period before converting to variable rate or are subject to periodic adjustments. Although we seek to mitigate this risk by structuring certain provisions into many of our leases, such as escalation clauses or adjusting the rent to prevailing market rents at two- to three-year intervals, these features do not eliminate this risk. To date, we have not entered into any derivative contracts to attempt to manage our exposure to interest rate fluctuations.

As of June 30, 2018, the fair value of our fixed-rate borrowings outstanding (excluding our Series A Term Preferred Stock), which accounted for approximately 98.8% of the aggregate principal balance of all borrowings outstanding as of June 30, 2018, was approximately \$278.0 million. However, interest rate fluctuations may affect the fair value of our fixed-rate borrowings. If market interest rates had been one percentage point lower or higher than those rates in place as of June 30, 2018, the fair value of our fixed-rate borrowings would have increased or decreased by approximately \$14.1 million or \$13.2 million, respectively.

There have been no material changes in the quantitative and qualitative market risk disclosures for the six months ended June 30, 2018, from that disclosed in our Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of June 30, 2018, our management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2018, in providing a reasonable level of assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in applicable SEC rules and forms, including providing a reasonable level of assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of necessarily achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

Sales of Unregistered Securities

During the three months ended June 30, 2018, we issued 243,567 shares of common stock in exchange for 243,567 OP Units that were held by certain limited partners of our Operating Partnership in connection with certain of our prior acquisitions. OP Units are generally redeemable for cash or, at our discretion, exchangeable into shares of our common stock on a one-for-one basis. The cash redemption amount per OP Unit is based on the market price of a share of our common stock at the time of redemption. These shares of common stock were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. We relied on the exemption under Section 4(a)(2) based upon factual representations received from the limited partners who received the shares of common stock.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Articles of Incorporation, incorporated by reference to Exhibit 3.1 to Pre-Effective Amendment No. 2 to the Registration Statement on Form S-11 (File No. 333-183965), filed on November 2, 2012.
3.2	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form S-11 (File No. 333-183965), filed on November 15, 2012.
3.3	Articles Supplementary establishing the 6.375% Series A Cumulative Term Preferred Stock, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-35795), filed on August 11, 2016.
3.4	Articles of Amendment, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-35795), filed on July 12, 2017.
3.5	Articles Supplementary establishing the 6.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-35795), filed on May 31, 2018.
4.1	Form of Common Stock Certificate, incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 4 to the Registration Statement on Form S-11 (File No. 333-183965), filed on December 27, 2012.
4.2	Form of Indenture, incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-3 (File No. 333-217042), filed on March 30, 2017.
4.3	Form of Certificate for 6.375% Series A Cumulative Term Preferred Stock, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35795), filed on August 11, 2016.
4.4	Form of Certificate for 6.00% Series B Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35795), filed on May 31, 2018.
10.1	Third Amendment to the First Amended and Restated Agreement of Limited Partnership of Gladstone Land Limited Partnership, including Exhibit SB-2 thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35795), filed on May 31, 2018.
10.2	Amended and Restated Subscription Escrow Agreement, dated as of January 8, 2018, by and among Gladstone Land Corporation and UMB Bank, National Association, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 001-35795), filed on May 31, 2018.
10.3	Amended and Restated Dealer Manager Agreement, dated May 31, 2018, by and between Gladstone Land Corporation and Gladstone Securities, LLC, incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K (File No. 001-35795), filed on May 31, 2018.
11	Computation of Per Share Earnings from Operations.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Estimated Value Methodology for Series B Cumulative Redeemable Preferred Stock at June 30, 2018 (filed herewith)
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF***	XBRL Definition Linkbase

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*** Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following materials, formatted in eXtensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets as of June 30, 2018, and December 31, 2017, (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018, and 2017, (iii) the Condensed Consolidated Statements of Equity for the six months ended June 30, 2018, and 2017, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018, and 2017 and (v) the Notes to the Consolidated Financial Statements.

SIGNATURES

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

Gladstone Land Corporation

Date: August 8, 2018

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

Date: August 8, 2018

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

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

I, David Gladstone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gladstone Land Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2018

/s/ David Gladstone

David Gladstone

Chief Executive Officer and

Chairman of the Board of Directors

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

I, Lewis Parrish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gladstone Land Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2018

/s/ Lewis Parrish

Lewis Parrish

Chief Financial Officer and

Assistant Treasurer

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

The undersigned, the Chief Executive Officer of Gladstone Land Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 ("Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: August 8, 2018

/s/ David Gladstone

David Gladstone

Chief Executive Officer and

Chairman of the Board of Directors

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

The undersigned, the Chief Financial Officer and Assistant Treasurer of Gladstone Land Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 ("Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: August 8, 2018

/s/ Lewis Parrish

Lewis Parrish

Chief Financial Officer and

Assistant Treasurer

Exhibit 99.1

Pursuant to FINRA Rule 2310(b)(5), Gladstone Land Corporation (the “Company”) determined the estimated value as of June 30, 2018, of its 6.00% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred Stock”), \$25.00 stated value per share, with the assistance of a third-party valuation service. In particular, the third-party valuation service reviewed the amount resulting from the consolidated total equity of the Company (as reflected on the Company’s Condensed Consolidated Balance Sheet within its Quarterly Report on Form 10-Q for the three months ended June 30, 2018 (the “Form 10-Q”), which was prepared in accordance with U.S. generally accepted accounting principles), adjusted for the fair value of its long-term assets (i.e., its real estate holdings) and long-term liabilities (each as disclosed within the Form 10-Q (to which this exhibit is attached) under “Non-GAAP Financial Information-Net Asset Value”), divided by the number of shares of the Company’s Series B Preferred Stock outstanding. Based on this methodology and because the result from the calculation above is greater than the \$25.00 per share state value of the Company’s Series B Preferred Stock, the Company has determined that the estimated value of its Series B Preferred Stock as of June 30, 2018 is \$25.00 per share.

