GLADSTONE LAND Corp
Form 10-Q
August 08, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017
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	54-1892552
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1521 WESTBRANCH DRIVE, SUITE 100
MCLEAN, VIRGINIA 22102
(Address of principal executive offices, including 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 ý NO ¨

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

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	(Do not check if a smaller reporting company)	
Smaller reporting company	¨	Emerging growth company	x

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 ý.

The number of shares of the registrant's Common Stock, $0.001 par value per share, outstanding as of August 7, 2017, was 12,011,757.

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FORM 10-Q FOR THE QUARTER ENDED
JUNE 30, 2017
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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, 2017	December 31, 2016
ASSETS		
Investments in real estate, net	$405,222	$326,311
Lease intangibles, net	5,905	2,000
Cash and cash equivalents	2,766	2,438
Deferred financing costs related to borrowings under line of credit, net	217	239
Other assets, net	2,910	2,997
TOTAL ASSETS	$417,020	$333,985
LIABILITIES AND EQUITY		
LIABILITIES:		
Borrowings under lines of credit	$35,050	$16,550
Mortgage notes and bonds payable, net	236,941	190,797
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, 2017, and December 31, 2016, net[(1)]	27,773	27,655
Accounts payable and accrued expenses	4,684	2,801
Due to related parties, net[(2)]	836	751
Other liabilities, net	7,260	7,654
Total liabilities	312,544	246,208
Commitments and contingencies[(3)]		
EQUITY:		
Stockholders' equity:		
Common stock, $0.001 par value; 18,000,000 shares authorized, 11,850,624 shares issued and outstanding as of June 30, 2017; 18,000,000 shares authorized, 10,024,875 shares issued and outstanding as of December 31, 2016	12	10
Additional paid-in capital	109,020	90,082
Accumulated deficit	(15,941)	(13,402)
Total stockholders' equity	93,091	76,690
Non-controlling interests in the Operating Partnership	11,385	11,087
Total equity	104,476	87,777
TOTAL LIABILITIES AND EQUITY	$417,020	$333,985

(1) Refer to Note 5, "Mandatorily-Redeemable Preferred Stock," for additional information.
(2) Refer to Note 6, "Related-Party Transactions," for additional information.
(3) Refer to Note 8, "Commitments and Contingencies," for additional information.

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

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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,	
	2017	2016	2017	2016
OPERATING REVENUES:				
Rental revenue	$5,994	$ 4,241	$11,742	$ 7,921
Tenant recovery revenue	2	3	4	6
Total operating revenues	5,996	4,244	11,746	7,927
OPERATING EXPENSES:				
Depreciation and amortization	1,599	1,335	3,071	2,312
Property operating expenses	242	172	490	384
Acquisition-related expenses	37	25	46	120
Management fee[(1)]	530	385	924	773
Incentive fee[(1)]	76	159	427	159
Administration fee[(1)]	219	179	445	391
General and administrative expenses	387	395	834	794
Total operating expenses	3,090	2,650	6,237	4,933
OPERATING INCOME	2,906	1,594	5,509	2,994
OTHER INCOME (EXPENSE):				
Other income	—	9	185	103
Interest expense	(2,193)	(1,487)	(4,349)	(2,741)
Distributions attributable to mandatorily-redeemable preferred stock	(458)	—	(917)	—
Total other expense	(2,651)	(1,478)	(5,081)	(2,638)
NET INCOME	255	116	428	356
Less net income attributable to non-controlling interests	(28)	(8)	(49)	(14)
NET INCOME ATTRIBUTABLE TO THE COMPANY	$227	$ 108	$379	$ 342
EARNINGS PER COMMON SHARE:				
Basic and diluted	$0.02	$ 0.01	$0.03	$ 0.03
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and diluted	11,850,624	9,992,941	11,127,199	9,992,941

[(1)] Refer to Note 6, "Related-Party Transactions," for additional information.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Common Stock					
	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interests	Total Equity
Balance at December 31, 2015	9,992,941	$ 10	$ 86,892	$ (8,895)	$ —	$ 78,007
Net income	—	—	—	342	14	356
Proceeds from issuance of common stock, net	—	—	(4)	—	(26)	(30)
Distributions	—	—	—	(2,436)	(122)	(2,558)
Issuance of OP Units as consideration in real estate acquisitions, net	—	—	—	—	6,452	6,452
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	607	—	(607)	—
Balance at June 30, 2016	9,992,941	$ 10	$ 87,495	$ (10,989)	$ 5,711	$ 82,227
Balance at December 31, 2016	10,024,875	$ 10	$ 90,082	$ (13,402)	$ 11,087	$ 87,777
Net income	—	—	—	379	49	428
Proceeds from issuance of common stock, net	1,825,749	2	19,563	—	—	19,565
Distributions	—	—	—	(2,918)	(376)	(3,294)
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	(625)	—	625	—
Balance at June 30, 2017	11,850,624	$ 12	$ 109,020	$ (15,941)	$ 11,385	$ 104,476

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

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

	For the Six Months Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$428	$356
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,071	2,312
Amortization of deferred financing costs	236	70
Amortization of deferred rent assets and liabilities, net	(115)	(85)
Allowance for doubtful accounts	—	51
Changes in operating assets and liabilities:		
Other assets	48	10
Accounts payable, accrued expenses and due to related parties	1,318	522
Other liabilities	(307)	3,729
Net cash provided by operating activities	4,679	6,965
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of new real estate	(82,950)	(34,376)
Capital expenditures on existing real estate	(1,624)	(7,883)
Change in deposits on real estate acquisitions and investments, net	(565)	(367)
Net cash used in investing activities	(85,139)	(42,626)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of equity	20,722	—
Offering costs	(1,225)	(252)
Borrowings from mortgage notes and bonds payable	49,001	24,813
Repayments on mortgage notes and bonds payable	(2,568)	(420)
Borrowings from lines of credit	38,000	17,300
Repayments on lines of credit	(19,500)	(2,900)
Payment of financing fees	(348)	(78)
Distributions paid on common stock	(2,918)	(2,436)
Distributions paid to non-controlling interests in Operating Partnership	(376)	(122)
Payment of contingent consideration	—	(700)
Net cash provided by financing activities	80,788	35,205
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	328	(456)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,438	2,533
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$2,766	$2,077
NON-CASH INVESTING AND FINANCING INFORMATION:		
Issuance of non-controlling interests in operating partnership in conjunction with acquisitions	$—	$6,452
Real estate additions included in Other assets	15	—
Real estate additions included in Accounts payable, accrued expenses and due to related parties	647	1,485
Real estate additions included in Other liabilities	33	624
Common stock offering and OP Unit issuance costs included in Accounts payable, accrued expenses and due to related parties	140	14
Financing fees included in Accounts payable, accrued expenses and due to related parties	45	8

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

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

NOTE 1. BUSINESS

Business

Gladstone Land Corporation is an agricultural real estate investment trust ("REIT") that was re-incorporated in Maryland on March 24, 2011, having been previously re-incorporated in Delaware on May 25, 2004, and having been originally incorporated in California on June 14, 1997. We are primarily in the business of owning and leasing farmland, and we conduct substantially all of our operations through a subsidiary, Gladstone Land Limited Partnership (the "Operating Partnership"), a Delaware limited partnership. The Company owned 89.1% and 87.4% of the limited partnership interests in the Operating Partnership ("OP Units") as of June 30, 2017, and December 31, 2016, respectively (see Note 7, "Equity," for additional discussion regarding OP Units).

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, 2016, as filed with the U.S. Securities and Exchange Commission (the "SEC") on February 21, 2017 (the "Form 10-K"). The results of operations for the three and six months ended June 30, 2017, 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.

Reclassifications

Certain line items on the accompanying Condensed Consolidated Statement of Operations and Condensed Consolidated Statement of Cash Flows for the three and six months ended June 30, 2016, have been reclassified to conform to the current period's presentation. These reclassifications had no impact on previously-reported stockholders' equity, net income or net change in cash and cash equivalents.

Non-controlling Interests

Non-controlling interests are interests in the Operating Partnership not owned by us. We evaluate whether non-controlling interests are subject to redemption features outside of our control. As of both June 30, 2017, and December 31, 2016, the non-controlling interests in the Operating Partnership are redeemable at the option of the holder for cash or, at our election, shares of our common stock and thus are reported in the equity section of the accompanying Condensed Consolidated Balance Sheet but separate from stockholders' equity. The amounts reported for non-controlling interests on the accompanying Condensed Consolidated Statement of Operations represent the portion of income from the Operating Partnership not attributable to us. At the end of each reporting period, we determine the amount of equity (at book value) that is allocable to non-controlling interests based upon the respective ownership interests. To reflect the non-controlling interests' equity interest in the Company, an adjustment is made to non-controlling interests, with a corresponding adjustment to paid-in capital, as reflected on the accompanying Condensed Consolidated Statements of Equity.

Critical Accounting Policies

The preparation of financial statements in accordance with GAAP requires management to make judgments that are subjective in nature in order to make certain estimates and assumptions, and our application of these accounting policies involves the exercise of judgment regarding the use of assumptions as to future uncertainties. A summary of our significant accounting policies is provided in Note 2 to our consolidated financial statements included in our Form 10-K. There were no material changes to our significant accounting policies during the six months ended June 30, 2017.

Recently-Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), which was amended in March 2016 by ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08"), in April 2016 by ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-10"), in May 2016 by ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), and in December 2016 by ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"). ASU 2014-09, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance and establishes a new, control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. In July 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which deferred the effective date of ASU 2014-09, as amended. ASU 2014-09, as amended, is now effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years, with early adoption permitted for annual reporting periods beginning after December 15, 2016, and interim periods within those years. We do not believe ASU 2014-09 will 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.

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 leases 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.

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions and disposals. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We have early adopted ASU 2017-01, effective October 1, 2016. As a result of our adoption of ASU 2017-01, we anticipate that most of our farmland acquisitions will be treated as asset acquisitions under Accounting Standards Codification ("ASC") 360, which will result in a lower amount of acquisition-related costs being expensed on our condensed consolidated statements of operations, as the majority of those costs will be capitalized and included as part of the fair value allocation of the purchase price.

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NOTE 3. REAL ESTATE AND INTANGIBLE ASSETS

All of our farms are owned on a fee-simple basis, except where noted. The following table provides certain summary information about our 65 farms as of June 30, 2017 (dollars in thousands, except for footnotes):

Location	No. of Farms	Total Acres	Farm Acres	Net Cost Basis(1)	Encumbrances(2)
California	22	6,713	6,240	$182,226	$ 137,868
Florida	16	9,315	7,664	107,960	64,800
Colorado	9	30,170	23,257	42,140	25,227
Arizona(3)	6	6,280	5,228	40,748	23,314
Oregon	4	2,313	2,003	19,568	12,927
Nebraska	2	2,559	2,101	10,708	6,602
Michigan	4	270	183	2,993	1,653
North Carolina	2	310	295	2,317	1,301
	65	57,930	46,971	$408,660	$ 273,692

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

(2) Excludes approximately $1.7 million of deferred financing 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 $3.5 million as of June 30, 2017 (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, 2017, and December 31, 2016 (dollars in thousands):

	June 30, 2017	December 31, 2016
Real estate:		
Land and land improvements	$332,035	$ 265,985
Irrigation systems	45,829	33,969
Buildings	16,805	14,671
Horticulture	18,870	17,759
Other improvements	5,472	4,993
Real estate, at cost	419,011	337,377
Accumulated depreciation	(13,789)	(11,066)
Real estate, net	$405,222	$ 326,311

Real estate depreciation expense on these tangible assets was approximately $1.4 million and $2.7 million for the three and six months ended June 30, 2017, respectively, and $1.1 million and $1.9 million for the three and six months ended June 30, 2016, respectively.

Included in the figures above are amounts related to improvements on certain of our properties paid for by our tenants but owned by us, or tenant improvements. As of each of June 30, 2017, and December 31, 2016, we recorded tenant improvements, net of accumulated depreciation, of approximately $1.8 million. We recorded both depreciation expense and additional rental revenue related to these tenant improvements of approximately $53,000 and $89,000 for the three and six months ended June 30, 2017, respectively, and $31,000 and $62,000 for the three and six months ended June 30, 2016, respectively.

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Intangible Assets and Liabilities

The following table summarizes the carrying values of lease intangible assets and the related accumulated amortization as of June 30, 2017, and December 31, 2016 (dollars in thousands):

	June 30, 2017	December 31, 2016
Lease intangibles:		
Leasehold interest – land	$3,498	$ —
In-place leases	1,675	1,481
Leasing costs	1,540	1,086
Tenant relationships	668	706
Lease intangibles, at cost	7,381	3,273
Accumulated amortization	(1,476)	(1,273)
Lease intangibles, net	$5,905	$ 2,000

Total amortization expense related to these lease intangible assets was approximately $210,000 and $348,000 for the three and six months ended June 30, 2017, respectively, and $198,000 and $375,000 for the three and six months ended June 30, 2016, respectively.

The following table summarizes the carrying values of certain lease intangible assets or liabilities included in Other assets and Other liabilities, respectively, on the accompanying Condensed Consolidated Balance Sheets and the related accumulated amortization or accretion, respectively, as of June 30, 2017, and December 31, 2016 (dollars in thousands).

	June 30, 2017		December 31, 2016	
Intangible Asset or Liability	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion
Above-market lease values[(1)]	$35	$ (18)	$19	$ (14)
Below-market lease values and deferred revenue[(2)]	(800)	91	(785)	61
	$(765)	$ 73	$(766)	$ 47

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

(2) Below-market lease values and deferred revenue are included as a part of Other liabilities in the accompanying 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 deferred revenue was approximately $2,000 and $4,000 for the three and six months ended June 30, 2017, respectively, and $2,000 and $3,000 for the three and six months ended June 30, 2016, respectively. Total accretion related to below-market lease values and deferred revenue was approximately $15,000 and $30,000 for the three and six months ended June 30, 2017, respectively, and $7,000 and $15,000 for the three and six months ended June 30, 2016, respectively.

New Real Estate Activity

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

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

2017 New Real Estate Activity

During the six months ended June 30, 2017, we acquired seven new farms in three separate transactions, 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]	New Long-term Debt
Citrus Boulevard	Martin, FL	1/12/2017	3,748	1	Organic Vegetables	7 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	8.2 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
			7,338	7				$83,669	$217	$4,721	$49,001

(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 amount 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. If either of the state leases is not renewed upon its expiration, the subleases on the respective acreage shall terminate automatically.

(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 rents guaranteed under the lease.

The allocation of the purchase price for the farm acquired during the six months ended June 30, 2017, is as follows (dollars in thousands, except for footnotes):

Property Name	Land and Land Improvements	Buildings	Irrigation Systems	Other Improvements	Horticulture	Leasehold Interest – Land	In-place Leases	Leasing Cost	Total Purchase Price
Citrus Boulevard	$ 52,375	$ 178	$ 1,447	$ —	$ —	$ —	$ —	$ —	$ 54,000
Spot Road[1]	12,354	1,897	8,584	455	—	3,488	254	468	27,500
Poplar Street	1,110	48	305	—	706	—	—	—	2,169
	$ 65,839	$ 2,123	$ 10,336	$ 455	$ 706	$ 3,488	$ 254	$ 468	$ 83,669

(1) In connection with the acquisition of this property, we recorded an above-market lease value of approximately $15,000 related to one agricultural lease assumed and a below-market lease value of approximately $15,000 related to the residential lease assumed.

Below is a summary of the total operating revenues and earnings (loss) recognized on the property acquired during the three and six months ended June 30, 2017 (dollars in thousands):

Property Name	Acquisition Date	For the three months ended June 30, 2017 Operating Revenues	For the three months ended June 30, 2017 Earnings (Loss)	For the six months ended June 30, 2017 Operating Revenues	For the six months ended June 30, 2017 Earnings (Loss)
Citrus Boulevard	1/12/2017	$732	$ 430	$1,377	$ 810

Spot Road	6/1/2017	141	(5)	141	(5)
Poplar Street	6/2/2017	10	4	10	4
		$883	$ 429	$1,528	$ 809

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2016 New Real Estate Activity

During the six months ended June 30, 2016, we acquired four new farms in two separate transactions, which are summarized in the table below (dollars in thousands, except for footnotes).

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs	Annualized Straight-line Rent[(1)]	Net Long-term Debt Issued
Gunbarrel Road [(2)]	Saguache, CO	3/3/2016	6,191	3	Organic Potatoes	5 years	1 (5 years)	$25,736	$119 [(3)]	$1,591	$15,531
Calaveras Avenue	Fresno, CA	4/5/2016	453	1	Pistachios	10 years	1 (5 years)	15,470	39 [(4)]	774 [(5)]	9,282
			6,644	4				$41,206	$158	$2,365	$24,813

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

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

(3) Acquisition accounted for as a business combination under ASC 805. In aggregate, $4,670 of these costs were direct leasing costs incurred in connection with these acquisitions.

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

(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 rents guaranteed under the lease.

The allocation of the purchase price for the farms acquired during the six months ended June 30, 2016, were as follows (dollars in thousands):

Property Name	Land and Land Improvements	Buildings and Improvements	Irrigation System	Other Improvements	Horticulture	In-place Leases	Leasing Costs	Total Purchase Price
Gunbarrel Road	$ 16,756	$ 3,438	$ 2,831	$ 2,079	$ —	$ 382	$ 250	$ 25,736
Calaveras Avenue	3,615	—	424	—	11,431	—	—	15,470
	$ 20,371	$ 3,438	$ 3,255	$ 2,079	$ 11,431	$ 382	$ 250	$ 41,206

Below is a summary of the total operating revenues and loss recognized on the properties acquired during the three and six months ended June 30, 2016 (dollars in thousands, except for footnotes):

Property Name	Acquisition Date	For the three months ended June 30, 2016 Operating Revenues	Loss[(1)]	For the six months ended June 30, 2016 Operating Revenues	Loss[(1)]
Gunbarrel Road	3/3/2016	$398	$ (51)	$522	$ (152)
Calaveras Avenue	4/5/2016	184	(3)	184	(3)
		$582	$ (54)	$706	$ (155)

(1) Includes approximately $5,000 and $89,000 of non-recurring acquisition-related costs during the three and six months ended June 30, 2016, respectively.

Acquired Intangibles and Liabilities

The following table shows the weighted-average amortization period, in years, for the intangible assets acquired and liabilities assumed in connection with new real estate acquired during the six months ended June 30, 2017 and 2016:

Weighted-Average

Intangible Assets and Liabilities	Amortization Period (in Years) 2017	2016
Leasehold interest – land	6.9	0.0
In-place leases	9.1	5.1
Leasing costs	9.2	5.1
Above-market lease values	2.1	0.0
Below-market lease values and deferred revenue	2.3	0.0
All intangible assets and liabilities	7.3	5.1

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Pro-Forma Financials

During the six months ended June 30, 2016, we acquired three farms that qualified as business combinations. No farms were acquired during the six months ended June 30, 2017 that were treated as business combinations. The following table reflects pro-forma consolidated financial information as if each farm acquired during the six months ended June 30, 2016, as part of a business combination was acquired on January 1, 2015. In addition, pro-forma earnings have been adjusted to assume that acquisition-related costs related to these farms were incurred at the beginning of the previous fiscal year (dollars in thousands, except share and per-share amounts).

	For the three months ended June 30, 2016 (Unaudited)	For the six months ended June 30, 2016 (Unaudited)
Operating Data:		
Total operating revenue	$ 4,244	$ 7,927
Net income attributable to the company	$ 93	$ 101
Share and Per-share Data:		
Earnings per share of common stock – basic and diluted	$ 0.01	$ 0.01
Weighted-average common shares outstanding – basic and diluted	9,992,941	9,992,941

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

Significant Existing Real Estate Activity

Lease Extensions and Renewals

During the six months ended June 30, 2017, we extended or renewed eight separate leases on seven different farms in California and Florida that had leases expiring in either 2017 or 2018. In total, these leases were renewed for additional terms ranging between one and five years and for total annualized rents of approximately $1.1 million, representing a decrease of approximately $4,000 (approximately 0.3%) from that of the prior leases. These renewals were executed without incurring any downtime on the respective farms, and no leasing commissions or tenant improvements were incurred in connection with these renewals.

Portfolio Diversification and Concentrations

Diversification

The following table summarizes the geographic locations, by state, of our properties with leases in place as of June 30, 2017 and 2016 (dollars in thousands):

	As of and For the Six Months Ended June 30, 2017					As of and For the Six Months Ended June 30, 2016				
State	Number of Farms	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue	Number of Farms	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue
California	22	6,713	11.6%	$5,728	48.8%	19	4,029	17.2%	$ 4,502	56.8%
Florida	16	9,315	16.1%	3,143	26.8%	13	5,094	21.7%	1,539	19.4%
Colorado	9	30,170	52.1%	1,345	11.4%	3	6,191	26.4%	522	6.6%
Oregon	4	2,313	4.0%	589	5.0%	4	2,313	9.9%	585	7.4%
Arizona	6	6,280	10.8%	512	4.3%	2	3,000	12.8%	358	4.5%
Nebraska	2	2,559	4.4%	290	2.5%	2	2,559	10.9%	290	3.7%
Michigan	4	270	0.5%	125	1.1%	4	270	1.1%	125	1.6%
North Carolina	2	310	0.5%	10	0.1%	—	—	—%	—	—%
TOTALS	65	57,930	100.0%	$11,742	100.0%	47	23,456	100.0%	$ 7,921	100.0%

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Concentrations
Credit Risk
As of June 30, 2017, our farms were leased to 44 different, third-party tenants, 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 $2.1 million, or 18.1% of the rental revenue recorded during the six months ended June 30, 2017. In addition, Dole Food Company ("Dole") leases two of our farms, and aggregate rental revenue attributable to Dole accounted for approximately $1.5 million, or 12.6% of the rental revenue recorded during the six months ended June 30, 2017. If either Tenant A or Dole fail to make rental payments or elect to terminate their respective leases, and the properties cannot be re-leased on satisfactory terms, there could be a material adverse effect on our financial performance and ability to continue operations. No other individual tenant represented greater than 10.0% of the total rental revenue recorded during the six months ended June 30, 2017.
Geographic Risk
As of June 30, 2017, 22 of the 65 farms we owned were located in California, 16 farms were located in Florida and 9 farms were located in Colorado. Further, our California, Florida, and Colorado farms accounted for approximately $5.7 million (48.8%), $3.1 million (26.8%), and $1.3 million (11.4%), respectively, of the rental revenue recorded during the six months ended June 30, 2017. Though we seek to continue to further diversify geographically, as may be desirable or feasible, should an unexpected natural disaster occur where our properties are located, there could be a material adverse effect on our financial performance and ability to continue operations. No other single state accounted for more than 10.0% of the total rental revenue recorded during the six months ended June 30, 2017.
NOTE 4. BORROWINGS
Our borrowings as of June 30, 2017, and December 31, 2016 are summarized below (dollars in thousands):

	Carrying Value as of		As of June 30, 2017	
	June 30, 2017	December 31, 2016	Stated Interest Rates[1] (Range; Wtd Avg)	Maturity Dates (Range; Wtd Avg)
Mortgage notes and bonds payable:				
Fixed-rate mortgage notes payable	$ 157,121	$ 142,861	2.90%–4.41%; 3.32%	5/1/2020–11/1/2041; October 2029
Fixed-rate bonds payable	81,521	49,348	2.38%–3.63%; 3.10%	7/30/2018–1/12/2024; May 2021
Total mortgage notes and bonds payable	238,642	192,209		
Deferred financing costs – mortgage notes and bonds payable	(1,701)	(1,412)	N/A	N/A
Mortgage notes and bonds payable, net	$ 236,941	$ 190,797		
Variable-rate revolving lines of credit	$ 35,050	$ 16,550	3.40%	4/5/2024
Total borrowings, net	$ 271,991	$ 207,347		

(1) Where applicable, stated interest rates are before interest patronage (as described below).
The weighted-average interest rate charged on the above borrowings, excluding the impact of deferred financing costs and before any interest patronage, or refunded interest, was 3.28% and 3.27% for the three and six months ended June 30, 2017, respectively, and 3.25% and 3.27% for the three and six months ended June 30, 2016, respectively. In addition, 2016 interest patronage from our Farm Credit CFL Notes Payable and the Farm Credit West Notes Payable (each as defined below), which we received and recorded during the six months ended June 30, 2017, resulted in a 17.2% reduction (approximately 61 basis points) to the stated interest rates on such borrowings.
MetLife Borrowings
MetLife Facility

On May 9, 2014, we closed on a credit facility (the "MetLife Facility") with Metropolitan Life Insurance Company (“MetLife”) that originally consisted of a $100.0 million long-term note payable (the “2015 MetLife Term Note”) and a $25.0 million revolving equity line of credit (the “2015 MetLife Line of Credit”). As amended on October 5, 2016, the overall size of the

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MetLife Facility was increased from $125.0 million to $200.0 million (the "2016 Amendment"). Pursuant to the 2016 Amendment, the MetLife Facility now consists of the 2015 MetLife Term Note, the 2015 MetLife Line of Credit, a $50.0 million long-term note payable (the "2016 MetLife Term Note" and, together with the 2015 MetLife Term Note, the "MetLife Term Notes"), the terms of which are pari passu with those of the 2015 MetLife Term Note, and a $25.0 million revolving equity line of credit (the "2016 MetLife Line of Credit" and, together with the 2015 MetLife Line of Credit, the "MetLife Lines of Credit"), the terms of which are pari passu to those of the 2015 MetLife Line of Credit.
The following table summarizes the pertinent terms of the MetLife Facility as of June 30, 2017 (dollars in thousands):

Issuance	Aggregate Commitment	Maturity Dates	Principal Outstanding	Interest Rate Terms	Undrawn Commitment
MetLife Term Notes	$ 150,000 (1)	1/5/2029	$ 105,608	3.16%, fixed for 10 years (2)	$ 40,980 (3)
MetLife Lines of Credit	50,000	4/5/2024	35,050	3-month LIBOR + 2.25% (4)	14,950 (3)
Total principal outstanding			$ 140,658		

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

(2) Represents the blended interest rate as of June 30, 2017. Interest rates for subsequent disbursements will be based on then-prevailing market rates. The interest rate on all then-outstanding disbursements will be subject to adjustment on January 5, 2027. Through December 31, 2018, the MetLife Term Notes are also subject to an unused fee of 0.20% on undrawn amounts.

(3) Based on the properties that were pledged as collateral under the MetLife Facility, as of June 30, 2017, the maximum additional amount we could draw under the facility was approximately $8.6 million.

(4) The interest rate on the MetLife Lines of Credit is subject to a minimum annualized rate of 2.50%, plus an unused fee of 0.20% on undrawn amounts. The interest rate spread will be subject to adjustment on October 5, 2019. As of June 30, 2017, the interest rate on the MetLife Lines of Credit was 3.40%.

As of June 30, 2017, we were in compliance with all covenants under the MetLife Facility.

Individual MetLife Notes

In May 2017, we also entered into two new loan agreements with MetLife (collectively, the "Individual MetLife Notes"), the terms of which are summarized in aggregate in the table below (dollars in thousands):

Date of Issuance	Amount	Maturity Date	Principal Amortization	Interest Rate Terms
5/31/2017	$15,300 (1)	2/14/2022 & 2/14/2025	28.6 years	3.55% & 3.85%, fixed throughout their respective terms

(1) Proceeds from these notes were used for the acquisition of a new property.

As of June 30, 2017, we were in compliance with all covenants applicable to the Individual MetLife Notes.

Farm Credit Notes Payable

Interest patronage, or refunded interest, on borrowings from Farm Credit associations is 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.

Farm Credit CFL Notes Payable

From time to time since September 19, 2014, we, through certain subsidiaries of our Operating Partnership, have entered into various loan agreements with Farm Credit of Central Florida, FLCA ("Farm Credit CFL"). We did not enter into any new loan agreements with Farm Credit CFL during the six months ended June 30, 2017.

The following table summarizes, in the aggregate, the pertinent terms of the eight loans outstanding from Farm Credit CFL (collectively, the "Farm Credit CFL Notes Payable") as of June 30, 2017 (dollars in thousands):

Dates of Issuance	Maturity Dates	Principal Outstanding	Stated Interest Rate(1)
9/19/2014 – 7/1/2016	5/1/2020 – 10/1/2040	$ 22,019	3.47% (2)

(1) Represents the weighted-average, blended rate (before interest patronage) on the respective borrowings as of June 30, 2017.

(2) Rate is before interest patronage, as discussed below.

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In April 2017, we received interest patronage of approximately $124,000 related to interest accrued on the Farm Credit CFL Notes Payable during the year ended December 31, 2016, which resulted in a 15.8% reduction (approximately 55 basis points) to the stated interest rates on such borrowings. In March, 2016, we received interest patronage related to the Farm Credit CFL Notes Payable of approximately $94,000.

As of June 30, 2017, we were in compliance with all covenants applicable to the Farm Credit CFL Notes Payable.

Farm Credit West Notes Payable

From time to time since April 4, 2016, we, through certain subsidiaries of our Operating Partnership, have entered into various loan agreements with Farm Credit West, FLCA ("Farm Credit West"). We did not enter into any new loan agreements with Farm Credit West during the six months ended June 30, 2017.

The following table summarizes, in the aggregate, the pertinent terms of the two loans outstanding from Farm Credit West (collectively, the "Farm Credit West Notes Payable") as of June 30, 2017 (dollars in thousands):

Dates of Issuance	Maturity Dates	Principal Outstanding	Stated Interest Rate[1]
4/4/2016 – 10/13/2016	11/1/2040 – 11/1/2041	$ 12,892	3.66% [2]

(1) Represents the weighted-average, blended rate (before interest patronage) on the respective borrowings as of June 30, 2017.

(2) Rate is before interest patronage, as discussed below.

In February 2017, we received interest patronage of approximately $59,000 related to interest accrued on the Farm Credit West Notes Payable during the year ended December 31, 2016, which resulted in a 21.3% reduction (approximately 76 basis points) to the stated interest rates on such borrowings. We did not receive any patronage related to the Farm Credit West Notes Payable during the prior year.

As of June 30, 2017, we were in compliance with all covenants applicable to the Farm Credit West Notes Payable.

CF Farm Credit Note Payable

In June 2017, we, through a certain subsidiary of our Operating Partnership, entered into a loan agreement (the "CF Farm Credit Note Payable") with Cape Fear Farm Credit, ACA ("CF Farm Credit"), the terms of which are summarized in the table below (dollars in thousands):

Date of Issuance	Amount	Maturity Date	Principal Amortization	Interest Rate Terms[1]
6/14/2017	$1,301 [2]	7/1/2022	40.2 years	4.41%, fixed throughout its term

(1) Stated rate is before interest patronage.

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

As of June 30, 2017, we were in compliance with all covenants applicable to the CF Farm Credit Note 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 that provides for bond issuances up to an aggregate principal amount of $75.0 million (the “Farmer Mac Facility”). On June 16, 2016, we amended the Farmer Mac Facility to increase the maximum borrowing capacity from $75.0 million to $125.0 million and extend the term of the Bond Purchase Agreement by two years, to December 11, 2018.

During the six months ended June 30, 2017, we issued four bonds for gross proceeds of approximately $32.4 million, the terms of which are summarized, in the aggregate, in the table below (dollars in thousands):

Date of Issuance	Gross Proceeds	Maturity Dates	Principal Amortization	Interest Rate Terms
1/12/2017	$ 32,400 [1]	1/10/2020 – 1/12/2024	None	2.80% – 3.63%, fixed throughout their respective terms

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

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The following table summarizes, in the aggregate, the terms of the 13 bonds outstanding under the Farmer Mac Facility as of June 30, 2017 (dollars in thousands):

Dates of Issuance	Initial Commitment	Maturity Dates	Principal Outstanding	Stated Interest Rate(1)	Undrawn Commitment
12/11/2014–1/12/2017	$ 125,000 (2)	7/30/2018–1/12/2024	$ 81,521	3.10%	$ 42,343 (3)

(1) Represents the weighted-average interest rate as of June 30, 2017.

(2) If 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) As of June 30, 2017, 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, 2017, we were in compliance with all covenants under the Farmer Mac Facility.

Debt Service – Aggregate Maturities

Scheduled principal payments of our aggregate mortgage notes and bonds payable as of June 30, 2017, for the succeeding years are as follows (dollars in thousands):

Period		Scheduled Principal Payments
For the remaining six months ending December 31:	2017	$ 2,751
For the fiscal years ending December 31:	2018	21,867
	2019	9,471
	2020	27,243
	2021	5,596
	2022	19,042
	Thereafter	152,672
		$ 238,642

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, 2017, the aggregate fair value of our long-term, fixed-rate mortgage notes and bonds payable was approximately $234.0 million, as compared to an aggregate carrying value (excluding unamortized related debt issuance costs) of $238.6 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, 2017, is deemed to approximate their aggregate carrying value of approximately $35.1 million.

NOTE 5. MANDATORILY-REDEEMABLE PREFERRED STOCK

On August 17, 2016, we completed a public offering of 1,000,000 shares of 6.375% Series A Cumulative Term Preferred Stock, par value $0.001 per share (the "Term Preferred Stock"), at a public offering price of $25.00 per share. Simultaneous with the closing of the offering and on the same terms and conditions, the underwriters exercised in full their option to purchase an

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additional 150,000 shares of the Term Preferred Stock to cover over-allotments. As a result of this offering, we issued a total of 1,150,000 shares of the Term Preferred Stock for gross proceeds of approximately $28.8 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, of approximately $27.6 million. These proceeds were used to repay existing indebtedness, to fund new property acquisitions and for other general corporate purposes. The Term Preferred Stock is traded under the ticker symbol, "LANDP," on the NASDAQ Global Market. The Term Preferred Stock is not convertible into our common stock or any other securities.
Generally, we may not redeem shares of the Term Preferred Stock prior to September 30, 2018, except in limited circumstances to preserve our qualification as a REIT. On or after September 30, 2018, we may redeem the shares at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends to, but excluding, the date of redemption. The shares of the Term Preferred Stock have a mandatory redemption date of September 30, 2021. We incurred approximately $1.2 million in total offering costs related to this issuance, which have been recorded net of the Term Preferred Stock as presented on the accompanying Condensed Consolidated Balance Sheet, and we will amortize these costs over the redemption period, which ends on September 30, 2021.
The Term Preferred Stock is recorded as a liability on our accompanying Condensed Consolidated Balance Sheet in accordance with ASC 480, "Distinguishing Liabilities from Equity," which states that mandatorily redeemable financial instruments should be classified as liabilities. In addition, the related dividend payments are treated similar to interest expense in the accompanying Condensed Consolidated Statement of Operations.
As of June 30, 2017, the fair value of our Term Preferred Stock was approximately $29.9 million, as compared to the carrying value, exclusive of offering costs, of $28.8 million. The fair value of our Term Preferred Stock is valued using Level 1 inputs under the hierarchy established by ASC 820-10, "Fair Value Measurements and Disclosures," and is calculated based on the closing share price as of June 30, 2017, of $25.98.
The dividends to preferred stockholders declared by our Board of Directors and paid by us during the six months ended June 30, 2017, are reflected in the table below. The Term Preferred Stock was not outstanding during the prior-year period.

Declaration Date	Record Date	Payment Date	Dividend per Preferred Share
January 10, 2017	January 20, 2017	January 31, 2017	$0.1328125
January 10, 2017	February 16, 2017	February 28, 2017	0.1328125
January 10, 2017	March 22, 2017	March 31, 2017	0.1328125
April 11, 2017	April 21, 2017	April 28, 2017	0.1328125
April 11, 2017	May 19, 2017	May 31, 2017	0.1328125
April 11, 2017	June 21, 2017	June 30, 2017	0.1328125
Six months ended June 30, 2017			$0.7968750

NOTE 6. RELATED-PARTY TRANSACTIONS
We are externally managed pursuant to contractual arrangements with our Adviser and our Administrator, which collectively employ all of our personnel and pay their salaries, benefits and general expenses directly. Both our Adviser and Administrator are affiliates of ours, as their parent company is owned and controlled by David Gladstone, our chairman and chief executive officer. In addition, two of our executive officers, Mr. Gladstone and Terry Brubaker (our vice chairman and chief operating officer), serve as directors and executive officers of each of our Adviser and Administrator, and Michael LiCalsi, our general counsel and secretary, serves as our Administrator's president.
The advisory agreement with our Adviser that was in effect through March 31, 2017 (the "Advisory Agreement"), and the current administration agreement with our Administrator (the "Administration Agreement") each became effective February 1, 2013. A summary of each of these agreements is provided in Note 6 to our consolidated financial statements included in our Form 10-K.
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.

In addition, 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 registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection

Corporation. Gladstone Securities is an affiliate of ours, as its parent company is owned and controlled by David Gladstone, our chairman and chief executive officer. Mr. Gladstone also serves on the board of managers of Gladstone Securities.

A summary of the compensation terms for each of the Amended Advisory Agreement and the Financing Arrangement Agreement follows.

Amended Advisory Agreement

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

Base Management Fee

A base management fee will be 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 Equity").

Incentive Fee

An incentive fee will be calculated and payable quarterly in arrears if the Pre-Incentive Fee FFO (as defined below) for a particular quarter exceeds a hurdle rate of 1.75% (7.0% annualized) of the prior calendar quarter's Total Equity. For purposes of this calculation, Pre-Incentive Fee FFO is defined in the Amended Advisory Agreement as FFO (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.

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.

Financing Arrangement Agreement

In connection with the Financing Arrangement Agreement, Gladstone Securities may, from time to time, solicit the interest of various agricultural or commercial real estate lenders and/or recommend to us third-party lenders offering credit products or packages that are responsive to our needs. We will 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 third-party brokers and market conditions. During the three months ended June 30, 2017, total financing fees paid to Gladstone Securities represented approximately 0.01% of the total financing secured during the period.

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Related-Party Fees

The following table summarizes certain related-party fees paid or accrued for and reflected in our accompanying Condensed Consolidated Statements of Operations (dollars in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Management fee[1][2]	$530	$385	$924	$773
Incentive fee[1][2]	76	159	427	159
Net fees due to our Adviser	$606	$544	$1,351	$932
Administration fee[1][2]	$219	$179	$445	$391
Financing Fees to Gladstone Securities[3]	$2	$—	$2	$—

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

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

(3) 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, 2017, and December 31, 2016, were as follows (dollars in thousands):

	June 30, 2017	December 31, 2016
Management fee due to Adviser	$530	$ 384
Incentive fee due to Adviser	76	169
Other due to Adviser[1]	11	2
Total due to Adviser	617	555
Administration fee due to Administrator	219	202
Other due from Administrator[1]	—	(6)
Total due to Administrator	219	196
Total due to related parties[2]	$836	$ 751

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

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

NOTE 7. EQUITY

Stockholders’ Equity

As of June 30, 2017, there were 18,000,000 shares of common stock, par value $0.001 per share, authorized, with 11,850,624 shares issued and outstanding. As of December 31, 2016, there were 18,000,000 shares of common stock, par value $0.001 per share, authorized, with 10,024,875 shares issued and outstanding.

Non-Controlling Interests in Operating Partnership

We consolidate our Operating Partnership, which is a majority-owned partnership. As of June 30, 2017, and December 31, 2016, we owned approximately 89.1% and 87.4%, 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.

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

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

As of both June 30, 2017, and December 31, 2016, there were 1,449,258 OP Units held by non-controlling limited partners. In addition, as of June 30, 2017, 745,879 OP Units held by non-controlling limited partners had been held for the required period of 12 months and thus were eligible to be redeemed for either cash or shares of our common stock.

Distributions

The distributions to common stockholders declared by our Board of Directors and paid by us during the six months ended June 30, 2017 and 2016 are reflected in the table below.

Fiscal Year	Declaration Date	Record Date	Payment Date	Distributions per Common Share
2017	January 10, 2017	January 20, 2017	January 31, 2017	$ 0.04300
	January 10, 2017	February 16, 2017	February 28, 2017	0.04300
	January 10, 2017	March 22, 2017	March 31, 2017	0.04300
	April 11, 2017	April 21, 2017	April 28, 2017	0.04350
	April 11, 2017	May 19, 2017	May 31, 2017	0.04350
	April 11, 2017	June 21, 2017	June 30, 2017	0.04350
		Six Months Ended June 30, 2017		$ 0.25950
2016	January 12, 2016	January 22, 2016	February 2, 2016	$ 0.04000
	January 12, 2016	February 18, 2016	February 29, 2016	0.04000
	January 12, 2016	March 21, 2016	March 31, 2016	0.04000
	April 12, 2016	April 22, 2016	May 2, 2016	0.04125
	April 12, 2016	May 19, 2016	May 31, 2016	0.04125
	April 12, 2016	June 17, 2016	June 30, 2016	0.04125
		Six Months Ended June 30, 2016		$ 0.24375

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

We will provide information related to the federal income tax characterization of our 2017 distributions in an IRS Form 1099-DIV, which will be mailed to our stockholders in January 2018.

Registration Statement

We filed a universal registration statement on Form S-3 (File No. 333-194539) with the SEC on March 13, 2014 (the "2014 Registration Statement"), which the SEC declared effective on April 2, 2014. The 2014 Registration Statement, which was scheduled to expire on April 1, 2017, permitted us to issue up to an aggregate of $300.0 million in securities, consisting of common stock, senior common stock, preferred stock, subscription rights, debt securities and depository shares, including through separate, concurrent offerings of two or more such securities. We issued a total of 4,013,763 shares of common stock and 1,150,000 shares of preferred stock for aggregate gross proceeds of approximately $73.1 million under the 2014 Registration Statement.

On March 30, 2017, we filed a new universal registration statement on Form S-3 (File No. 333-217042) with the SEC (the "2017 Registration Statement") to replace the expiring 2014 Registration Statement. 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, 2017, we have not issued any securities under the 2017 Registration Statement.

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In conjunction with the replacement of the 2014 Registration Statement, we wrote off approximately $46,000 of unallocated costs associated with the initial filing of the 2014 Registration Statement. These costs were written off to professional fees and stockholder-related expenses, each of which are included in General and administrative expenses on our accompanying Condensed Consolidated Statement of Operations, during the three and six months ended June 30, 2017.

2017 Equity Issuance

On March 8, 2017, we completed a public offering of 1,680,000 shares of our common stock at a public offering price of $11.35 per share. This issuance settled on March 13, 2017, and resulted in gross proceeds of approximately $19.1 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, of approximately $18.0 million. On March 17, 2017, the underwriters exercised a portion of their over-allotment option in connection with this offering, and, as a result, we issued an additional 145,749 shares. This issuance settled on March 22, 2017, and resulted in gross proceeds of approximately $1.7 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, of approximately $1.6 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”). No shares were issued or sold under the ATM Program during the six months ended June 30, 2017. Through June 30, 2017, we have issued and sold a total of 64,561 shares of our common stock at an average sales price of $10.23 per share for gross proceeds of approximately $660,000 and net proceeds of approximately $650,000.

On April 13, 2017, we amended each of the Sales Agreements to reference the new 2017 Registration Statement. All other material terms of the Sales Agreements remained unchanged.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Obligations

In connection with the lease we executed upon our acquisition of an 854-acre farm in California in September 2015, we agreed to fund the development of the property into an almond orchard. The development included the removal of 274 acres of old grape vineyards, the installation of a new irrigation system, including the drilling of four new wells, and the planting of over 800 acres of new almond trees. As of June 30, 2017, the development project has been completed at a total cost of approximately $8.4 million, and, as a result, we expect to receive approximately $5.2 million of additional rent throughout the remainder of the lease term, which expires January 9, 2031.

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 remainder of the lease term, which expires September 30, 2024. As of June 30, 2017, we have expended or accrued approximately $353,000 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, 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 remainder of the lease term, which expires December 31, 2026. As of June 30, 2017, we have expended or accrued approximately $103,000 related to this project.

In connection with a lease amendment we executed on one of our Florida properties in June 2017, we committed to providing up to $700,000 of capital to expand and upgrade the existing cooler on the property, which improvements are expected to be completed during the three months ending December 31, 2017. As stipulated in the lease amendment, we will begin earning

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additional rent on the cost of the improvements as the funds are disbursed by us at an initial annual rate of 8.5%, which rate 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 $280,000 of additional rent throughout the remainder of the lease term, which expires June 30, 2022. As of June 30, 2017, we have expended or accrued approximately $5,000 related to this project.

Litigation

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

NOTE 9. EARNINGS PER SHARE OF COMMON STOCK

The following table sets forth the computation of basic and diluted earnings per common share for the three and six months ended June 30, 2017 and 2016, computed using the weighted average number of shares outstanding during the respective periods. The non-controlling limited partners' outstanding OP Units (which may be redeemed for shares of common stock) have been excluded from the diluted earnings per share calculations, as there would be no effect on the amounts since the non-controlling limited partners' share of income would also be added back to net income. Net income figures are presented net of non-controlling interests in the earnings per share calculations.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands, except per-share amounts)			
Net income attributable to the Company	$227	$ 108	$379	$ 342
Weighted average number of common shares outstanding – basic and diluted	11,850,629	9,992,941	11,127,199	9,992,941
Earnings per common share – basic and diluted	$0.02	$ 0.01	$0.03	$ 0.03

The weighted-average number of OP Units held by non-controlling limited partners was 1,449,258 for both the three and six months ended June 30, 2017, and 745,978 and 491,788 for the three and six months ended June 30, 2016, respectively.

NOTE 10. SUBSEQUENT EVENTS

Investing and Leasing Activities

New Acquisitions

On July 17, 2017, we acquired four contiguous farms totaling 847 gross acres in Fresno County, California ("Phelps Avenue"), for approximately $13.6 million. In total, the farms contain 645 planted acres of pistachio and almond trees planted between 2002 and 2009. At closing, we entered into a sale-leaseback agreement with the seller for a 10-year, triple-net lease that includes one, five-year extension option. The lease consists of a fixed cash rent component plus a variable rent component based on the gross crop revenues earned on the farms and provides for minimum annualized, straight-line rents of approximately $680,000. We will account for this acquisition as an asset acquisition in accordance with ASC 360.

Lease Renewals

Subsequent to June 30, 2017, we renewed the lease on one of our California farms that was originally subject to a lease scheduled to expire in the second half of 2017. The lease was renewed with a new tenant for an additional period of three years and provides for annualized rental income of approximately $0.8 million, representing an increase of approximately $25,000 (approximately 3.4%) from that of the prior lease. This renewal was completed without incurring any downtime on the farm, and no leasing commissions or tenant improvements were incurred in connection with this renewal.

Financing Activities

On July 13, 2017, we, through certain subsidiaries of our Operating Partnership, refinanced four existing mortgage loans with Farm Credit CFL for aggregate additional borrowings of approximately $5.5 million. Each of the new loans are scheduled to mature on August 1, 2022, and will bear interest (before interest patronage) at a fixed rate of 4.47% throughout their respective terms.

In connection with the acquisition of Phelps Avenue, on July 17, 2017, we closed on a loan from Farm Credit West for approximately $8.2 million. The mortgage note is scheduled to mature on May 1, 2037, and will bear interest (before interest patronage) at a fixed rate of 4.31% per annum through July 31, 2024, thereafter converting to a variable rate determined by Farm Credit West, unless another fixed rate is established.

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Equity Activities

ATM Program

Subsequent to June 30, 2017, through the date of this filing, we have sold 161,133 shares of our common stock at an average sales price of $11.90 per share under the ATM Program for gross and net proceeds of approximately $1.9 million.

Amendment to Articles of Incorporation

On July 12, 2017, we filed an Articles of Amendment with the State Department of Assessments and Taxation for Maryland to increase the number of shares of stock that we have authority to issue from 20,000,000 shares to 100,000,000 shares, with the additional 80,000,000 shares of stock being initially classified as common stock, $0.001 par value per share.

Distributions

On July 11, 2017, our Board of Directors declared the following monthly cash distributions to common stockholders and holders of our Term Preferred Stock:

Record Date	Payment Date	Distribution per Common Share	Dividend per share of Term Preferred Stock
July 21	July 31	$ 0.044	$0.1328125
August 21	August 31	0.044	0.1328125
September 20	September 29	0.044	0.1328125
Total:		$ 0.132	$0.3984375

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

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

All statements contained herein, other than historical facts, may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "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, 2016 (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 primarily in the business of owning and leasing farmland; we are not a grower, nor do we farm the properties we own. We currently own 69 farms comprised of 58,777 acres across eight states in the U.S. (Arizona, California, Colorado, Florida, Michigan, Nebraska, North Carolina and Oregon). We also own several farm-related facilities, such as cooling facilities, buildings utilized for the storage and assembly of boxes for shipping produce ("box barns"), packinghouses, processing facilities and various storage facilities.

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 89.2% of the units of limited partnership interest in the Operating Partnership ("OP Units").

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.

Leases

General

Our farms are currently leased to 44 different, third-party tenants that are either independent or corporate farming operations. We primarily lease our farms on a triple-net basis, an arrangement under which 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. Generally, our leases will have original terms ranging from 3 to 10 years for farms growing row crops and 5 to 15 years for farms growing permanent crops and will contain built-in rental rate increases. Currently, our 69 farms are leased under agricultural leases with original terms ranging from 1 to 15 years, with 45 farms leased on a pure triple-net basis, and 24 farms leased on a partial-net basis, with the landlord responsible for all or a portion of the related property taxes. Additionally, 11 of our farms are leased under agreements that include a variable rent component based on the success of the farms' harvests each year.

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Lease Expirations

Farm leases are often short-term in nature, so in any given year, we may have multiple leases up for renewal or extension. The following table summarizes the lease expirations by year for the properties owned and with leases in place as of June 30, 2017 (dollars in thousands):

Year	Number of Expiring Leases		Expiring Leased Acreage	% of Total Acreage	Rental Revenue for the Six Months Ended June 30, 2017	% of Total Revenue
2017	4	(1)	333	0.6%	$ 662	5.6%
2018	4		2,929	5.0%	395	3.4%
2019	6		2,644	4.6%	670	5.7%
2020	11		28,333	48.9%	3,494	29.8%
2021	5		6,954	12.0%	970	8.3%
2022	5		269	0.5%	294	2.4%
Thereafter	19		16,468	28.4%	5,257	44.8%
Totals	54		57,930	100.0%	$ 11,742	100.0%

(1) Includes: one agricultural lease that was renewed subsequent to June 30, 2017 (see Note 10, "Subsequent Events," in the notes to our accompanying condensed consolidated financial statements), and two oil and gas leases (both of which continue on a year-to-year basis), for which we recorded aggregate rental revenue of approximately $16,000 during the six months ended June 30, 2017.

We have one remaining agricultural lease scheduled to expire during the second half of 2017. We are close to finalizing terms of this renewal with a new tenant and expect the renewal to be executed during the three months ending September 30, 2017, at a moderate decrease in rent but without incurring any downtime on the farm. We have not yet begun negotiations with the existing tenants on our farms that have leases scheduled to expire in 2018, though we anticipate being able to renew each of the leases prior to their respective expirations with the existing tenants. However, there can be no assurance that we will be able to renew the leases at rates favorable to us, if at all, or be able to find replacement tenants, if necessary.

Recent Developments

Investment, Leasing and Other Portfolio Activity

Property Acquisitions

Since April 1, 2017, through the date of this filing, we have acquired ten farms, which are summarized in the table below (dollars in thousands):

Property Name	Property Location	Acquisition Date	Total Acreage	Number of Farms	Primary Crop(s)	Lease Term[1]	Renewal Options	Total Purchase Price	Acquisition Costs[2]	Annualized Straight-line Rent[3]	
Spot Road[4]	Yuma, AZ	6/1/2017	3,280	4	Melons and Alfalfa Hay	8.2 years	1 (10 years) & 1 (2 years)	$27,500	$ 88	$ 1,673	
Poplar Street	Bladen, NC	6/2/2017	310	2	Organic Blueberries	9.6 years	1 (5 years)	2,169	49	122	(5)
Phelps Avenue	Fresno, CA	7/17/2017	847	4	Pistachios and Almonds	10.5 years	1 (5 years)	13,603	26	680	(5)
			4,437	10				$43,272	$ 163	$ 2,475	

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

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

(3) Annualized straight-line amount 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 and February 2025, respectively. 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) Leases also provide for a variable rent component based on the gross crop revenues earned on the property. The figures above represent only the minimum cash rents guaranteed under the lease.

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Existing Properties

Lease Renewals

As of January 1, 2017, we had nine agricultural leases on certain farms in California and Florida that were originally due to expire in 2017. We have extended or renewed eight of these leases, in addition to one lease that was scheduled to expire in 2018. In total, these leases were renewed for additional terms ranging between one and five years and for total annualized rents of approximately $1.8 million, representing an increase of approximately 1.2% (or approximately $22,000) from that of the prior leases. These renewals were executed without incurring any downtime on the respective farms, and no leasing commissions or tenant improvements were incurred in connection with these renewals.

Capital Improvements

In connection with certain lease agreements executed during the three months ended June 30, 2017, we committed to providing up to $2.8 million of aggregate capital to our tenants for improvements on certain of our farms. These improvements are expected to be completed over the next three years and, assuming full deployment of the capital commitment amounts, are expected to result in additional annual rental income of approximately $162,000. We will begin earning rental income on each of these projects as the funds are disbursed by us. See Note 8, "Commitments and Contingencies," in the notes to our accompanying condensed consolidated financial statements for a more detailed discussion on each of these projects.

Financing Activity

Debt Activity

Since April 1, 2017, through the date of this filing, we have entered into the following loan agreements (dollars in thousands):

Lender(1)	Dates of Issuance	Principal Amount	Maturity Date	Principal Amortization	Stated Interest Rate Terms(2)
MetLife	5/31/2017	$ 1,325	2/14/2022	28.6 years	3.55%, fixed throughout term
MetLife	5/31/2017	13,975	2/14/2025	28.6 years	3.85%, fixed throughout term
CF Farm Credit(3)	6/14/2017	1,301	7/1/2022	40.2 years	4.41%, fixed throughout term
Farm Credit CFL(4)	7/12/2017	5,472	8/1/2022	29.1 years	4.47%, fixed throughout term
Farm Credit West(5)	7/17/2017	8,162	5/1/2037	20.0 years	4.31%, fixed through 7/31/2024 (variable thereafter)
		$ 30,235			

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

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

(3) Interest patronage is expected to be received related to interest accrued during 2017 on our CF Farm Credit borrowings; however, we are unable to estimate the amount to be received, if any.

(4) In April 2017, we received interest patronage from Farm Credit CFL representing a 15.8% refund of the interest accrued on all borrowings from Farm Credit CFL during the year ended December 31, 2016. This interest patronage reduced the interest rates on our borrowings from Farm Credit CFL during the year ended December 31, 2016, from a weighted-average stated interest rate of 3.47% to a weighted-average effective interest rate of 2.93%. We are unable to estimate the amount of interest patronage to be received, if any, related to interest accrued during 2017 on our Farm Credit CFL borrowings.

(5) In February 2017, we received interest patronage from Farm Credit West representing a 21.3% refund of the interest accrued on all borrowings from Farm Credit West during the year ended December 31, 2016. This interest patronage reduced the interest rates on our borrowings from Farm Credit West during the year ended December 31, 2016, from a weighted-average stated interest rate of 3.59% to a weighted-average effective interest rate of 2.83%. We are unable to estimate the amount of interest patronage to be received, if any, related to interest accrued during 2017 on our Farm Credit West borrowings.

Proceeds from the above borrowings were used to fund new farm acquisitions, repay existing indebtedness, and for general corporate purposes.

Equity Activity

At-the-Market Program

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”). On April 13, 2017, we amended the Sales Agreements to reference the new universal registration statement on Form S-3 (File No. 333-217042) (the "2017 Registration Statement"), filed with the SEC on March 31, 2017, and declared effective on April 12, 2017. All other material terms of the Sales Agreements remained the same.

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No shares were sold under the ATM Program during the three or six months ended June 30, 2017; however, subsequent to June 30, 2017, through the date of this filing, we sold 161,133 shares of our common stock at an average sales price of $11.90 per share for gross and net proceeds of approximately $1.9 million. To date, we have sold 225,694 shares of our common stock at an average sales price of $11.42 per share under the ATM Program for gross proceeds of approximately $2.6 million and net proceeds of approximately $2.5 million.

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 69 farms leased to 44 different, unrelated tenants. While our focus remains in farmland suitable for growing fresh produce annual row crops, we have also begun to diversify our portfolio into farmland suitable for other crop types, including permanent crops, consisting primarily of almonds, pistachios and blueberries, and certain commodity crops, consisting primarily of corn and beans. The following table summarizes the different sources of revenues for our properties with leases in place as of and for the six months ended June 30, 2017 and 2016 (dollars in thousands):

	As of and For the Six Months Ended June 30, 2017				As of and For the Six Months Ended June 30, 2016				Annualized GAAP Rental Revenue as of June 30, 2017[1]	
Revenue Source	Total Farmable Acres	% of Total Farmable Acres	Rental Revenue	% of Total Revenue	Total Farmable Acres	% of Total Farmable Acres	Rental Revenue	% of Total Revenue	Total Rental Revenue	% of Total Revenue
Annual row crops – fresh produce[2]	13,516	28.8%	$ 7,218	61.5%	9,313	50.6%	$ 5,406	68.2%	$ 14,600	57.9%
Annual row crops – commodity crops[3]	28,907	61.5%	1,540	13.1%	7,347	40.0%	768	9.7%	4,486	17.8%
Subtotal – Total annual row crops	42,423	90.3%	8,758	74.6%	16,660	90.6%	6,174	77.9%	19,086	75.7%
Permanent crops[4]										