

GLADSTONE LAND Corp  
Form 10-Q  
November 15, 2016  
Table of Contents

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

---

FORM 10-Q

---

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

OR

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

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

---

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

---

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

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

(Registrant's telephone number, including area code)

Not Applicable

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

---

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

Indicate by check mark whether the registrant has submitted electronically 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  NO

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

(Check one):

Large accelerated filer  Accelerated filer

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

Edgar Filing: GLADSTONE LAND Corp - Form 10-Q

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

The number of shares of the registrant's Common Stock, \$0.001 par value per share, outstanding as of November 11, 2016, was 10,024,875.

---

Table of Contents

GLADSTONE LAND CORPORATION  
 FORM 10-Q FOR THE QUARTER ENDED  
 SEPTEMBER 30, 2016  
 TABLE OF CONTENTS

	PAGE
<u>PART I FINANCIAL INFORMATION</u>	
<u>ITEM 1. Financial Statements (Unaudited):</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2016, and December 31, 2015</u>	3
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015</u>	4
<u>Condensed Consolidated Statements of Equity for the nine months ended September 30, 2016, and the year ended December 31, 2015</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	44
<u>ITEM 4. Controls and Procedures</u>	44
<u>PART II OTHER INFORMATION</u>	
<u>ITEM 1. Legal Proceedings</u>	45
<u>ITEM 1A. Risk Factors</u>	45
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	46
<u>ITEM 3. Defaults Upon Senior Securities</u>	46
<u>ITEM 4. Mine Safety Disclosures</u>	46
<u>ITEM 5. Other Information</u>	46
<u>ITEM 6. Exhibits</u>	58
<u>SIGNATURES</u>	59

Table of Contents

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## GLADSTONE LAND CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Investments in real estate, net	\$ 309,237,004	\$ 221,783,425
Lease intangibles, net	2,115,085	1,763,541
Cash and cash equivalents	2,396,852	2,532,522
Deferred financing costs related to borrowings under line of credit, net	128,038	132,495
Other assets, net	2,429,753	2,472,042
<b>TOTAL ASSETS</b>	<b>\$ 316,306,732</b>	<b>\$ 228,684,025</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES:</b>		
Borrowings under line of credit	\$ 22,500,000	\$ 100,000
Mortgage notes and bonds payable, net	167,879,624	141,578,935
Series A cumulative term preferred stock, par value \$0.001 per share; \$25.00 per share liquidation preference; 2,000,000 shares authorized, 1,150,000 shares issued and outstanding as of September 30, 2016; zero shares authorized, issued or outstanding as of December 31, 2015, net <sup>(1)</sup>	27,601,050	—
Accounts payable and accrued expenses	2,222,547	3,495,339
Due to related parties, net <sup>(2)</sup>	636,541	565,593
Other liabilities, net	8,921,915	4,937,439
Total liabilities	229,761,677	150,677,306
Commitments and contingencies <sup>(3)</sup>		
<b>EQUITY:</b>		
Stockholders' equity:		
Common stock, \$0.001 par value; 18,000,000 shares authorized, 10,024,875 shares issued and outstanding as of September 30, 2016; and 20,000,000 shares authorized, 9,992,941 shares issued and outstanding as of December 31, 2015	10,025	9,993
Additional paid-in capital	89,374,991	86,892,095
Accumulated deficit	(12,197,348 )	(8,895,369 )
Total stockholders' equity	77,187,668	78,006,719
Non-controlling interests in operating partnership	9,357,387	—
Total equity	86,545,055	78,006,719
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 316,306,732</b>	<b>\$ 228,684,025</b>

(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.

Table of Contents

GLADSTONE LAND CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>OPERATING REVENUES:</b>				
Rental revenue	\$4,467,217	\$3,080,240	\$12,388,303	\$8,483,023
Tenant recovery revenue	1,957	3,313	7,989	10,108
Total operating revenues	4,469,174	3,083,553	12,396,292	8,493,131
<b>OPERATING EXPENSES:</b>				
Depreciation and amortization	1,431,846	809,445	3,743,529	2,312,880
Property operating expenses	160,913	191,739	499,694	553,909
Acquisition-related expenses	122,841	62,190	242,713	410,887
Management fee <sup>(1)</sup>	385,576	356,871	1,158,316	981,011
Incentive fee <sup>(1)</sup>	22,046	—	180,923	—
Administration fee <sup>(1)</sup>	183,605	180,722	574,842	489,510
General and administrative expenses	356,513	314,933	1,196,204	1,049,001
Operating expenses before credits from Adviser	2,663,340	1,915,900	7,596,221	5,797,198
Credits to fees from Adviser <sup>(1)</sup>	—	—	—	(320,905 )
Total operating expenses, net of credits to fees	2,663,340	1,915,900	7,596,221	5,476,293
<b>OPERATING INCOME</b>	<b>1,805,834</b>	<b>1,167,653</b>	<b>4,800,071</b>	<b>3,016,838</b>
<b>OTHER INCOME (EXPENSE):</b>				
Other income	2,354	26,688	105,638	47,711
Interest expense	(1,554,668 )	(1,064,369 )	(4,296,336 )	(2,961,100 )
Distributions attributable to mandatorily-redeemable preferred stock	(218,919 )	—	(218,919 )	—
Property and casualty recovery, net	—	76,423	—	97,232
Total other expense	(1,771,233 )	(961,258 )	(4,409,617 )	(2,816,157 )
<b>NET INCOME</b>	<b>34,601</b>	<b>206,395</b>	<b>390,454</b>	<b>200,681</b>
Less net income attributable to non-controlling interests	(2,718 )	—	(16,342 )	—
<b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>	<b>\$31,883</b>	<b>\$206,395</b>	<b>\$374,112</b>	<b>\$200,681</b>
<b>EARNINGS PER COMMON SHARE:</b>				
Basic and diluted	\$—	\$0.02	\$0.04	\$0.02
<b>WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:</b>				
Basic and diluted	10,018,331	9,060,314	10,001,466	8,422,748

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

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

Table of ContentsGLADSTONE LAND CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
(UNAUDITED)

	Common Stock				Non- Controlling Interests	Total Equity
	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit		
Balance at December 31, 2014	7,753,717	\$ 7,754	\$ 65,366,309	\$(5,404,735 )	\$—	\$59,969,328
Net income	—	—	—	568,545	—	568,545
Proceeds from issuance of common stock, net	2,239,224	2,239	21,525,786	—	—	21,528,025
Distributions	—	—	—	(4,059,179 )	—	(4,059,179 )
Balance at December 31, 2015	9,992,941	\$ 9,993	\$ 86,892,095	\$(8,895,369 )	\$—	\$78,006,719
Net income	—	—	—	374,112	16,342	390,454
Proceeds from issuance of common stock	31,934	32	360,440	—	—	360,472
Offering costs	—	—	(10,372 )	—	(55,467 )	(65,839 )
Distributions	—	—	—	(3,676,091 )	(233,804 )	(3,909,895 )
Issuance of OP Units as consideration in real estate acquisitions, net	—	—	—	—	11,763,144	11,763,144
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	2,132,828	—	(2,132,828 )	—
Balance at September 30, 2016	10,024,875	\$ 10,025	\$ 89,374,991	\$(12,197,348)	\$9,357,387	\$86,545,055

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

Table of ContentsGLADSTONE LAND CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	For the Nine Months Ended September 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$390,454	\$200,681
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,743,529	2,312,880
Amortization of deferred financing costs	135,310	74,191
Amortization of deferred rent assets and liabilities, net	(128,825)	(161,466)
Property and casualty recovery, net	—	(97,232)
Allowance for doubtful accounts	71,517	—
Changes in operating assets and liabilities:		
Other assets	(152,562)	284,864
Accounts payable, accrued expenses and due to related parties	(273,200)	258,613
Other liabilities	3,425,657	1,430,977
Net cash provided by operating activities	7,211,880	4,303,508
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of new real estate	(69,174,387)	(64,885,127)
Capital expenditures on existing real estate	(10,125,475)	(3,044,851)
Proceeds from sale of real estate	155,799	—
Decrease in restricted cash	—	132,741
Deposits on future acquisitions	(100,000)	—
Deposits applied against real estate investments	(716,725)	(1,000,000)
Deposits refunded	200,000	100,000
Insurance proceeds received capitalized as real estate additions	—	97,232
Net cash used in investing activities	(79,760,788)	(68,600,005)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of equity	360,472	14,895,206
Offering costs	(241,845)	(1,027,986)
Borrowings from mortgage notes payable	28,953,000	53,190,476
Repayments on mortgage note payable	(2,606,030)	(522,443)
Net borrowings from (repayments on) line of credit	22,400,000	1,000,000
Proceeds from issuance of mandatorily-redeemable preferred stock	28,750,000	—
Payment of financing fees	(1,292,464)	(222,560)
Distributions paid on common and preferred stock	(3,676,091)	(2,934,088)
Distributions paid to non-controlling interests in operating partnership	(233,804)	—
Net cash provided by financing activities	72,413,238	64,378,605
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(135,670)	82,108
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,532,522	2,619,342
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$2,396,852	\$2,701,450
<b>NON-CASH INVESTING AND FINANCING INFORMATION:</b>		
Issuance of non-controlling interests in operating partnership in conjunction with acquisitions	\$11,763,144	\$—
Real estate additions included in Accounts payable, accrued expenses and due to related parties	389,542	642,934
Real estate additions included in Other liabilities	809,188	700,000

Edgar Filing: GLADSTONE LAND Corp - Form 10-Q

Real estate additions removed from Other liabilities	700,000	—
Common stock offering and OP Unit issuance costs included in Accounts payable, accrued expenses and due to related parties	31,224	179,575
Financing fees included in Accounts payable, accrued expenses and due to related parties	58,740	30,756

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

6

---



Table of Contents

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

NOTE 1. BUSINESS

Business

Gladstone Land Corporation is a 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 89.2% and 100.0% of the limited partnership interests in the Operating Partnership (“OP Units”) as of September 30, 2016, and December 31, 2015, 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.

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 presentation 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, 2015, as filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 23, 2016 (the “Form 10-K”). The results of operations for the three and nine months ended September 30, 2016, 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 Condensed Consolidated Balance Sheet as of December 31, 2015, and the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2015, have been reclassified to conform to the current period’s presentation. These reclassifications had no impact on previously-reported stockholders’ equity or net income.

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 September 30, 2016, the non-controlling interests in the Operating Partnership are redeemable for cash or, at our option, shares of our common stock and thus are reported in the equity section of the Condensed Consolidated Balance Sheet but separate from stockholders’ equity. The amount reported for non-controlling interests on the Condensed Statement of Operations represents the portion of income from the Operating Partnership not attributable to us.



Table of Contents

## 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 the 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 nine months ended September 30, 2016.

## Recently-Issued Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which simplifies the presentation of debt issuance costs. ASU 2015-03 requires the presentation of debt issuance costs on the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred financing cost. ASU 2015-03 is effective for annual periods beginning after December 15, 2015, and we adopted this provision during the three months ended March 31, 2016. As of both September 30, 2016, and December 31, 2015, we had unamortized deferred financing costs related to mortgage notes and bonds payable of approximately \$1.1 million, which costs have been reclassified from Deferred financing costs, net, as reported on the Consolidated Balance Sheet as of December 31, 2015, in the Form 10-K, to Mortgage notes and bonds payable, net on the accompanying Condensed Consolidated Balance Sheets. All periods presented have been retroactively adjusted. The following table summarizes the retrospective adjustment and the overall impact on the previously-reported consolidated financial statements:

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

<sup>(1)</sup> Included as part of Deferred financing costs, net, as reported on the Consolidated Balance Sheet in the Form 10-K. In August 2015, the FASB issued ASU No. 2015-15, “Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements” (“ASU 2015-15”), which codifies an SEC staff announcement that entities are permitted to defer and present debt issuance costs related to line of credit arrangements as assets. ASU 2015-15 was effective immediately. As of each September 30, 2016, and December 31, 2015, we had unamortized deferred financing costs of approximately \$0.1 million related to our line of credit, and we will continue to present debt issuance costs related to line of credit arrangements as an asset on the accompanying Condensed Consolidated Balance Sheets.

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

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842): An Amendment of the FASB Accounting Standards Codification” (“ASU 2016-02”). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the 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

Table of Contents

early adoption permitted. We are currently evaluating the overall impact of ASU 2016-02. We expect our legal expenses to increase marginally, as the new standard requires us to expense indirect leasing costs that were previously capitalized; however, we do not expect ASU 2016-02 to materially impact our consolidated financial statements, as we do not currently have any lease arrangements for which we are the lessee.

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

In October 2016, the FASB issued ASU 2016-17, "Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control" ("ASU 2016-17"), which amends the consolidation guidance in ASU 2015-02 regarding the treatment of indirect interests held through related parties that are under common control. ASU 2016-17 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. We are currently assessing the impact of ASU 2016-17 and do not anticipate a material impact on our financial position, results of operations or cash flows.

Table of Contents

## NOTE 3. REAL ESTATE AND INTANGIBLE ASSETS

All of our properties are wholly owned on a fee-simple basis. The following table provides certain summary information about our 56 farms as of September 30, 2016:

Property Name	Location	Date Acquired	No. of Farms	Total Acres	Farm Acres	Lease Expiration Date	Net Cost Basis <sup>(1)</sup>	Encumbrances <sup>(2)</sup>
San Andreas West	Watsonville, CA	6/16/1997	1	307	238	12/31/2020	\$4,756,950	\$ 7,702,672
Gonzales	Oxnard, CA	9/15/1998	1	653	502	6/30/2020	12,066,248	30,017,766
West Beach	Watsonville, CA	1/3/2011	3	196	195	12/31/2023	9,277,502	6,717,183
Dalton Lane	Watsonville, CA	7/7/2011	1	72	70	10/31/2020	2,675,171	1,590,375
Keysville Road	Plant City, FL	10/26/2011	2	61	56	6/30/2020	1,239,430	897,600
Colding Loop	Wimauma, FL	8/9/2012	1	219	181	8/4/2017	3,865,019	2,640,000
Trapnell Road	Plant City, FL	9/12/2012	3	124	110	6/30/2017 <sup>(3)</sup>	3,837,986	2,389,500
38th Avenue	Covert, MI	4/5/2013	1	119	89	4/4/2020	1,246,393	759,506
Sequoia Street	Brooks, OR	5/31/2013	1	218	206	5/31/2028	3,082,764	1,755,757
Natividad Road	Salinas, CA	10/21/2013	1	166	166	10/31/2024	8,923,059	3,964,611
20th Avenue	South Haven, MI	11/5/2013	3	151	94	11/4/2018	1,832,760	1,132,746
Broadway Road	Moorpark, CA	12/16/2013	1	60	46	12/15/2023	2,873,371	1,699,119
Oregon Trail	Echo, OR	12/27/2013	1	1,895	1,640	12/31/2023	13,993,354	7,929,221
East Shelton	Willcox, AZ	12/27/2013	1	1,761	1,320	2/29/2024	7,730,123	4,717,887
Collins Road	Clatskanie, OR	5/30/2014	2	200	157	9/30/2024	2,341,601	1,529,207
Spring Valley	Watsonville, CA	6/13/2014	1	145	110	9/30/2022	5,731,872	3,922,133
McIntosh Road	Dover, FL	6/20/2014	2	94	78	6/30/2017 <sup>(4)</sup>	2,441,053	1,439,640
Naumann Road	Oxnard, CA	7/23/2014	1	68	66	7/31/2017	6,773,068	3,902,310
Sycamore Road	Arvin, CA	7/25/2014	1	326	322	10/31/2024	6,829,362	4,379,762
Wauchula Road	Duette, FL	9/29/2014	1	808	590	9/30/2024	13,450,170	7,433,100
Santa Clara Avenue	Oxnard, CA	10/29/2014	2	333	331	7/31/2017	24,135,194	14,159,324
Dufau Road	Oxnard, CA	11/4/2014	1	65	64	11/3/2017	6,016,522	3,675,000
Espinosa Road	Salinas, CA	1/5/2015	1	331	329	10/31/2020	16,111,013	10,178,000
Parrish Road	Duette, FL	3/10/2015	1	419	412	6/30/2025	4,141,521	2,374,680
Immokalee Exchange	Immokalee, FL	6/25/2015	2	2,678	1,644	6/30/2020	15,467,267	9,360,000
Holt County	Stuart, NE	8/20/2015	1	1,276	1,052	12/31/2018	5,423,218	3,301,000
Rock County	Bassett, NE	8/20/2015	1	1,283	1,049	12/31/2018	5,406,522	3,301,000
	Arvin, CA	9/3/2015	3	854	841	1/9/2031	26,828,964	12,559,887

Edgar Filing: GLADSTONE LAND Corp - Form 10-Q

Bear Mountain									
Corbitt Road	Immokalee, FL	11/2/2015	1	691	390	12/31/2021	3,755,637	3,714,880	
Reagan Road	Willcox, AZ	12/22/2015	1	1,239	875	12/31/2025	5,750,597	3,639,000	
Gunbarrel Road	Alamosa, CO	3/3/2016	3	6,191	4,730	2/28/2021	25,015,493	15,303,500	
Calaveras Avenue	Coalinga, CA	4/5/2016	1	453	435	10/31/2025	15,290,013	9,282,000	
Orange Avenue	Fort Pierce, FL	7/1/2016	1	401	400	6/30/2023	5,113,269	3,091,761	
Lithia Road	Lithia, FL	8/11/2016	1	72	55	5/31/2021	1,700,469	1,020,000	
Baca County	Edler, CO	9/1/2016	5	7,384	6,785	12/31/2020	6,385,779	—	(5)
Diego Ranch	Stanislaus, CA	9/14/2016	1	1,357	1,309	11/15/2019	13,997,610	—	(5)
Nevada Ranch	Merced, CA	9/14/2016	1	1,130	1,021	11/15/2019	13,231,638	—	(5)
			56	33,800	27,958		\$308,737,982	\$191,480,127	

- (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 \$1.1 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) There are three agricultural leases and one commercial lease on this property. Each of the agricultural leases expires on June 30, 2017, and the commercial lease expires on June 30, 2018.
- (4) There are two leases in place on this property, one expiring on June 30, 2017, and the other expiring on June 30, 2019.
- (5) Pledged as collateral under the MetLife Facility subsequent to September 30, 2016. See Note 10, "Subsequent Events," for further discussion.

Table of Contents

## Real Estate

The following table sets forth the components of our investments in tangible real estate assets as of September 30, 2016, and December 31, 2015:

	September 30, 2016	December 31, 2015
Real estate:		
Land and land improvements	\$251,906,593	\$192,020,381
Irrigation systems	33,355,718	21,849,508
Buildings	14,670,759	11,184,647
Horticulture	14,281,209	1,490,695
Other improvements	4,804,376	1,872,606
Real estate, at cost	319,018,655	228,417,837
Accumulated depreciation	(9,781,651 )	(6,634,412 )
Real estate, net	\$309,237,004	\$221,783,425

Real estate depreciation expense on these tangible assets was \$1,224,612 and \$3,161,434 for the three and nine months ended September 30, 2016, respectively, and \$595,539 and \$1,647,177 for the three and nine months ended September 30, 2015, 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 September 30, 2016, and December 31, 2015, we recorded tenant improvements, net of accumulated depreciation, of \$1,882,114 and \$1,302,009, respectively. We recorded both depreciation expense and additional rental revenue related to these tenant improvements of \$30,753 and \$98,225 during the three and nine months ended September 30, 2016, respectively, and \$14,780 and \$27,502 for the three and nine months ended September 30, 2015, respectively.

## Intangible Assets and Liabilities

The following table summarizes the carrying values of lease intangible assets and the related accumulated amortization as of September 30, 2016, and December 31, 2015:

	September 30, 2016	December 31, 2015
Lease intangibles:		
In-place leases	\$1,727,483	\$1,225,955
Leasing costs	1,086,846	677,112
Tenant relationships	886,743	886,743
Lease intangibles, at cost	3,701,072	2,789,810
Accumulated amortization	(1,585,987 )	(1,026,269 )
Lease intangibles, net	\$2,115,085	\$1,763,541

Total amortization expense related to these lease intangible assets was \$207,234 and \$582,095 for the three and nine months ended September 30, 2016, respectively, and \$193,621 and \$645,448 for the three and nine months ended September 30, 2015, 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 September 30, 2016, and December 31, 2015.

Intangible Asset or Liability	September 30, 2016		December 31, 2015	
	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion
Above-market lease values <sup>(1)</sup>	\$19,528	\$ (12,422 )	\$19,528	\$ (7,540 )
Below-market lease values and deferred revenue <sup>(2)</sup>	(785,917 )	46,818	(202,579 )	23,205
	\$(766,389)	\$ 34,396	\$(183,051)	\$ 15,665



- (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.

11

---

Table of Contents

(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 \$1,627 and \$4,882 for the three and nine months ended September 30, 2016, respectively, and \$4,496 and \$15,286 for the three and nine months ended September 30, 2015, respectively. Total accretion related to below-market lease values and deferred revenue was \$8,951 and \$23,613 for the three and nine months ended September 30, 2016, respectively, and \$52,591 and \$160,324 for the three and nine months ended September 30, 2015, respectively.

## New Real Estate Activity

Certain acquisitions during the periods presented were accounted for as business combinations in accordance with ASC 805, as there was a prior leasing history on the property. As such, the fair value of all assets acquired and liabilities assumed were determined in accordance with ASC 805, and all acquisition-related costs were expensed as incurred, other than those costs directly related to reviewing or assigning leases that we assumed upon acquisition, which were capitalized as part of leasing costs. 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 assets acquired, other than those costs that directly related to originating new leases we executed upon acquisition, which were capitalized as part of leasing costs.

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

## 2016 New Real Estate Activity

During the nine months ended September 30, 2016, we acquired 13 new farms in seven separate transactions, which are summarized in the table below.

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs	Annualized Straight-line Rent <sup>(1)</sup>	Net Long-Term Debt
Gunbarrel Road <sup>(2)</sup>	Alamosa, CO	3/3/2016	6,191	3	Organic Potatoes	5 years	1 (5 years)	\$25,735,815	\$119,085 <sup>(3)</sup>	\$1,590,614	\$15
Calaveras Avenue	Coalinga, CA	4/5/2016	453	1	Pistachios	10 years	1 (5 years)	15,470,000	38,501 <sup>(4)</sup>	773,500 <sup>(5)</sup>	9,2
Orange Avenue	Fort Pierce, FL	7/1/2016	401	1	Vegetables	7 years	2 (7 years)	5,100,000	37,615 <sup>(4)</sup>	291,173	3,1
Lithia Road	Plant City, FL	8/11/2016	72	1	Strawberries	5 years	None	1,700,000	38,296 <sup>(3)</sup>	97,303	1,0
Baca County <sup>(6)</sup>	Edler, CO	9/1/2016	7,384	5	Grass Hay and Alfalfa	4 years	1 (5 years)	6,322,853	72,340 <sup>(4)</sup>	383,734	