GLADSTONE LAND Corp
Form 10-Q
November 08, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended SEPTEMBER 30, 2018
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________
Commission file number: 001-35795
GLADSTONE LAND CORPORATION
(Exact name of registrant as specified in its charter)

MARYLAND	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)	(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	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 November 7, 2018, was 16,070,616.

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GLADSTONE LAND CORPORATION
FORM 10-Q FOR THE QUARTER ENDED
SEPTEMBER 30, 2018
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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
GLADSTONE LAND CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per-share data)
(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Investments in real estate, net	$497,068	$449,486
Lease intangibles, net	5,829	5,492
Cash and cash equivalents	2,929	2,938
Crop inventory	—	1,528
Other assets, net	4,070	2,834
TOTAL ASSETS	$509,896	$462,278
LIABILITIES AND EQUITY		
LIABILITIES:		
Borrowings under lines of credit	$100	$10,000
Mortgage notes and bonds payable, net	316,142	291,002
Series A cumulative term preferred stock, $0.001 par value; $25.00 per share liquidation preference; 2,000,000 shares authorized, 1,150,000 shares issued and outstanding as of September 30, 2018, and December 31, 2017, net	28,066	27,890
Accounts payable and accrued expenses	6,400	7,398
Due to related parties, net	1,024	940
Other liabilities, net	10,964	7,097
Total liabilities	362,696	344,327
Commitments and contingencies (Note 8)		
EQUITY:		
Stockholders' equity:		
Series B cumulative redeemable preferred stock, $0.001 par value; $25.00 per share liquidation preference; 6,500,000 shares authorized, 393,048 shares issued and outstanding as of September 30, 2018; no shares authorized, issued, or outstanding as December 31, 2017	—	—
Common stock, $0.001 par value; 91,500,000 shares authorized, 16,070,616 shares issued and outstanding as of September 30, 2018; 98,000,000 shares authorized, 13,791,574 shares issued and outstanding as of December 31, 2017	16	14
Additional paid-in capital	163,943	129,705
Distributions in excess of accumulated earnings	(22,305)	(19,802)
Total stockholders' equity	141,654	109,917
Non-controlling interests in Operating Partnership	5,546	8,034
Total equity	147,200	117,951
TOTAL LIABILITIES AND EQUITY	$509,896	$462,278

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 September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
OPERATING REVENUES:				
Rental revenue	$8,013	$ 6,561	$21,333	$ 18,302
Tenant recovery revenue	2	3	11	8
Other operating revenues	2	—	7,313	—
Total operating revenues	8,017	6,564	28,657	18,310
OPERATING EXPENSES:				
Depreciation and amortization	2,374	2,051	6,805	5,123
Property operating expenses	621	267	1,381	796
Base management fee	690	523	2,102	1,446
Incentive fee	—	261	—	688
Capital gains fee	778	—	778	—
Administration fee	387	211	935	656
General and administrative expenses	443	386	1,350	1,227
Other operating expenses	175	—	7,673	—
Total operating expenses	5,468	3,699	21,024	9,936
Credits to fees from Adviser	(796)	(54)	(970)	(54)
Total operating expenses, net of credits to fees	4,672	3,645	20,054	9,882
OPERATING INCOME	3,345	2,919	8,603	8,428
OTHER INCOME (EXPENSE):				
Other income	1	4	324	190
Interest expense	(3,082)	(2,634)	(8,728)	(6,984)
Dividends declared on Series A cumulative term preferred stock	(458)	(458)	(1,375)	(1,375)
Gain (loss) on dispositions of real estate assets, net	6,247	(78)	6,247	(78)
Property and casualty loss	—	—	(129)	—
Loss on write-down of crop inventory	(33)	—	(1,093)	—
Total other income (expense), net	2,675	(3,166)	(4,754)	(8,247)
NET INCOME (LOSS)	6,020	(247)	3,849	181
Net (income) loss attributable to non-controlling interests	(337)	26	(206)	(23)
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	5,683	(221)	3,643	158
Dividends declared on Series B cumulative redeemable preferred stock	(90)	—	(92)	—
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$5,593	$ (221)	$3,551	$ 158
EARNINGS (LOSS) PER COMMON SHARE:				
Basic and diluted	$0.35	$ (0.02)	$0.23	$ 0.01
WEIGHTED-AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and diluted	16,057,957	12,271,925	15,181,760	11,512,968

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)

	Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Distributions in Excess of Accumulated Earnings	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
	Number of Shares	Par Value	Number of Shares	Par Value					
Balance at December 31, 2016	—	$ —	10,024,875	$ 10	$ 90,082	$ (13,402)	$ 76,690	$ 11,087	$ 87,777
Issuance of OP Units as consideration in real estate acquisitions, net	—	—	—	—	—	—	—	—	—
Redemption of OP Units	—	—	50,000	—	404	—	404	(2,674)	(2,270)
Issuance of common stock, net	—	—	3,410,150	3	38,420	—	38,423	—	38,423
Net income	—	—	—	—	—	158	158	23	181
Distributions—OP Units and common stock	—	—	—	—	—	(4,557)	(4,557)	(568)	(5,125)
Adjustment to non-controlling interests resulting from changes in ownership of the Operating Partnership	—	—	—	—	(2,058)	—	(2,058)	2,058	—
Balance at September 30, 2017	—	$ —	13,485,025	$ 13	$ 126,848	$ (17,801)	$ 109,060	$ 9,926	$ 118,986
Balance at December 31, 2017	—	$ —	13,791,574	$ 14	$ 129,705	$ (19,802)	$ 109,917	$ 8,034	$ 117,951
Redemption of OP Units	—	—	297,811	—	2,460	—	2,460	(2,983)	(523)
Issuance of preferred stock, net	393,048	—	—	—	8,799	—	8,799	—	8,799
Issuance of common stock, net	—	—	1,981,231	2	23,605	—	23,607	—	23,607
Net income	—	—	—	—	—	3,643	3,643	206	3,849
Dividends—Series B Preferred Stock	—	—	—	—	—	(92)	(92)	—	(92)
Distributions—OP Units and common stock	—	—	—	—	—	(6,054)	(6,054)	(337)	(6,391)
Adjustment to non-controlling interests resulting from changes in ownership of the	—	—	—	—	(626)	—	(626)	626	—

Operating Partnership Balance at September 30, 2018	393,048	$ —	16,070,616	$ 16	$ 163,943	$ (22,305)	$ 141,654	$ 5,546	$ 147,200

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 Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$3,849	$181
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,805	5,123
Amortization of debt issuance costs	434	366
Amortization of deferred rent assets and liabilities, net	(272)	(189)
Bad debt expense	108	—
(Gain) loss on dispositions of real estate assets, net	(6,247)	78
Property and casualty loss	129	—
Loss on write-down of inventory	1,093	—
Changes in operating assets and liabilities:		
Crop inventory and Other assets, net	(1,274)	492
Accounts payable and accrued expenses and Due to related parties, net	(677)	541
Other liabilities, net	4,096	1,079
Net cash provided by operating activities	8,044	7,671
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of new real estate assets	(31,467)	(120,985)
Capital expenditures on existing real estate assets	(17,157)	(3,438)
Proceeds from dispositions of real estate assets	132	—
Change in deposits on real estate acquisitions and investments, net	(100)	(865)
Net cash used in investing activities	(48,592)	(125,288)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of preferred and common equity	34,397	40,421
Offering costs	(1,894)	(1,962)
Payments for redemptions of OP Units	(523)	(2,270)
Borrowings from mortgage notes and bonds payable	48,218	104,590
Repayments of mortgage notes and bonds payable	(22,800)	(4,663)
Borrowings from lines of credit	14,100	52,500
Repayments of lines of credit	(24,000)	(63,950)
Payments of financing fees	(525)	(604)
Dividends paid on Series B cumulative redeemable preferred stock	(43)	—
Distributions paid on common stock	(6,054)	(4,557)
Distributions paid to non-controlling interests in Operating Partnership	(337)	(568)
Net cash provided by financing activities	40,539	118,937
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9)	1,320
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,938	2,438
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$2,929	$3,758

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 (Continued)
(In thousands)
(Unaudited)

	For the Nine Months Ended September 30,	
	2018	2017
NON-CASH INVESTING AND FINANCING INFORMATION:		
Real estate additions included in Other assets, net	—	15
Real estate additions included in Accounts payable and accrued expenses and Due to related parties, net	2,656	1,140
Gain (loss) on dispositions of real estate assets, net included in Accounts payable and accrued expenses and Due to related parties, net	87	23
Real estate additions included in Other liabilities, net	136	506
Stock offering and OP Unit issuance costs included in Accounts payable and accrued expenses and Due to related parties, net	100	237
Financing fees included in Accounts payable and accrued expenses and Due to related parties, net	—	54
Escrow proceeds from asset sale used for acquisition of new real estate assets	20,500	—

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 AND ORGANIZATION

Business and Organization

Gladstone Land Corporation (the "Company") is an agricultural real estate investment trust ("REIT") that was re-incorporated in Maryland on March 24, 2011, having been previously re-incorporated in Delaware on May 25, 2004. Upon the pricing of our initial public offering on January 29, 2013, our shares of common stock began trading on the Nasdaq Global Market ("Nasdaq") under the symbol "LAND." We are primarily in the business of owning and leasing farmland, and we conduct substantially all of our operations through a subsidiary, Gladstone Land Limited Partnership (the "Operating Partnership"), a Delaware limited partnership. As we currently control the sole general partner of the Operating Partnership and own, directly or indirectly, a majority of the units of limited partnership interest in the Operating Partnership ("OP Units"), the financial position and results of operations of the Operating Partnership are consolidated within our financial statements. As of September 30, 2018, and December 31, 2017, the Company owned approximately 96.0% and 93.2%, respectively, of the outstanding OP Units (see Note 7, "Equity," for additional discussion regarding OP Units).

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information

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

Use of Estimates

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

Impairment of Real Estate Assets

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We account for the impairment of our tangible and identifiable intangible real estate assets in accordance with Accounting Standards Codification ("ASC") 360, "Property, Plant, and Equipment" ("ASC 360"), which requires us to periodically review the carrying value of each property to determine whether indicators of impairment exist. If circumstances support the possibility of impairment, we prepare a projection of the total undiscounted future cash flows of the specific property (without interest charges), including proceeds from disposition, and compare them to the net book value of the property to determine whether the carrying value of the property is recoverable. If the carrying amount is more than the aggregate undiscounted future cash flows, we would recognize an impairment loss to the extent the carrying value exceeds the estimated fair value of the property.

We evaluate our entire portfolio each quarter for any impairment indicators and perform an impairment analysis on those select properties that have an indication of impairment. As of September 30, 2018, we concluded that none of our properties were impaired. There have been no impairments recognized on our real estate assets since our inception.

Crop Inventory and Crop Sales

Crop Inventory

Costs incurred by Land Advisers in operating the 169-acre farm located in Ventura County, California, generally consisted of growing costs (including the costs of land preparation, plants, fertilizers and pesticides, and labor costs), harvesting and selling costs (including labor costs for harvesting, packaging and cooling costs, and sales commissions), and certain overhead costs (including management/oversight costs). Due to certain market conditions during the nine months ended September 30, 2018 (primarily the existence of bumper crops in all of the strawberry-growing regions within California), we were unable to sell all of the crops and therefore assessed the market value of such unsold crops to be zero. Accordingly, we wrote down the cost of crop inventory to its estimated net realizable value of zero and recorded a loss during the three and nine months ended September 30, 2018, of approximately $33,000 and $1.1 million, respectively (including accumulated costs incurred by our Adviser that were allocated to these unsold crops of approximately $3,000 and $31,000, respectively (see Note 6, "Related-Party Transactions—TRS Lease Assumption—TRS Fee Arrangements—TRS Expense Sharing Agreement")), included within Loss on write-down of inventory on the accompanying Condensed Consolidated Statement of Operations.

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

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

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

Crop Sales

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

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

	For the Three Months Ended September 30, 2018	For the nine months ended September 30, 2018
Sales revenues[(1)]	$ 2	$ 7,308
Cost of sales[(2)(3)(4)]	(175)	(7,673)

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

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

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

(4) Excludes the allocation of a fee earned by our Adviser from Land Advisers of approximately $15,000 and $176,000 during the three and nine months ended September 30, 2018, respectively, which is included within Management Fee on the accompanying Condensed Consolidated Statements of Operations (see Note 6, "Related-Party Transactions—TRS Fee Arrangements—TRS Expense Sharing Agreement" for further discussion on this fee).

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

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Income Taxes

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

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

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

Reclassifications

On the accompanying Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2018, certain property-specific costs have been reclassified from general and administrative expenses to property operating expenses, and acquisition-related expenses have been reclassified to be included within general and administrative expenses. These reclassifications had no impact on previously-reported net income, equity, or net change in cash and cash equivalents.

Recently-Issued Accounting Pronouncements

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

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842): An Amendment of the FASB Accounting Standards Codification” (“ASU 2016-02”). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee, which classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis, respectively, over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of the classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leasing standard, ASC 840, “Leases,” and is effective on January 1, 2019, with early adoption permitted. Once we adopt ASU 2016-02, 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 August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”), which provides guidance on certain cash flow classification issues, with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified on the statement of cash flows. We adopted ASU 2016-15 beginning with the three months ended March 31, 2018, and did not have a material impact on our condensed consolidated financial statements.

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

In August 2018, the SEC adopted the final rule under Securities Act Release No. 33-10532, "Disclosure Update and Simplification" ("SAR 33-10532"), which amended certain disclosure requirements that were redundant, duplicative, overlapping, outdated, or superseded and expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in either a note or a separate statement, and the analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. We are in the process of evaluating the impact of adopting SAR 33-10532, which was effective on November 5, 2018, but do not anticipate its adoption to have a material impact on our condensed consolidated financial statements.

NOTE 3. REAL ESTATE AND INTANGIBLE ASSETS

All of our properties are wholly-owned on a fee-simple basis, except where noted. The following table provides certain summary information about our 82 farms as of September 30, 2018 (dollars in thousands, except for footnotes):

Location	No. of Farms	Total Acres	Farm Acres	Net Cost Basis[1]	Encumbrances[2]
California	31	8,435	7,655	$218,056	$ 154,098
Florida	22	17,184	12,981	155,219	97,480
Arizona[3]	6	6,280	5,228	52,488	22,513
Colorado	10	31,448	24,513	41,421	24,499
Nebraska	2	2,559	2,101	10,504	7,050
Washington	1	746	417	8,980	5,281
Oregon	3	418	363	5,980	3,494
Michigan	5	446	291	4,938	2,821
North Carolina	2	310	295	2,333	1,270
	82	67,826	53,844	$499,919	$ 318,506

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

(2) Excludes approximately $2.3 million of debt issuance costs related to mortgage notes and bonds payable, included in Mortgage notes and bonds payable, net on the accompanying Condensed Consolidated Balance Sheet.

(3) Includes two farms in which we own a leasehold interest via ground leases with the State of Arizona that expire in February 2022 and February 2025, respectively. In total, these two farms consist of 1,368 total acres and 1,221

farm acres and had an aggregate net cost basis of approximately $2.8 million as of September 30, 2018 (included in Lease intangibles, net on the accompanying Condensed Consolidated Balance Sheet).

Real Estate

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

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	September 30, 2018	December 31, 2017
Real estate:		
Land and land improvements	$ 389,333	$ 356,316
Irrigation systems	65,427	50,282
Buildings	18,507	18,191
Horticulture	39,320	34,803
Other improvements	6,750	6,551
Real estate, at gross cost	519,337	466,143
Accumulated depreciation	(22,269)	(16,657)
Real estate, net	$ 497,068	$ 449,486

Real estate depreciation expense on these tangible assets was approximately $2.1 million and $6.0 million for the three and nine months ended September 30, 2018, respectively, and $1.7 million and $4.4 million for the three and nine months ended September 30, 2017, respectively.

Included in the figures above are amounts related to tenant improvements, which are improvements made on certain of our properties paid for by our tenants but owned by us. As of each of September 30, 2018, and December 31, 2017, we recorded tenant improvements, net of accumulated depreciation, of approximately $2.3 million. We recorded both depreciation expense and additional rental revenue related to these tenant improvements of approximately $77,000 and $228,000 for the three and nine months ended September 30, 2018, respectively, and $61,000 and $150,000 for three and nine months ended September 30, 2017, respectively.

Intangible Assets and Liabilities

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

	September 30, 2018	December 31, 2017
Lease intangibles:		
Leasehold interest – land	$ 3,498	$ 3,498
In-place leases	1,957	1,451
Leasing costs	2,009	1,490
Tenant relationships	439	439
Lease intangibles, at cost	7,903	6,878
Accumulated amortization	(2,074)	(1,386)
Lease intangibles, net	$ 5,829	$ 5,492

Total amortization expense related to these lease intangible assets was approximately $289,000 and $834,768 for the three and nine months ended September 30, 2018, respectively, and $390,000 and $739,000 for the three and nine months ended September 30, 2017, respectively.

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

	September 30, 2018		December 31, 2017	
Intangible Asset or Liability	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion	Deferred Rent Asset (Liability)	Accumulated (Amortization) Accretion
Above-market lease values and lease incentives[(1)]	$26	$ (11)	$26	$ (5)
Below-market lease values and other deferred revenue[(2)]	(823)	176	(823)	125
	$(797)	$ 165	$(797)	$ 120

(1)

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

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

Total amortization related to above-market lease values and lease incentives was approximately $2,000 and $5,000 for the three and nine months ended September 30, 2018, respectively, and $4,000 and $7,000 during the three and nine months ended

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September 30, 2017, respectively. Total accretion related to below-market lease values and other deferred revenue was approximately $17,000 and $50,000 for the three and nine months ended September 30, 2018, respectively, and $17,000 and $47,000 for the three and nine months ended September 30, 2017, respectively.

Acquisitions

Upon our adoption of ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business,” during the three months ended December 31, 2016, most acquisitions, including those with a prior leasing history, are generally treated as an asset acquisition under ASC 360. For acquisitions accounted for as asset acquisitions under ASC 360, all acquisition-related costs are capitalized and included as part of the fair value allocation of the identifiable tangible and intangible assets acquired, other than those costs that directly related to originating new leases we execute upon acquisition, which are capitalized as part of leasing costs. In addition, total consideration for acquisitions may include a combination of cash and equity securities, such as OP Units. When OP Units are issued in connection with acquisitions, we determine the fair value of the OP Units issued based on the number of units issued multiplied by the closing price of the Company’s common stock on the date of acquisition. Unless otherwise noted, all properties acquired during 2017 and 2018 were accounted for as asset acquisitions under ASC 360.

2018 Acquisitions

During the nine months ended September 30, 2018, we acquired ten new farms, which are summarized in the table below (dollars in thousands):

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs	Annualized Straight-line Rent(1)	New Long-term Debt
Taft Highway(2)	Kern, CA	1/31/2018	161	1	Potatoes and Melons	N/A	N/A	$2,945	$ 32	$ —	$ 1,473
Cemetery Road	Van Buren, MI	3/13/2018	176	1	Blueberries	9.6 years	None	2,100	39	150	1,260
Owl Hammock(3)	Collier & Hendry, FL	7/12/2018	5,630	5	Vegetables and Melons	7.0 years	2 (5 years)	37,350	192	2,148	22,410
Plantation Road	Jackson, FL	9/6/2018	574	1	Peanuts and Melons	2.3 years	None	2,600	35	142	1,560
Flint Avenue	Kings, CA	9/13/2018	194	2	Cherries	15.3 years	1 (5 years)	6,850	58	523	4,110
			6,735	10				$51,845	$ 356	$ 2,963	$ 30,813

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

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

(3) In connection with the acquisition of this property, we committed to providing up to $2.0 million of capital for certain irrigation and property improvements. As stipulated in the lease, we will earn additional rental income 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 follow-on lease).

During the three and nine months ended September 30, 2018, in the aggregate, we recognized operating revenues of approximately $554,000 and $603,000, respectively, and net income of approximately $168,000 and $140,000, respectively, related to the above acquisitions.

2017 Acquisitions

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During the nine months ended September 30, 2017, we acquired 14 new farms, which are summarized in the table below (dollars in thousands).

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term[(1)]	Renewal Options	Total Purchase Price	Acquisition Costs	Annualized Straight-line Rent[(2)]		Net Long-term Debt
Citrus Boulevard	Martin, FL	1/12/2017	3,748	1	Organic Vegetables	7.0 years	3 (5 years)	$54,000	$80	$2,926		$32,400
Spot Road[(3)]	Yuma, AZ	6/1/2017	3,280	4	Melons and Alfalfa Hay	8.6 years	1 (10 years) & 1 (2 years)	27,500	88	1,673		15,300
Poplar Street	Bladen, NC	6/2/2017	310	2	Organic Blueberries	9.6 years	1 (5 years)	2,169	49	122	(4)	1,301
Phelps Avenue	Fresno, CA	7/17/2017	847	4	Pistachios and Almonds	10.3 years	1 (5 years)	13,603	43	681	(4)	8,162
Parrot Avenue[(5)]	Okeechobee, FL	8/9/2017	1,910	1	Misc. Vegetables	0.5 years	None	9,700	67	488		5,820
Cat Canyon Road[(6)]	Santa Barbara, CA	8/30/2017	361	1	Wine Grapes	9.8 years	2 (5 years)	5,375	112	322		3,225
Oasis Road	Walla Walla, WA	9/8/2017	746	1	Apples, Cherries, and Wine Grapes	6.3 years	None	9,500	45	480	(4)	5,460
			11,202	14				$121,847	$484	$6,692		$71,668

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

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

(3) 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.

(4) These leases provide for a variable rent component based on the gross crop revenues earned on the respective properties. The figures above represent only the minimum cash guaranteed under the respective leases.

(5) In connection with the acquisition of this property, we executed a 6-year, follow-on lease with a new tenant that begins upon the expiration of the 7-month lease assumed at acquisition. The follow-on lease includes two, 6-year extension options and provides for minimum annualized straight-line rents of approximately $542,000. In addition, in connection with the execution of the follow-on lease, as amended, we committed to providing up to $2.5 million of capital for certain irrigation and property improvements. As stipulated in the follow-on lease, we will earn additional rental income 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 follow-on lease).

(6) In connection with the acquisition of this property, we committed up to $4.0 million of capital to fund the development of additional vineyard acreage on the property. As stipulated in the lease agreement, we will earn additional rental income on the total cost of the project as the capital is disbursed by us at rates specified in the lease.

During the three and nine months ended September 30, 2017, in the aggregate, we recognized operating revenues of approximately $1.5 million and $3.0 million, respectively, and earnings of approximately $341,000 and $1.2 million, respectively, related to the above acquisition.

Purchase Price Allocations

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

Acquisition Period	Land and Land Improvements	Irrigation & Drainage Systems	Horticulture	Buildings	Other Improvements	Leasehold Interest – Land	In-place Leases	Leasing Costs	Net Below-Market Leases	Total Purchase Price
2018 Acquisitions	$ 44,749	$ 1,548	$ 4,288	$ 123	$ —	$ —	$ 626	$ 511	$ —	$ 51,845
2017 Acquisitions	89,614	11,534	12,611	2,804	824	3,488	487	508	(23)	121,847

Acquired Intangibles and Liabilities

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

	Weighted-Average Amortization Period (in Years)	
Intangible Assets and Liabilities	2018	2017
Leasehold interest – land	0.0	6.9
In-place leases	7.0	6.3
Leasing costs	7.1	8.8
Above-market lease values	0.0	2.1
Below-market lease values and deferred revenue	0.0	4.7
All intangible assets and liabilities	7.1	7.0

Significant Existing Real Estate Activity

Leasing Activity

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

On June 11, 2018, we entered into a new 10-year lease agreement with a new, unrelated third-party tenant on the 169-acre farm located in Ventura County, California, previously farmed by Land Advisers. The new lease commenced on August 1, 2018, and provides for annualized straight-line rent of approximately $667,000, which represents a decrease of approximately $91,000, or 12.0%, from that of the previous lease that was assigned to Land Advisers (see Note 6, "Related-Party Transactions—TRS Lease Assumption" for further discussion on this lease assignment). However, the new lease is a pure, triple-net lease, whereas the previous lease was a partial-net lease (with us, as landlord, responsible for the property taxes on the farm, which are currently approximately $112,000 per year).

On August 28, 2018, we reached an agreement with the current tenant on our 72-acre farm in Santa Cruz, California, to terminate the lease (which was originally scheduled to expire on October 31, 2020) on October 31, 2018, and simultaneously entered into a new, 10-year lease with a new, unrelated third-party tenant. The new lease commenced on November 1, 2018, and provides for annualized minimum straight-line rent of approximately $200,000, which represents an increase of approximately $41,000 (approximately 26.0%) over that of the prior lease (before its early termination).

On August 30, 2018, we amended the lease on our 164-acre farm in Ventura County, California, to exclude certain hillside acreage from the lease and extend the term by one additional year (through July 31, 2021). The amendment resulted in a decrease in annualized minimum straight-line rent of approximately $62,000 (approximately 16.2%) from that of the original lease.

Property Dispositions

Land Exchange

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

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On July 10, 2018, we completed the sale of our 1,895-acre farm in Morrow County, Oregon ("Oregon Trail"), to the existing tenant for $20.5 million. Including closing costs and the write-off of a deferred rent asset balance of approximately $154,000, we recognized a net gain on the sale of approximately $6.4 million. Proceeds from this sale were used to acquire Owl Hammock (as described in Note 3, "Real Estate and Intangible Assets,") as part of a like-kind exchange under Section 1031 of the Code.

Project Completion

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

Property and Casualty Loss

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

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

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

Portfolio Diversification and Concentrations

Diversification

The following table summarizes the geographic locations, by state, of our farms with leases in place as of September 30, 2018 and 2017 (dollars in thousands):

	As of and For the Nine Months Ended September 30, 2018					As of and For the Nine Months Ended September 30, 2017				
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[1]	31	8,435	12.4%	$9,880	46.3%	27	7,921	12.8%	$8,749	47.8%
Florida	22	17,184	25.3%	5,790	27.1%	17	11,225	18.2%	4,839	26.5%
Colorado	10	31,448	46.4%	2,057	9.7%	9	30,170	48.8%	2,018	11.0%
Arizona	6	6,280	9.3%	1,425	6.7%	6	6,280	10.2%	1,114	6.1%
Oregon	3	418	0.6%	765	3.6%	4	2,313	3.7%	887	4.8%
Washington	1	746	1.1%	596	2.8%	1	746	1.2%	31	0.2%
Nebraska	2	2,559	3.8%	435	2.0%	2	2,559	4.2%	435	2.4%
Michigan	5	446	0.7%	270	1.3%	4	270	0.4%	187	1.0%
North Carolina	2	310	0.4%	115	0.5%	2	310	0.5%	42	0.2%
TOTALS	82	67,826	100.0%	$21,333	100.0%	72	61,794	100.0%	$18,302	100.0%

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

Concentrations

Credit Risk

As of September 30, 2018, our farms were leased to 56 different, unrelated 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 $3.3 million, or 15.6%, of the rental revenue recorded during the nine months ended September 30, 2018. If Tenant A fails to make rental payments, elects to terminate its leases prior to their expirations, or does not renew its leases (and we cannot re-lease the farms on satisfactory terms), there could be a material adverse effect on our financial performance and ability to continue operations. No other individual tenant represented greater than 10.0% of our total rental revenue recorded during the nine months ended September 30, 2018.

Geographic Risk

Farms located in California and Florida accounted for approximately $9.9 million (46.3%) and $5.8 million (27.1%), respectively, of the rental revenue recorded during the nine months ended September 30, 2018. Though we seek to continue to further diversify geographically, as may be desirable or feasible, should an unexpected natural disaster occur where our properties are located, there could be a material adverse effect on our financial performance and ability to continue operations. None of our farms in Florida were materially impacted by Hurricane Michael during October 2018. No other single state accounted for more than 10.0% of our total rental revenue recorded during the nine months ended September 30, 2018.

NOTE 4. BORROWINGS

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

	Carrying Value as of		As of September 30, 2018	
	September 30, 2018	December 31, 2017	Stated Interest Rates[1] (Range; Wtd Avg)	Maturity Dates (Range; Wtd Avg)
Mortgage notes and bonds payable:				
Fixed-rate mortgage notes payable	$227,529	$208,469	3.16%–5.38%; 3.81%	6/1/2020–10/1/2043; December 2030
Fixed-rate bonds payable	90,877	84,519	2.80%–4.57%; 3.55%	12/11/2019–9/13/2028; November 2022
Total mortgage notes and bonds payable	318,406	292,988		
Debt issuance costs – mortgage notes and bonds payable	(2,264)	(1,986)	N/A	N/A
Mortgage notes and bonds payable, net	$316,142	$291,002		
Variable-rate revolving lines of credit	$100	$10,000	4.59%	4/5/2024
Total borrowings, net	$316,242	$301,002		

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

The weighted-average interest rate charged on the above borrowings (excluding the impact of debt issuance costs and before any interest patronage, or refunded interest) was 3.76% and 3.63% for the three and nine months ended September 30, 2018, respectively, and 3.44% and 3.33% for the three and nine months ended September 30, 2017, respectively. In addition, 2017 interest patronage from our Farm Credit Notes Payable (as defined below), which we received and recorded during the nine months ended September 30, 2018, resulted in an 18.0% reduction (approximately 71 basis points) to the stated interest rates on such borrowings. We are unable to estimate the amount of interest patronage to be received, if any, related to interest accrued during 2018 on our Farm Credit Notes Payable.

MetLife Borrowings

MetLife Facility

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

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Issuance	Aggregate Commitment	Maturity Dates	Principal Outstanding	Interest Rate Terms	Undrawn Commitment
MetLife Term Notes	$ 200,000 (1)	1/5/2029	$ 126,658	3.30%, fixed through 1/4/2027 (2)	$ 63,530 (3)(4)
MetLife Lines of Credit	75,000	4/5/2024	100	3-month LIBOR + 2.25% (5)	74,900 (3)
Total principal outstanding			$ 126,758		

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

(2) Represents the blended interest rate as of September 30, 2018. Interest rates for subsequent disbursements will be based on then-prevailing market rates. The interest rate on all then-outstanding disbursements will be subject to adjustment on January 5, 2027. Through December 31, 2019, the MetLife Term Notes are also subject to an unused fee ranging from 0.10% to 0.20% on undrawn amounts (based on the balance drawn under the MetLife Term Notes).

(3) Based on the properties that were pledged as collateral under the MetLife Facility, as of September 30, 2018, the maximum additional amount we could draw under the facility was approximately $13.0 million.

(4) Net of amortizing principal payments of approximately $9.8 million.

(5) The interest rate on the MetLife Lines of Credit is subject to a minimum annualized rate of 2.50%, plus an unused fee ranging from 0.10% to 0.20% on undrawn amounts (based on the balance drawn under each line of credit). The interest rate spread will be subject to adjustment on October 5, 2019. As of September 30, 2018, the interest rate on the MetLife Lines of Credit was 4.59%.

Individual MetLife Notes

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

Date of Issuance	Principal Outstanding	Maturity Dates	Principal Amortization	Interest Rate Terms
5/31/2017	$ 14,765	2/14/2022 & 2/14/2025	28.6 years	3.55% & 3.85%, fixed throughout their respective terms

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

Farm Credit Notes Payable

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

Issuer	Date of Issuance	Amount(1)	Maturity Date	Principal Amortization	Interest Rate Terms(2)
Farm Credit West	4/11/2018	$ 1,473	5/1/2038	20.5 years	4.99%, fixed through April 30, 2023 (variable thereafter)
Farm Credit FL	7/12/2018	16,850	8/1/2043	25.0 years	5.38%, fixed through July 31, 2025 (variable thereafter)
Farm Credit FL	7/17/2018	5,560	8/1/2043	25.0 years	5.38%, fixed through July 31, 2025 (variable thereafter)
SWGA Farm Credit	9/6/2018	1,560	10/1/2043	25.0 years	5.06%, fixed through October 1, 2023 (variable thereafter)

(1) Proceeds from these notes were used for the acquisitions of new farms and to repay existing indebtedness.

(2) Stated rate is before interest patronage, as described below.

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

Issuer	No. of Loans Outstanding	Dates of Issuance	Maturity Dates	Principal Outstanding	Stated Interest Rate[1]	
Farm Credit CFL	7	9/19/2014 – 7/13/2017	6/1/2020 – 10/1/2040	$ 24,103	4.29%	(2)
Farm Credit West	5	4/4/2016 – 4/11/2018	5/1/2037 – 11/1/2041	25,332	4.08%	(3)
CF Farm Credit	1	6/14/2017	7/1/2022	1,270	4.41%	(4)
Farm Credit FL	3	8/9/2017 – 7/17/2018	3/1/2037 – 8/1/2043	28,042	5.24%	(5)
NW Farm Credit	1	9/8/2017	9/1/2024	5,281	4.41%	(6)
SWGA Farm Credit	1	9/6/2018	10/1/2043	1,560	5.06%	(7)
Total	18			$ 85,588		

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

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

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

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

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

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

(7) To date, no interest patronage has been received or recorded for this loan, as it was not outstanding during 2017.

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

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

Farmer Mac Facility

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

During the nine months ended September 30, 2018, we issued four bonds, the terms of which are summarized in the table below (dollars in thousands):

Date of Issuance	Gross Proceeds[1]		Maturity Dates	Principal Amortization	Interest Rate Terms
3/13/2018	$ 1,260		3/13/2028	None	4.47%, fixed throughout its term
7/30/2018	10,356	(2)	7/24/2025	None	4.45%, fixed throughout its term
8/17/2018	7,050	(2)	8/17/2021	None	4.06%, fixed throughout its term
9/13/2018	4,110		9/13/2028	96.9 years	4.57%, fixed throughout its term

(1) Except as noted, proceeds from these bonds were used to repay existing indebtedness and for the acquisitions of new farms.

(2) Proceeds from the issuance of these bonds were used to repay three bonds totaling approximately $16 million that matured during the three months ended September 30, 2018. The additional proceeds received of approximately $1.4 million were a result of appreciation in value of the underlying collateral since the time of the original bond issuances and were used for general corporate purposes.

The following table summarizes, in the aggregate, the terms of the 16 bonds outstanding under the Farmer Mac Facility as of September 30, 2018 (dollars in thousands):

Dates of Issuance	Initial	Maturity Dates	Principal	Stated Interest Rate[1]	Undrawn

	Commitment		Outstanding		Commitment	
12/11/2014–9/13/2018	$ 125,000	(2)	12/11/2019–9/13/2028	$ 90,877	3.55%	$ 16,342 (3)

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

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

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

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

Rabo Note Payable

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

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

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

Debt Service – Aggregate Maturities

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

Period		Scheduled Principal Payments
For the remaining three months ending December 31:	2018	$ 655
For the fiscal years ending December 31:	2019	11,626
	2020	27,084
	2021	14,928
	2022	37,191
	2023	30,680
	Thereafter	196,242
		$ 318,406

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 September 30, 2018, the aggregate fair value of our long-term, fixed-rate mortgage notes and bonds payable was approximately $302.7 million, as compared to an aggregate carrying value (excluding unamortized related debt issuance costs) of approximately $318.4 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 September 30, 2018, is deemed to approximate their aggregate carrying value of $0.1 million.

NOTE 5. SERIES A TERM PREFERRED STOCK

In August 2016, we completed a public offering of 6.375% Series A Cumulative Term Preferred Stock, par value $0.001 per share (the "Series A Term Preferred Stock"), at a public offering price of $25.00 per share. As a result of this offering (including the underwriters' exercise of their option to purchase additional shares to cover over-allotments), we issued a total of 1,150,000 shares of the Series A Term Preferred Stock for gross proceeds of approximately $28.8 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, of approximately $27.6 million. The Series A Term Preferred Stock is traded under the ticker symbol "LANDP" on Nasdaq.

Generally, we were not permitted to redeem shares of the Series A Term Preferred Stock prior to September 30, 2018, except in limited circumstances to preserve our qualification as a REIT. Beginning on September 30, 2018, we were permitted to redeem the shares at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends up to, but excluding, the date of redemption. The shares of the Series A Term Preferred Stock have a mandatory redemption date of September 30, 2021, and

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are not convertible into our common stock or any other securities. As of September 30, 2018, no shares of Series A Term Preferred Stock have been redeemed.

We incurred approximately $1.2 million in total offering costs related to this issuance, which have been recorded net of the Series A Term Preferred Stock as presented on the accompanying Condensed Consolidated Balance Sheet and are being amortized over the mandatory redemption period as a component of interest expense on the accompanying Condensed Consolidated Statements of Operations. The Series A Term Preferred Stock is recorded as a liability on our accompanying Condensed Consolidated Balance Sheets in accordance with ASC 480, "Distinguishing Liabilities from Equity," which states that mandatorily-redeemable financial instruments should be classified as liabilities. In addition, the related dividend payments are treated similar to interest expense on the accompanying Condensed Consolidated Statements of Operations.

As of September 30, 2018, the fair value of our Series A Term Preferred Stock was approximately $29.6 million, as compared to the carrying value (exclusive of unamortized offering costs) of $28.8 million. The fair value of our Series A Term Preferred Stock is valued using Level 1 inputs under the hierarchy established by ASC 820-10, "Fair Value Measurements and Disclosures," and is calculated based on the closing per-share price as of September 30, 2018, of $25.75.

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

NOTE 6. RELATED-PARTY TRANSACTIONS

Our Adviser and Administrator

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

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

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

Prior Advisory Agreement

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

Base Management Fee

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

Incentive Fee

We also paid an additional quarterly incentive fee based on funds from operations (as defined in the Prior Advisory Agreement). For purposes of calculating the incentive fee, our funds from operations, before giving effect to any incentive fee (our "Pre-Incentive Fee FFO"), included any realized capital gains or losses, less any distributions paid on our preferred stock, but did not include any unrealized capital gains or losses. The incentive fee rewarded our Adviser if our Pre-Incentive Fee FFO for a particular calendar quarter exceeded a hurdle rate of 1.75% (7.0% annualized) of our total stockholders' equity (as shown on the balance sheet) at the end of the quarter. Our Adviser received 100% of the amount of the Pre-Incentive Fee FFO for the quarter that exceeded the hurdle rate but was less than 2.1875% of our total stockholders' equity at the end of the quarter (8.75% annualized) and 20% of the amount of our Pre-Incentive

Fee FFO that exceeded 2.1875% for the quarter.
Amended Advisory Agreement

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

Base Management Fee

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

Incentive Fee

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

Capital Gains Fee

A capital gains-based incentive fee will be calculated and payable in arrears at the end of each fiscal year (or upon termination of the Amended Advisory Agreement). The capital gains fee shall equal: (i) 15% of the cumulative aggregate realized capital gains minus the cumulative aggregate realized capital losses, minus (ii) any aggregate capital gains fees paid in prior periods. For purposes of this calculation, realized capital gains and losses will be calculated as (x) the sales price of the property, minus (y) any costs to sell the property and the then-current gross value of the property (which includes the property's original acquisition price plus any subsequent, non-reimbursed capital improvements). At the end of each fiscal year, if this figure is negative, no capital gains fee shall be paid. Our sale of Oregon Trail during the three months ended September 30, 2018 (see Note 3, "Real Estate and Intangible Assets—Significant Existing Real Estate Activity—Property Dispositions—Property Sale"), resulted in our Adviser earning a capital gains fee of approximately $778,000, which was the first capital gains fee recorded by us since our inception. However, during the three months ended September 30, 2018, our Adviser granted us a non-contractual, unconditional, and irrevocable waiver equal to the full amount of the capital gains fee earned to be applied as a credit against the full fee.

Termination Fee

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

Administration Agreement

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

TRS Lease Assumption

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

TRS Fee Arrangements

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

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Administrator pursuant to the Administration Agreement would be allocated to Land Advisers (the "TRS Administration Fee Allocation, and together with the TRS Expense Sharing Agreement, the "TRS Fee Arrangements").
TRS Expense Sharing Agreement
Pursuant to the TRS Expense Sharing Agreement, our Adviser is responsible for maintaining the day-to-day operations on the farm leased to Land Advisers. In exchange for such services, Land Advisers compensates our Adviser through reimbursement of certain expenses incurred by our Adviser, including Land Advisers' pro-rata share of our Adviser's payroll and related benefits (based on the percentage of each employee's time devoted to matters related to Land Advisers in relation to the time such employees devoted to all affiliated funds, collectively, advised by our Adviser) and general overhead expenses (based on the total general overhead expenses incurred by our Adviser multiplied by the ratio of hours worked by our Adviser's employees on matters related to Land Advisers to the total hours worked by our Adviser's employees).
Through September 30, 2018, our Adviser had incurred approximately $207,000 of costs related to services provided to Land Advisers (approximately $44,000 and $136,000 of which were incurred during the three and nine months ended September 30, 2018, respectively). Such costs, while payable by Land Advisers, were initially accumulated and deferred (included within Crop inventory on the accompanying Condensed Consolidated Balance Sheets) and then allocated to costs of sales as the related crops were harvested and sold. During the three and nine months ended September 30, 2018, approximately $15,000 and $176,000, respectively, of the total accumulated costs incurred by our Adviser was allocated to the costs of crops sold and is included within Management Fee on the accompanying Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2018. The remaining accumulated costs incurred by our Adviser of approximately $31,000 was allocated to harvested but unsold crops held within crop inventory, the market value of which was written down to zero during the nine months ended September 30, 2018. As such, all costs allocated to these crops (including the $31,000 incurred by our Adviser) were included within Loss on write-down of crop inventory on the accompanying Condensed Consolidated Statement of Operations. See Note 2, "Summary of Significant Accounting Policies—Crop Inventory and Crop Sales—Crop Inventory," for further discussion on the write-down of our crop inventory. In addition, during the three months ended September 30, 2018, our Adviser granted Land Advisers a non-contractual, unconditional, and irrevocable waiver of approximately $16,000 to be applied as a credit against a portion of the fees incurred by our Adviser on behalf of Land Advisers pursuant to the TRS Expense Sharing Agreement.
TRS Administration Fee Allocation
Under to the TRS Administration Fee Allocation, a portion of the fee owed by us to our Administrator under the Administration Agreement is allocated to Land Advisers based on the percentage of each employee's time devoted to matters related to Land Advisers in relation to the total time such employees devoted to the Company.
During the three and nine months ended September 30, 2018, approximately $18,000 and $48,000, respectively, of the administration fee that would have otherwise been owed by us to our Administrator was allocated to Land Advisers. This administration fee is payable by Land Advisers and is included within Administration Fee on the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018.
Gladstone Securities
On April 11, 2017, we entered into an agreement with Gladstone Securities, LLC ("Gladstone Securities"), effective beginning with the three months ended June 30, 2017, for it to act as our non-exclusive agent to assist us with arranging financing for our properties (the "Financing Arrangement Agreement"). Gladstone Securities is a privately-held broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Gladstone Securities is an affiliate of ours, as its parent company is owned and controlled by Mr. Gladstone, who also serves on the board of managers of Gladstone Securities.
Financing Arrangement Agreement
We pay Gladstone Securities a financing fee in connection with the services it provides to us for securing financing on our properties. Depending on the size of the financing obtained, the maximum amount of the financing fee, which will be payable upon closing of the respective financing, will range from 0.5% to 1.0% of the amount of financing obtained. The amount of the financing fee may be reduced or eliminated as determined by us and Gladstone Securities after taking into consideration various factors, including, but not limited to, the involvement of any unrelated

third-party brokers and general market conditions. We paid total financing fees to Gladstone Securities of approximately $57,000 and $59,000 during the three and nine months ended September 30, 2018, respectively, and approximately $28,000 and $30,000 during the three and nine months ended September 30, 2017, respectively. Through September 30, 2018, the total amount of financing fees paid to Gladstone Securities represented approximately 0.12% of the total financings secured since the Financing Arrangement Agreement has been in place.

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Dealer-Manager Agreement

On January 10, 2018, we entered into a dealer-manager agreement, which was amended and restated on May 31, 2018 (the "Dealer-Manager Agreement"), with Gladstone Securities, whereby Gladstone Securities serves as our exclusive dealer-manager in connection with the Primary Offering of our Series B Preferred Stock (each as defined in Note 7, "Equity—Series B Preferred Stock"). Under the Dealer-Manager Agreement, Gladstone Securities provides certain sales, promotional, and marketing services to us in connection with the offering of the Series B Preferred Stock, and we generally will pay Gladstone Securities: (i) selling commissions of up to 7.0% of the gross proceeds from sales of Series B Preferred Stock in the Primary Offering (the "Selling Commissions"), and (ii) a dealer-manager fee of 3.0% of the gross proceeds from sales of Series B Preferred Stock in the Primary Offering (the "Dealer-Manager Fee"). Gladstone Securities may, in its sole discretion, remit all or a portion of the Selling Commissions and may also reallow all or a portion of the Dealer-Manager Fees to participating broker-dealers and wholesalers in support of the Primary Offering. The terms of the Dealer-Manager Agreement were approved by our board of directors, including all of its independent directors. During the three and nine months ended September 30, 2018, we paid total selling commissions and dealer-manager fees to Gladstone Securities in connection with sales of the Series B Preferred Stock of approximately $890,000 and $940,000, respectively (of which approximately $843,000 and $890,000, respectively, were then remitted by Gladstone Securities to unrelated third-parties involved in the offering, including participating broker-dealers and wholesalers). Such fees are netted against the gross proceeds received from sales of the Series B Preferred Stock and are included within Additional paid-in capital on the accompanying Condensed Consolidated Balance Sheet.

Related-Party Fees

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

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Base management fee(1)(2)	$690 (3)	$523	$2,102 (3)	$1,446
Incentive fee(1)(2)	—	261	—	688
Capital gains fee(1)(2)	778	—	778	—
Credits from non-contractual, unconditional, and irrevocable waiver granted by Adviser's board of directors(2)	(796)	(54)	(970)	(54)
Total fees to our Adviser	$672	$730	$1,910	$2,080
Administration fee(1)(2)	$387 (4)	$211	$935 (4)	$656
Selling commissions and dealer-manager fees(1)(5)	$890	$—	$940	$—
Financing fees(1)(6)	57	28	59	30
Total fees to Gladstone Securities	$947	$28	$999	$30

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

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

(3) Includes the allocation of approximately $94,000 and $176,000 of the total accumulated costs incurred by our Adviser as a result of the crops harvested and sold on the farm operated by Land Advisers during the three and nine months ended September 30, 2018, respectively, as further described above under "TRS Expense Sharing Agreement." Excludes an additional $3,000 and $31,000 of accumulated costs incurred by our Adviser during the three and nine months ended September 30, 2018, respectively, pursuant to the TRS Expense Sharing Agreement. Such costs were allocated to crop inventory that was written down to zero during the nine months ended September 30, 2018, and are included within Loss on write-down of inventory on the accompanying Condensed Consolidated Statements of Operations (as discussed in more detail under "TRS Fee Arrangements—TRS Expense Sharing Agreement" above).

(4) Includes the portion of administration fee that was allocated to Land Advisers (approximately $18,000 and $48,000 for each of the three and nine months ended September 30, 2018, respectively), as further described above under "TRS Administration Fee Allocation."

(5) Included within Additional paid-in capital on the accompanying Condensed Consolidated Balance Sheet. Gladstone Securities remitted approximately $843,000 and $890,000 of these fees to unrelated third-parties involved in the offering (including participating broker-dealers and wholesalers) during the three and nine months ended September 30, 2018, respectively.

(6) Included within 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 September 30, 2018, and December 31, 2017, were as follows (dollars in thousands):

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	September 30, 2018		December 31, 2017
Management fee	$ 693	(1)	$ 666
Capital gains fee	778		—
Credits to fees[2]	(796)		—
Other[3]	9		16
Total due to Adviser	684		682
Administration fee	340	(4)	258
Total due to Administrator	340		258
Total due to related parties[5]	$ 1,024		$ 940

(1) Includes approximately $18,000 owed by Land Advisers to our Advisor, pursuant to the TRS Expense Sharing Agreement, as discussed above.

(2) The credit received from our Adviser during three months ended September 30, 2018, was granted as a non-contractual, unconditional, and irrevocable waiver to be applied as a credit against the following: (i) the portion of base management fee attributable to our Series B Preferred Stock (as defined in Note 7, "Equity," and which is included within Total Equity); (ii) the fees incurred by our Adviser on behalf of Land Advisers pursuant to the TRS Expense Sharing Agreement, as discussed above; and (iii) the capital gains fee earned by our Adviser.

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

(4) Includes approximately $18.308 owed by Land Advisers to our Administrator, in accordance with the TRS Administration Fee Allocation, as discussed above.

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

NOTE 7. EQUITY

Amendment to Articles of Incorporation

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

Stockholders' Equity

As of September 30, 2018, there were 6,500,000 shares of Series B Preferred Stock (as defined below), par value $0.001 per share, authorized, with 393,048 shares issued and outstanding worth an aggregate liquidation value of approximately $9.8 million; and 91,500,000 shares of common stock, par value $0.001 per share, authorized, with 16,070,616 shares issued and outstanding. As of December 31, 2017, there were 98,000,000 shares of common stock, par value $0.001 per share, authorized, with 13,791,574 shares issued and outstanding.

Non-Controlling Interests in Operating Partnership

We consolidate our Operating Partnership, which is a majority-owned partnership. As of September 30, 2018, and December 31, 2017, we owned approximately 96.0% and 93.2%, respectively, of the outstanding OP Units.

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

During the three and nine months ended September 30, 2018, 46,544 and 337,226 OP Units, respectively, were tendered for redemption. During the three months ended September 30, 2018, we issued 46,544 shares of common stock in exchange for 46,544 OP Units. During the nine months ended September 30, 2018, we issued 297,811 shares of common stock in exchange for 297,811 OP Units, and we satisfied the redemption of the remaining 39,415 OP

Units with a cash payment of approximately $521,000 (approximately $13.21 per OP Unit).

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 in exchange for shares of its common stock. When a non-Company unitholder redeems an OP Unit, non-controlling interest in the Operating Partnership is reduced, and stockholders' equity is increased.

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

As of September 30, 2018, and December 31, 2017, there were 670,879 and 1,008,105 OP Units held by non-controlling limited partners outstanding, respectively. As of September 30, 2018, all of the outstanding 670,879 OP Units were eligible to be tendered for redemption.

Registration Statement

On March 30, 2017, we filed a universal registration statement on Form S-3 (File No. 333-217042) with the SEC (the "2017 Registration Statement") to replace our previous registration statement, which expired on April 1, 2017. The 2017 Registration Statement, which was declared effective by the SEC on April 12, 2017, permits us to issue up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, warrants, debt securities, depository shares, subscription rights, and units, including through separate, concurrent offerings of two or more of such securities. Through September 30, 2018, we have issued a total of 3,675,306 shares of common stock (excluding 544,686 shares of common stock issued in exchange for certain OP Units that were tendered for redemption) for gross proceeds of approximately $45.8 million, and 393,048 shares of Series B Preferred Stock (as defined below) for gross proceeds of approximately $9.8 million under the 2017 Registration Statement.

2018 Equity Issuances

Series B Preferred Stock

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

During the nine months ended September 30, 2018, we completed the sale of 393,048 shares of the Series B Preferred Stock for gross proceeds of approximately $9.8 million and net proceeds (after deducting selling commissions and dealer-manager fees borne by us) of approximately $8.8 million. As of September 30, 2018, excluding selling commissions and dealer-manager fees, we have incurred approximately $576,000 of total costs related to this offering, which are initially recorded as deferred offering costs (included within Other assets, net on the accompanying Condensed Consolidated Balance Sheet) and are applied against the gross proceeds received from the offering through additional paid-in capital as shares of the Series B Preferred Stock are sold. See Note 10, "Subsequent Events," for sales of Series B Preferred Stock completed subsequent to September 30, 2018.

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

Common Stock

Secondary Offering

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

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on April 9, 2018, and resulted in gross proceeds of approximately $2.0 million and net proceeds (after deducting underwriting discounts and direct offering expenses borne by us) of approximately $1.9 million.

At-the-Market Program

On August 7, 2015, we entered into equity distribution agreements (commonly referred to as “at-the-market agreements,” or our “Sales Agreements”) with Cantor Fitzgerald & Co. and Ladenburg Thalmann & Co., Inc. (each a “Sales Agent”), under which we may issue and sell, from time to time and through the Sales Agents, shares of our common stock having an aggregate offering price of up to $30.0 million (the “ATM Program”). During the nine months ended September 30, 2018, we issued and sold 716,231 shares of our common stock at an average sales price of $12.90 per share under the ATM Program for gross proceeds of approximately $9.2 million and net proceeds of approximately $9.1 million. Through September 30, 2018, we have issued and sold a total of 1,324,867 shares of our common stock at an average sales price of $12.83 per share for gross proceeds of approximately $17.0 million and net proceeds of approximately $16.7 million.

Distributions

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Issuance	2018	2017	2018	2017
Series A Term Preferred Stock(1)	$0.3984375	$0.3984375	$1.1953125	$1.1953125
Series B Preferred Stock(2)	0.375	—	0.500	—
Common Stock(3)	0.13305	0.13200	0.39870	0.39150

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

(2) Of the dividends declared on the Series B Preferred Stock by our Board of Directors on July 10, 2018, approximately $49,000 was paid by us (as scheduled) on October 5, 2018. The resulting dividend payable is included within Accounts payable and accrued expenses on the accompanying Condensed Consolidated Balance Sheet as of September 30, 2018.

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

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Obligations

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

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

In connection with the follow-on lease we executed upon our acquisition of a 1,884-acre farm in Florida in August 2017 (which had a commencement date of February 24, 2018), and as amended on March 23, 2018, we committed to providing up to $2.5 million of capital for certain irrigation improvements on the farm, which improvements are expected to be completed by December 31, 2018. As stipulated in the follow-on lease agreement, we will earn additional rent on the total cost of the improvements as disbursements are made by us at a rate commensurate with the annual yield on the farmland (as determined by each year’s minimum cash rent per the lease). As of September 30, 2018, we have expended or accrued substantially all of the $2.5 million commitment related to this project.

In connection with the lease we executed upon our acquisition of a 361-acre farm in California in August 2017, we committed to providing up to $4.0 million of capital to fund the development of additional vineyard acreage on the farm, which development is expected to be completed by March 31, 2020. As stipulated in the lease agreement, we will earn additional rent

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on the total cost of the improvements as the funds are disbursed by us at an initial annual rate of 6.0%, which is subject to annual escalations. As of September 30, 2018, we have expended or accrued approximately $1.0 million related to this project.

In connection with a lease amendment we executed on one of our Oregon farms in May 2018, we committed to providing up to approximately $250,000 of capital for certain irrigation improvements on the farm, which are expected to be completed by June 30, 2019. As a result of this project, the lease amendment provides for additional, fixed rental payments that are subject to annual escalations. As of September 30, 2018, we have expended or accrued approximately $31,000 related to this project.

In connection with a new lease we executed on one of our California farms in June 2018, we committed to providing capital for certain irrigation improvements on the farm. These improvements are expected to cost approximately $425,000and are expected to be completed by December 31, 2019. To date, we have not expended or accrued anything related to this project.

In connection with the lease we executed upon our acquisition of five farms totaling 5,630 acres in Collier and Hendry Counties, Florida, in July 2018, we committed to providing up to $2.0 million of capital for certain irrigation improvements on the farms throughout the term of the lease, which expires on June 30, 2025. While no specific plans for such improvements have been developed yet, if and when any capital is deployed by us, as stipulated in the lease agreement, we will earn additional rent on the total cost of the improvements as disbursements are made by us at a rate commensurate with the annual yield on the farmland (as determined by each year's minimum cash rent per the lease). To date, we have not expended or accrued anything related to this project.

In connection with a new lease we executed on one of our California farms in July 2018 (which lease commenced on November 1, 2018), we committed to providing up to $75,000 of capital for certain irrigation improvements on the farm, which are expected to be completed by December 31, 2018. As of September 30, 2018, we have not expended or accrued any costs related to this project.

Ground Lease Obligations

In connection with two farms acquired on June 1, 2017, through a leasehold interest, we assumed two ground leases under which we are the lessee (with the State of Arizona as the lessor). During the three and nine months ended September 30, 2018, we recorded approximately $12,000 and $36,000, respectively, of lease expense (included as part of Property operating expenses on the accompanying Condensed Consolidated Statement of Operations) as a result of these ground leases. Future minimum lease payments due under the terms of these leases as of September 30, 2018, are as follows (dollars in thousands):

Period		Estimated Minimum Lease Payments Due[(1)]
For the remaining three months ending December 31:	2018	$ —
For the fiscal years ending December 31:	2019	47
	2020	47
	2021	47
	2022	30
	2023	30
	Thereafter	31
		$ 232

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

Litigation

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

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

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

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	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(Dollars in thousands, except per-share amounts)			
Net income (loss) attributable to common stockholders	$5,593	$ (221)	$3,551	$ 158
Weighted average shares of common shares outstanding – basic and diluted	16,057,952	12,271,925	15,181,761	10,512,968
Earnings (loss) per common share – basic and diluted	$0.35	$ (0.02)	$0.23	$ 0.01

The weighted-average number of OP Units held by non-controlling limited partners was 683,527 and 857,041, for the three and nine months ended September 30, 2018, respectively, and 1,444,435 and 1,447,633 for each of the three and nine months ended September 30, 2017, respectively.

NOTE 10. SUBSEQUENT EVENTS

Acquisition Activity

On November 1, 2018, we acquired a 951-acre farm in Madera County, California ("Sunnyside Avenue"), growing figs and pistachios for $23.0 million. At closing, we entered into an 8-year, triple-net lease agreement with the current tenant on the farm that also includes two, 5-year extension options. The lease, which consists of a fixed cash rent component plus a variable rent component based on the gross crop revenues earned on the farm, provides for minimum annualized, straight-line rents of approximately $1.2 million. We will account for this acquisition as an asset acquisition in accordance with ASC 360.

Leasing Activity

On October 15, 2018, the tenant on our 119-acre farm in Van Buren County, Michigan, informed us of its intent to vacate the premises, effective October 31, 2018. While the tenant was current in its rental payments through the date of his vacating the premises, the lease was originally scheduled to expire on April 20, 2020. We are currently in discussions with other potential tenants to operate the farm, and we are also exploring other options to recover the lost rental income that may be available to us. During the three and nine months ended September 30, 2018, we recorded rental income related to this property of approximately $28,000 and 85,000, respectively (including approximately $7,000 and $20,000 respectively, of accretion attributable to tenant-funded improvements on the property recorded in prior years).

In October 2018, we reached an agreement with the current tenant on our 61-acre farm in Hillsborough County, Florida, to terminate the lease (which was originally scheduled to expire on June 30, 2020) as of June 30, 2018, and entered into a new, one-year lease with a new tenant. The new lease, which commenced on July 1, 2018, and expires on June 30, 2019, provides for minimum straight line rent of 15,000, which represents a decrease of approximately $56,000 (approximately 78.8%) from that of the prior lease (before its termination).

Our lease on three farms in Van Buren County, Michigan, totaling 151 acres expired on November 4, 2018. We have reached an agreement with the current tenant to extend the term of the lease for an additional three years (through November 4, 2021) and amend the rental terms, which will result in a reduction in the minimum, straight-line rents in exchange for adding in a variable rent component based on the gross crop revenues earned on the farm over a certain threshold.

Financing Activity

In connection with the acquisition of Sunnyside Avenue, on November 1, 2018, we entered into a new loan agreement with Farm Credit West for $13.8 million. The loan is scheduled to mature on November 1, 2043, and will bear interest (before interest patronage) at a fixed rate of 5.61% per annum through October 31, 2028, thereafter converting to a variable rate unless another fixed rate is established. Gladstone Securities earned a financing fee of approximately $17,000 in connection with securing this financing.

Equity Activity

Sales of Series B Preferred Stock

Subsequent to September 30, 2018, through the date of this filing, we have sold 199,353 shares of the Series B Preferred Stock for gross proceeds of approximately $5.0 million and net proceeds of approximately $4.5 million.

Total selling commissions and dealer-manager fees earned by Gladstone Securities as a result of these sales were approximately $484,000 (of which

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approximately $459,000 was remitted by Gladstone Securities to unrelated third-parties involved in the offering, such as participating broker-dealers and wholesalers).

Distributions

On October 9, 2018, our Board of Directors declared the following monthly cash distributions to holders of our preferred and common stock:

Issuance	Record Date	Payment Date	Distribution per Share
Series A Term Preferred Stock:	October 19, 2018	October 31, 2018	$ 0.1328125
	November 20, 2018	November 30, 2018	0.1328125
	December 20, 2018	December 31, 2018	0.1328125
Total Series A Term Preferred Stock Distributions:			$ 0.3984375
Series B Preferred Stock:	October 23, 2018	October 31, 2018	$ 0.125
	November 20, 2018	November 30, 2018	0.125
	December 26, 2018	January 3, 2019	0.125
Total Series B Preferred Stock Distributions:			$ 0.375
Common Stock:	October 19, 2018	October 31, 2018	$ 0.04440
	November 20, 2018	November 30, 2018	0.04440
	December 20, 2018	December 31, 2018	0.04440
Total Common Stock Distributions:			$ 0.13320

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, 2017 (the "Form 10-K"). We caution readers not to place undue reliance on any such forward-looking statements, which are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q (the "Quarterly Report"), except as required by law.

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

OVERVIEW

General

We are an externally-managed, agricultural real estate investment trust ("REIT") that is engaged in the business of owning and leasing farmland. We are not a grower of crops, nor do we typically farm the properties we own. We currently own 83 farms comprised of 68,777 acres across 9 states in the U.S. (Arizona, California, Colorado, Florida, Michigan, Nebraska, North Carolina, Oregon, and Washington). We also own several farm-related facilities, such as cooling facilities, packinghouses, processing facilities, and various storage facilities.

We conduct substantially all of our activities through, and all of our properties are held, directly or indirectly, by, Gladstone Land Limited Partnership (the "Operating Partnership"). Gladstone Land Corporation controls the sole general partner of the Operating Partnership and currently owns, directly or indirectly, approximately 96.0% of the units of limited partnership interest in the Operating Partnership ("OP Units"). In addition, we have elected for Gladstone Land Advisers, Inc. ("Land Advisers"), a wholly-owned subsidiary of ours, to be treated as a taxable REIT subsidiary ("TRS").

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

Portfolio Diversity

Since our initial public offering in January 2013 (the "IPO"), we have expanded our portfolio from 12 farms leased to 7 different, unrelated tenants to a current portfolio of 83 farms leased to 56 different, unrelated tenants. While our focus remains in farmland suitable for growing fresh produce annual row crops, we have also diversified our portfolio into farmland suitable for other crop types, including permanent crops (e.g., almonds, blueberries, pistachios, and wine grapes) and certain commodity crops (e.g., beans and corn). The following table summarizes the different sources of revenues for our properties owned and with leases in place as of and for the nine months ended September 30, 2018 and 2017 (dollars in thousands):

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Revenue Source	As of and For the Nine Months Ended September 30, 2018				As of and For the Nine Months Ended September 30, 2017				Annualized Straight-line Rent as of September 30, 2018[(1)]	
	Total Farmable Acres	% of Total Farmable Acres	Rental Revenue	% of Total Rental Revenue	Total Farmable Acres	% of Total Farmable Acres	Rental Revenue	% of Total Rental Revenue	Total Rental Revenue	% of Total Rental Revenue
Annual, biennial, and short-lived perennial crops – fresh produce[(2)]	17,346	32.2%	$11,221	52.6%	14,935	30.1%	$10,926	59.7%	$16,558	55.8%
Annual, biennial, and short-lived perennial crops – commodity crops[(3)]	30,137	56.0%	2,895	13.6%	28,851	58.1%	2,645	14.4%	4,118	13.9%
Subtotal – Total annual, biennial, and short-lived perennial crops	47,483	88.2%	14,116	66.2%	43,786	88.2%	13,571	74.1%	20,676	69.7%
Permanent (long-lived perennial) crops[(4)]	6,361	11.8%	5,823	27.3%	5,881	11.8%	3,272	17.9%	7,111	24.0%
Subtotal – Total crops	53,844	100.0%	19,939	93.5%	49,667	100.0%	16,843	92.0%	27,787	93.7%
Facilities and other[(5)]	—	—	1,394	6.5%	—	—	1,459	8.0%	1,870	6.3%
Total	53,844	100.0%	$21,333	100.0%	49,667	100.0%	$18,302	100.0%	$29,657	100.0%

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

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

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

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

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

The acquisition of additional farms since our IPO has also allowed us to further diversify our portfolio geographically. The following table summarizes the different geographic locations of our properties owned and with leases in place as of and for the nine months ended September 30, 2018 and 2017 (dollars in thousands):

As of and For the	As of and For the	Annualized Straight-line Rent as of

State	Nine Months Ended September 30, 2018				Nine Months Ended September 30, 2017				September 30, 2018[1]	
	Total Acres	% of Total Acres	Total Rental Revenue	% of Total Rental Revenue	Total Acres	% of Total Acres	Rental Revenue	% of Total Rental Revenue	Total Rental Revenue	% of Total Rental Revenue
California[2]	8,435	12.4%	$9,880	46.3%	7,921	12.8%	$8,749	47.8%	$13,251	44.7%
Florida	17,184	25.3%	5,790	27.1%	11,225	18.2%	4,839	26.5%	9,406	31.7%
Colorado	31,448	46.4%	2,057	9.7%	30,170	48.8%	2,018	11.0%	2,743	9.3%
Arizona	6,280	9.3%	1,425	6.7%	6,280	10.2%	1,114	6.1%	2,152	7.3%
Oregon	418	0.6%	765	3.6%	2,313	3.7%	887	4.8%	511	1.7%
Washington	746	1.1%	596	2.8%	746	1.2%	31	0.2%	484	1.6%
Nebraska	2,559	3.8%	435	2.0%	2,559	4.2%	435	2.4%	580	2.0%
Michigan	446	0.7%	270	1.3%	270	0.4%	187	1.0%	399	1.3%
North Carolina	310	0.4%	115	0.5%	310	0.5%	42	0.2%	131	0.4%
	67,826	100.0%	$21,333	100.0%	61,794	100.0%	$18,302	100.0%	$29,657	100.0%

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

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

Leases

General

Most of our leases are on a triple-net basis (an arrangement under which, in addition to rent, the tenant is required to pay the related taxes, insurance costs (including drought insurance if we were to acquire properties that depend upon rainwater for irrigation), maintenance, and other operating costs) and generally have original terms ranging from 3 to 10 years for farms growing row crops and 5 to 15 years for farms growing permanent crops (in each case, often with options to extend the lease further). Rent is generally payable to us in advance on either an annual or semi-annual basis, and such rent amount is typically subject to certain periodic escalation clauses provided for within the lease. Currently, excluding 2 farms that are vacant, our

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farms are leased under agricultural leases with original terms ranging from 1 to 20 years, with 56 farms leased on a pure, triple-net basis, 23 farms leased on a partial-net basis (with us, as landlord, responsible for all or a portion of the related property taxes), and 2 farms leased on a gross basis (with the landlord responsible for the related property taxes, insurance, and maintenance on the property). Additionally, 19 of our farms are leased under agreements that include a variable rent component based on the gross revenues earned on the respective farms.

Lease Expirations

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

Year	Number of Expiring Leases		Expiring Leased Acreage	% of Total Acreage	Rental Revenue for the Nine Months Ended September 30, 2018	% of Total Rental Revenue
2018	5	(1)	3,949	5.8%	$ 703	3.3%
2019	7	(2)	1,979	2.9%	493	2.3%
2020	10	(3)	28,774	42.4%	5,096	23.9%
2021	6		8,396	12.4%	1,768	8.3%
2022	2		269	0.4%	520	2.4%
2023	5		5,151	7.6%	3,602	16.9%
Thereafter	24		19,147	28.2%	8,739	41.0%
Other(4)	—		161	0.3%	412	1.9%
Totals	59		67,826	100.0%	$ 21,333	100.0%

(1) Includes one oil and gas lease that continues on a year-to-year basis, for which we recorded rental revenue of approximately $8,000 and $24,000 during the three and nine months ended September 30, 2018, respectively, and one agricultural lease that was extended for an additional three years (through November 4, 2021) subsequent to September 30, 2018 (see “Recent Developments—Portfolio Activity—Existing Properties—Leasing Activity” below for further discussion on this and other recent leasing activity).

(2) Includes one communications services lease and one residential lease, for which we recorded aggregate rental revenues of approximately $3,000 and $9,000 during the three and nine months ended September 30, 2018, respectively.

(3) Includes one agricultural lease originally scheduled to expire on April 20, 2020 for which the tenant notified us subsequent to September 30, 2018, of its intent to vacate the property effective October 31, 2018. We recorded rental revenue of approximately $28,000 and 85,000 during the three and nine months ended September 30, 2018, respectively (including approximately $7,000 and $20,000, respectively, of accretion attributable to tenant-funded improvements on the property recorded in prior years).

(4) Includes one farm that is currently vacant, for which we recorded rental revenue of approximately $7,000 and $11,000 during the three and nine months ended September 30, 2018, respectively, and one farm that was sold during the three months ended September 30, 2018, for which we recorded rental revenue of approximately $19,000 and $401,000 during the three and nine months ended September 30, 2018, respectively, prior to its sale.

We currently have four agricultural leases scheduled to expire within the next six months. We are currently in negotiations with the existing tenants on each of these farms, as well as other potential tenants, and we anticipate being able to renew each of the leases at their respective current market rental rates without incurring any downtime on any of the farms. In addition, we have two properties that are currently vacant: (i) a 161-acre farm in California, on which we anticipate executing a new, long-term lease during the three months ending December 31, 2018; and (ii) a 119-acre farm in Michigan, on which the tenant notified us subsequent to September 30, 2018, of his intent to vacate the premises, effective October 31, 2018. We are currently in discussions with other potential tenants to operate the farm in Michigan, and we are also exploring options to recover the lost rental income that may be available to us. Regarding all upcoming lease expirations and current vacancies, there can be no assurance that we will be able to renew the existing leases or execute new leases at rental rates favorable to us, if at all, or be able to find replacement tenants, if necessary.

Recent Developments

Portfolio Activity

Property Acquisitions

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

Property Name	Property Location	Acquisition Date	Total Acreage	No. of Farms	Primary Crop(s)	Lease Term	Renewal Options	Total Purchase Price	Acquisition Costs(1)	Annualized Straight-line Rent(2)
Owl Hammock	Collier & Hendry, FL	7/12/2018	5,630	5	Vegetables and Melons	7.0 years	2 (5 years)	$37,350	$ 192	$ 2,148
Plantation Road	Jackson, FL	9/6/2018	574	1	Peanuts and Melons	2.3 years	None	2,600	35	142
Flint Avenue	Kings, CA	9/13/2018	194	2	Cherries	15.3 years	1 (5 years)	6,850	58	523
Sunnyside Ave	Madera, CA	11/1/2018	951	1	Figs and Pistachios	8.0 years	2 (5 years)	23,000	26	1,238
			7,349	9				$69,800	$ 311	$ 4,051

(1) Acquisitions were accounted for as asset acquisitions in accordance with Accounting Standards Codification 360, “Property, Plant, and Equipment.” As such, all acquisition-related costs were capitalized and allocated among the identifiable assets acquired. The figures above represent only costs paid or accrued for as of the date of this filing.

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

Existing Properties

Property Sale

On July 10, 2018, we completed the sale of our 1,895-acre farm in Morrow County, Oregon (“Oregon Trail”), to the existing tenant for $20.5 million. Including closing costs and the write-off of a deferred rent asset balance of approximately $154,000, we recognized a net gain on the sale of approximately $6.4 million, which is recorded in Gain (loss) on dispositions of real estate assets, net on the accompanying Condensed Consolidated Statements of Operations. Proceeds from this sale were used to acquire Owl Hammock (as described above) as part of a like-kind exchange under Section 1031 of the Code.

Leasing Activity

Since July 1, 2018, we have had the following leasing activity on our existing properties:

On August 28, 2018, we reached an agreement with the current tenant on our 72-acre farm in Santa Cruz, California, to terminate the lease (which was originally scheduled to expire on October 31, 2020) on October 31, 2018, and simultaneously entered into a new, 10-year lease with a new, unrelated third-party tenant. The new lease commenced on November 1, 2018, and provides for annualized minimum straight-line rent of approximately $200,000, which represents an increase of approximately $41,000 (approximately 26.0%) over that of the prior lease.

On August 30, 2018, we amended the lease on our 164-acre farm in Ventura County, California, to exclude certain hillside acreage from the lease. The amendment resulted in a decrease in annualized minimum straight-line rent of approximately $62,000 (approximately 16.2%) from that of the original lease.

In October 2018, we reached an agreement with the current tenant on our 61-acre farm in Hillsborough County, Florida, to terminate the lease (which was originally scheduled to expire on June 30, 2020) as of June 30, 2018, and entered into a new, one-year lease with a new tenant. The new lease, which commenced on July 1, 2018, and expires on June 30, 2019, provides for minimum straight line rent of 15,000 which represents a decrease of approximately $56,000 (approximately 78.8%) from that of the prior lease (before its termination).

Our lease on three farms in Van Buren County, Michigan, totaling 151 acres expired on November 4, 2018, and we have reached an agreement with the current tenant to extend the term of the lease for an additional three years (through November 4, 2021) and amend the rental terms. The new lease is expected to provide for annualized minimum, straight-line rents of approximately $56,000, which represents a decrease of approximately $76,000 (approximately 57.4%) from that of the prior lease; however, the new lease is also expected to provide for a variable rent component based on the gross crop revenues earned on the farm over a certain threshold. In addition, we anticipate committing to provide up to $100,000 of total capital for certain improvements to the blueberry bushes and irrigation systems on the farm.

TRS Lease Assumption

On October 17, 2017, Land Advisers entered into an Assignment and Assumption of Agricultural Lease (the “Assigned TRS Lease”) with the previously-existing tenant on one of our farms located in Ventura County, California. The Assigned TRS Lease, as amended, expired on July 31, 2018. In addition, in connection with the initial operations on the farm, on October 17, 2017, Land Advisers issued a $1.7 million unsecured promissory note to the Company that matured on July 31, 2018, and bore interest at a rate equal to the prime rate plus a spread of 5.0% per annum.
During the three and nine months ended September 30, 2018, revenues from the sale of harvested crops were approximately $2,000 and $7.3 million, respectively, and costs allocated to these sales totaled approximately $175,000 and $7.7 million,

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respectively (excluding the allocation of a fee earned by our Adviser from Land Advisers of approximately $15,000 and $176,000, respectively, which is included within Management fee on the accompanying Condensed Consolidated Statement of Operations). These amounts (excluding the portion of the fee earned by our Adviser from Land Advisers) are included within Other operating revenues and Other operating expenses, respectively, on the accompanying Condensed Consolidated Statement of Operations. In addition, during the nine months ended September 30, 2018, we had approximately $1.1 million of unsold crops on the farm, including approximately $31,000 of unallocated fees earned by our Adviser from Land Advisers (see Note 6, "Related-Party Transactions—TRS Fee Arrangements" within the accompanying notes to our condensed consolidated financial statements for further discussion on this fee). However, due to certain market conditions during the nine months ended September 30, 2018 (primarily the existence of bumper crops in all of the strawberry-growing regions within California), we were unable to sell all of the crops and therefore assessed the market value of such unsold crops to be zero. Accordingly, we wrote down the cost of crop inventory to its estimated net realizable value of zero and recorded a loss during the three and nine months ended September 30, 2018, of approximately $33,000 and $1.1 million, respectively (including approximately $3,000 and $31,000, respectively, of accumulated costs incurred by our Adviser that were allocated to these unsold crops (see Note 6, "Related-Party Transactions—TRS Lease Assumption—TRS Fee Arrangements—TRS Expense Sharing Agreement" within the accompanying notes to our condensed consolidated financial statements)), included within Loss on write-down of inventory on the accompanying Condensed Consolidated Statement of Operations.

During the three and nine months ended September 30, 2018, our Adviser granted Land Advisers non-contractual, unconditional, and irrevocable waivers of approximately $16,000 and $190,000, respectively, to be applied as credits against a portion of the fees incurred by our Adviser on behalf of Land Advisers pursuant to the TRS Expense Sharing Agreement (as defined in Note 6, "Related-Party Transactions—TRS Lease Assumption," within the accompanying Notes to Condensed Consolidated Financial Statements).

The rent owed to us from Land Advisers as a result of the Assigned TRS Lease, the principal balance of the promissory note Land Advisers issued to us (and the interest owed thereon), and all such related amounts have been eliminated in consolidation, and, as a result, no rental or interest income from Land Advisers was recorded by us on the Condensed Consolidated Statement of Operations during the three and nine months ended September 30, 2018.

Financing Activity

Debt Activity

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

Lender[1]	Date of Issuance	Principal Amount	Maturity Date	Principal Amortization	Stated Interest Rates[2]		Interest Rate Terms(2)
Farm Credit FL	7/12/2018	$ 16,850	8/1/2043	25.0 years	5.38%	(3)	Fixed through July 31, 2025 (variable thereafter)
Farm Credit FL	7/17/2018	5,560	8/1/2043	25.0 years	5.38%	(3)	Fixed through July 31, 2025 (variable thereafter)
Farmer Mac	7/30/2018	10,356	7/24/2025	None	4.45%		Fixed throughout its term
Farmer Mac	8/17/2018	7,050	8/17/2021	None	4.06%		Fixed throughout its term
SWGA Farm Credit	9/6/2018	1,560	10/1/2043	25.0 years	5.06%		Fixed through October 1, 2023 (variable thereafter)
Farmer Mac	9/13/2018	4,110	9/13/2028	96.9 years	4.57%		Fixed throughout its term
Farm Credit West	11/1/2018	13,800	11/1/2043	25.0 years	5.61%	(4)	Fixed through October 31, 2028 (variable thereafter)

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

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

(3)

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

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

Proceeds from these financings were used to fund new acquisitions, repay existing indebtedness, and for general corporate purposes. Gladstone Securities, LLC, (“Gladstone Securities”), an affiliate of ours, earned total financing fees of approximately $74,000 in connection with securing these financings.

Equity Activity

OP Unit Redemptions

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From July 1, 2018, through the date of this filing, a total of 46,544 OP Units were tendered for redemption, and we satisfied the redemption by issuing 46,544 shares of common stock (in exchange for 46,544 of the tendered OP Units). Currently, there are 670,879 OP Units held by non-controlling limited partners outstanding and eligible to be tendered for redemption.

Series B Preferred Stock

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

From July 1, 2018, through the date of this filing, we sold 572,121 shares of the Series B Preferred Stock for gross proceeds of approximately $14.2 million and net proceeds (after deducting selling commissions and dealer-manager fees borne by us) of approximately $12.9 million. Aggregate selling commissions and dealer-manager fees paid to Gladstone Securities as a result of these sales were approximately $1.4 million (of which approximately $1.3 million was remitted by Gladstone Securities to unrelated third-parties involved in the offering, such as participating broker-dealers and wholesalers).

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

Common Stock 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").

From July 1, 2018, through the date of this filing, we sold 200 shares of our common stock under the ATM Program at an average sales price of $12.75 per share for gross and net proceeds of approximately $3,000. To date, we have sold 1,324,867 shares of our common stock at an average sales price of $12.83 per share under the ATM Program for gross proceeds of approximately $17.0 million and net proceeds (after deducting offering expenses borne by us) of approximately $16.7 million.

Our Adviser and Administrator

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

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

Critical Accounting Policies

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

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RESULTS OF OPERATIONS

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

- With regard to the comparison between the three months ended September 30, 2018 versus 2017:

Same-property basis represents properties owned as of June 30, 2017, and were not vacant at any point during either period presented;

Properties acquired during the prior-year period are properties acquired during the three months ended September 30, 2017;

Properties acquired subsequent to prior-year period are properties acquired subsequent to September 30, 2017 (including one farm acquired during the three months ended March 31, 2018, which was purchased without a lease in place and was mostly vacant during a majority of the period); and

Disposed of, vacant, or self-operated farms represent properties that were either (i) disposed of during either period presented, (ii) vacant (either wholly or partially) at any point during either period presented, or (iii) operated by a wholly-owned subsidiary of ours (in which case no rental revenue would have been recognized on our consolidated statements of operations). We did not have any vacancies on any properties included in the same-property analysis during either of the three months ended September 30, 2018 or 2017; however, we did sell one property during the three months ended September 30, 2018. In addition, one of our farms was leased to Land Advisers during a portion of the three months ended September 30, 2018.

- With regard to the comparison between the nine months ended September 30, 2018 versus 2017:

Same-property basis represents properties owned as of December 31, 2016, and were not vacant at any point during either period presented;

Properties acquired during the prior-year period are properties acquired during the nine months ended September 30, 2017;

Properties acquired subsequent to prior-year period are properties acquired subsequent to September 30, 2017 (including one farm acquired during the three months ended March 31, 2018, which was purchased without a lease in place and was mostly vacant during a majority of the period); and

Disposed of, vacant, or self-operated farms represent properties that were either (i) disposed of during either period presented, (ii) vacant (either wholly or partially) at any point during either period presented, or (iii) operated by a wholly-owned subsidiary of ours (in which case no rental revenue would have been recognized on our consolidated statements of operations). We did not have any vacancies on any properties included in the same-property analysis during either of the nine months ended September 30, 2018 or 2017; however, we did sell one property during the three months ended September 30, 2018. In addition, one of our farms was leased to Land Advisers during the majority of the nine months ended September 30, 2018.

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

	For the Three Months Ended September 30,			
	2018	2017	$ Change	% Change
Operating revenues:				
Rental revenue	$8,013	$6,561	$1,452	22.1%
Tenant recovery revenue	2	3	(1)	(33.3)%
Other operating revenues	2	—	2	NM
Total operating revenues	8,017	6,564	1,453	22.1%
Operating expenses:				
Depreciation and amortization	2,374	2,051	323	15.7%
Property operating expenses	621	267	354	132.6%
Management, incentive, and capital gains fees, net of credits	672	730	(58)	(7.9)%
Administration fee	387	211	176	83.4%
General and administrative expenses	443	386	57	14.8%
Other operating expenses	175	—	175	NM
Total operating expenses, net of credits	4,672	3,645	1,027	28.2%
Operating income	3,345	2,919	426	14.6%
Other income (expense):				
Other income	1	4	(3)	(75.0)%
Interest expense	(3,082)	(2,634)	(448)	17.0%
Dividends declared on Series A Term Preferred Stock	(458)	(458)	—	—%
Gain (loss) on dispositions of real estate assets, net	6,247	(78)	6,325	8,109.0%
Loss on write-down of inventory	(33)	—	(33)	NM
Total other income (expense), net	2,675	(3,166)	5,841	(184.5)%
Net income (loss)	6,020	(247)	6,267	(2,537.2)%
Net (income) loss attributable to non-controlling interests	(337)	26	(363)	(1,396.2)%
Net income (loss) attributable to the Company	5,683	(221)	5,904	(2,671.5)%
Dividends declared on Series B Preferred Stock	(90)	—		